MITSUBISHI MATERIALS

Challenge to become the World's Leading Business Group

Annual Report 2016

For the year ended, March 31, 2016

Corporate Profile

As a comprehensive materials manufacturer, the Mitsubishi Materials Group focuses on the supply of basic materials indispensable to the world.

The Group has established operating bases in about 30 countries and regions worldwide while developing a vast array of businesses centered on cement, metals, cemented carbide tools and electronic materials.

The Group will contribute to People, Society and the Earth by further maximizing cross-business synergies to provide high-value-added products that meet today's needs.

Cautionary Statement with Respect to Forward-Looking Statements

Statements made in this annual report with respect to Mitsubishi Materials' plans, strategies and beliefs, and other statements that are not historical facts are forward-looking statements about the future performance of Mitsubishi Materials which are based on management's assumptions and beliefs in light of the information currently available to it, and involve risks and uncertainties. Potential risks and uncertainties include, without limitation, general economic conditions in Mitsubishi Materials' markets; industrial market conditions; exchange rates, particularly between the yen and the U.S. dollar, and other currencies in which Mitsubishi Materials makes significant sales or in which Mitsubishi Materials' assets and liabilities are denominated; and Mitsubishi Materials' ability to continue to win acceptance of its products and services, which are offered in highly competitive markets characterized by continual new product introductions, rapid developments in technology and changing customer preferences.

Contents

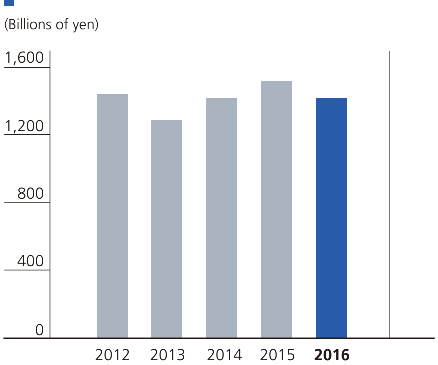
Consolidated Financial Highlights

Mitsubishi Materials Corporation and Consolidated Subsidiaries
Years ended March 31, 2016, 2015, and 2014

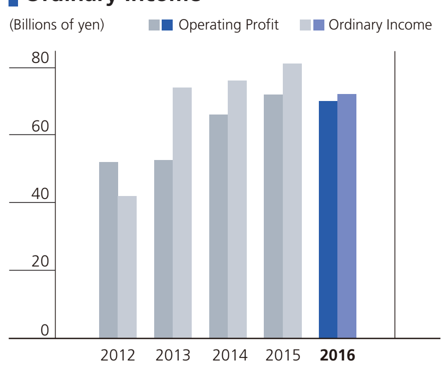
	Millions of yen			Thousands of U.S. dollars
	2016	2015	2014	**2016**
For the year:				
Net Sales	**1,417,895**	¥1,517,265	¥1,414,796	**$12,583,382**
Operating profit	**70,420**	71,871	66,281	**624,960**
Ordinary income (Under Japanese GAAP)	**72,442**	81,093	76,902	**642,906**
Net income attributable to owners of parent	**61,316**	56,147	52,551	**544,167**
At year-end:				
Total assets	**1,793,375**	¥1,898,157	¥1,778,505	**$15,915,654**
Total net assets	**645,017**	629,514	525,707	**5,724,330**
Per share data (in yen, dollars):				
Net income (basic)	**46.8**	¥42.8	¥40.1	**$0.41**
Net assets	**423.8**	420.3	348.5	**3.76**
Cash dividend applicable to the year	**10.0**	8.0	6.0	**0.08**
Ratios (%):				
Return on assets (ROA)	**3.4**	3.0	3.0	
Return on equity (ROE)	**9.5**	8.9	10.0	

Notes:
1. Note: U.S. dollar amounts are translated from yen at the rate of ¥112.68 to US$1, the approximate exchange rate as of March 31, 2016.
2. Amounts of less than one million yen have been omitted. As a result, the total amounts in Japanese yen and translated U.S. dollars shown in the consolidated financial statements and notes to the consolidated financial statements do not necessarily agree with the sum of the individual amounts.
3. ROA = Net income attributable to owners of parent / Total assets.
4. ROE = Net income attributable to owners of parent / Total net assets.

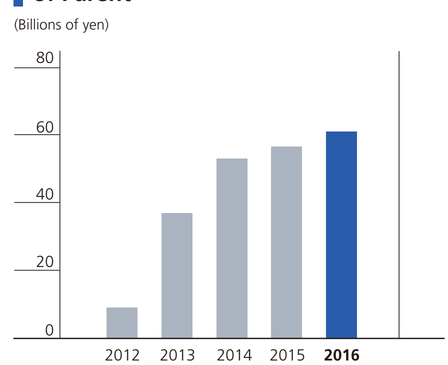
Net Sales



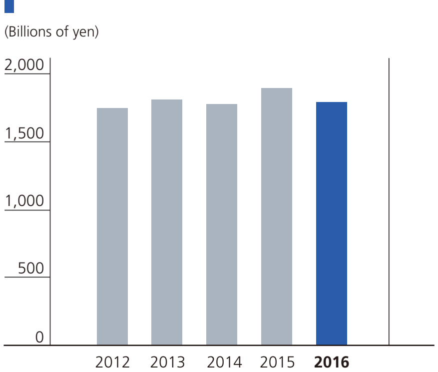
Operating Profit/ Ordinary Income



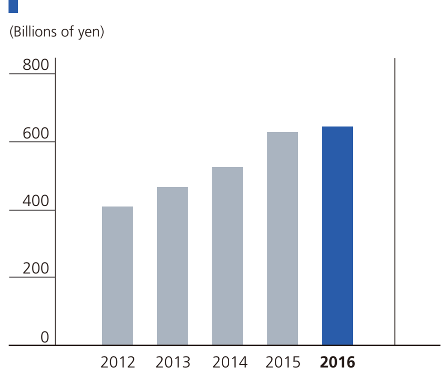
Net Income Attributable to Owners of Parent



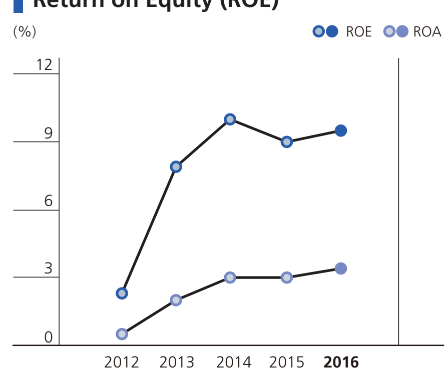
Total Assets



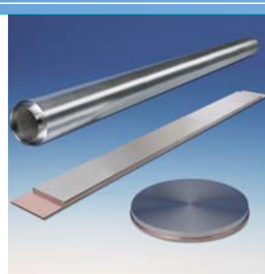
Total Net Assets



Return on Assets (ROA)/ Return on Equity (ROE)

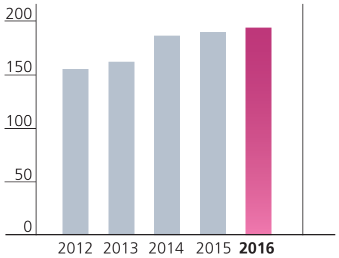


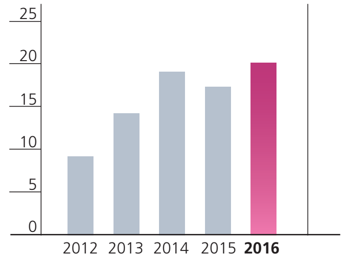
At a Glance

Segment		Share of Net Sales (FY2016)	Major Products and Services
Cement		13.7 %	Portland cement Cement-related products Ready-mixed concrete
Metals		48.0 %	Copper mines Copper and copper alloy products Precious metals
Advanced Materials & Tools		9.4 %	Cemented carbide products Sintering Parts
Electronic Materials & Components		4.0 %	Advanced materials Chemical products Electronic components Polycrystalline silicon
Aluminum		11.1 %	Aluminum beverage cans Rolled or extruded aluminum products Processed aluminum products
Others		13.9 %	Environment- and recycling-related products Fossil fuels Nuclear energy-related services Engineering, real estate, etc.

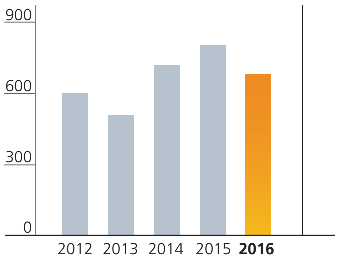
* As of April 1, 2014, the precious metals business, which had been included in the Others business, was integrated into the Metals business. Segment information for the fiscal year ended March 31, 2014 has also been adjusted to reflect the segment change, while information for the fiscal year ended March 31, 2013 and prior does not reflect the segment change.

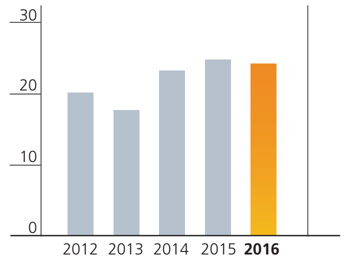
Net Sales (Billions of yen) | **Operating Profit** (Billions of yen) | **Profile**



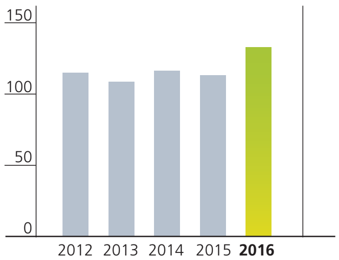


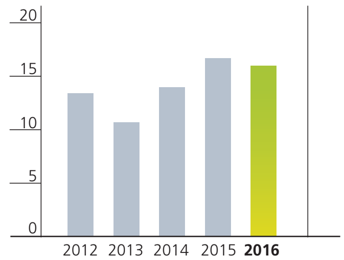
The Cement business has built a business framework that encompasses the production and sale of each type of cement, along with ready-mixed concrete and cement-related products, both in Japan and overseas. We are also contributing to a resource-recycling society by actively promoting the recycling of waste materials and byproducts.



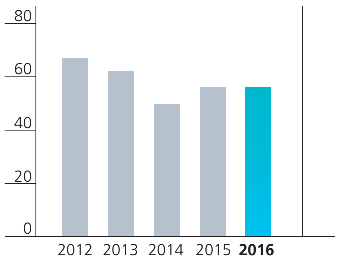


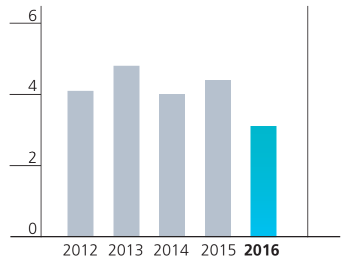
The Metals business develops its operations based on the pillars of copper mine development, smelting, processing, as well as the production and sale of precious metals and bullions. In recent years, we have been investing in copper mines, augmenting recycling operations in the copper smelting business, and reinforcing the global expansion of the copper and copper alloy products business. These initiatives enable the Metals business to steadily manufacture and sell high-performance, high-quality copper products.



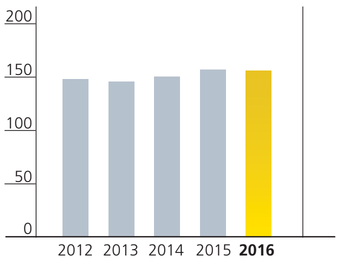


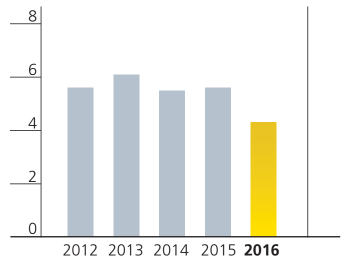
The Advanced Materials & Tools business provides core components, materials and other products to customers around the world primarily in the automotive and aircraft markets. Such products include cemented carbide tools, which are indispensable for the metal processing of various components, as well as engines and transmissions. We have also been focusing its energy in recent years on recycling raw materials, including tungsten.



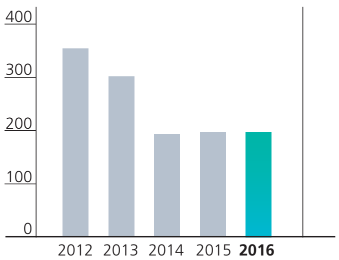


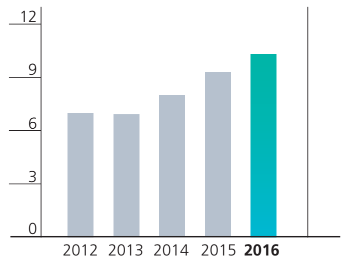
The Electronic Materials & Components business provides the market with products that meet the needs of such growth areas as sputtering targets for organic electroluminescent (EL) displays and solar cells, as well as electronic components used in energy-saving models of air conditioners and refrigerators, both of which are gaining in popularity in emerging countries. In addition, we supplies the market with polycrystalline silicon, which is used as a raw material to produce silicon wafers for semiconductors. This material features a superior "Eleven 9s" level of purity thanks to unsurpassed purification technology.





The Aluminum business is engaged in the manufacturing and sale of products for a wide array of segments and with various uses, including aluminum cans for beverages, automobile components, materials used by the electric and electronics industries and everyday items. Furthermore, the Company focuses on recycling raw materials through the construction of a uniform processing system that encompasses everything from the collection of used beverage cans (UBC) to the casting of recycled aluminum.





In its Others business, Mitsubishi Materials is promoting developments in areas that include geothermal, hydro, and solar power generation which provide green, renewable non-CO_2-emitting energy sources; the home appliance recycling business, which contributes to the development of a recycling society and the engineering business, which undertakes the MMC Group's civil engineering and construction operations.

Message from the President

We aim to become "the world's leading business group committed to supporting a recycling-oriented society" by steadily implementing Companywide growth strategies while properly responding to changes in the business environment.

June 29, 2016
Akira Takeuchi, President

Fiscal 2016 Summary

During the fiscal year ended March 31, 2016, activity in China and other emerging markets showed signs of weakness, while a slowdown of economic growth appeared in other countries, including the United States. The Japanese economy also showed signs of slowdown from the latter half of the fiscal year, due to sluggish production and individual consumption, although employment and income conditions continued to improve.

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

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

As a result, consolidated net sales for the fiscal year amounted to ¥1,417,895 million, down 6.5% from the previous fiscal year. Operating profit decreased 2.0% to ¥70,420 million, and ordinary income decreased 10.7% to ¥72,442 million. Net income attributable to owners of parent increased 9.2% to ¥61,316 million.

Progress on the Medium-Term Management Plan

In the medium-term management plan, in regard to the Companywide growth strategy of fortifying the foundation for growth, we accelerated business selection and focus. The main accomplishments of the first and second years are below.

Key Strategic Investments

Cement

- Expanded limestone crushed sand production capabilities in the Kyushu plant
- Expanded recycling capacity for waste gypsum board powder at the Kyushu plant

Metals

- Expanded E-Scrap receiving and processing capabilities in the Naoshima Smelter and Refinery

Advanced Materials & Tools

- Acquired 51% of shares in Hitachi Tool Engineering Ltd, converted company to consolidated subsidiary
- Began work to increase cemented carbide end mill production capacity and produce cemented carbide drills in Indonesia (operations are slated to commence in October 2016)

Key Business Restructuring, Sale of Shares

Cement

- Spun off Mitsubishi Materials Kenzai Corp. and transferred business
- Conducted share exchange of all shares in Tokyo Hoso Kogyo Co., Ltd. and transferred business

Metals

- Expanded scope of joint venture in cable business of Mitsubishi Cable Industries, Ltd.

Advanced Materials & Tools

- Sold partial shares in MMC Superalloy Corp.

Electronic Materials & Components

- Sold partial shares of common stock in SUMCO Corp.

In addition, in regard to the strategy of "strengthening global competitiveness", we expanded overseas business in expected growth markets. The main accomplishments are below.

Key Initiatives Related to Overseas Business Expansion

Cement

- Commenced operations of new aggregate mine (Hubs aggregate mine) in South California
- Acquired factory site for new ready-mixed concrete plant in Northwestern of Los Angeles

Metals

- Established E-Scrap recycling business division in the United States

Advanced Materials & Tools

- Expanded cemented carbide sales bases (one in Turkey, four in China, one in Vietnam, and one in India)
- Began to enhance cemented carbide production bases in the United States and Spain
- Commenced manufacture of sintering parts in Indonesia

Electronic Materials & Components

- Began production of thermistor sensors in Laos

Aluminum

- Started production of extruded aluminum heat exchanger materials (multi-port tubes) in India

Companywide

- Converted a supervisory office to a local subsidiary managing operations in South and Southeast Asia, and expanded its functions and networks

Furthermore, as for our financial position, we strove to minimize interest-bearing debt and improved net D/E ratio to 0.8 times. In our forecast for fiscal 2017, we expect to achieve our medium-term target of 1.0 times or lower.

For the final year of the current mid-term management plan, we forecast almost all of the assumptions to worsen, such as copper prices, exchange rates, demand for cement in Japan and the United States, and dividends from copper mines.

In addition, as for our financial strategy going forward, we continue to consider policies of the next medium-term management plan to reflect an appropriate balance between growth investment, financial position and shareholder returns.

Outlook for 2017

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

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

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

In this environment and under our Corporate Philosophy "For People, Society and the Earth," the Group is uniting and steadily implementing the growth strategies set out in the medium-term management plan (FY2015–2017) and its long-term management policy, which looks toward the early 2020s.

To Our Shareholders and Investors

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

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

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

Special Feature:

Mitsubishi Materials' Challenge to Become the World's Leading Business Group

Since April 2014, the Mitsubishi Materials Group has been carrying out its medium-term management plan (FY2015–2017), "Materials Premium 2016 -Challenge to become the world's leading business group-," under its long-term management policy.

Amid a highly competitive business environment where external factors are in great volatility, including copper prices, exchange rates, cement demand and dividends from copper mines, this special feature section will review a riveting topic on each of our three core businesses: **(1) Cement:** A Major Player in the Pacific Rim; **(2) Metals:** E-Scrap Recycling, the World's Largest Receiving and Processing Capacity; **(3) Advanced Materials & Tools:** Globally Expanding Production and Sales Locations.

Cement

Metals

Advanced Materials & Tools

Key Success Factor 1

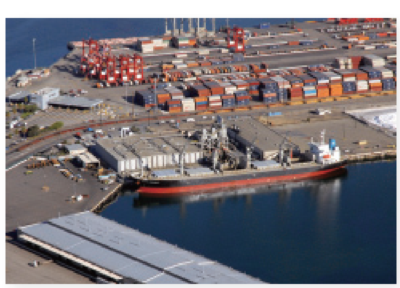
Cement: A Major Player in the Pacific Rim

Demand for cement in a country or region is affected by the stage of development and population trends. In Japan, the population is shrinking due to a low-birth rate and aging population, and demand over the long-term is expected to decline. The Cement business has therefore positioned overseas expansion centering on the United States as a growth strategy and is actively taking relevant steps.

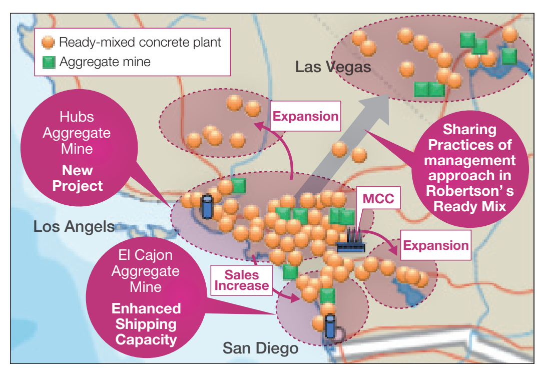
In the U.S. region of Southern California, where the population continues to grow, the Group is expanding its cement, aggregate and ready-mixed concrete businesses. In 2012, we made Robertson's Ready Mix, Ltd., which is the largest ready-mixed concrete company in Southern California, a wholly owned subsidiary and are working to expand business earnings.

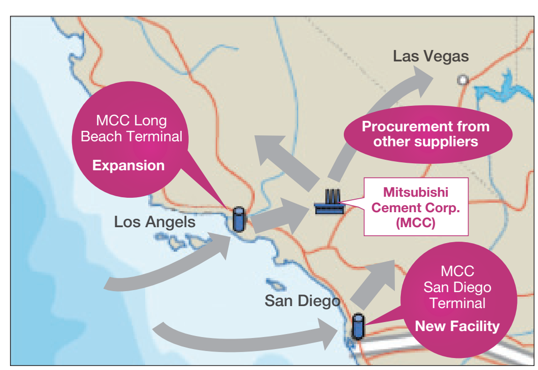
In addition, to meet rising U.S. demand, we are aiming to strengthen our supply system mainly through an expansion of the cement import terminal. We are also continuing to conduct surveys about expanding the Cement business into new areas overseas, including emerging markets expected to grow.

The Cement business seeks to secure stable earnings and strengthen its financial position in Japan, while aiming to expand business in the United States and enhance its global competitiveness, centering on expansion in emerging markets.



Long Beach Terminal





Key Success Factor 2

E-Scrap Recycling, the World's Largest Receiving and Processing Capacity

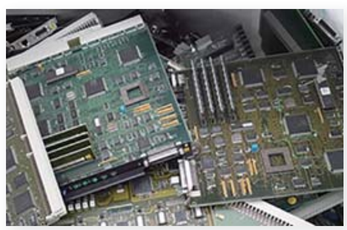
In the Metals business, we utilize our own unique technology called the Mitsubishi Process* to smelt copper concentrate imported from overseas copper mines, enabling us to highly efficient and stably produce high-quality copper cathode with environmentally-clean. Copper cathode smelted by our group are used mainly as processed copper products in the automotive and electronics industries as well as electrical wires in the construction, automotive and electronics industries.

Moreover, discarded circuit boards and etc. from home appliances, computers, smart phones and other electronic devices (E-Scrap) contain high concentrations of valuable metals such as gold, silver, copper and palladium. E-Scrap is attracting a great deal of attention as an "urban mine." We can recover valuable metals and recycle them more efficiently and at a significantly lower environmental impact than other companies thanks to our unique smelting system, along with the extensive smelting and recycling technologies we have built up over many years within the Mitsubishi Materials Group.

We constructed the second E-Scrap center at the Naoshima Smelter & Refinery in April 2016. Combined with consolidated subsidiary Onahama Smelting & Refining Co., Ltd., our total E-Scrap receiving and processing capacity has risen to approximately 140,000 tons annually, the world's largest capacity.

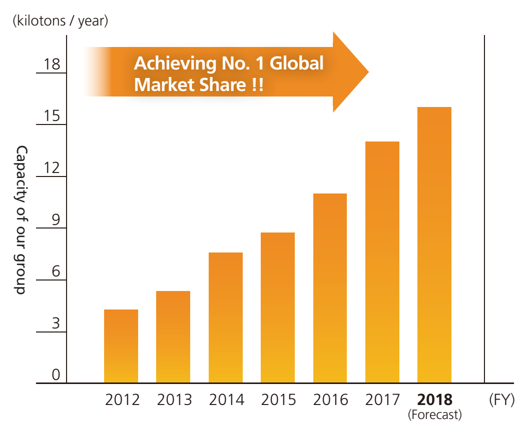
With this enhancement, we aim to increase the volume of E-Scrap received and processed as we contribute to the sustainable development of society by expanding our valuable metal recycling business.

*In this process, smelting furnaces, slag cleaning furnaces, converting furnaces, and anode furnaces are connected by enclosed launders, continuously producing blister copper from concentrates. This results in a facility that is compact, conserves energy and operates at a low cost. The Mitsubishi Process prevents sulfurous acid gas leaks, creating zero-emission processing plants with non-polluting systems that process efficiently unlike conventional processes, in which movement between the furnaces results in the unavoidable leak of sulfurous acid gas.



Sample of E-Scrap

E-Scrap Receiving and Processing Capacity



Key Success Factor 3

Advanced Materials & Tools: Globally Expanding Production and Sales Locations

The Advanced Materials and Tools business is expanding its cutting tools as main business with the aim of achieving over 10% global market share by the early 2020s.

We are specifically targeting the automotive, aerospace and medical industries, where sustainable growth is expected, and are working to strengthen our capabilities for supplying products, marketing and providing solutions.

In order to provide our customers with products that meet their needs at just the right time, we need to pursue communication at locations closer to their production facilities and actively get the issues and problems they have. Mitsubishi Materials has established technical centers in the United States, China, Thailand and Europe to study and test the solution proposals it thinks are optimal for customers that utilize the knowhow about cutting tools we have accumulated over years.

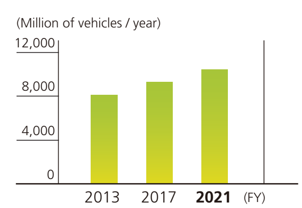
Under our brand message, "Your Global Craftsman Studio," we will expand and enhance our technical centers to continue strengthening our ability to provide solutions.

The Chubu Machining Technology Center, located in central Japan, slated to open in 2017 (Completed Image)

Market Environment of Cutting Tools

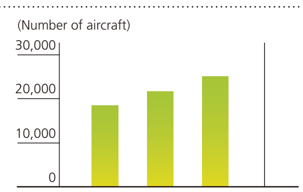
Sales Forecast of Automobile

*MMC estimate based on IHS Automotive's publicly released materials



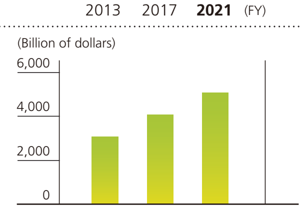
Demand Forecast of Aircraft (by region)

*MMC estimate based on Japan Aircraft Development Corporation's figures



Global Market Outlook of Medical Equipment

*MMC estimate based on Worldwide Medical Market Forecast 2017



Review of Operations

Cement

Performance FY2016

Net Sales

¥194.1 billion yen

2.3 %

Operating Profit

¥20.1 billion yen

15.8 %

Performance for Fiscal 2016

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

As a result, segment sales rose 2.3%, or ¥4.4 billion, year on year to ¥194.1 billion, while operating profit increased 15.8%, or ¥2.7 billion, to ¥20.1 billion.

Outlook and Future Strategies

In the domestic cement business, the demand outlook is unclear. Nevertheless, shipments in relation to earthquake reconstruction are expected to be firm, and a number of large-scale projects are slated to commence. These include projects related to the upcoming Olympic Games and construction of a linear shinkansen (in some sections). As a result, fiscal 2017 domestic demand for cement is expected to remain at the previous year's level of approximately 43 million tons. Under these circumstances, we will work to secure sales volumes by steadily implementing initiatives to benefit from demand related to large-scale projects.

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

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

TOPICS

Ready-mixed concrete aggregate is expected to remain in short supply in Japan based on medium- to long-term trends in cement demand despite the unclear outlook for cement demand in the short-term. In response, we increased the Kyushu Plant's annual production of crushed limestone* to 1.5 million tons (up 450,000 tons from previous production capacity), ensuring a steady supply of ready-mixed concrete aggregate. Sales operations began from August 2015. The Kyushu Plant, which was already the largest domestic producer of crushed limestone (in terms of standalone business sites), cemented its position in the ready-mixed concrete aggregate market.

* This refers to limestone that has been crushed into small pieces mainly for use in ready-mixed concrete.

Crushed limestone production facility at the Kyushu Plant

Metals

Performance FY2016

Net Sales

¥680.4 billion yen

15.3 %

Operating Profit

¥24.2 billion yen

2.4%

Performance for Fiscal 2016

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

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

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

As a result, segment sales fell 15.3%, or ¥122.9 billion, year on year to ¥680.4 billion, while operating profit decreased 2.4%, or ¥0.6 billion, to ¥24.2 billion.

Outlook and Future Strategies

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

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

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

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

TOPICS

We completed the second E-Scrap center at the Naoshima Smelter & Refinery in April 2016, and it has commenced full-scale operations. The enhanced E-Scrap receiving, sampling, analyzing and processing equipment increased our E-Scrap receiving and processing capacity. Combined with consolidated subsidiary Onahama Smelting & Refining Co., Ltd., our total capacity has risen to around 140,000 tons per year (up 30,000 tons from previous capacity), the world's largest processing volume.

The E-Scrap that Mitsubishi Materials receives and processes is mainly discarded circuit boards from various electronic devices containing high concentrations of gold, silver, copper, palladium and other valuable metals. Amid growing environmental concerns, the amount of E-Scrap recovered is expanding globally.

The Naoshima Smelter & Refinery has expanded E-Scrap receiving and processing capacity to around 80,000 tons per year in fiscal 2015 compared to approximately 30,000 tons per year in fiscal 2011. For this current enhancement, we have invested around ¥5.0 billion to raise this capacity to around 110,000 tons per year.

We will continue to contribute to the sustainable development of society through the collection and recycling of E-Scrap.

Exterior of the second E-Scrap center at Naoshima Smelter and Refinery

Advanced Materials & Tools

Performance FY2016

Net Sales

¥133.5 billion yen

17.6%

Operating Profit

¥16.0 billion yen

4.2%

Performance for Fiscal 2016

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

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

As a result, overall net sales in this segment rose 17.6%, or ¥20.0 billion, year on year to ¥133.5 billion. Operating profit fell 4.2%, or ¥0.7 billion, to ¥16.0 billion.

Outlook and Future Strategies

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

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

Turning to the high-performance alloy products business, we expect the demand for our mainstay sintering parts to increase in line with growth in the automotive industry. Our Group will work to increase earnings by augmenting its overseas production locations in addition to enhancing productivity at production locations in Japan.

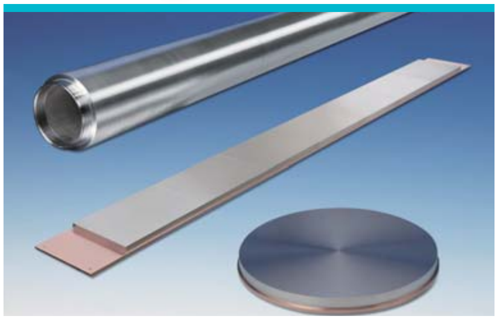
TOPICS

"Solid carbide tools" are indispensable for drilling and milling, like grooving and periphery cutting, of metal parts for automotive, aerospace, medical parts and other such products. In recent years, with the aim of decreasing the weight and increasing the functionality of these products, the materials used in metal components are getting more diverse and difficult-to-cut. These materials include CFRP, titanium and super heat-resistant alloys. And with machining shapes also tends to be complex, responding promptly to customer needs and establishing a stable manufacturing structure are mission of our business strategy. In order to respond to this trend, we will relocate and construct the new "Plant No. 2" of PT. MMC Metal Fabrication (MMF), a carbide tool manufacturing base in Indonesia. After relocation we will expand annual Solid End Mill manufacturing capacity to 740,000 pieces per year (approximately twice in the current capacity). Additionally, the new construction will result in a Solid Drill manufacturing line having an annual capacity of 120,000 pieces per year. Both of these facilities are scheduled to commence operations in October 2016.

MMF New Factory No. 2
Completed Image

MMF product example (solid drill)

Electronic Materials & Components



Performance FY2016

Net Sales

¥56.3 billion yen

0.7%

Operating Profit

¥3.1 billion yen

28.8%

Performance for Fiscal 2016

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

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

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

As a result, in the entire Electronic Materials & Components business, net sales increased 0.7%, or ¥0.3 billion, year on year to ¥56.3 billion, while operating profit decreased 28.8%, or ¥1.2 billion, to ¥3.1 billion.

Outlook and Future Strategies

In the advanced materials and chemical products business, the demand outlook for semiconductor-related products and products for solar cells is opaque. We also expect a decrease in demand of parts for hybrid automobiles, but are working to expand sales of products for non-automobile industries. In each market, we will continue to increase profitability by using core technological capabilities, and enhancing sales competitiveness and proposal capabilities to clients.

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

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

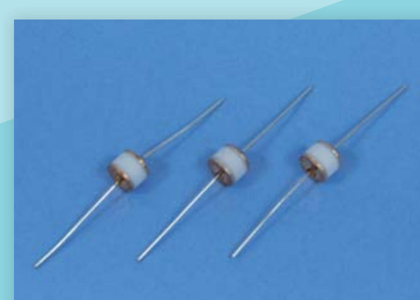
In polycrystalline silicon, we are endeavoring to establish a safe and efficient operating structure, improve qualities and reduce costs, thereby creating a business structure that will enable us to ensure profits even when the demands are low.

TOPICS

The number of lightning strikes is increasing due to global warming and abnormal weather phenomena that has led to an increase in damaged equipment from power surges.

Home appliances have improved greatly in terms of functionality and performance, and key infrastructure, including power stations, rail road signals and waterworks are also required greater stability with uninterrupted operation, as part of the foundation of society. These factors have made it more important to have measures in place to prevent damage from lightning strikes.

In response to this situation, we have developed a gas discharge tube surge arrester capable of withstanding strong surges of up to 20,000 amps. The surge arresters are intended for use as a power circuit protector for high-performance electrical devices and infrastructure equipment. Samples are scheduled to be shipped out from August 2016. Going forward, we will continue to gain technical knowledge related to surge protectors and develop new products.



Sample of gas discharge tube surge arresters
(8 mm diameter)

Aluminum

Performance for Fiscal 2016

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

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

As a result, in the entire Aluminum business, net sales fell 0.3%, or ¥0.4 billion, year on year to ¥156.8 billion, while operating profit declined 24.0%, or ¥1.3 billion, to ¥4.3 billion.

Outlook and Future Strategies

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

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

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

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

TOPICS

In Japan, the United States, Thailand and China, the Mitsubishi Aluminum Group produces extruded aluminum tubes (multi-port flat tubes) used in heat exchangers for automotive and air conditioners, and supplies the products all over the world. The group established MA EXTRUSION INDIA PVT., LTD. (IMAX), a production and sales company, in India in September 2013, and operations started in March 2016.

With its leading-edge extrusion press and suite of related facilities, including cutting machines, IMAX is the only company in India capable of producing multi-port flat tubes that can meet comprehensive specifications. Annual production capacity is 2,700 tons, and we expect annual net sales to approach about ¥2.0 billion by 2019, which is the fifth year from the commencement of operation.

Multi-port flat tubes

IMAX's factory appearance

Others

Performance for Fiscal 2016

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

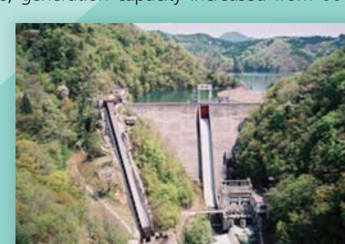
In the home appliances recycling business, net sales and operating profit were down, due to a reduction in the handling volume owing to the lack of a boost from last-minute demand before the increase in the consumption tax rate and a decline in metal scrap prices.

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

As a result, overall net sales of this segment fell 0.4%, or ¥0.8 billion, year on year to ¥196.5 billion, while operating profit grew 10.5%, or ¥0.9 billion, to ¥10.3 billion.

TOPICS

The Tohoku Power Service Station is expanding its renewable energy business and already has six hydraulic power plants and one geothermal power plant in Akita Prefecture. We have recently completed work to renew aging facilities at two hydraulic power plants: the Nagata Power Plant in Kazuno City, and the No. 4 Komatagawa Power Plant in Kita Akita City. Both of the plants restarted in December 2015 with up to date facilities. With these upgrades, generation capacity increased from 600 kW to 721 kW at the Nagata plant and from 6,500 kW to 6,808 kW at the No. 4 Komatagawa plant. The plants are again supplying power to electric power company under a feed-in-tariff program.



The No. 4 Komatagawa Power Plant and the Moriyoshi Dam

Research & Development

Fundamental Policy of R&D

It is the fundamental policy of the Mitsubishi Materials Group's R&D to rapidly conduct ongoing development activities, in tandem with management policies, in order to contribute to sustainable business expansion. As a comprehensive materials manufacturer, the Mitsubishi Materials Group strengthens the cultivation of its indispensable basic and core technologies. At the same time, the Group proposes and implements current development themes to support and expand ongoing operations as well as future themes intended to create next-generation businesses.

R&D Strategies

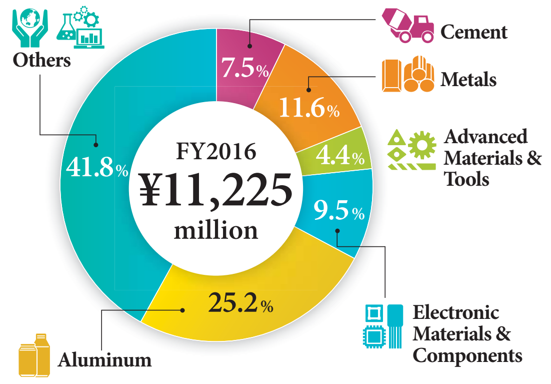
With a focus on "customer perspectives" and "speed," the Group utilizes its unique technologies to create new materials for the Earth, or in other words, differentiated products and technologies that beat the competition in the global market. These efforts support the "Challenge to be the world's leading business group."

We are especially working to develop new business that will be pillars in the medium to long-term, businesses that can meet future needs in the four strategic fields: automotive, electronics, energy and environmental-related recycling.

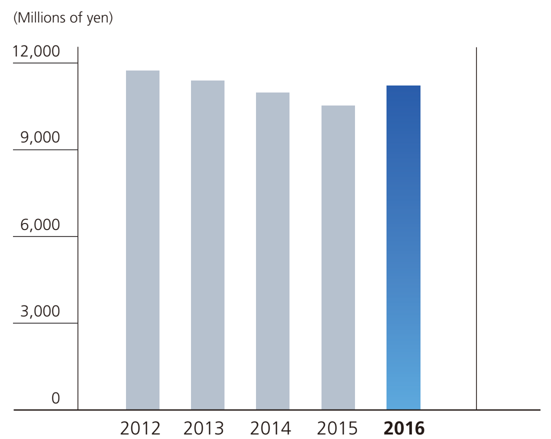
R&D Expenses

R&D expenses during the fiscal year ended March 31, 2016 increased ¥695 million, or 6.6% year-on-year, to ¥11,225 million. The breakdown of R&D expenses by business segment is as follows: Cement was ¥845 million, Metals stood at ¥1,307 million, Advanced Materials & Tools reached ¥494 million, Electronic Materials & Components totaled ¥1,065 million and Aluminum amounted to ¥2,827 million. In addition, R&D expenses in the four strategic fields mentioned above in R&D Strategies totaled ¥4,358 million.

R&D Expenses Breakdown in FY2016

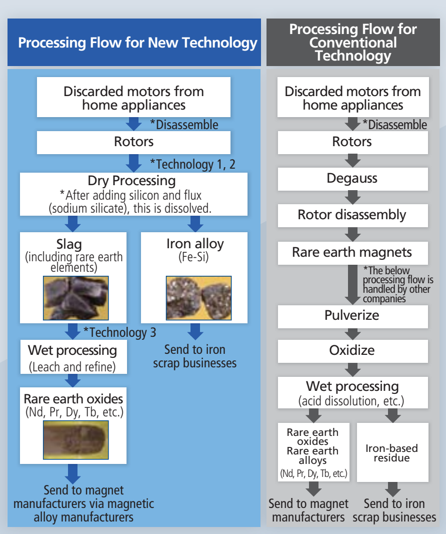


R&D Expenses



TOPICS 1

With the increase in the ratio of home appliances and vehicles equipped with high-performance, highly efficient motors made with rare earth magnets, the demand for recycling is expected to increase dramatically. Within a decade, the volume of magnets that the Group can collect is forecast to reach several dozen tons. In particular, the heavy rare earth elements dysprosium (Dy) and terbium (Tb) are precious metals that are excavated in small quantities but are unevenly distributed among resources. In light of this situation, Mitsubishi Materials has developed technology to collect and refine rare earth elements. We will use this technology to collect and effectively use precious resources.



TOPICS 2

Under Europe's Directive on the Restriction of the use of certain Hazardous Substances in electrical equipment (RoHS), the following six substances are banned in principle from use in electrical and electronic products: cadmium, lead, mercury, total chromium, hexavalent chromium, and total bromine.

We have received ISO/IEC 17025 certification for chemical testing (quantitative analysis) of these six substances from The Japan Accreditation Board, a public interest incorporated foundation. In Europe, regulations concerning the diffusion of hazardous substances are tightening, and we expect these regulations will grow in importance going forward.

Corporate Governance

Fundamental Policy

With the aim of maintaining sustainable development and maximizing corporate value through fair business activities, Mitsubishi Materials recognizes the importance of efficient and transparent management and is undertaking measures that further enhance its corporate governance.

The Board of Directors and The Business Execution System

The Board of Directors comprises six internal directors and three external directors. We consider this structure appropriate for expediting decisions and ensuring management objectivity and transparency. The external directors monitor the appropriateness of the business executed by the directors from an objective position. They also offer a range of valuable perspectives for managing the Company, drawing on their specialized knowledge and unique experiences, which stand distinct from those of internal directors. Matters brought before the Board of Directors are fully deliberated in advance by the Corporate Strategy Committee, which is composed of the President, and several Executive Officers, and appropriate decisions are made based on these deliberations.

Because the Company is an integrated organization composed of such businesses as Cement, Metals, Advanced Materials & Tools, and Electronic Materials & Components, executive officer and internal company systems were introduced to ensure that these businesses execute business activities in an agile and appropriate manner.

Audits, Internal Control Audits, Accounting Audits

The Audit & Supervisory Board is made up of three standing Audit & Supervisory Board Members, one of whom is external, and two part-time Audit & Supervisory Board Members (both external). In accordance with the policies and plans set by the Audit & Supervisory Board and to monitor the execution of duties undertaken by directors, each Audit & Supervisory Board Member attends Board of Directors' meetings and other important gatherings and holds hearings that assess the execution of duties of directors, the Internal Audit Department and other employees, in addition to reviewing important documents for approval. Moreover, each Audit & Supervisory Board Member assesses the status of operations and assets at headquarters and main business sites and conducts audits at subsidiaries when necessary. Moreover, audits are undertaken in close coordination with accounting auditors and the Internal Audit Department and meetings are held with Audit & Supervisory Board Members from important Group companies in an effort to reinforce cooperation in the auditing system for management of the Group. The Audit & Supervisory Board Member Assistance Department was established as an organization to support the auditing operations of the Audit & Supervisory Board Members.

The Internal Audit Department conducts internal audits to identify the effectiveness and efficiency of corporate activities, the reliability of financial reports, the maintenance and effective utilization of assets, the status of risk management efforts and the adherence to both the law and to in-house rules and standards.

The Company appointed KPMG AZSA LLC as the independent auditor responsible for its accounting audits.

Internal Control System Maintenance

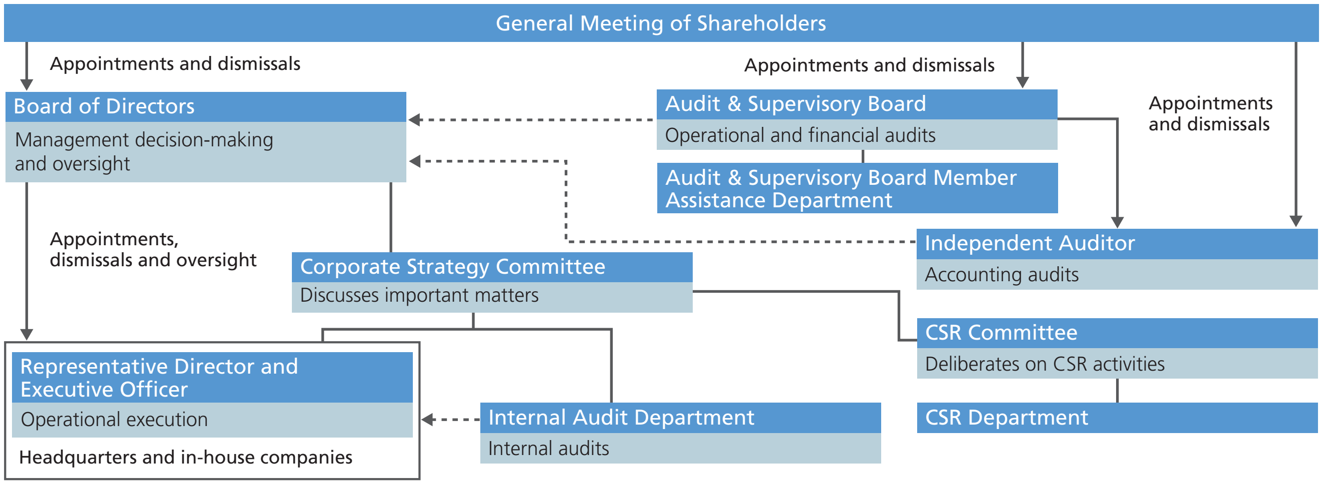
Mitsubishi Materials recognizes that the development of appropriate internal control systems is an important issue concerning the fulfillment of its business objectives and management plans. By developing a system that complies with the Companies Act and the Ordinance for Enforcement of the Companies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

IR Activities

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

A. Investor meeting on financial results for analysts and institutional investors (President, Finance & Accounting director or executive officer, etc.)
B. Overseas IR roadshow (President, Finance & Accounting director or executive officer, etc.)
C. Participation in investment conferences for overseas institutional investors (Finance & Accounting director or executive officer, etc.)
D. Investor meeting on business strategy (president of each company, Finance & Accounting director or executive officer, etc.)
E. Small meetings with domestic institutional investors (president of each company, Finance & Accounting director or executive officer, corporate communications & IR director or executive officer, etc.)
F. Investor meeting on management strategy (corporate communications & IR director or executive officer, vice presidents of each company, etc.)
G. Factory tours (managers at each business site, etc.)
H. Investor meetings for individual investors (General Manager of Corporate Communications & IR)

We have a system in place to collect feedback, arising from our daily IR activities with shareholders and investors, and regularly report these thoughts and concerns to management, including the President. Moreover, we fully consider comments and management issues mentioned by shareholders and investors. The Corporate Communications & IR Department, Corporate Strategy Division utilizes this valuable feedback when participating in the process of formulating medium-term management plans and other measures.



Corporate Social Responsibility (CSR)

Basic CSR Policy

The Mitsubishi Materials Group, as a comprehensive basic materials manufacturer, provides resources, basic materials and energy indispensable to modern lifestyles. In these efforts, we adhere to a corporate philosophy that emphasizes making contributions for People, Society and the Earth.

The Group's CSR policy thus hinges on making this philosophy a reality, through the sincere fulfillment of the obligations and expected role that society places on a corporate citizen. These obligations include accountability, with proper disclosure, of the approaches taken and the constant pursuit of greater mutual understanding through dialogue with stakeholders. We believe these actions will underpin a position of trust in society.

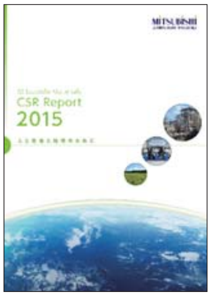
CSR Promotion Framework

We established the CSR Committee, chaired by the president, and a dedicated CSR Department in January 2005. Both organizations are actively promoting CSR activities at Mitsubishi Materials Group. In line with the above basic policy, we are carrying out CSR activities that are based on promoting compliance and risk management in order to earn greater trust from stakeholders. The status of compliance, risk management operations, environmental management, information security and other information within the Group is regularly reported to the CSR Committee, which implements reviews when necessary. In addition, the framework that we have in place is structured so that any compliance issues occurring within the Group are reported to CSR and other relevant departments. The CSR Department then coordinates with other related departments to investigate the causes of the issue, implement measures to prevent a recurrence and take any other necessary action. The Internal Audit Department monitors the status of these activities through internal audits.

Our CSR activities are supported by Mitsubishi Materials Group's employees, so it is essential that we raise awareness among each and every employee. We are promoting CSR training for Group employees and conducting compliance and risk management training across the entire Group, especially in Japan and Southeast Asia.

To contribute to society through sustainable development, the Group is carrying out various initiatives in the environment, social and governance (ESG) fields. On our website, we release our CSR report and a wide range of other information at: http://www.mmc.co.jp/corporate/en/.

WEB http://www.mmc.co.jp/corporate/en/csr/.html

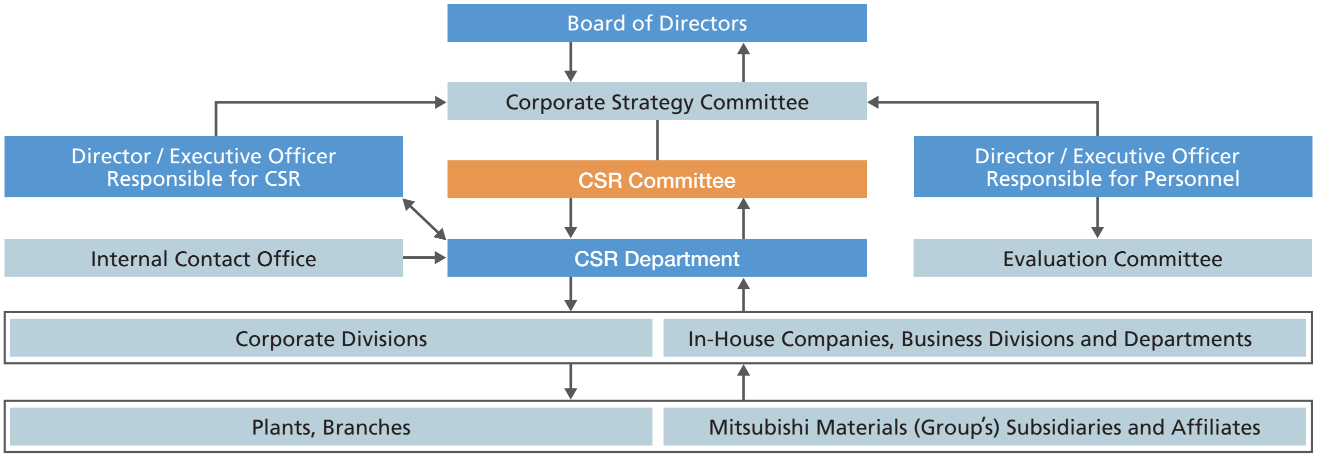


CSR Report 2015

Strengthening the Crisis Management System

The Group carries out risk management activities in order to control the root causes of incidents that could have a negative impact on our performance and provide ongoing support for sound business activities throughout the Group. In order to achieve the goal, we have set out three basic policies to actively implement: "Tackling high priority risks," "Identifying unrecognized risks," and "Sharing information on risks." The Group's risk management system is applied to Group companies in Japan and overseas, and the entire Group is actively engaged in lowering risks associated with business activities.

In addition to these activities, "crisis management," which minimizes damage and effects following a crisis situation, is also crucial to steadily carry out business activities. At Mitsubishi Materials, we are endeavoring to reinforce our crisis management framework spearheaded by our Crisis Management Committee to enable departments to work together, and respond quickly and precisely in the event of an emergency. In Japan, the Company and major Group companies have formulated business continuity plans (BCPs) in the event of a major earthquake. Overseas, the Company and major Group companies have formulated BCPs tailored to suit specific local risks. We are also working to make the crisis management system more effective, including by conducting training to improve responsiveness and responding to such new risks as terrorism and highly infectious diseases.



Management

(As of June 29, 2016)

Board of Directors

Hiroshi Yao*
Chairman

Akira Takeuchi*
President

Osamu Iida*
Executive Vice President

Naoki Ono*
Executive Vice President

Nobuo Shibano*
Senior Managing Executive Officer

Yasunobu Suzuki*
Senior Managing Executive Officer

Yukio Okamoto**
Director

Takashi Matsumoto**
Director

Mariko Tokuno**
Director

* Representative Director
** External

Audit & Supervisory Board Members(Standing)

Toshikazu Murai
Hiroshi Kubota
Katsuhiko Ishizuka**

Audit & Supervisory Board Members

Akio Utsumi**
Naoto Kasai**

Managing Executive Officers

Kimball McCloud
Chitoshi Mori
Yoshihiko Kimura
Hikaru Kimura
Fumio Tsurumaki
Soichi Fukui

Executive Officers

Dairiku Matsumoto
Kenji Shimamura
Kazuhiro Kishi
Kiyoshi Furukawa
Tatsuro Mizuno
Shinichi Nakamura
Junichi Harada
Yoshikazu Yasui
Kazuki Mizushima
Hiroshi Nojiri
Naotoshi Kumano
Shigemitsu Fukushima
Makoto Shibata
Tetsuro Sakai
Susumu Sasaki
Nobuhiro Takayanagi

Financial Section

Contents

Five-Year Summary

Mitsubishi Materials Corporation and Consolidated Subsidiaries
Years ended March 31

	Millions of yen					Thousands of U.S. dollars (Note 1)
	2016	2015	2014	2013	2012	**2016**
FOR THE YEAR:						
Net sales	**¥1,417,895**	¥1,517,265	¥1,414,796	¥1,287,251	¥1,440,847	**$12,583,382**
Cost of sales	**1,204,322**	1,313,259	1,220,333	1,094,588	1,249,744	**10,687,986**
Operating profit	**70,420**	71,871	66,281	52,500	52,293	**624,960**
Net income attributable to owners of parent	**61,316**	56,147	52,551	36,948	9,565	**544,167**
Capital expenditures	**78,103**	57,636	65,944	52,957	52,141	**693,146**
Depreciation and amortization	**60,842**	56,746	60,498	60,370	62,514	**539,957**
R&D expenses	**11,225**	10,530	10,986	11,401	11,743	**99,623**
AT YEAR-END:						
Total assets	**1,793,375**	1,898,157	1,778,505	1,811,767	1,751,870	**15,915,654**
Total long-term liabilities	**452,038**	490,825	514,279	549,198	565,542	**4,011,701**
Total net assets	**645,017**	629,514	525,707	466,231	409,074	**5,724,330**
Number of shares of common stock (thousands)	**1,314,895**	1,314,895	1,314,895	1,314,895	1,314,895	
Number of employees	**24,636**	23,413	23,112	22,181	22,015	
						U.S. dollars (Note 1)
PER SHARE AMOUNTS:						
Basic net income	**¥46.8**	¥42.8	¥40.1	¥28.1	¥7.2	**$0.41**
Diluted net income	**—**	—	—	—	—	**—**
Cash dividends applicable to the year	**10.0**	8.0	6.0	4.0	2.0	**0.08**
FINANCIAL RATIOS (%):						
Operating margin	**5.0%**	4.7%	4.7%	4.1%	3.6%	
Return on assets (ROA)	**3.4**	3.0	3.0	2.0	0.5	
Return on equity (ROE)	**9.5**	8.9	10.0	7.9	2.3	
Equity ratio	**31.0**	29.0	25.7	22.4	20.0	

Notes:
1. Note: U.S. dollar amounts are translated from yen at the rate of ¥112.68 to US$1, the approximate exchange rate as of March 31, 2016.
2. ROA = Net income attributable to owners of parent / Total assets.
3. ROE = Net income attributable to owners of parent / Total net assets.

Management's Discussion and Analysis

Mitsubishi Materials Corporation and Consolidated Subsidiaries

Overview

Economic and Business Environment

During the fiscal year ended March 31, 2016, activity in China and other emerging markets showed signs of weakness, while a slowdown of economic growth appeared in other countries, including the United States. The Japanese economy also showed signs of slowdown from the latter half of the fiscal year, due to sluggish production and individual consumption, although employment and income conditions continued to improve.

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

Business Performance Summary

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

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

Operating Results by Business Segment

An overview of net sales and operating profit by business segment in fiscal 2016 is as follows.

In the Cement business, while domestic overall demand for cement declined, due to a recovery in demand in the United States and a decline in manufacturing costs and reigning in maintenance costs, net sales and operating profit increased.

The Metals business posted lower revenue and earnings due mainly to falling copper prices and temporary equipment trouble at PT.-Smelting in Indonesia.

The Advanced Materials & Tools business, on the other hand, enjoyed higher earnings due to increased demand for cemented carbide products in Japan and overseas but saw profit decline owing mainly to Hitachi Metals MMC Superalloy, Ltd. changing from a consolidated subsidiary to an equity-method affiliate in high-performance alloy products.

In the Electronic Materials & Components business, net sales rose due to steady orders of products related to semiconductor manufacturing equipment while operating profit fell due to lower sales of products for home appliances.

The Aluminum business posted lower revenue and earnings due to increased raw material costs and lower demand for products for automobiles despite higher demand for aluminum cans.

The Others business posted higher revenue and earnings.

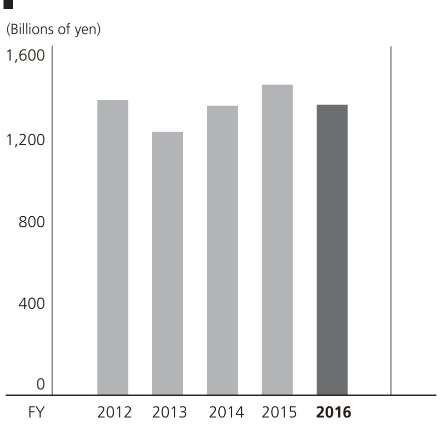
For details of each segment's performance, please refer to the Review of Operations on pages 8–12.

Financial Position and Liquidity

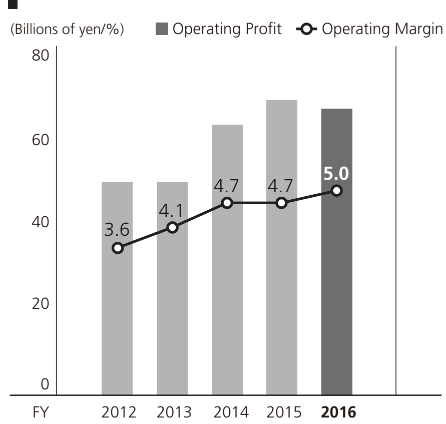
As of March 31, 2016, total assets amounted to ¥1,793.3 billion, down ¥104.7 billion, or 5.5%, from a year earlier. Total current assets decreased ¥85.8 billion, or 9.9%, to ¥782.5 billion mainly due to a decrease in cash and time deposits. Total long-term assets—which consist of property, plant and equipment, investments and long-term receivables and other assets—decreased ¥18.9 billion, or 1.8%, to ¥1,010.8 billion, largely as a result of a decrease in investment securities.

Total liabilities decreased ¥120.2 billion, or 9.5%, year-on-year to ¥1,148.3 billion. Total current liabilities fell ¥81.4 billion, or 10.5%,

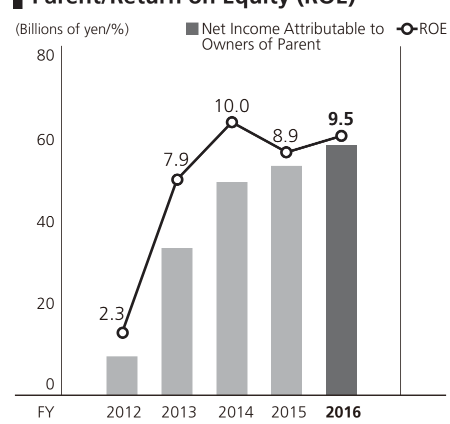
Net Sales



Operating Profit/Operating Margin



Net Income Attributable to Owners of Parent/Return on Equity (ROE)



For the years ended March 31	Millions of yen 2016	2015	Thousands of U.S. dollars 2016
Cement			
Sales	**¥194,113**	¥189,674	**$1,722,697**
Operating profit	**20,131**	17,385	**178,656**
Operating margin	**10.4%**	9.2%	
Metals			
Sales	**680,431**	803,394	**6,038,616**
Operating profit	**24,247**	24,852	**215,185**
Operating margin	**3.6%**	3.1%	
Advanced Materials & Tools			
Sales	**133,550**	113,534	**1,185,223**
Operating profit	**16,022**	16,724	**142,190**
Operating margin	**12.0%**	14.7%	
Electronic Materials & Components			
Sales	**56,374**	56,009	**500,304**
Operating profit	**3,184**	4,471	**28,257**
Operating margin	**5.6%**	8.0%	
Aluminum			
Sales	**156,854**	157,271	**1,392,037**
Operating profit	**4,327**	5,695	**38,401**
Operating margin	**2.8%**	3.6%	
Others			
Sales	**196,570**	197,380	**1,744,502**
Operating profit	**10,331**	9,350	**91,684**
Operating margin	**5.3%**	4.7%	

to ¥696.3 billion due primarily to a fall in short-term loans. Total long-term liabilities fell ¥38.7 billion, or 7.9%, to ¥452.0 billion, reflecting the fall in bonds and other factors.

The balance of interest-bearing debt, which adds bonds and commercial paper to outstanding loans, came to ¥526.3 billion, down ¥104.5 billion, or 16.6%, from the previous fiscal year.

Total net assets amounted to ¥645.0 billion, up ¥15.5 billion, or 2.5%, due mainly to an increase in retained earnings following the recording of net income attributable to owners of parent in the fiscal year under review.

As a result, the consolidated equity ratio increased from 29.0% at the previous fiscal year-end to 31.0%, and net assets per share, based on the total number of shares outstanding as of March 31, 2016, grew to ¥423.83, compared with ¥420.36 a year earlier.

Cash Flows

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

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

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

As a result of the above, as well as exchange rate changes and other factors, the balance of cash and cash equivalents at March 31, 2016, stood at ¥58.4 billion, down¥33.5 billion from March 31, 2015.

Capital Expenditure

Capital expenditures undertaken by the Group are tempered by efforts to reduce interest-bearing debt, and the content of spending plans will therefore be determined through careful selection of projects in business areas which present high profit and growth potential.

In fiscal 2016, capital expenditures amounted to ¥78.1 billion, reflecting maintenance and repairs at existing facilities in each business segment, as well as expansion, rationalization and renovation at certain production facilities.

Fiscal 2016 capital expenditures by business segment were as follows.

Cement

The Company allocated funds to limestone mine development-related works in Japan as well as maintenance and repair of existing facilities mainly in Japan and the United States. Capital expenditures in this segment increased ¥0.8 billion, or 4.9%, compared with ¥16.7 billion recorded in the previous fiscal year to ¥17.5 billion.

Metals

The Company allocated funds for the maintenance and repair of copper smelters and domestic copper-processing facilities as well as for E-Scrap processing facility construction. Capital expenditures in this segment grew ¥7.6 billion, or 50.3%, compared with ¥15.2 billion recorded in the previous fiscal year to ¥22.9 billion.

Advanced Materials & Tools

Funds were mainly allocated for the expansion and rationalization of facilities to respond to increased production in the overall business, and the maintenance and repair of existing facilities. Capital expenditures in this segment rose ¥8.2 billion, or 87.5%, compared with ¥9.4 billion recorded in the previous fiscal year to ¥17.6 billion.

Electronic Materials & Components

The Company directed funds into the expansion of facilities that produce electronic materials mainly for semiconductor-related products as well as the maintenance and repair of existing facilities. Capital expenditures in this segment increased ¥0.6 billion, or 21.7%, compared with ¥2.9 billion recorded in the previous fiscal year to ¥3.5 billion.

Aluminum

Funds were allocated to the expansion of facilities that produce aluminum beverage cans as well as the maintenance and repair of existing facilities. Capital expenditures in this segment increased ¥0.4 billion, or 6.0%, compared with ¥6.7 billion recorded in the previous fiscal year to ¥7.1 billion.

Others

The Company allocated funds to the maintenance and repair of existing facilities. Capital expenditures in this segment increased ¥2.6 billion, or 41.2%, compared with ¥6.4 billion recorded in the previous fiscal year to ¥9.1 billion.

Forecast for Fiscal Year 2017 *Announced on May 12

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

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

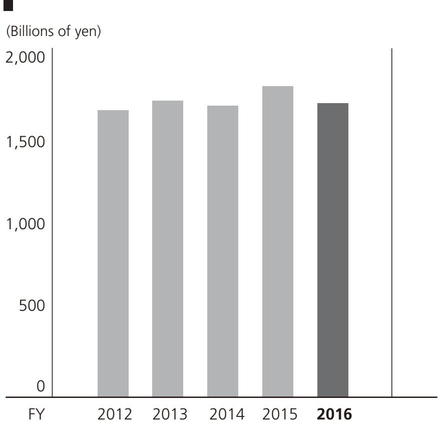
The Group expects its operating environment will be affected by a backlash to yen appreciation in foreign exchange markets, as well as ongoing uncertainty about key metal prices.

Amid this, all Group companies are working to help the Group become the world's leading business group committed to supporting recycling-oriented society through materials innovation, with use of our unique and distinctive technologies. Each Group company is also striving to leverage the Group's unique technology to create valuable products and services and create a presence occupying an important position in their respective industries and markets.

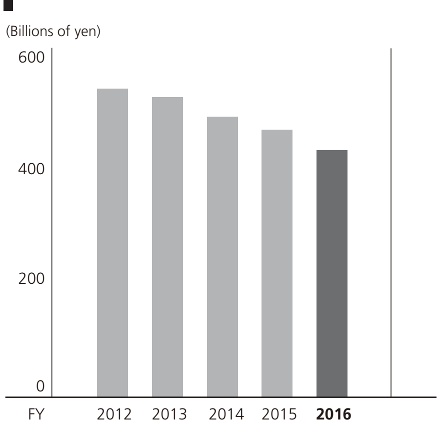
In this environment, our consolidated performance forecasts for the year ending March 31, 2017 are as follows: net sales of ¥1,360.0 billion, operating profit of ¥68.0 billion, and net income attributable to owners of parent of ¥25.0 billion.

The above forecasts are calculated based on information available as of June 2016. Accordingly, actual performance may differ due to a variety of factors. The main reasons are included in the risk factors listed below.

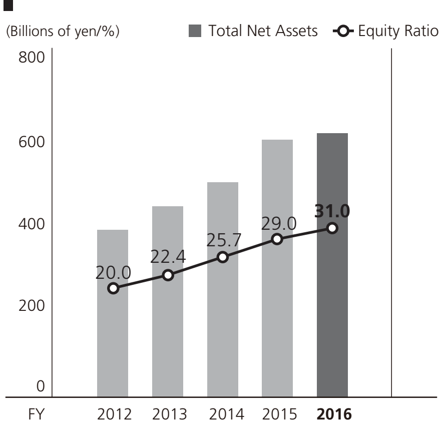
Total Assets



Total Long-Term Liabilities



Total Net Assets/Equity Ratio



Business Risks

The companies under the Mitsubishi Materials Group umbrella are involved in a wide range of businesses. Consequently, various external influences—including domestic and overseas political and economic developments, weather conditions, markets, currency trends, and laws and ordinances—could influence the Group's financial results and position. The following risks carry the potential for a particularly significant impact on operations. Forward-looking statements in this section are based on information available to management as of June 29, 2016.

1. Business Restructuring

Management subscribes to the selection-and-concentration approach for business expansion, whereby management resources are actively invested in operations with high profitability. Management also considers alliances with other companies, if such alliances will facilitate the rigorous review, restructuring and liquidation of operations to reinforce the bottom line. This emphasis could affect the Group's financial results and position.

2. Market and Customer Trends

The Group provides products and services to various industries. Worldwide economic developments as well as customer-driven developments—such as sudden changes in markets and market shares, new business strategies and product development initiatives—may influence sales of the Group's products. The automotive and IT sectors are subject to particularly severe price wars and technological competition. The Group strives to cut overall costs and engineer new products and technologies. However, if its efforts do not accurately match industry and customer market changes, the Group's financial results and position could be eroded.

3. Fluctuations in Nonferrous Metal and Currency Markets

In the Metals business, the Group's key revenue sources are mining investment dividends, smelting and other operations for which payment is in foreign currencies. Consequently, these operations are susceptible to fluctuations in the nonferrous metal and currency markets and the effects of custom ore purchasing conditions. The cost of raw materials acquired for inventory carries the risk of fluctuating nonferrous metal prices and exchange rates over the period, starting with the purchase of copper concentrate and ending with the production and sale of copper cathodes.

In addition, nonferrous metal materials—used predominantly by the Aluminum and Advanced Materials & Tools segments—as well as materials (particularly coal) used by the Cement segment, are international commodities. The procurement prices of these raw materials, as well as fuels, are linked to changes in the nonferrous metal and coal markets, currency markets and also maritime freight rates.

4. Trends in the Semiconductor Market

Certain members of the Group supply the semiconductor industry with such products as electronic materials and components and polycrystalline silicon, while SUMCO CORPORATION—an equity-method affiliate—makes silicon wafers used in semiconductor fabrication. Trends in the semiconductor market could influence the operations of these companies and thus the financial results and position of the Group.

5. Interest-Bearing Debt

As of March 31, 2016, the interest-bearing debt carried by the Group stood at ¥526.3 billion—comprising short-term loans, bonds due within one year, commercial paper, bonds and long-term loans—and represented 29.3% of consolidated total assets. Management seeks to improve the balance sheet of the Group by restricting inventories and divesting assets. However, unfavorable trends in interest rates could hurt the financial results and position of the Group.

6. Debt Guarantees

In fiscal 2016, Mitsubishi Materials extended debt guarantees totaling ¥26.3 billion, mainly for the monetary liabilities of unconsolidated affiliates. If conditions warrant the fulfillment of debt guarantees, the situation could affect the financial results and position of the Group.

7. Fluctuations in the Market Value of Assets

Fluctuations in the market value of securities, land and other assets held by members of the Group could have a detrimental impact on the financial results and position of the Group.

8. Pension Benefit Expenses and Obligations

The costs and obligations of the Group's pension plans for employees are based on actuarial assumptions. These assumptions take into account the average number of years of service remaining, long-term yields on Japanese government bonds, stock contributed to trust accounts and other factors in pension plan management. However, losses stemming from lower discount rates and pension plan management could influence future Group costs and the calculation of obligations.

9. Environmental Regulations

All Group locations in Japan and overseas strive to prevent pollution, especially air, wastewater, soil and groundwater pollution, in accordance with local environmental legislation. Efforts are also made to prevent pollution from inactive mines in Japan, in accordance with the Mine Safety Law. This focuses on neutralizing the water that seeps into excavation pits from tunnels and the safe maintenance of tailing piles. However, in the event of the amendment of related laws and regulations as well as the introduction of new regulations to cap total greenhouse gas emissions, such changes could lead to new maintenance and treatment costs for the Group.

10. Overseas Activities

The Group maintains production and sales bases in 29 countries and regions. Overseas operations account for 35.7% of consolidated net sales. In addition to varying political and economic circumstances, currency rates, unforeseen changes in laws and regulations—or their interpretations related to trade rules and restrictions, mining sector policies, environmental regulations and tax systems in these countries—changes in the management policies of local partners and other factors could affect the Group's financial results and position.

11. Intellectual Property

Management recognizes the importance of intellectual property, and steps are taken throughout the Group to safeguard such assets. However, the financial results and position of the Group could be hurt by inadequate protection and legal infringements of proprietary intellectual assets. From the opposite perspective, the Group duly respects the intellectual property of other companies. However, in the unlikely event that a member of the Group is found to have infringed upon the rights of another company, the subsequent compensation for damages could negatively impact the financial results and position of the Group.

12. Product Quality

The Group strives to provide high-quality products and makes every effort to control quality. In addition, the Group carries insurance as a precaution in the unlikely event that a serious product defect leads to liability issues. However, a large-scale product recall promoted by unforeseen circumstances, for example, could mar the financial results and position of the Group.

13. Workers' Health and Safety, Plant Incidents

The Group takes thorough measures to prevent industrial accidents, injuries and incidents at its numerous production plants. The Group is taking these measures from both a soft side (including management frameworks for workers' health, safety, security and accident prevention) and a hard side (including operational and maintenance management and improving the safety of equipment). However, if a serious plant accident or an industrial accident or injury were to occur at a production plant or some other type of facility, the situation could adversely impact the business results and financial position of the Group.

14. Information Management

The Group endeavors to properly control its information, including personal data. However, in the unlikely event that the unauthorized disclosure of information was to occur, such a situation could damage the Group's social standing, which could negatively impact the Group's financial results and position.

15. Litigation

The Group is or could become involved in decisions, settlements or legal judgments stemming from litigation, disputes and other legal proceedings related to present or past operations in Japan or overseas, which could adversely affect the Group's financial results and position.

16. Procurement of Electricity

The financial results and position of the Group may be influenced by price increases for electricity resulting from such factors as supply instability due to the suspension of nuclear power stations, cost increases of imported fossil fuels, and increased charges for renewable energy.

17. Other risks

Other risks that may affect the Group's financial results and position include changes in business practices, events such as terrorism, war, epidemics, earthquakes and other natural disasters, and other unforeseen developments.

Consolidated Balance Sheets

Mitsubishi Materials Corporation and Consolidated Subsidiaries
March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	**2016**	2015	**2016**
Current assets:			
Cash and time deposits (Notes 5, 15 and 20)	**¥ 60,123**	¥ 93,152	**$ 533,576**
Notes and accounts receivable (Notes 5, 10 and 15):			
Trade	**210,002**	213,236	**1,863,706**
Unconsolidated subsidiaries and affiliates	**26,735**	21,562	**237,269**
Other	**11,562**	22,358	**102,614**
Inventories (Notes 3 and 5)	**258,652**	296,734	**2,295,457**
Deferred tax assets (Note 9)	**10,352**	11,747	**91,871**
Leased gold bullion	**89,360**	100,169	**793,046**
Other current assets (Note 16)	**117,897**	111,572	**1,046,303**
Allowance for doubtful accounts	**(2,155)**	(2,129)	**(19,132)**
Total current assets	**782,530**	868,403	**6,944,712**
Property, plant and equipment (Notes 4 and 5):			
Land (Note 19)	**283,815**	287,382	**2,518,770**
Buildings and structures	**463,559**	452,849	**4,113,948**
Machinery and equipment	**1,236,910**	1,206,325	**10,977,195**
Construction in progress	**21,769**	17,476	**193,194**
Less accumulated depreciation	**(1,335,816)**	(1,308,998)	**(11,854,960)**
Net property, plant and equipment	**670,237**	655,034	**5,948,148**
Investments and long—term receivables:			
Investments in securities (Notes 5, 14 and 15)	**105,318**	136,951	**934,668**
Net asset for retirement benefits (Note 6)	**342**	242	**3,037**
Unconsolidated subsidiaries and affiliates (Note 15)	**147,708**	154,018	**1,310,868**
Long-term receivables	**494**	1,032	**4,390**
Other	**(8,502)**	5,073	**(75,454)**
Allowance for doubtful accounts	**(6,070)**	(5,807)	**(53,876)**
Valuation allowance for investments in unconsolidated subsidiaries and affiliates	**—**	(1,168)	**—**
Total investments and long-term receivables	**239,291**	290,342	**2,123,634**
Other assets:			
Deferred tax assets(Note 9)	**34,324**	30,111	**304,620**
Goodwill	**48,986**	41,249	**434,742**
Other (Note 5 and 16)	**18,005**	13,015	**159,795**
Total other assets	**101,317**	84,376	**899,158**
Total assets	**¥1,793,375**	¥1,898,157	**$15,915,654**

The accompanying notes are an integral part of these statements.

LIABILITIES	Millions of yen 2016	2015	Thousands of U.S. dollars (Note 1) 2016
Current liabilities:			
Short-term bank loans (Notes 5 and 15)	**¥ 141,513**	¥ 171,900	**$ 1,255,885**
Current portion of long-term debt (Notes 5 and 15)	**84,114**	100,336	**746,491**
Commercial paper (Notes 5 and 15)	**—**	5,000	**—**
Notes and accounts payable (Note 15):			
Trade	**100,546**	117,561	**892,317**
Unconsolidated subsidiaries and affiliates	**8,110**	9,744	**71,977**
Other	**24,922**	29,638	**221,181**
Income taxes payable	**7,037**	9,545	**62,454**
Deferred tax liabilities (Note 9)	**138**	275	**1,231**
Accrued expenses	**53,111**	49,375	**471,347**
Provision for bonuses	**13,114**	12,362	**116,383**
Deposited gold bullion	**231,667**	227,505	**2,055,978**
Reserve for loss on disposal of inventories	**626**	844	**5,563**
Other current liabilities (Notes 7 and 16)	**31,416**	43,725	**278,810**
Total current liabilities	**696,319**	777,817	**6,179,621**
Long-term liabilities:			
Long-term debt (Notes 5 and 15)	**300,681**	353,634	**2,668,451**
Accrual for officers' lump-sum severance benefits	**1,628**	1,758	**14,454**
Reserve for loss on unconsolidated subsidiaries and affiliates	**1,760**	1,458	**15,619**
Reserve for environmental measures	**13,358**	4,547	**118,548**
Net liability for retirement benefits (Note 6)	**63,544**	39,662	**563,935**
Deferred tax liabilities (Note 9)	**15,265**	26,659	**135,478**
Deferred tax liabilities for land revaluation (Notes 9 and 19)	**26,532**	28,449	**235,468**
Other (Notes 7 and 16)	**29,267**	34,655	**259,744**
Total long-term liabilities	**452,038**	490,825	**4,011,701**
Contingent liabilities and commitments (Notes 10 and 11)			
NET ASSETS (Notes 8 and 26)			
Shareholders' equity			
Common stock			
Authorized 3,400,000,000 shares			
Issued 1,314,895,351 shares	**119,457**	119,457	**1,060,151**
Capital surplus	**92,266**	92,272	**818,834**
Retained earnings	**303,026**	252,858	**2,689,270**
Treasury stock, at cost	**(1,953)**	(1,865)	**(17,337)**
Total shareholders' equity	**512,797**	462,723	**4,550,919**
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	**21,645**	42,717	**192,097**
Deferred (losses) gains on hedges (Note 16)	**(199)**	(1,025)	**(1,766)**
Revaluation reserve for land (Note 19)	**34,282**	33,856	**304,248**
Foreign currency translation adjustments	**3,647**	15,746	**32,372**
Accumulated adjustments for retirement benefits	**(16,946)**	(3,256)	**(150,398)**
Total accumulated other comprehensive income	**42,430**	88,039	**376,553**
Non-controlling interests	**89,789**	78,751	**796,857**
Total net assets	**645,017**	629,514	**5,724,330**
Total liabilities and net assets	**¥1,793,375**	¥1,898,157	**$15,915,654**

Consolidated Statements of Income

Mitsubishi Materials Corporation and Consolidated Subsidiaries
Years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	**2016**
Net sales (Note 18)	**¥1,417,895**	¥1,517,265	**$12,583,382**
Cost of sales	**1,204,322**	1,313,259	**10,687,986**
Gross profit	**213,573**	204,006	**1,895,395**
Selling, general and administrative expenses (Note 12)	**143,152**	132,135	**1,270,435**
Operating profit	**70,420**	71,871	**624,960**
Other income (expenses):			
Interest and dividend income	**9,609**	15,900	**85,280**
Interest expense (Note 5)	**(6,694)**	(8,233)	**(59,412)**
Income from leased property	**5,005**	4,966	**44,423**
Expense for leased property	**(3,174)**	(3,234)	**(28,170)**
Expense for the maintenance and management of abandoned mines	**(2,865)**	(3,589)	**(25,428)**
Loss on valuation of investment securities (Note 14)	**(2,539)**	(9,278)	**(22,536)**
Gain on abolishment of retirement benefit plan	**—**	1,451	**—**
Gain on change in equity	**10,464**	64	**92,868**
Insurance income	**5,224**	591	**46,365**
Gain on redemption of investment securities	**1,234**	—	**10,959**
Gain on net sales of investments in securities	**19,188**	1,694	**170,288**
Gain on sales of property, plant and equipment	**6,322**	8,749	**56,108**
Loss on disposal and sales of property, plant and equipment	**(3,929)**	(3,830)	**(34,875)**
Loss on impairment of fixed assets (Note 23)	**(3,610)**	(499)	**(32,038)**
Reserve for environmental measures	**(10,841)**	(1,300)	**(96,216)**
Foreign exchange (losses) gains, net	**(1,142)**	(1,489)	**(10,138)**
Loss on business withdrawal cost (Note 24)	**(7,517)**	—	**(66,716)**
Loss on suspension of operation (Note 25)	**(2,628)**	(1,150)	**(23,322)**
Equity in earnings of affiliates	**2,188**	6,557	**19,426**
Other, net	**(2,035)**	(3,613)	**(18,064)**
	12,259	3,757	**108,800**
Income before income taxes	**82,680**	75,628	**733,760**
Income taxes (Note 9)	**15,144**	14,074	**134,399**
Net income	**¥ 67,536**	¥ 61,553	**$ 599,361**
Net income attributable to:			
Non-controlling interests	**¥ 6,219**	¥ 5,406	**$ 55,193**
Owners of parent	**61,316**	56,147	**544,167**
	Yen		U.S. dollars (Note 1)
Amounts per share:			
Basic net income (Note 21)	**¥46.80**	¥42.85	**$0.41**
Cash dividends applicable to the year (Note 26)	**10.0**	8.0	**0.08**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Comprehensive Income

Mitsubishi Materials Corporation and Consolidated Subsidiaries
Years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	**2016**
Net income	**¥ 67,536**	¥ 61,553	**$ 599,361**
Other comprehensive income (Note 13):			
Valuation difference on available-for-sale securities	**(21,165)**	10,691	**(187,838)**
Deferred gains or losses on hedges	**1,044**	(1,434)	**9,265**
Revaluation reserve for land	**1,490**	2,801	**13,227**
Foreign currency translation adjustments	**(11,326)**	33,215	**(100,519)**
Remeasurements of defined benefit plans	**(14,369)**	11,714	**(127,527)**
Share of other comprehensive income of affiliates accounted for using the equity method	**(3,544)**	2,411	**(31,456)**
Total other comprehensive income	**(47,872)**	59,401	**(424,849)**
Comprehensive income	**¥ 19,664**	¥120,954	**$ 174,512**
Comprehensive income attributable to:			
Owners of parent	**¥ 16,451**	¥106,600	**$ 146,002**
Non-controlling interests	**3,212**	14,354	**28,509**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets (Note 26)

Mitsubishi Materials Corporation and Consolidated Subsidiaries
Years ended March 31, 2016 and 2015

	Millions of yen				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2014	¥119,457	¥92,272	¥207,354	¥(1,782)	¥417,302
Cumulative effect of changes in accounting policies			(3,611)		(3,611)
Restated balance	119,457	92,272	203,742	(1,782)	413,690
Dividends			(9,172)		(9,172)
Net income attributable to owners of parent			56,147		56,147
Increase due to reversal of revaluation reserve for land			1,861		1,861
Increase resulting from increase in the number of consolidated subsidiaries			327		327
Decrease resulting from increase in the number of affiliates accounted for using the equity method			(46)		(46)
Acquisition of treasury stock				(84)	(84)
Sales of treasury stock		(0)		1	1
Net change other than shareholders' equity					
Balance at March 31, 2015	¥119,457	¥92,272	¥252,858	¥(1,865)	¥462,723
Cumulative effect of changes in accounting policies			805		805
Restated balance	119,457	92,272	253,664	(1,865)	463,529
Dividends			(13,101)		(13,101)
Net income attributable to owners of parent			61,316		61,316
Increase due to reversal of revaluation reserve for land			843		843
Increase resulting from increase in the number of consolidated subsidiaries			304		304
Acquisition of treasury stock				(89)	(89)
Sales of treasury stock		(0)		1	1
Change in treasury shares of parent arising from transactions with non-controlling shareholders		(5)			(5)
Net change other than shareholders' equity					
Balance at March 31, 2016	¥119,457	¥92,266	¥303,026	¥(1,953)	¥512,797

	Millions of yen							
	Accumulated other comprehensive income							
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land (Note 19):	Foreign currency translation adjustments	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at April 1, 2014	¥31,972	¥218	¥32,907	¥(12,348)	¥(13,302)	¥39,447	¥68,957	¥525,707
Cumulative effect of changes in accounting policies								(3,611)
Restated balance	31,972	218	32,907	(12,348)	(13,302)	39,447	68,957	522,095
Dividends								(9,172)
Net income attributable to owners of parent								56,147
Increase due to reversal of revaluation reserve for land								1,861
Increase resulting from increase in the number of consolidated subsidiaries								327
Decrease resulting from increase in the number of affiliates accounted for using the equity method								(46)
Acquisition of treasury stock								(84)
Sales of treasury stock								1
Net change other than shareholders' equity	10,745	(1,244)	949	28,095	10,046	48,591	9,793	58,385
Balance at March 31, 2015	42,717	(1,025)	33,856	15,746	(3,256)	88,039	78,751	629,514
Cumulative effect of changes in accounting policies								805
Restated balance	42,717	(1,025)	33,856	15,746	(3,256)	88,039	78,751	630,319
Dividends								(13,101)
Net income attributable to owners of parent								61,316
Increase due to reversal of revaluation reserve for land								843
Increase resulting from increase in the number of consolidated subsidiaries								304
Acquisition of treasury stock								(89)
Sales of treasury stock								1
Change in treasury shares of parent arising from transactions with non-controlling shareholders								(5)
Net change other than shareholders' equity	(21,071)	826	426	(12,099)	(13,690)	(45,608)	11,038	(34,570)
Balance at March 31, 2016	¥21,645	¥(199)	¥34,282	¥3,647	¥(16,946)	¥42,430	¥89,789	¥645,017

The accompanying notes are an integral part of these statements.

	Thousands of U.S. dollars (Note 1)				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2015	$1,060,151	$818,885	$2,244,043	$(16,555)	$4,106,525
Cumulative effect of changes in accounting policies			7,150		7,150
Restated balance	1,060,151	818,885	2,251,194	(16,555)	4,113,676
Dividends			(116,274)		(116,274)
Net income attributable to owners of parent			544,167		544,167
Increase due to reversal of revaluation reserve for land			7,482		7,482
Increase resulting from increase in the number of consolidated subsidiaries			2,700		2,700
Acquisition of treasury stock				(797)	(797)
Sales of treasury stock		(0)		16	15
Change in treasury shares of parent arising from transactions with non-controlling shareholders		(50)			(50)
Net change other than shareholders' equity					
Balance at March 31, 2016	$1,060,151	$818,834	$2,689,270	$(17,337)	$4,550,919

	Thousands of U.S. dollars (Note 1)							
	Accumulated other comprehensive income							
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land (Note 19):	Foreign currency translation adjustments	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at April 1, 2015	$379,104	$(9,103)	$300,466	$139,748	$(28,897)	$781,319	$698,896	$5,586,741
Cumulative effect of changes in accounting policies								7,150
Restated balance	379,104	(9,103)	300,466	139,748	(28,897)	781,319	698,896	5,593,892
Dividends								(116,274)
Net income attributable to owners of parent								544,167
Increase due to reversal of revaluation reserve for land								7,482
Increase resulting from increase in the number of consolidated subsidiaries								2,700
Acquisition of treasury stock								(797)
Sales of treasury stock								15
Change in treasury shares of parent arising from transactions with non-controlling shareholders								(50)
Net change other than shareholders' equity	(187,007)	7,337	3,781	(107,376)	(121,501)	(404,765)	97,960	(306,805)
Balance at March 31, 2016	$192,097	$(1,766)	$304,248	$32,372	$(150,398)	$376,553	$796,857	$5,724,330

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

Mitsubishi Materials Corporation and Consolidated Subsidiaries
Years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	**2016**
Cash flows from operating activities:			
Income before income taxes	**¥ 82,680**	¥ 75,628	**$ 733,760**
Adjustments to reconcile income before income taxes and non-controlling interests to net cash provided by operating activities:			
Depreciation	**56,395**	53,911	**500,490**
Amortization of goodwill	**4,447**	2,835	**39,466**
Decrease in allowance for doubtful accounts	**(38)**	(54)	**(340)**
Decrease in reserve for loss on unconsolidated subsidiaries and affiliates	**552**	—	**4,899**
Increase in reserve for environmental measures	**8,799**	395	**78,094**
Increase (decrease) in net liability for retirement benefits and directors' retirement benefits	**1,136**	(4,187)	**10,083**
Interest and dividend income	**(9,609)**	(15,900)	**(85,280)**
Interest expense	**6,694**	8,233	**59,412**
Gain on sales of property, plant and equipment	**(5,863)**	(8,208)	**(52,035)**
Loss on disposal of property, plant and equipment	**3,366**	3,183	**29,875**
Loss on impairment of fixed assets	**3,610**	499	**32,038**
Loss on business withdrawal cost	**7,517**	—	**66,716**
Gain on sales of investments in securities	**(18,164)**	(1,696)	**(161,205)**
Write-down of investments in securities	**2,539**	9,278	**22,536**
Gain on redemption of investment securities	**(1,234)**	—	**(10,959)**
Gain on change in equity	**(10,464)**	(64)	**(92,868)**
Decrease (increase) in notes and accounts receivable	**8,239**	(25,184)	**73,125**
Decrease (increase) decrease in inventories	**38,913**	(8,613)	**345,344**
Proceeds from sales of gold bullion deposited from customers under consuming bailment My Gold Partner	**79,994**	77,188	**709,930**
Payment for purchases of gold bullion from market for customers under My Gold Partner	**(77,114)**	(76,957)	**(684,368)**
Decrease (increase) in other current assets	**17,373**	(13,741)	**154,183**
(Decrease) increase in notes and accounts payable	**(24,966)**	27,267	**(221,571)**
Increase in accrued expenses	**3,857**	9,003	**34,233**
Equity in earnings of affiliates	**(2,188)**	(6,557)	**(19,426)**
Other, net	**(44,728)**	7,089	**(396,955)**
Sub-total	**131,743**	113,347	**1,169,178**
Interest and dividend received	**12,139**	17,399	**107,733**
Interest paid	**(7,173)**	(8,392)	**(63,663)**
Income taxes paid	**(18,023)**	(14,283)	**(159,953)**
Net cash provided by operating activities	**118,685**	108,070	**1,053,294**
Cash flows from investing activities:			
Payments for purchases of property, plant and equipment	**(71,469)**	(54,821)	**(634,269)**
Proceeds from sales of property, plant and equipment	**19,110**	7,448	**169,596**
Payments for purchases of intangible fixed assets	**(2,897)**	(3,237)	**(25,713)**
Payments for purchases of investments in securities	**(2,922)**	(2,116)	**(25,932)**
Proceeds from sales of investments in securities	**32,987**	5,490	**292,751**
Proceeds from redemption of investment securities	**18,000**	—	**159,744**
Payments for additional acquisition of subsidiaries' shares	**(132)**	(471)	**(1,174)**
Proceeds from sale of subsidiaries' shares	**—**	229	**—**
Payment for purchase of investments in subsidiaries resulting in change in scope of consolidation	**(15,572)**	—	**(138,202)**
Proceeds from sale of subsidiaries' shares resulting in change in scope of consolidation	**455**	1,506	**4,046**
Payments for business withdrawal	**(7,548)**	—	**(66,993)**
Disbursement of loan receivables	**(1,100)**	(1,775)	**(9,769)**
Proceeds from collection of loan receivables	**1,942**	5,781	**17,237**
Other, net	**(834)**	(399)	**(7,406)**
Net cash used in investing activities	**(29,982)**	(42,366)	**(266,086)**
Cash flows from financing activities:			
(Decrease) increase in short-term bank loans, net	**(28,243)**	14,862	**(250,652)**
Proceeds from long-term debt	**31,433**	100,361	**278,961**
Repayments of long-term debt	**(79,917)**	(105,638)	**(709,245)**
(Decrease) increase in commercial paper, net	**(5,000)**	5,000	**(44,373)**
Payments for redemption of bonds	**(20,040)**	(40,000)	**(177,848)**
Payment of cash dividends	**(13,101)**	(9,172)	**(116,274)**
Payments for purchase of treasury stock	**(90)**	(88)	**(801)**
Cash dividends paid to non-controlling shareholders	**(1,989)**	(4,317)	**(17,657)**
Other, net	**(3,527)**	(3,279)	**(31,304)**
Net cash used in financing activities	**(120,477)**	(42,273)	**(1,069,197)**
Effect of exchange rate fluctuation on cash and cash equivalents	**(2,803)**	5,837	**(24,878)**
Net (decrease) increase in cash and cash equivalents	**(34,577)**	29,268	**(306,867)**
Cash and cash equivalents at beginning of year	**92,079**	62,078	**817,178**
Effect of changes in consolidated subsidiaries	**980**	732	**8,703**
Cash and cash equivalents at end of year (Note 20)	**¥ 58,482**	¥ 92,079	**$ 519,014**

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

Mitsubishi Materials Corporation and Consolidated Subsidiaries
March 31, 2016 and 2015

Note 1 Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of Mitsubishi Materials Corporation (the "Company") and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The accompanying consolidated financial statements have been reformatted and translated into English from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Certain supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2016, which was ¥112.68 to U.S. $1. The convenience translation should not be construed as representation that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

Fractions less than one million yen (one tenth yen in respect to per share amount) have been omitted. As a result, the total amounts in Japanese yen and translated U.S. dollars shown in the consolidated financial statements and notes to the consolidated financial statements do not necessarily agree with the sum of the individual amounts.

Note 2 Summary of Significant Accounting Policies

(a) Consolidation

The accompanying consolidated financial statements include the accounts of the Company and significant companies which the Company controls through majority voting right or existence of certain conditions. All significant intercompany balances and transactions have been eliminated in consolidation. Investments in affiliates of which the Company has the ability to exercise significant influence over operating and financial policies, except for insignificant companies, are accounted for by the equity method, and accordingly, stated at cost adjusted for the earnings and losses after elimination of unrealized intercompany profits from the date of acquisition.

As discussed in Note 2 (q) and (r), the accounts of consolidated overseas subsidiaries and affiliates accounted for by the equity method are prepared in accordance with either International Financial Reporting Standards or U.S. Generally Accepted Accounting Principles, with adjustments for the specified four items as applicable.

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

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

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

Goodwill related to Mitsubishi Hitachi Tool Engineering, Ltd. is amortized over a period of 10 years on a straight-line method.
Regarding SUMCO CORPORATION, Copper Mountain Mine (BC) Ltd. and Robertson's, it is 20 years on a straight-line basis.

(b) Translation of Foreign Currencies

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the year-end rates. Gains or losses resulting from foreign currency transactions are credited or charged to other income as incurred.

The financial statements of consolidated foreign subsidiaries and affiliates are translated into Japanese yen amounts at the current rate except for net assets, which is translated at historical rates. The difference resulting from translation adjustments is reported as a separate component of net assets.

(c) Allowance for Doubtful Accounts

Allowance for doubtful accounts is provided in an amount sufficient to cover probable losses on collection. It consists of individually estimated uncollectible amounts, and an amount calculated using the past rate of actual losses on collection.

(d) Inventories

The amounts of inventories are stated primarily at acquisition cost modified by writing down cost to net selling value. Nonferrous metals are stated primarily at the first-in, first-out (FIFO) method. Other inventories are primarily stated at average cost method.

(e) Derivative Transactions and Hedge Accounting

Derivative financial instruments are stated at fair value. Gains or losses resulting from changes in fair value are recognized in income except for the derivative financial instruments to which hedge accounting is applied.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Company defers recognition of gains or losses resulting from changes in fair value of derivative financial instruments until the related losses or gains on the hedged items are recognized.

However, in cases where forward foreign exchange contracts are used as hedges and meet certain hedging criteria, forward foreign exchange contracts and hedged items are accounted for in the following manner:

1. If a forward foreign exchange contract is executed to hedge an existing foreign currency receivable or payable,

(1) the difference, if any, between the Japanese yen amount of the hedged foreign currency receivable or payable translated at the spot rate as of the inception date of the contract and the carrying amount of the receivable or payable is recognized in the consolidated statements of income in the period which includes the inception date, and

(2) the discount or premium on the contract (that is, the difference between the Japanese yen amount of the contract translated at the contracted forward rate and that translated at the spot rate as of the inception date of the contract) is recognized in income over the term of the contract.

2. If a forward foreign exchange contract is executed to hedge a future forecasted transaction denominated in foreign currency, the future transaction will be recorded at the contracted forward rate, and no gains or losses on the forward foreign exchange contract are recognized.

Also, if interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

(f) Securities

Based on the intent of holding, securities are classified as (a) securities held for trading purposes, (b) debt securities intended to be held to maturity (hereafter, "held-to-maturity debt securities"), (c) equity securities issued by unconsolidated subsidiaries and affiliates (hereafter, "equity securities") and (d) all other securities that are not classified in any of the above categories (hereafter, "available-for-sale securities").

Held-to-maturity debt securities are stated at amortized cost. Equity securities, which are not accounted for by the equity method, are stated at moving-average cost. Available-for-sale securities with available fair value are stated at fair market value. Valuation difference on these securities is reported, net of applicable income taxes, as a separate component of net assets. Gains and losses on the sale of such securities are calculated with the moving-average cost. Available-for-sale securities with no available fair market value are stated at moving-average cost. There are no securities held for trading purposes.

If the market value of held-to-maturity debt securities, equity securities, and available-for-sale securities declines significantly, such securities are stated at fair value and the difference between the fair value and the carrying amount is recognized as losses in the period of decline. If the fair market value of these securities is not readily available, such securities are written down to net asset value with corresponding charge in the consolidated statement of income, in the event that net asset value declines significantly. In these cases, such fair value or net asset value will become the carrying amount of the securities at the beginning of the next year.

The fair value is determined based on the average market price during one month before the balance sheet date.

(g) Property, Plant and Equipment and Depreciation (except for the leased assets of which the ownership is not transferred to the lessee)

Property, plant and equipment are stated at cost, except for certain revalued land as explained in Note 19. Depreciation is calculated primarily using the declining-balance method at rates based on the estimated useful lives of depreciable assets. The straight-line method is applied to certain plant facilities based on the estimated useful lives of those depreciable assets.

Cost and accumulated depreciation applicable to assets retired or otherwise disposed of are eliminated from the related accounts, and gain on sale or loss on disposal is credited or charged to income. Expenditures for new facilities and those which substantially increase the useful lives of existing property, plant, and equipment are capitalized. Maintenance, repair and minor renewals are charged to income as incurred.

(h) Reserve for bonuses

Reserve for bonuses is provided for future payments of bonuses to employees based on the amount to be attributed to the current fiscal year.

(i) Reserve for Loss on Disposal of Inventories

Reserve for loss on disposal of inventories is provided for future payments for disposal of inventories based on the management estimation.

(j) Valuation Allowance for Investments in Unconsolidated Subsidiaries and Affiliates and Reserve for Loss on Unconsolidated Subsidiaries and Affiliates

Valuation allowance for investments in unconsolidated subsidiaries and affiliates and reserve for loss on unconsolidated subsidiaries and affiliates are provided based on the evaluation of individual financial and other conditions of subsidiaries and affiliates.

(k) Reserve for Environmental Measures

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

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

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

(l) Severance and Pension Benefits

1. For employees

The Group provide two types of post-employment benefit plans, an unfunded lump-sum severance payment plan, and a funded defined benefit pension plan, under which all eligible employees are entitled to benefits based on the level of wages and salaries at the time of retirement or abolishment, the length of service, and certain other factors.

Net liability for retirement benefits is provided based on the estimated amounts of projected benefit obligations that were actuarially calculated on certain assumptions and the fair value of plan assets at balance sheet dates, as adjusted for unrecognized actuarial gains and losses and unrecognized past service costs. Projected benefit obligations are attributed to periods on a benefit formula basis in determining retirement benefit obligations.

Past service costs are amortized by the straight-line method over a certain period (10 years) which falls within the average remaining years of service of the employees when incurred. Actuarial gains and losses are amortized in the following years after incurred by the straight-line method over a certain period (10 years) which falls within the average remaining years of service of the employees.

2. For officers

Officers (directors and corporate auditors) are entitled to lump-sum severance payments based on the length of service and certain other factors. Some consolidated subsidiaries accrue a liability for lump-sum severance payments equal to 100% of the amounts required, had all officers voluntarily retired at the balance sheet dates.

(m) Income Taxes

The Company provides for income taxes on the basis of current tax liabilities and reflects the tax effects of the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases.

(n) Net Income per Share

Basic net income per share is calculated based upon the weighted-average number of shares of common stock outstanding during each period.

(o) Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with maturity of three months or less at the time of purchase.

(p) Accounting Standard for Lease Transactions as Lessee

Finance lease transactions are capitalized to recognize lease assets and lease obligations in the balance sheet. Such lease assets are depreciated over the lease terms without residual values on a straight-line method. All other leases are accounted for as operating leases.

Finance leases other than those that transfer ownership of the leased assets to the lessees, entered into on or before March 31, 2008, are treated in the same way as ordinary operating leases for accounting purpose.

(q) Application of the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements"

Under Accounting Standards Board of Japan (ASBJ) Practical Issues Task Force No. 18 "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" ("PITF No. 18") issued on March 26, 2015, accounting policies and procedures applied by the Company and its subsidiaries to similar transactions and events under similar circumstances are in principle unified for the preparation of the consolidated financial statements. PITF No. 18, however, as a tentative measure, allows a parent company to prepare consolidated financial statements using foreign subsidiaries' financial statements prepared in accordance with either International Financial Reporting Standards or U.S. Generally Accepted Accounting Principles. In this case, adjustments for the following four items in accordance with Japanese GAAP are required in the consolidation process unless the impact is not material.

(a) Goodwill not subject to amortization
(b) Actuarial gains and losses of defined benefit plans recognized as outside profit or loss
(c) Capitalized expenditures for research and development activities
(d) Fair value measurement of investment properties, and revaluation of property, plant and equipment, and intangible assets

(r) Unification of Accounting Policies Applied to Foreign Affiliates for the Equity Method

Under ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments" and Practical Issue Task force (PITF) No. 24, "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method" issued on March 26, 2015, the adjustments are made to conform the affiliate's accounting policies for similar transactions and events under similar circumstances to those of the Company when the affiliate's financial statements are used in applying the equity method unless it is impracticable to determine adjustments. In addition, financial statements prepared by foreign affiliates in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States tentatively may be used in applying the equity method. In this case, same adjustments as those for foreign subsidiaries are required in the consolidation process unless the impact is not material.

(s) Changes in accounting policies

The Company and its domestic subsidiaries adopted "Revised Accounting Standard for Business Combinations" (ASBJ Statement No.21, September 13, 2013 (hereinafter, "Statement No.21")), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22, September 13, 2013 (hereinafter, "Statement No.22")) and "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No.7, September 13, 2013 (hereinafter, "Statement No.7")) (together, the "Business Combination Accounting Standards"), from the current fiscal year. As a result, the Company changed its accounting policies to recognize in capital surplus the differences arising from the changes in the Company's ownership interest of subsidiaries over which the Company continues to maintain control and to record acquisition related costs as expenses in the fiscal year in which the costs are incurred. In addition, the Company changed its accounting policy for the reallocation of acquisition costs due to the completion following provisional accounting to reflect such reallocation in the consolidated financial statements for the fiscal year in which the business combination took place. The Company also changed the presentation of net income and the term "non-controlling interests" is used instead of "minority interests". Certain amounts in the prior year comparative information were reclassified to conform to such changes in the current year presentation.

With regard to the application of the Business Combination Accounting Standards, the Company followed the provisional treatments in article 58-2 (4) of Statement No.21, article 44-5 (4) of Statement No.22 and article 57-4 (4) of Statement No.7 with application from the beginning of the current fiscal year prospectively.

As a result, operating income and income before taxes for the current fiscal year decreased by ¥434 million ($3,851 thousand) and capital surplus as of the end of the current fiscal year decreased by ¥5 million ($50 thousand).

In the consolidated statement of cash flows, cash flows from acquisition or disposal of shares of subsidiaries with no changes in the scope of consolidation are included in "Cash flows from financing activities" and cash flows from acquisition related costs for shares of subsidiaries with changes in the scope of consolidation or costs related to acquisition or disposal of shares of subsidiaries with no changes in the scope of consolidation are included in "Cash flows from operating activities".

Capital surplus as of the end of the current fiscal year in the consolidated statement of changes in net assets decreased by ¥5 million ($50 thousand).

The effects on net assets and earnings per share are not material.

(t) Accounting standards issued but not yet applied

"Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016 (hereinafter, "Guidance No.26")

(1) Overview

Following the framework in Auditing Committee Report No. 66 "Audit Treatment regarding the Judgment of Recoverability of Deferred Tax Assets", which prescribes estimation of deferred tax assets according to the classification of the entity by one of five types, the following treatments were changed as necessary:

1. Treatment for an entity that does not meet any of the criteria in types 1 to 5;
2. Criteria for types 2 and 3;
3. Treatment for deductible temporary differences which an entity classified as type 2 is unable to schedule;
4. Treatment for the period which an entity classified as type 3 is able to reasonably estimate with respect to future taxable income before consideration of taxable or deductible temporary differences that exist at the end of the current fiscal year; and
5. Treatment when an entity classified as type 4 also meets the criteria for types 2 or 3.

(2) Effective date

Effective from the beginning of the fiscal year ending March 31, 2017

(3) Effects of application of the Guidance

The Company is in the process of measuring the effects of the application of this guidance on the consolidated financial statements.

(u) Reclassification

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

Note 3 Inventories

Inventories as of March 31, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Merchandise and finished goods	**¥ 85,082**	¥ 85,100	**$ 755,079**
Work in process	**83,694**	107,093	**742,762**
Raw materials and supplies	**89,875**	104,539	**797,616**
Total	**¥258,652**	¥296,734	**$2,295,457**

Note 4 Investment and Rental Property

Information about fair value of investment and rental property included in the consolidated financial statements at March 31, 2016 and 2015 was as follows:

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

Millions of yen			
Carrying amount			Fair value
April 1, 2014	Increase/(Decrease)	March 31, 2015	March 31, 2015
¥70,981	¥(3,133)	¥67,847	¥67,297

Thousands of U.S. dollars			
Carrying amount			Fair value
April 1, 2015	Increase/(Decrease)	March 31, 2016	March 31, 2016
$602,121	**$(10,060)**	**$592,060**	**$593,270**

Notes:

1. Carrying amount is net of accumulated depreciation and accumulated impairment loss.
2. Fair values of significant properties as of March 31, 2016 and 2015 are based on appraisal by external or internal real estate appraisers. Fair value of other properties is calculated based on the reasonable indices reflecting market prices such as posted prices or property tax valuation, etc.

Operating performances of the investment and rental properties for the fiscal years ended March 31, 2016 and 2015 were as follows:

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

Millions of yen			
Year ended March 31, 2015			
Rental income	Rental expenses	Profit	Impairment loss
¥5,913	¥4,046	¥1,867	¥274

Thousands of U.S. dollars			
Year ended March 31, 2016			
Rental income	Rental expenses	Profit	Impairment loss
$51,961	**$35,023**	**$16,938**	**$20,854**

Note:

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

Note 5 Short-Term Bank Loans, Commercial Paper and Long-Term Debt

Short-term bank loans and commercial paper outstanding as of March 31, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Unsecured	¥118,586	¥151,936	$1,052,418
Secured	22,926	24,963	203,466
Total	¥141,513	¥176,900	$1,255,885

The average interest rate per annum for short-term bank loans outstanding at March 31, 2016 and 2015 was 0.6% and 0.7%, respectively.

Long-term debt as of March 31, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Banks, insurance companies and other financial institutions, maturing serially until 2042 with an average rate of 0.9% per annum as of March 31, 2016:			
Unsecured	¥308,453	¥356,402	$2,737,429
Secured	11,242	12,429	99,771
0.800% unsecured yen bonds, due 2016	15,000	15,000	133,120
1.160% unsecured yen bonds, due 2018	10,000	10,000	88,746
0.790% unsecured yen bonds, due 2016	10,000	10,000	88,746
0.570% unsecured yen bonds, due 2015	—	20,000	—
0.790% unsecured yen bonds, due 2017	15,000	15,000	133,120
0.780% unsecured yen bonds, due 2018	15,000	15,000	133,120
0.518% unsecured yen bonds, due 2016	—	40	—
0.434% unsecured yen bonds, due 2016	100	100	887
	384,795	453,971	3,414,942
Less current portion	(84,114)	(100,336)	(746,491)
Total	¥300,681	¥353,634	$2,668,451

The aggregate annual maturities of long-term debt as of March 31, 2016 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2017	¥ 84,114	$ 746,491
2018	64,979	576,677
2019	75,565	670,618
2020	39,338	349,112
2021	31,138	276,344
2022 and thereafter	89,659	795,698
Total	¥384,795	$3,414,942

Assets pledged as collateral for short-term bank loans and long-term debt as of March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Cash and time deposits	¥ 10,725	¥ 20,710	$ 95,187
Notes and accounts receivable	11,708	10,218	103,912
Inventories	20,266	28,893	179,862
Investments:			
Investments in securities	5,691	6,183	50,510
Property, plant and equipment, at net book value	51,734	59,587	459,129
Other assets	3	2	27
Total	¥100,130	¥125,596	$888,630

Note 6 Employees' Severance and Pension Benefits

1. Outline of the retirement benefit plans

The Company and consolidated subsidiaries have lump-sum severance payment plans, defined benefit corporate pension plans and welfare pension fund plans. Under the lump-sum severance payment plans (they are principally unfunded plans, but some plans are funded after retirement benefit trust was established.), lump-sum payments may be provided based on a function of qualifications and service length. Under the defined benefit corporate pension plans (all plans are funded), lump-sum payments or annuities may be provided based on a function of qualifications and service length. Certain consolidated subsidiaries calculate net liability for retirement benefits and retirement benefit costs using a simplified method. Certain consolidated subsidiaries have defined contribution plans.

2. Movement in retirement benefit obligations for the years ended March 31, 2016 and 2015, was as follows (excluding plans to which a simplified method is applied):

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Balance at beginning of year	**¥128,256**	¥140,948	**$1,138,234**
Cumulative effects of accounting changes	**—**	4,617	**—**
Balance at beginning of year, as restated	**128,256**	145,566	**1,138,234**
Service costs	**8,389**	6,777	**74,458**
Interest costs	**1,515**	1,677	**13,453**
Actuarial gains and losses	**14,311**	(746)	**127,007**
Benefits paid	**(8,115)**	(9,390)	**(72,022)**
Past service costs	**(5)**	131	**(46)**
Increase due to business combination	**3,153**	—	**27,988**
Gain on abolishment of retirement benefit plans	**—**	(13,296)	**—**
Other	**(992)**	(2,462)	**(8,802)**
Balance at end of year	**¥146,514**	¥128,256	**$1,300,270**

3. Movement in plan assets for the years ended March 31, 2016 and 2015, was as follows (excluding plans to which a simplified method is applied):

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Balance at beginning of year	**¥90,975**	¥90,184	**$807,377**
Expected return on plan assets	**1,421**	1,342	**12,613**
Actuarial gains and losses	**(6,388)**	9,362	**(56,700)**
Contributions paid by the employer	**4,896**	6,885	**43,454**
Benefits paid	**(4,677)**	(5,762)	**(41,510)**
Gain on abolishment of retirement benefit plans	**—**	(9,218)	**—**
Other	**(643)**	(1,819)	**(5,707)**
Balance at end of year	**¥85,583**	¥90,975	**$759,528**

4. Movement in net liability for retirement benefits under the plans to which a simplified method is applied for the years ended March 31, 2016 and 2015, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Balance at beginning of year	**¥2,139**	¥2,004	**$18,984**
Retirement benefit costs	**365**	263	**3,243**
Benefits paid	**(155)**	(219)	**(1,378)**
Contributions to the plans	**(72)**	(67)	**(647)**
Other	**(5)**	158	**(44)**
Balance at end of year	**¥2,271**	¥2,139	**$20,157**

5. Reconciliation between net liability or asset for retirement benefits recorded in the consolidated balance sheets and the balances of retirement benefit obligations and plan assets

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Funded retirement benefit obligations	**¥134,016**	¥117,570	**$1,189,358**
Plan assets	**(85,878)**	(91,230)	**(762,148)**
	48,138	26,340	**427,210**
Unfunded retirement benefit obligations	**15,064**	13,080	**133,689**
Net liability recorded in the consolidated balance sheets	**¥ 63,202**	¥ 39,420	**$ 560,899**

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Net liability for retirement benefits	**¥63,544**	¥39,662	**$563,935**
Net asset for retirement benefits	**(342)**	(242)	**(3,037)**
Net liability recorded in the consolidated balance sheets	**¥63,202**	¥39,420	**$560,899**

6. The components of retirement benefit costs for the years ended March 31, 2016 and 2015, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Service costs	**¥ 8,755**	¥ 7,041	**$ 77,701**
Interest costs	**1,515**	1,677	**13,453**
Expected return on plan assets	**(1,421)**	(1,342)	**(12,613)**
Amortization of actuarial gains and losses	**1,126**	1,357	**10,000**
Amortization of past service costs	**(175)**	(158)	**(1,555)**
Retirement benefit costs on defined benefit plans	**¥ 9,801**	¥ 8,574	**$ 86,986**
Gain on abolishment of retirement benefit plans	**¥ —**	¥(1,451)	**$ —**

Notes: 1. Retirement benefit costs under the plans to which a simplified method is applied are included in "Service costs."
2. Gain on abolishment of retirement benefits is recorded under "Other income (expenses)."

7. Adjustments for retirement benefits

Components of adjustments for retirement benefits (before adjusting for tax effects) for the years ended March 31, 2016 and 2015, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Past service costs	**¥ (169)**	¥ (290)	**$ (1,508)**
Actuarial gains and losses	**(19,891)**	12,615	**(176,535)**
Total	**¥(20,061)**	¥12,324	**$(178,043)**

8. Accumulated adjustments for retirement benefits

Components of accumulated adjustments for retirement benefits (before adjusting for tax effects) as of March 31, 2016 and 2015, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Unrecognized past service costs	**¥ (743)**	¥ (913)	**$ (6,598)**
Unrecognized actuarial gains and losses	**23,153**	3,261	**205,481**
Total	**¥22,410**	¥2,348	**$198,883**

9. Plan assets
(1) Components of plan assets
Plan assets consisted of the followings:

	2016	2015
Bonds	**33%**	37%
Equity securities	**46**	49
Insurance assets (general account)	**12**	11
Cash and deposits	**9**	3
Other	**0**	1
Total	**100%**	100%

Note: Total plan assets include retirement benefit trust established on lump-sum severance payment plans or corporate pension plans by 26% and 30% at March 31, 2016 and 2015, respectively.

(2) Method of determining the long-term expected rate of return on plan assets
The long-term expected rate of return on plan assets is determined by considering the allocation of plan assets which are expected currently and in the future and long-term rates of return which are expected currently and in the future from the various components of the plan assets.

10. The principal assumptions used for the years ended March 31, 2016 and 2015, were set forth as follows:

	2016	2015
Discount rate	**Mainly 0.05%**	Mainly 1.4%
Long-term expected rate of return on plan assets	**Mainly 2.0%**	Mainly 2.0%

11. Defined contribution plans
The amount of the required contribution to the defined contribution plans of the consolidated subsidiaries was ¥335 million ($2,976 thousand) and ¥255 million for the years ended March 31, 2016 and 2015, respectively.

Note 7 Asset Retirement Obligations

The asset retirement obligations are based on the reasonably estimated amount for the obligation regarding treatment of hazardous substances such as asbestos and PCB as prescribed by the various laws and ordinances, and greening obligation for mine closure of coal and limestone.

In computing the amount of asset retirement obligations, the Group estimates the expected terms until expenditure (maximum 70 years) and applies discount rates ranging from 0.4% to 2.7%.

The changes in asset retirement obligations for the fiscal years ended March 31, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
Year ended March 31,	**2016**	2015	**2016**
Beginning balance	**¥3,430**	¥3,494	**$30,446**
Increase associated with acquisitions of tangible fixed assets	**330**	25	**2,935**
Reconciliation associated with passage of time	**26**	65	**231**
Reduction associated with settlement of asset retirement obligations	**(47)**	(15)	**(422)**
Decrease due to changes in estimates	**(7)**	(135)	**(63)**
Foreign currency translation adjustments	**(40)**	227	**(355)**
Other, net	**(100)**	(231)	**(892)**
Ending balance	**¥3,592**	¥3,430	**$31,877**

Note 8 Net Assets

Under the Japanese Corporate Law ("the Law") and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in-capital, which is included in capital surplus.

Under the Law, in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in-capital and legal earnings reserve must be set aside as additional paid-in-capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Law, both elimination and capitalization related to legal earnings reserve and additional paid-in capital generally require a resolution of the shareholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Law, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the laws and regulations.

Note 9 Income Taxes

The income taxes reflected in the accompanying consolidated statements of income for the fiscal years ended March 31, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Current	**¥17,905**	¥19,649	**$158,901**
Deferred	**(2,760)**	(5,574)	**(24,502)**
Total	**¥15,144**	¥14,074	**$134,399**

The following table summarizes the significant differences between the statutory income tax rate and the effective income tax rate for the fiscal years ended March 31, 2016 and 2015:

	2016	2015
Statutory income tax rate	**33.1%**	35.6%
Nondeductible expenses	**0.9**	1.0
Temporary differences for which tax effect cannot be recognized	**(12.1)**	(12.4)
Differences in statutory tax rates of consolidated subsidiaries	**0.3**	(3.3)
Equity in earnings of affiliates	**(0.9)**	(2.9)
Nontaxable dividends received	**(2.5)**	(4.0)
Nondeductible foreign withholding taxes	**1.3**	3.0
Deferred tax liabilities related to retained earnings of overseas consolidated subsidiaries	**—**	1.0
Reduction of deferred tax assets and liabilities due to the change in income tax rates	**0.8**	0.5
Gain on changes in equity	**(4.2)**	0.0
Amortization of goodwill	**1.8**	1.3
Other	**(0.2)**	(1.2)
Effective tax rate	**18.3%**	18.6%

Significant components of deferred tax assets and liabilities as of March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Deferred tax assets:			
Net liability for retirement benefits	**¥ 19,767**	¥ 12,047	**$ 175,426**
Net operating loss carried forward	**16,120**	15,364	**143,068**
Nondeductible loss on impairment of fixed assets	**13,787**	15,409	**122,364**
Loss on write-down of securities	**12,810**	14,302	**113,685**
Retirement benefit trust asset	**7,285**	9,334	**64,656**
Intercompany profits	**5,236**	6,926	**46,468**
Temporary difference on the excess of investment in overseas consolidated subsidiaries	**4,839**	8,963	**42,947**
Loss on write-down of buildings	**4,500**	4,913	**39,942**
Reserve for environmental measures	**4,113**	1,474	**36,503**
Accrued employees' bonuses	**3,859**	3,885	**34,251**
Allowance for doubtful accounts	**2,364**	2,085	**20,985**
Depreciation	**2,116**	2,012	**18,780**
Loss on write-down of inventories	**1,804**	2,082	**16,017**
Other	**25,957**	29,547	**230,365**
Subtotal	**124,563**	128,350	**1,105,464**

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Valuation allowance	**(57,397)**	(68,835)	**(509,381)**
Total deferred tax assets	**¥ 67,166**	¥ 59,515	**$ 596,082**
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	**¥ (8,681)**	¥ (17,137)	**$ (77,047)**
Excess of fair value over the book value of the assets and liabilities of the consolidated subsidiaries and affiliates at the acquisition date	**(8,632)**	(7,058)	**(76,609)**
Accelerated depreciation of property, plant and equipment	**(4,809)**	(5,934)	**(42,681)**
Gain on contribution of securities to retirement benefit trust	**(4,044)**	(4,318)	**(35,891)**
Deferred gain on sale of property, plant and equipment	**(3,234)**	(2,951)	**(28,701)**
Retained earnings of overseas consolidated subsidiaries	**(1,859)**	(1,046)	**(16,504)**
Revaluation of land, as a result of the merger	**(1,502)**	(1,586)	**(13,333)**
Reserve for loss on particular business reorganization	**(1,194)**	(1,262)	**(10,605)**
Deferred gains or losses on hedges	**(351)**	(181)	**(3,117)**
Reserve for special account for advanced depreciation of fixed assets	**(102)**	(77)	**(909)**
Reserve for mining exploration	**(20)**	(135)	**(178)**
Other	**(3,461)**	(2,902)	**(30,719)**
Total deferred tax liabilities	**(37,894)**	(44,592)	**(336,299)**
Net deferred tax assets	**¥ 29,272**	¥ 14,923	**$ 259,782**
Net deferred tax liabilities for land revaluation	**¥ (26,532)**	¥ (28,449)	**$ (235,468)**

Adjustments of the amounts of deferred tax assets and liabilities due to the change in income tax rates

On March 29, 2016, amendments to the Japanese tax regulations were enacted into law. Based on the amendments, the statutory income tax rates utilized for the measurement of deferred tax assets and liabilities expected to be settled or realized from April 1, 2016 to March 31, 2018 and on or after April 1, 2018 were changed from 32.3% to 30.9% and 30.6%, respectively, as of March 31, 2016.

Due to these changes in statutory income tax rates, net deferred tax assets (after deducting deferred tax liabilities) decreased by ¥488 million ($4,336 thousand) as of March 31, 2016, deferred income tax expense recognized for the fiscal year ended March 31, 2016 increased by ¥694 million ($6,159 thousand), valuation difference on available-for-sale securities increased by ¥509 million ($4,520 thousand) ,deferred gains or losses on hedges increased by ¥16 million ($148 thousand), respectively and remeasurements of defined benefit plans decreased by ¥334 million ($2,970 thousand). In addition deferred tax liabilities for land revaluation decreased by ¥1,490 million ($13,227 thousand) and revaluation reserve for land increased by ¥1,470 million ($13,049 thousand).

Note 10 Contingent Liabilities

1. Contingent liabilities regarding notes and loans guaranteed:

Contingent liabilities for notes receivable discounted with banks, notes receivable endorsed with recourse, notes and accounts receivable securitized with recourse, and loans guaranteed by the Group primarily on behalf of unconsolidated subsidiaries and affiliates, including employees' housing loans from banks, as of March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Notes receivable discounted	**¥ 772**	¥ 828	**$ 6,856**
Notes receivable endorsed	**23**	30	**207**
Notes and accounts receivable securitized with recourse	**3,647**	7,239	**32,373**
Loans guaranteed	**26,369**	35,438	**234,023**
Total	**¥30,813**	¥43,537	**$273,461**

2. Contingent liabilities related to the consolidated subsidiary:

March 31, 2015

On December 30, 2014, PT. Smelting, which is a consolidated subsidiary of the Company, received a notice of reassessment in the amount of $47 million (¥5,752 million) from the Indonesian National Tax Authority regarding the sales transaction pricing of PT. Smelting for the year ended December 2009. PT. Smelting made a provisional deposit of $14 million (¥1,682 million) as a part of the assessment on January 28, 2015. However, PT. Smelting submitted a written objection to the Indonesian National Tax Authority on March 25, 2015, because this assessment, which claims sales shortage of PT. Smelting based on comparison of profit margin ratio with other companies selected by the Indonesian Natural Tax Authority, was considered to be materially unreasonable and cannot be accepted by the Company and PT. Smelting.

March 31, 2016
The objection submitted by PT. Smelting on March 25, 2015 was rejected by the Indonesia National Tax Authority on March 16, 2016. Accordingly, PT. Smelting filed a lawsuit to the Tax Court on June 6, 2016 in order to claim the legitimacy of the Company and PT. Smelting.

Note 11 Lease Transactions

In related to Note 2 (p), pro-forma information of finance leases that do not transfer ownership of leased assets to the lessee commenced prior to April 1, 2008, the first year of implementation of the new accounting standard, which are accounted for as operating leases, was as follows:

1. Noncancelable operating lease commitments as lessee were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Due within one year	**¥ 2,421**	¥ 2,459	**$21,492**
Due after one year	**8,442**	9,987	**74,925**
Total	**¥10,864**	¥12,446	**$96,417**

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

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Due within one year	**¥1,100**	¥1,212	**$ 9,766**
Due after one year	**5,670**	6,068	**50,321**
Total	**¥6,770**	¥7,281	**$60,088**

Note 12 Research and Development Expenses

Research and development expenses for the fiscal years ended March 31, 2016 and 2015 were ¥11,225 million ($99,623 thousand) and ¥10,530 million, respectively, and were included in selling, general and administrative expenses.

Note 13 Other Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Valuation difference on available-for-sale securities:			
(Losses) gains incurred during the year	**¥(30,833)**	¥12,762	**$(273,640)**
Reclassification adjustment to net income	**1,213**	81	**10,767**
Amount before tax effect	**(29,620)**	12,844	**(262,872)**
Tax effect	**8,454**	(2,152)	**75,034**
Valuation difference on available-for-sale securities	**(21,165)**	10,691	**(187,838)**
Deferred gains or losses on hedges:			
Gains (losses) incurred during the year	**1,686**	(8,758)	**14,968**
Reclassification adjustment to net income	**(31)**	6,561	**(282)**
Amount before tax effect	**1,654**	(2,197)	**14,686**
Tax effect	**(610)**	762	**(5,420)**
Deferred gains or losses on hedges	**1,044**	(1,434)	**9,265**
Revaluation reserve for land			
Tax effect	**1,490**	2,801	**13,227**
Foreign currency translation adjustments:			
Gains incurred during the year	**(11,326)**	33,215	**(100,519)**

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Remeasurements of defined benefit plans:			
Gains incurred during the year	**(20,920)**	10,786	**(185,659)**
Reclassification adjustment to net income	**858**	1,537	**7,617**
Amount before tax effect	**(20,061)**	12,324	**(178,042)**
Tax effect	**5,692**	(609)	**50,514**
Remeasurements of defined benefit plans	**(14,369)**	11,714	**(127,527)**
Share of other comprehensive income of affiliates accounted for using the equity method:			
Gains incurred during the year	**(4,264)**	2,349	**(37,848)**
Reclassification adjustment to net income	**720**	61	**6,392**
Share of other comprehensive income of affiliates accounted for using the equity method	**(3,544)**	2,411	**(31,456)**
Total other comprehensive income	**¥(47,872)**	¥59,401	**$(424,849)**

Note 14 Securities

1. The following tables summarize carrying amounts and acquisition costs of securities with available fair values as of March 31, 2016:

Available-for-sale securities

(1) Securities with carrying amount exceeding acquisition cost
At March 31, 2016

	Millions of yen			Thousands of U.S. dollars		
Type	Carrying amount	Acquisition cost	Difference	Carrying amount	Acquisition cost	Difference
Equity securities	**¥82,015**	**¥46,981**	**¥35,034**	**$727,866**	**$416,944**	**$310,921**
Bonds	**—**	**—**	**—**	**—**	**—**	**—**
Total	**¥82,015**	**¥46,981**	**¥35,034**	**$727,866**	**$416,944**	**$310,921**

(2) Securities with carrying amount not exceeding acquisition cost
At March 31, 2016

	Millions of yen			Thousands of U.S. dollars		
Type	Carrying amount	Acquisition cost	Difference	Carrying amount	Acquisition cost	Difference
Equity securities	**¥15,462**	**¥18,829**	**¥(3,367)**	**$137,224**	**$167,109**	**$(29,884)**
Bonds	**—**	**—**	**—**	**—**	**—**	**—**
Total	**¥15,462**	**¥18,829**	**¥(3,367)**	**$137,224**	**$167,109**	**$(29,884)**

Note:
Unlisted equity securities of which carrying amount is ¥7,840 million ($69,577 thousand) are not included in the above table, because there is no market price and it is extremely difficult to recognize their fair values.

2. The following tables summarize carrying amounts and acquisition costs of securities with available fair values as of March 31, 2015:

Available-for-sale securities

(1) Securities with carrying amount exceeding acquisition cost
At March 31, 2015

	Millions of yen		
Type	Carrying amount	Acquisition cost	Difference
Equity securities	¥116,355	¥54,413	¥61,941
Bonds	—	—	—
Total	¥116,355	¥54,413	¥61,941

(2) Securities with carrying amount not exceeding acquisition cost
At March 31, 2015

	Millions of yen		
Type	Carrying amount	Acquisition cost	Difference
Equity securities	¥9,823	¥11,179	¥(1,355)
Bonds	—	—	—
Total	¥9,823	¥11,179	¥(1,355)

Note:
Unlisted equity securities of which carrying amount is ¥10,772 million are not included in the above table, because there is no market price and it is extremely difficult to recognize their fair values.

3. The Group did not hold any available-for-sale securities with maturity, and held-to-maturity debt securities as of March 31, 2016 and 2015.
4. Total amounts of available-for-sale securities sold, and the resulting gains and losses, for the fiscal years ended March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Sales amount	**¥144**	¥1,884	**$1,286**
Gains	**4**	655	**36**
Losses	**(56)**	(—)	**(499)**

5. The amounts of write-down of investments in securities for the years ended March 31, 2016 and 2015 were ¥2,539 million ($22,536 thousand) and ¥9,278 million, respectively.

When the fair value of each issue of securities declined more than 50% of the acquisition cost, losses on write-down were recognized. When the fair value declined between 30% and 50% of the acquisition cost, the write-down amount is determined by considering the recoverability, etc. by each issue.

Note 15 Financial Instruments

Information on financial instruments for the fiscal years ended March 31, 2016 and 2015 was as follows.

1. Qualitative information on financial instruments

(1) Policies for using financial instruments

The Group raises the necessary funds for its capital investment plans to conduct its business mainly by bank loans or issuance of bonds. The Group invests temporary cash surpluses in highly secured financial instruments and raises short-term working funds by bank loans or issuance of commercial paper. The Group follows the policy of using derivatives not for speculative purposes, but for managing financial risks as described later.

(2) Details of financial instruments used and the exposures to risk and how they arise

Notes and accounts receivable are exposed to customer's credit risk. As trade receivables denominated in foreign currencies arising from the development of global business are exposed to foreign currency exchange fluctuation risk, they are principally hedged using forward foreign exchange contracts. Investment securities, mainly consisting of equity securities related to customers and suppliers in relation to business or capital alliances, are exposed to the risk of market price fluctuations.

Payment terms of notes and accounts payable are less than one year. As certain payables in foreign currencies arising from the import transactions of raw materials are exposed to foreign currency exchange fluctuation risk, they are principally hedged using forward foreign exchange contracts. Short-term bank loans and commercial paper are used for raising funds related to operating transactions.

Long-term debt including corporate bonds is used mainly for raising the necessary funds related to capital investments. The longest maturity of long-term debt including corporate bonds is 2042. As some of them with floating interest rates are exposed to interest rate fluctuation risk, they are hedged using derivatives.

Derivative transactions mainly include forward foreign currency contracts and currency swap contracts for the purpose of hedging foreign currency exchange fluctuation risk on trade receivables and payables denominated in foreign currencies, forward commodity contracts and commodity price swap contracts for the purpose of hedging commodity price fluctuation risk on nonferrous metal and interest rate swaps for the purpose of hedging interest rate fluctuation risk on debt and reducing fund raising costs. Interest rate swaps which convert fixed interest rates into floating rates are exposed to market interest rate fluctuation. Hedging instruments and hedged items, hedge policy, assessment method for hedge effectiveness and others related to hedge accounting, are described in Note 2. (e) "Derivative Transactions and Hedge Accounting" and Note 16 "Derivative Transactions."

(3) Policies and processes for managing the risk

a. Credit Risk Management (customers' default risk)

The Company manages and mitigates customers' credit risk on trade receivables in accordance with the Credit Control Policy, which includes monitoring of payment term and balances of customers by each responsible department of each company to recognize the customers' default risk at an early stage. Consolidated subsidiaries also manage and mitigate the risk in accordance with a similar credit control policy based on the Group Accounting Policy and Manual. The Company deals with highly creditworthy foreign or domestic financial institutions or trading firms only to mitigate the default risk.

b. Market Risk Management (foreign currency exchange and interest rate fluctuation risks)

The Company and its certain consolidated subsidiaries use principally forward foreign exchange contracts to hedge foreign currency exchange fluctuation risk identified by currency and monthly basis for trade receivables and payables denominated in foreign currencies. In addition, interest rate swap contracts are used to manage interest rate fluctuation risk on debt.

With respect to investment securities, the Company identifies and monitors fair values and financial positions of the issuers on a regular basis and continuously reviews its status of these securities considering the relationships with the issuers.

With respect to derivative transactions, the Company has "Rules on Utilizing Derivative Transactions" in its "Operation Standards" applicable to the whole Company. In addition, there are specific rules and standards for derivative transactions provided for each business unit based on the type of business. In accordance with the authority and limits provided in these rules and standards, forward foreign currency contracts are utilized and controlled by the Finance Department and other responsible departments; interest rate swap contracts are utilized and controlled by the Finance Department; and forward commodity contracts are utilized and controlled by each responsible department. Furthermore, departments utilizing derivative transactions are required to report the status and results of derivative transactions to the Management Audit Department for financial transaction at each annual and semi-annual year-end. Consolidated subsidiaries utilizing derivative transactions have provided the operational standards individually, according to the purpose of derivative transactions.

c. Liquidity Risk Management on Fund Raising

The Group manages its liquidity risk by preparing and updating cash flow plans on a timely basis at each company.

(4) Supplemental information on fair values

Fair values of financial instruments include market prices and values calculated reasonably when there is no market price. Since variable factors are incorporated in calculating the relevant fair values, the fair values may change depending on the different assumptions. The contract amounts described in Note 16 "Derivative Transactions" do not indicate the amounts of market risk or credit risk related to derivative transactions.

2. Fair values of financial instruments

Carrying amounts, fair value of the financial instruments and the difference between them as of March 31, 2016 and 2015 were as follows (Financial instruments whose fair values are not readily determinable are excluded from the following table):

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

March 31, 2015	Millions of yen Carrying amount	Fair value	Difference
(1) Cash and time deposits	¥ 93,152	¥ 93,152	¥ —
(2) Notes and accounts receivable	230,874	230,874	—
(3) Investment securities:			
Shares in affiliates	57,406	180,591	123,184
Available-for-sale securities	126,179	126,179	—
Total assets	¥507,612	¥630,797	¥123,184
(1) Notes and accounts payable	¥128,375	¥128,375	¥ —
(2) Short-term bank loans	252,197	252,197	—
(3) Current portion of bonds	20,040	20,052	12
(4) Commercial paper	5,000	5,000	—
(5) Bonds	65,100	66,009	909
(6) Long-term loans payable	288,534	289,075	540
Total liabilities	¥759,247	¥760,710	¥ 1,462
Derivative transactions (*)			
a. Derivatives to which hedge accounting is not applied	¥ 6,473	¥ 6,473	¥ —
b. Derivatives to which hedge accounting is applied	(1,210)	(3,519)	(2,309)
Total derivative transactions	¥ 5,263	¥ 2,954	¥ (2,309)

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

March 31, 2016	Thousands of U.S. dollars Carrying amount	Fair value	Difference
(1) Cash and time deposits	**$ 533,576**	**$ 533,576**	**$ —**
(2) Notes and accounts receivable	**2,068,632**	**2,068,632**	
(3) Investment securities:			
Shares in affiliates	**490,194**	**505,568**	**15,374**
Available-for-sale securities	**865,090**	**865,090**	**—**
Total assets	**3,957,493**	**$3,972,867**	**$ 15,374**
(1) Notes and accounts payable	**$ 981,505**	**$ 981,505**	**$ —**
(2) Short-term bank loans	**1,779,621**	**1,779,621**	**—**
(3) Current portion of bonds	**222,754**	**223,331**	**576**
(4) Commercial paper	**—**	**—**	**—**
(5) Bonds	**354,987**	**359,979**	**4,992**
(6) Long-term loans payable	**2,313,463**	**2,318,334**	**4,870**
Total liabilities	**$5,652,333**	**$5,662,772**	**$ 10,439**
Derivative transactions (*)			
a. Derivatives to which hedge accounting is not applied	**$ (22,664)**	**$ (22,664)**	**$ —**
b. Derivatives to which hedge accounting is applied	**3,096**	**(10,756)**	**(13,852)**
Total derivative transactions	**$ (19,568)**	**$ (33,421)**	**$(13,852)**

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

Notes:

1. Calculation method of fair values of financial instruments as well as securities and derivative transactions are as follows:

Assets:

(1) Cash and time deposits and (2) Notes and accounts receivable

The fair values approximate book values because of their short-term maturities. Therefore, the fair values are recognized using book values.

(3) Investment securities (Shares in affiliates and available-for-sale securities)

The fair values of equity securities are determined based on the market price. The information of securities categorized by holding purposes is described in Note 14 “Securities.”

Liabilities:

(1) Notes and accounts payable, (2) Short-term bank loans and (4) Commercial paper

The fair values approximate book values because of their short-term maturities. Therefore, the fair values are recognized using book values.

(3) Current portion of bonds and (5) Bonds

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

(6) Long-term loans payable

The fair values of long-term loans payable are determined by discounting the aggregated values of the principal and interest using an assumed interest rate if the same type of loans were newly made.

Derivative financial instruments:

The information on derivative transactions is described in Note 16 "Derivative Transactions."

2. Financial instruments that fair values are extremely difficult to calculate

	Carrying amount		
	Millions of yen		Thousands of U.S. dollars
Category	**2016**	2015	**2016**
Shares in affiliates (unlisted equity securities)	**¥52,053**	¥70,694	**$461,958**
Available-for-sale securities (unlisted equity securities)	**7,840**	10,772	**69,577**

It is extremely difficult to calculate their fair values because there is no market price. Therefore, these items are not included in "(3) Investment securities."

3. Redemption schedule of monetary assets with contractual maturities as of March 31, 2016 and 2015

	Millions of yen					
March 31, 2016	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years
Cash and time deposits	**¥ 60,123**	**¥—**	**¥—**	**¥—**	**¥—**	**¥—**
Notes and accounts receivable	**233,093**	**—**	**—**	**—**	**—**	**—**
Total	**¥293,216**	**¥—**	**¥—**	**¥—**	**¥—**	**¥—**

	Millions of yen					
March 31, 2015	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years
Cash and time deposits	¥ 93,152	¥—	¥—	¥—	¥—	¥—
Notes and accounts receivable	230,874	—	—	—	—	—
Total	¥324,026	¥—	¥—	¥—	¥—	¥—

	Thousands of U.S. dollars					
March 31, 2016	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years
Cash and time deposits	**$ 553,576**	**$—**	**$—**	**$—**	**$—**	**$—**
Notes and accounts receivable	**2,068,632**	**—**	**—**	**—**	**—**	**—**
Total	**$2,602,208**	**$—**	**$—**	**$—**	**$—**	**$—**

4. Repayment schedule of short-term bank loans, commercial paper, bonds and long-term loans payable as of March 31, 2016 and 2015

	Millions of yen					
March 31, 2016	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years
Short-term bank loans	**¥200,527**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ —**
Commercial paper	**—**	**—**	**—**	**—**	**—**	**—**
Bonds	**25,100**	**15,000**	**25,000**	**—**	**—**	**—**
Long-term loans payable	**—**	**49,979**	**50,565**	**39,338**	**31,138**	**89,659**
Total	**¥225,627**	**¥64,979**	**¥75,565**	**¥39,338**	**¥31,138**	**¥89,659**

	Millions of yen					
March 31, 2015	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years
Short-term bank loans	¥252,197	¥ —	¥ —	¥ —	¥ —	¥ —
Commercial paper	5,000	—	—	—	—	—
Bonds	20,040	25,100	15,000	25,000	—	—
Long-term loans payable	—	57,716	49,190	49,717	38,763	93,147
Total	¥277,237	¥82,816	¥64,190	¥74,717	¥38,763	¥93,147

	Thousands of U.S. dollars					
March 31, 2016	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years
Short-term bank loans	**$1,779,621**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
Commercial paper	**—**	**—**	**—**	**—**	**—**	**—**
Bonds	**222,754**	**133,120**	**221,867**	**—**	**—**	**—**
Long-term loans payable	**—**	**443,556**	**448,751**	**349,112**	**276,344**	**795,698**
Total	**$2,002,375**	**$576,677**	**$670,618**	**$349,112**	**$276,344**	**$795,698**

Note 16 Derivative Transactions

Derivative financial instruments currently utilized by the Group include forward foreign currency contracts, interest rate swap contracts, currency swap contracts, forward commodity contracts and commodity price swap contracts.

The Company utilizes forward foreign currency contracts to hedge the impact of foreign exchange fluctuations on receivables and payables, and on advance payments for purchase of ores.

The Company enters into interest rate swap contracts to reduce exposure to adverse movements in interest rates, and to lower finance costs on debts.

The Company also utilizes forward commodity contracts to hedge the impact of future price fluctuations of nonferrous metal inventories and sold gold bullion deposited from customers under consuming bailment named "My Gold Partner."

Some consolidated subsidiaries utilize forward foreign currency contracts and interest swap contracts to hedge the impact of foreign currency fluctuations on foreign currency receivables and payables, and forward commodity contracts and commodity price swap contracts to hedge the impact of price fluctuations of nonferrous metal inventories.

The Company evaluates hedge effectiveness by comparing the cumulative changes in cash flows or the changes in fair value of the hedged items with the corresponding changes in the hedging derivative instruments. Furthermore, the Company periodically controls the transaction volume of forward commodity contracts in order to balance them with hedged nonferrous metal inventories and to evaluate their hedge effectiveness at each annual and semi-annual year-end.

As of March 31, 2016 and 2015, the Group had outstanding derivative transactions as follows:

1. Derivative transactions to which hedge accounting is not applied at March 31, 2016 and 2015

(1) Currency related derivatives

	Millions of yen			
March 31, 2016	Contract amount	Contract amount due after one year	Fair value	Gain (Loss)
Transactions other than market transactions				
Forward foreign exchange contracts:				
Sell U.S. dollars	**¥1,411**	**¥—**	**¥ 38**	**¥ 38**
Other	**—**	**—**	**—**	**—**
Buy U.S. dollars	**—**	**—**	**—**	**—**
Other	**409**	**—**	**15**	**15**
Currency swaps:				
Pay Japanese yen/ Receive U.S. dollars	**6,187**	**—**	**(16)**	**(16)**
Total	**—**	**—**	**—**	**¥ 37**

	Millions of yen			
March 31, 2015	Contract amount	Contract amount due after one year	Fair value	Gain (Loss)
Transactions other than market transactions				
Forward foreign exchange contracts:				
Sell U.S. dollars	¥2,404	¥—	¥(20)	¥ (20)
Other	—	—	—	—
Buy U.S. dollars	—	—	—	—
Other	613	—	(6)	(6)
Currency swaps:				
Pay Japanese yen/ Receive U.S. dollars	6,668	—	(84)	(84)
Total	—	—	—	¥(111)

	Thousands of U.S. dollars			
March 31, 2016	Contract amount	Contract amount due after one year	Fair value	Gain (Loss)
Transactions other than market transactions				
Forward foreign exchange contracts:				
Sell U.S. dollars	**$12,524**	**$—**	**$ 337**	**$ 337**
Other	**—**	**—**	**—**	**—**
Buy U.S. dollars	**—**	**—**	**—**	**—**
Other	**3,633**	**—**	**136**	**136**
Currency swaps:				
Pay Japanese yen/ Receive U.S. dollars	**54,912**	**—**	**(143)**	**(143)**
Total	**—**	**—**	**—**	**$ 330**

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

(2) Interest rate related derivatives
Not applicable

(3) Commodity related derivatives

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

	Millions of yen			
March 31, 2015	Contract amount	Contract amount due after one year	Fair value	Gain (Loss)
Transactions other than market transactions				
Nonferrous metals forward:				
Sell	¥ 46,651	¥—	¥ 746	¥ 746
Buy	111,295	—	5,838	5,838
Total	—	—	—	¥6,584

	Thousands of U.S. dollars			
March 31, 2016	Contract amount	Contract amount due after one year	Fair value	Gain (Loss)
Transactions other than market transactions				
Nonferrous metals forward:				
Sell	**$355,509**	**$—**	**$(10,596)**	**$(10,596)**
Buy	**948,846**	**—**	**(12,398)**	**(12,398)**
Total	**—**	**—**	**—**	**$(22,995)**

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

2. Derivative transactions to which hedge accounting is applied at March 31, 2016 and 2015
(1) Currency related derivatives
March 31, 2016

			Millions of yen		
Hedge accounting method	Transaction type	Major hedged items	Contract amount	Contract amount due after one year	Fair value
Principle method	Forward foreign exchange contracts:	Accounts receivable, accounts payable			
	Sell U.S. dollars		**¥37,825**	**¥ 4**	**¥717**
	Other		**847**	**—**	**(8)**
	Buy U.S. dollars		**956**	**—**	**(22)**
	Other		**28**	**—**	**(0)**
Hedged items are translated using forward contract rates.	Forward foreign exchange contracts:	Accounts receivable, accounts payable			**Note 2**
	Sell U.S. dollars		**¥ 9,026**	**¥ —**	
	Other		**4,342**	**—**	
	Buy U.S. dollars		**317**	**—**	
	Other		**1**	**—**	
Hedged items are translated using currency swaps	Currency swaps: Pay Japanese yen/ Receive U.S. dollars	Long-term debt	**¥11,800**	**¥11,800**	

March 31, 2015

Hedge accounting method	Transaction type	Major hedged items	Millions of yen		
			Contract amount	Contract amount due after one year	Fair value
Principle method	Forward foreign exchange contracts:	Accounts receivable, accounts payable			
	Sell U.S. dollars		¥45,522	¥ 0	¥(395)
	Other		938	—	15
	Buy U.S. dollars		382	—	0
	Other		84	—	(2)
Hedged items are translated using forward contract rates.	Forward foreign exchange contracts:	Accounts receivable, accounts payable			Note 2
	Sell U.S. dollars		¥10,367	¥ —	
	Other		4,240	—	
	Buy U.S. dollars		209	—	
	Other		—	—	
Hedged items are translated using currency swaps	Currency swaps: Pay Japanese yen/ Receive U.S. dollars	Long-term debt	¥11,800	¥11,800	

March 31, 2016

Hedge accounting method	Transaction type	Major hedged items	Thousands of U.S. dollars		
			Contract amount	Contract amount due after one year	Fair value
Principle method	Forward foreign exchange contracts:	Accounts receivable, accounts payable			
	Sell U.S. dollars		**$335,688**	**$ 37**	**$6,367**
	Other		**7,519**	**—**	**(76)**
	Buy U.S. dollars		**8,491**	**—**	**(195)**
	Other		**253**	**—**	**(6)**
Hedged items are translated using forward contract rates.	Forward foreign exchange contracts:	Accounts receivable, accounts payable			**Note 2**
	Sell U.S. dollars		**$ 80,102**	**$ —**	
	Other		**38,534**	**—**	
	Buy U.S. dollars		**2,817**	**—**	
	Other		**10**	**—**	
Hedged items are translated using currency swaps	Currency swaps: Pay Japanese yen/ Receive U.S. dollars	Long-term debt	**$104,721**	**$104,721**	

Notes:
1. Fair value is determined based on the price obtained from financial institutions.
2. Fair value of derivatives is included in the fair values of the related accounts receivable, accounts payable and long-term debt, since accounts receivable, accounts payable and long-term debt in foreign currencies as hedged items are translated into Japanese yen using the forward contract rates, etc.

(2) Interest rate related derivatives
March 31, 2016

Hedge accounting method	Transaction type	Major hedged items	Millions of yen		
			Contract amount	Contract amount due after one year	Fair value
Interest income or expense on the hedged items reflects net amount to be paid or received under the derivatives	Interest rate swap contracts:	Long-term debt			
	Receive fixed rate, pay floating rate		**¥ —**	**¥ —**	**¥ —**
	Pay fixed rate, receive floating rate		**113,881**	**74,797**	**(3,063)**

March 31, 2015

Hedge accounting method	Transaction type	Major hedged items	Millions of yen		
			Contract amount	Contract amount due after one year	Fair value
Interest income or expense on the hedged items reflects net amount to be paid or received under the derivatives	Interest rate swap contracts:				
	Receive fixed rate, pay floating rate	Long-term debt	¥ —	¥ —	¥ —
	Pay fixed rate, receive floating rate		143,755	102,177	(2,147)

March 31, 2016

Hedge accounting method	Transaction type	Major hedged items	Thousands of U.S. dollars		
			Contract amount	Contract amount due after one year	Fair value
Interest income or expense on the hedged items reflects net amount to be paid or received under the derivatives	Interest rate swap contracts:				
	Receive fixed rate, pay floating rate	Long-term debt	**$ —**	**$ —**	**$ —**
	Pay fixed rate, receive floating rate		**1,010,633**	**663,801**	**(27,184)**

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

(3) Commodity related derivatives
March 31, 2016

Hedge accounting method	Transaction type	Major hedged items	Millions of yen		
			Contract amount	Contract amount due after one year	Fair value
Principle method	Nonferrous metals forward:	Accounts receivable, accounts payable			
	Sell		**¥78,146**	**¥26,108**	**¥ 8,861**
	Buy		**71,590**	**20,974**	**(7,696)**

March 31, 2015

Hedge accounting method	Transaction type	Major hedged items	Millions of yen		
			Contract amount	Contract amount due after one year	Fair value
Principle method	Nonferrous metals forward:	Accounts receivable, accounts payable			
	Sell		¥110,726	¥32,624	¥(2,463)
	Buy		80,185	25,974	1,474

March 31, 2016

Hedge accounting method	Transaction type	Major hedged items	Thousands of U.S. dollars		
			Contract amount	Contract amount due after one year	Fair value
Principle method	Nonferrous metals forward:	Accounts receivable, accounts payable			
	Sell		**$693,526**	**$231,701**	**$ 78,647**
	Buy		**635,343**	**186,141**	**(68,307)**

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

Note 17 Business Combination

Business combination through acquisition

(1) Overview of the business combination

a. Name and business of the acquired company

Name of the acquired company: Hitachi Tool Engineering, Ltd.

Business: Manufacture and sales of tips, cutting tools, wear-resistant products, tools for urban development and various machine tools made of special steels, cemented carbide, etc.

b. Principal purpose of the business combination

The purpose of this combination is to strengthen the base of the Company's cemented carbide products business through Hitachi Tool's leading-edge lineup of cemented carbide products, with high precision, high-efficiency and high-speed processing ability, as well as its ability for processing complicated shapes for a variety of materials.

c. Date of the business combination

April 1, 2015

d. Legal form of the business combination

Acquisition of shares by cash

e. Name after the business combination

Mitsubishi Hitachi Tool Engineering, Ltd.

f. Ratio of voting rights acquired

51%

g. Principal basis for determination of the acquiring company

Through the acquisition of Hitachi Tool Engineering, Ltd., the Company holds 51% of voting rights.

(2) Period of the operating results of the acquired company included in the accompanying consolidated financial statements

April 1, 2015 through March 31, 2016

(3) Acquisition cost of the acquired company and details of the type of consideration

Consideration for acquisition	Cash and time deposits	¥22,016 million ($195,388 thousand)
Acquisition cost		¥22,016 million ($195,388 thousand)

(4) Major acquisition-related costs and nature

Fees and charges for advisors: ¥303 million ($2,694 thousand)

(5) Amount of goodwill generated, reason for generation of goodwill, method of amortization and amortization period

a. Amount of goodwill: ¥11,752 million ($104,300 thousand)

b. Reason of generation of goodwill: Expected future revenue included in the assessment, of the acquisition amount exceeded net assets as of the date of the business combination. Accordingly, it's difference excluding patent rights was recognized as goodwill.

c. Method of amortization and amortization period: Straight-line basis over 10 years.

(6) Major assets and liabilities received on the date of business combination:

Assets:	Millions of yen	Thousands of U.S. dollars
Current assets	¥14,710	$130,554
Fixed assets	18,436	163,621
Total	¥33,147	$294,175
Liabilities:		
Current liabilities	¥ 7,704	$ 68,376
Non-current liabilities	5,317	47,194
Total	¥13,022	$115,570

(7) Amount allocated to intangible fixed assets excluding goodwill, asset type and weighted average amortization period

Amount allocated to intangible fixed assets: ¥6,077 million ($53,931 thousand)

Asset type: Patent right

Weighted average amortization period: 8 years

Note 18 Segment Information

(a) General information about reportable segments

The Company's reportable segments are composed of those individual business units for which separate financial information is available, about which the Board of Directors makes decisions regarding the allocation of management resources and for which operating performance can be evaluated.

The Company operates a system of in-house companies. Each in-house company and business department formulates comprehensive domestic and overseas strategies for its own products and services and advances its business accordingly. Consequently, the in-house companies are classified into segments along these in-house companies' product and service lines. There are five segments: Cement, Metals, Advanced Materials & Tools, and Electronic Materials & Components, as well as Aluminum which has high performance within the Company's business departments.

Primary products and services included in each segment are as follows:

Cement: Cement, cement-related products, ready-mixed concrete and aggregate

Metals: Copper smelting (copper, gold, silver, sulfuric acid, etc.) and copper alloy products

Advanced Materials & Tools: Cemented carbide products, high-performance alloy products

Electronic Materials & Components: Advanced materials, electronic components, polycrystalline silicon and chemical products

Aluminum: Aluminum cans, rolled aluminum products and processed aluminum products

(b) Basis of measurement about reported segment profit or loss, segment assets, segment liabilities and other material items

The accounting method for business segments reported in this note is consistent with those stated in Note 2 "Summary of Significant Accounting Policies." Segment profit or loss is based on the figures of ordinary income or loss. Intersegment sales are based on the market prices.

(c) Information about reportable segment profit or loss, segment assets, segment liabilities and other material items.

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

	Millions of yen								
March 31, 2016	Cement	Metals	Advanced materials & tools	Electronic materials & components	Aluminum	Others	Total	Adjustment	Consolidated
Sales:									
External customers	¥194,113	¥680,431	¥133,550	¥ 56,374	¥156,854	¥196,570	¥1,417,895	¥ —	¥1,417,895
Intersegment	3,386	8,290	18,117	13,880	1,810	46,697	92,182	(92,182)	—
Total	¥197,500	¥688,721	¥151,668	¥ 70,254	¥158,665	¥243,268	¥1,510,077	¥ (92,182)	¥1,417,895
Segment profit	¥ 19,710	¥ 27,048	¥ 14,965	¥ 6,339	¥ 3,641	¥ 9,936	¥ 81,642	¥ (9,199)	¥ 72,442
Segment assets	353,523	654,099	221,620	107,402	149,446	190,276	1,676,370	117,005	1,793,375
Segment liabilities	179,737	496,729	127,677	98,322	114,552	144,438	1,161,459	(13,100)	1,148,358
Other items:									
Depreciation	¥ 12,335	¥ 15,757	¥ 11,257	¥ 3,428	¥ 7,322	¥ 3,511	¥ 53,612	¥ 2,782	¥ 56,395
Amortization of goodwill	3,191	—	1,248	—	—	7	4,447	—	4,447
Interest income	74	327	71	117	11	435	1,038	(448)	589
Interest expense	1,923	2,014	1,078	999	712	935	7,664	(969)	6,694
Equity in earnings of affiliates	1,358	(3,351)	610	4,152	107	(607)	2,270	(81)	2,188
Investments in affiliates accounted for by the equity method	20,338	17,877	5,936	39,980	740	13,965	98,839	(165)	98,674
Increase in tangible and intangible fixed assets	17,561	22,968	17,674	3,535	7,196	6,079	75,016	3,087	78,103

	Thousands of U.S. dollars								
March 31, 2016	Cement	Metals	Advanced materials & tools	Electronic materials & components	Aluminum	Others	Total	Adjustment	Consolidated
Sales:									
External customers	$1,722,697	$6,038,616	$1,185,223	$500,304	$1,392,037	$1,744,502	$12,583,382	$ —	$12,583,382
Intersegment	30,056	73,572	160,784	123,180	16,066	414,427	818,087	(818,087)	—
Total	$1,752,753	$6,112,188	$1,346,007	$623,485	$1,408,104	$2,158,930	$13,401,470	$ (818,087)	$12,583,382
Segment profit	$ 174,927	$ 240,049	$ 132,815	$ 56,258	$ 32,317	$ 88,179	$ 724,547	$ (81,641)	$ 642,906
Segment assets	3,137,415	5,804,929	1,966,817	953,165	1,326,294	1,688,647	14,877,270	1,038,383	15,915,654
Segment liabilities	1,595,117	4,408,320	1,133,098	872,585	1,016,620	1,281,847	10,307,588	(116,265)	10,191,323
Other items:									
Depreciation	$ 109,473	$ 139,840	$ 99,907	$ 30,423	$ 64,981	$ 31,167	$ 475,793	$ 24,697	$ 500,490
Amortization of goodwill	28,319	—	11,080	—	—	65	39,466	—	39,466
Interest income	664	2,904	633	1,043	102	3,863	9,212	(3,977)	5,235
Interest expense	17,074	17,877	9,573	8,866	6,323	8,301	68,016	(8,603)	59,412
Equity in earnings of affiliates	12,059	(29,740)	5,416	36,854	952	(5,390)	20,151	(725)	19,426
Investments in affiliates accounted for by the equity method	180,496	158,660	52,681	354,815	6,574	123,942	877,171	(1,469)	875,702
Increase in tangible and intangible fixed assets	155,850	203,841	156,856	31,375	63,868	53,953	665,746	27,400	693,146

Notes:

1. "Others" includes nuclear energy-related services, environmental and recycling-related business, real estate business and engineering-related services.
2. Included in "Adjustment" of "Segment profit" in an amount of ¥ (9,199) million ($(81,641) thousand) are intersegment transaction elimination in an amount of ¥ (61) million ($(543) thousand) and corporate expenses that cannot be allocated to each reportable segment in an amount of ¥ (9,138) million ($(81,098) thousand). Corporate expenses consist mainly of general and administrative expenses, basic research and development expenses and financial income or expenses which are not attributable to any reportable segment.
3. "Adjustment" of "Segment assets" in an amount of ¥117,005 million ($1,038,383 thousand) includes intersegment transaction elimination of ¥ (32,763) million ($(290,766) thousand) and corporate assets that are not allocated to each reportable segment in an amount of ¥149,768 million ($1,329,149 thousand). Corporate assets are mainly assets related to administrative departments which do not belong to any reportable segment and assets related to basic research and development.
4. "Adjustment" of "Segment liabilities" in an amount of ¥ (13,100) million ($(116,265) thousand) includes intersegment transaction elimination of ¥ (23,597) million ($(209,424) thousand) and corporate liabilities that are not allocated to each reportable segment in an amount of ¥10,497 million ($93,159 thousand). Corporate liabilities are mainly liabilities related to administrative departments which do not belong to any reportable segments and liabilities related to basic research and development.
5. "Adjustment" of "Increase in tangible and intangible fixed assets" in an amount of ¥3,087 million ($27,400 thousand) mainly refers to capital expenditures related to the Central Research Institute.

6. “Segment profit” is reconciled with ordinary income. Ordinary income is calculated by adding “Interest and dividend income,” “Income from leased property,” “ Equity in earnings of affiliates,” etc. and deducting “Interest expense,” “Expense for leased property,” “Loss on disposal and sales of property, plant and equipment,” etc. from operating profit or loss.

(2) Segment information as of and for the fiscal year ended March 31, 2015 is as follows:

	Millions of yen								
March 31, 2015	Cement	Metals	Advanced materials & tools	Electronic materials & components	Aluminum	Others	Total	Adjustment	Consolidated
Sales:									
External customers	¥189,674	¥803,394	¥113,534	¥56,009	¥157,271	¥197,380	¥1,517,265	¥ —	¥1,517,265
Intersegment	3,625	8,239	21,112	10,995	2,156	43,843	89,972	(89,972)	—
Total	¥193,300	¥811,633	¥134,647	¥67,005	¥159,427	¥241,224	¥1,607,238	¥(89,972)	¥1,517,265
Segment profit	¥ 16,729	¥ 32,851	¥ 16,579	¥ 7,273	¥ 5,139	¥ 9,899	¥ 88,472	¥ (7,378)	¥ 81,093
Segment assets	365,120	713,346	179,009	126,124	154,021	195,517	1,733,139	165,017	1,898,157
Segment liabilities	194,371	557,872	98,426	140,132	118,556	142,949	1,252,309	16,333	1,268,643
Other items:									
Depreciation	¥ 10,999	¥ 18,851	¥ 8,083	¥ 3,398	¥ 7,044	¥ 3,134	¥ 51,510	¥ 2,400	¥ 53,911
Amortization of goodwill	2,789	—	35	—	—	10	2,835	—	2,835
Interest income	98	369	64	88	12	328	963	(355)	607
Amortization of negative goodwill	—	—	29	—	—	—	29	—	29
Interest expense	2,290	2,627	1,164	1,698	812	1,008	9,601	(1,367)	8,233
Equity in earnings of affiliates	1,210	300	378	4,348	174	152	6,566	(8)	6,557
Investments in affiliates accounted for by the equity method	19,859	19,236	5,591	56,151	881	15,284	117,003	(199)	116,804
Increase in tangible and intangible fixed assets	16,748	15,278	9,424	2,904	6,789	3,443	54,587	3,048	57,636

(d) Related information

1. Information about products and services

This information is omitted because the same information is disclosed above.

2. Information about geographic areas

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

	Millions of yen					
March 31, 2015	Japan	U.S.A.	Europe	Asia	Others	Total
Net sales	¥917,811	¥96,701	¥25,812	¥462,596	¥14,343	¥1,517,265
Tangible fixed assets	522,297	92,047	1,509	37,076	2,104	655,034

	Thousands of U.S. dollars					
March 31, 2016	Japan	U.S.A.	Europe	Asia	Others	Total
Net sales	**$8,083,907**	**$1,034,396**	**$269,922**	**$3,064,930**	**$130,225**	**$12,583,382**
Tangible fixed assets	**4,811,401**	**803,072**	**16,670**	**301,496**	**15,507**	**5,948,148**

Notes:

1. Countries or regions have been classified in terms of their geographic proximity.
2. Main countries or regions that belong to the geographic segments other than Japan and the United States are as follows:
   (1) Europe: Germany, United Kingdom, Spain, France
   (2) Asia: Indonesia, South Korea, Malaysia, Singapore, China, Taiwan, Hong Kong, Thailand
   (3) Others: Australia, Canada, Brazil

3. Information about major customers

This information is omitted because the Company does not have any major customers that account for 10% or more of net sales in the consolidated statements of income.

(e) Information about loss on impairment of fixed assets by reportable segments

	Millions of yen								
March 31, 2016	Cement	Metals	Advanced materials & tools	Electronic materials & components	Aluminum	Others	Total	Elimination and corporate assets or expenses	Consolidated
Loss on impairment	**¥329**	**¥1,818**	**¥—**	**¥—**	**¥—**	**¥1,368**	**¥3,516**	**¥93**	**¥3,610**

	Millions of yen								
March 31, 2015	Cement	Metals	Advanced materials & tools	Electronic materials & components	Aluminum	Others	Total	Elimination and corporate assets or expenses	Consolidated
Loss on impairment	¥120	¥155	¥—	¥25	¥22	¥144	¥467	¥31	¥499

	Thousands of U.S. dollars								
March 31, 2016	Cement	Metals	Advanced materials & tools	Electronic materials & components	Aluminum	Others	Total	Elimination and corporate assets or expenses	Consolidated
Loss on impairment	**$2,922**	**$16,135**	**$—**	**$—**	**$—**	**$12,148**	**$31,205**	**$832**	**$32,038**

Note:
"Elimination and corporate assets or expenses" of "Loss on impairment" for the fiscal year ended March 31, 2016 in an amount of ¥93 million ($832 thousand) mainly refers to loss on impairment of rental property.
"Elimination and corporate assets or expenses" of "Loss on impairment" for the fiscal year ended March 31, 2015 in an amount of ¥31 million mainly refers to loss on impairment of idle assets.

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

	Millions of yen								
March 31, 2016	Cement	Metals	Advanced materials & tools	Electronic materials & components	Aluminum	Others	Total	Elimination and corporate assets or expenses	Consolidated
Amortization	**¥ 3,191**	**¥—**	**¥ 1,248**	**¥—**	**¥—**	**¥ 7**	**¥ 4,447**	**¥—**	**¥ 4,447**
Unamortized balance	**37,969**	**—**	**11,006**	**—**	**—**	**10**	**48,986**	**—**	**48,986**

	Millions of yen								
March 31, 2015	Cement	Metals	Advanced materials & tools	Electronic materials & components	Aluminum	Others	Total	Elimination and corporate assets or expenses	Consolidated
Amortization	¥ 2,789	¥—	¥ 35	¥—	¥—	¥10	¥ 2,835	¥—	¥ 2,835
Unamortized balance	41,127	—	107	—	—	20	41,255	(5)	41,249

	Thousands of U.S. dollars								
March 31, 2016	Cement	Metals	Advanced materials & tools	Electronic materials & components	Aluminum	Others	Total	Elimination and corporate assets or expenses	Consolidated
Amortization	**$ 28,319**	**$—**	**$11,080**	**$—**	**$—**	**$65**	**$ 39,466**	**$—**	**$ 39,466**
Unamortized balance	**336,971**	**—**	**97,681**	**—**	**—**	**89**	**434,742**	**—**	**434,742**

Amortization and unamortized balance of negative goodwill incurred from business combinations that were conducted prior to April 1, 2010 are as follows:

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

	Millions of yen								
March 31, 2015	Cement	Metals	Advanced materials & tools	Electronic materials & components	Aluminum	Others	Total	Elimination and corporate assets or expenses	Consolidated
Amortization	¥—	¥ —	¥29	¥—	¥—	¥—	¥ 29	¥—	¥ 29
Unamortized balance	—	2,221	—	—	—	—	2,221	—	2,221

March 31, 2016	Thousands of U.S. dollars Cement	Metals	Advanced materials & tools	Electronic materials & components	Aluminum	Others	Total	Elimination and corporate assets or expenses	Consolidated
Amortization	**$—**	**$ —**	**$—**	**$—**	**$—**	**$—**	**$ —**	**$—**	**$ —**
Unamortized balance	**—**	**19,713**	**—**	**—**	**—**	**—**	**19,713**	**—**	**19,713**

(g) Gain from negative goodwill by reportable segment
Fiscal years ended March 31, 2016 and 2015
Not applicable

Note 19 Revaluation Reserve for Land

Pursuant to Article 2, Paragraphs 3, 4 and 5 of the Enforcement Ordinance for the Law concerning Revaluation Reserve for Land (the "Revaluation Law"), effective on March 31, 1998, and to the partial revision to this law on March 31, 2001, the Company and its certain consolidated subsidiaries revalued their own lands for business at fair value. The related unrealized gain, net of income taxes and non-controlling interests, was directly credited to "Revaluation reserve for land" in net assets in the consolidated balance sheets, and the applicable income tax effect was recorded as "Deferred tax liabilities for land revaluation" in liabilities in the consolidated balance sheets. When such land is sold, the revaluation reserve for land is reversed and credited to the retained earnings.

According to the Revaluation Law, the Group is not permitted to revalue the land at any time even if fair value of the land declines. Such unrecorded revaluation losses at March 31, 2016 and 2015 amounted to ¥41,099 million ($ 364,747 thousand) and ¥46,242 million, respectively.

Note 20 Notes to the Consolidated Statements of Cash Flows

Cash reconciliation between the consolidated balance sheets and the consolidated statements of cash flows is as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Cash and time deposits	**¥60,123**	¥93,152	**$533,576**
Less term deposits with maturities extending more than three months	**(1,465)**	(908)	**(13,009)**
Restricted cash	**(174)**	(164)	**(1,551)**
Cash and cash equivalents	**¥58,482**	¥92,079	**$519,014**

Major components of assets and liabilities of a company which newly became a consolidated subsidiary through acquisition of shares during the year ended March 31, 2016

Assets and liabilities at the start of consolidation of Mitsubishi Hitachi Tool Engineering, Ltd. (formerly Hitachi Tool Engineering, Ltd.) due to acquisition of shares during the year ended March 31, 2016 and acquisition value of the shares of Mitsubishi Hitachi Tool Engineering, Ltd. (formerly Hitachi Tool Engineering, Ltd.) and net payment for acquisition are as follows:

	Millions of yen	Thousands of U.S. dollars
Current assets	**¥14,710**	**$130,554**
Fixed assets	**18,436**	**163,621**
Goodwill	**11,752**	**104,300**
Current liabilities	**(7,704)**	**(68,376)**
Non-current liabilities	**(5,317)**	**(47,194)**
Non-controlling interests	**(9,861)**	**(87,516)**
Acquisition value of shares	**22,016**	**195,388**
Cash and cash equivalents	**(6,443)**	**(57,186)**
Net payment for acquisition	**¥15,572**	**$138,202**

Note 21 Net Income per Share of Common Stock

Reconciliation of the numbers and amounts used in the basic net income per share of common stock computation for the fiscal years ended March 31, 2016 and 2015 is as follows:

	Millions of yen	Thousands	Yen	U.S. dollars
Year ended March 31, 2016	Net income	Weighted average shares	Net income per share	Net income per share
Basic net income per share:				
Net income attributable to owners of parent	**¥61,316**			
Net income attributable to common Shareholders of parent	**61,316**	**1,310,101**	**¥46.80**	**$0.41**

	Millions of yen	Thousands	Yen
Year ended March 31, 2015	Net income	Weighted average shares	Net income per share
Basic net income per share:			
Net income attributable to owners of parent	¥56,147		
Net income attributable to common shareholders of parent	56,147	1,310,342	¥42.85

Diluted net income per share has not been disclosed since there were no dilutive securities for the fiscal years ended March 31, 2016 and 2015.

Note 22 Related Party Information

1. Transactions with related parties

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

Fiscal year ended March 31, 2016

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

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

The information for the fiscal year ended March 31, 2015 was omitted because there were no significant transactions with related parties for the fiscal year ended March 31, 2015.

2. There was no applicable information about a significant affiliate as of March 31, 2016.

A significant affiliate as of March 31, 2015 was Mitsubishi Nuclear Fuel Co., Ltd. and summary of its financial statements was as follows:

	Millions of yen
Current assets	¥18,125
Fixed assets	12,262
Current liabilities	10,033
Long-term liabilities	15,744
Net assets	4,609
Net sales	2,849
Loss before income taxes	29,521
Net loss	34,116

Note 23 Loss on Impairment of Fixed Assets

In reviewing fixed assets for impairment, the Group categorizes their operating assets mainly by product group within the reportable segments, and idle assets by asset unit.

For the fiscal years ended March 31, 2016 and 2015, the Company and the domestic consolidated subsidiaries recognized the loss on impairment of fixed assets amounting to ¥3,610 million ($32,038 thousand) and ¥499 million, respectively, as other expenses in the consolidated statements of income by devaluating the carrying amount of each fixed asset to its recoverable amount. The devalued assets were in operating asset groups whose profitability has significantly deteriorated due to the decline in market value of products or others and also were idle assets whose recoverable amounts were lower than their carrying amounts due to the decline in market value of each asset, etc.

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

			Loss on impairment	
Asset group	Location	Asset type	Millions of yen	Thousands of U.S. dollars
Cement	Hirakata, Osaka prefecture, etc.	Machinery and equipment, etc.	**¥ 48**	**$ 431**
Others	Nagaoka, Niigata prefecture	Land	**1,184**	**10,516**
Rental property	Fukui, Fukui prefecture, etc.	Land, buildings, etc.	**1,175**	**10,429**
Idle assets	Utsunomiya, Tochigi prefecture, etc.	Land, buildings, etc.	**1,201**	**10,662**
Total			**¥3,610**	**$32,038**

*Details of loss on impairment by account

Buildings ¥754 million ($6,700 thousand), Machinery and equipment ¥263 million ($2,335 thousand), Land ¥2,379 million ($21,118 thousand) and Others ¥212 million ($1,884 thousand).

The details for the fiscal year ended March 31, 2015 were as follows:

			Loss on impairment
Asset group	Location	Asset type	Millions of yen
Metals	Qingdao, Shandong, China	Machinery and equipment, etc.	¥134
Electronic materials & components	Akita, Akita prefecture.	Machinery and equipment	25
Others	Perth, Australia, etc.	Tools, instruments and buildings, etc.	65
Rental property	Akita, Akita prefecture etc.	Land, buildings, etc.	84
Idle assets	Akoh, Hyogo prefecture, etc.	Land, buildings, etc.	189
Total			¥499

*Details of loss on impairment by account

Buildings ¥47 million, Machinery and equipment ¥166 million, Land ¥217 million and Others ¥67 million.

Note 24 Loss on business withdrawal cost

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

Note 25 Loss on suspension of operation

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

Note 26 Information on Net Assets

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

For the fiscal years ended March 31, 2016 and 2015, information on shares issued and treasury stock is presented as follows:

	Type of shares issued	Type of treasury stock
	Common stock	Common stock*1, 2, 3, 4
Number of shares as of March 31, 2014	1,314,895,351	4,449,074
Increase during the fiscal year ended March 31, 2015	—	232,457
Decrease during the fiscal year ended March 31, 2015	—	4,226
Number of shares as of March 31, 2015	1,314,895,351	4,677,305
Increase during the fiscal year ended March 31, 2016	—	213,387
Decrease during the fiscal year ended March 31, 2016	—	4,518
Number of shares as of March 31, 2016	1,314,895,351	4,886,174

*1. Increase in the number of treasury shares during the fiscal year ended March 31, 2015
Purchase of less-than-one-unit shares 232,457 shares

*2. Decrease in the number of treasury shares during the fiscal year ended March 31, 2015
Sales of less-than-one-unit shares 4,226 shares

*3. Increase in the number of treasury shares during the fiscal year ended March 31, 2016
Purchase of less-than-one-unit shares 213,387 shares

*4. Decrease in the number of treasury shares during the fiscal year ended March 31, 2016
Sales of less-than-one-unit shares 4,518 shares

(b) Dividends

1. Dividend payment

Approvals by the Board of Directors' meeting held on May 12, 2015 are as follows:

Type of shares:	Common stock
Total amount of dividends:	¥6,551 million ($58,139 thousand)
Dividends per share:	¥5.00 ($0.04)
Record date:	March 31, 2015
Effective date:	June 1, 2015

Approvals by the Board of Directors' meeting held on November 10, 2015 are as follows:

Type of shares:	Common stock
Total amount of dividends:	¥6,550 million ($58,134 thousand)
Dividends per share:	¥5.00 ($0.04)
Record date:	September 30, 2015
Effective date:	December 4, 2015

2. Dividends whose record date is attributable to the fiscal year ended March 31, 2016, but to be effective in the following fiscal year.

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

Type of shares:	Common stock
Total amount of dividends:	¥6,550 million ($58,130 thousand)
Source:	Retained earnings
Dividends per share:	¥5.00 ($0.04)
Record date:	March 31, 2016
Effective date:	June 1, 2016

Note 27 Subsequent Events

1. Changes in the number of shares per share unit and consolidation of shares

At the Board of Directors meeting held on May 12, 2016, a resolution was made to amend the articles of incorporation regarding the changes in the number of unit shares and total number of authorized shares and a proposal on consolidation of shares to submit a proposal to the 91st ordinary general meeting of shareholders to be held on June 29, 2016. Both proposals were passed at the shareholders' meeting.

(1)Purpose

Japan's stock exchanges are promoting "The Action Plan for Consolidating Trading Unit" to ultimately consolidate all common stocks of domestic listed companies to 100 share trading units with the aim to improve investors' convenience.

The Company, respecting this intention as a listed company on the Tokyo Stock Exchanges, will change the number of the share unit of the Company from 1,000 shares to 100 shares, consolidate 10 shares of the Company's stock to one share to maintain the price level per trading unit of the Company's share after the change in the number of share unit and reduce the Company's total number of authorized shares from 3,400 million shares to 340 million shares.

(2)Details of consolidation of shares

a. Class of stock to be consolidated: Common stock

b. Consolidation ratio: Consolidate every 10 shares to one share on October 1, 2016 for shares held by shareholders listed in the Register of Shareholders as of the end of the day on September 30, 2016

c. Decrease in number of shares due to consolidation:

Number of outstanding shares before consolidation (as of March 31, 2016)	1,314,895,351 shares
Decrease in number of shares after consolidation	1,183,405,816 shares
Number of outstanding shares after consolidation	131,489,535 shares

(Note): "Decrease in number of shares after consolidation" and "Number of outstanding shares after consolidation" are theoretical values calculated based on "the number of outstanding shares before consolidation" and the consolidation ratio.

d. Handling of fractional shares:

If a fraction of less than one share is created due to the consolidation of shares, such fractional shares will be sold together in accordance with Article 235 of the Companies Act, and the proceeds will be distributed to shareholders who held the fractional shares in proportion to the number of fractional shares held.

(3)Scheduled effective date of these changes

October 1, 2016

(4)Impact on net income and net assets per share

Net income and net assets per share for the years ended March 31, 2016 and 2015 assuming that consolidation of shares had been carried out at the beginning of the year ended March 31, 2015, are as follows:

	March 31	
As of or years ended	**2016**	2015
Net assets per share of common stock	**¥4,238.35**	¥4,203.59
	($37.61)	
Net income per share of common stock	**¥ 468.03**	¥ 428.50
	($4.15)	

(Note) Only the information on net income per share of common stock is provided and information on diluted net income per share of common stock to reflect the diluting effect is not provided, because there were no dilutive potential common stocks for the year ended March 31, 2016.

2. Transfer of significant assets

On June 29 2016, it had been resolved at the Board of Directors meeting to transfer the following fixed assets.

The transfer agreement was signed on June 30, 2016.

(1)Reason for the transfer

For the purpose of effective use of management resources, the Company decided to transfer a portion of its land.

(2)Details of the transferred assets

a. Asset type: Land

b. Location: 1-297-3, Kitabukuro-cho, Omiya-ku, Saitama, Saitama Prefecture, etc.

c. Current condition: Execution area of land readjustment projects

(3)Overview of the transferee

The transferee is a company conducting operations in Japan. The transferee is not a related party of the Company and there are no capital, personnel and business relationships between the Company and the transferee.

(4)Transfer date

September 2016 (planned)

(5)Impact on profit and loss

It is expected that the Company will record ¥12.7 billion ($112,708 thousand) of gain on sales of property, plant and equipment for the fiscal year ending March 31, 2017.

Independent Auditor's Report

To the Board of Directors of Mitsubishi Materials Corporation:

We have audited the accompanying consolidated financial statements of Mitsubishi Materials Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2016 and 2015, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Mitsubishi Materials Corporation and its consolidated subsidiaries as at March 31, 2016 and 2015, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2016 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

KPMG AZSA LLC
August 5, 2016
Tokyo, Japan

Main Consolidated Subsidiaries and Affiliates (As of June 29, 2016)

Main Consolidated Subsidiaries

	Line of Business	Percentage of Ownership
Cement		
MCC Development Corp.	Investment in cement-related industries	70%
Mitsubishi Cement Corp.	Production and sales of cement	67%
Robertson's Ready Mix, Ltd.	Production and sales of ready-mixed concrete and aggregates	100% (indirectly)
Ryoko Lime Industry Co., Ltd.	Production and sales of limestone	100%
Metals		
Mitsubishi Cable Industries, Ltd.	Production and sales of electric wire and cable	100%
Mitsubishi Shindoh Co., Ltd.	Production and sales of copper, copper alloy and brass semis	100%
Onahama Smelting & Refining Co., Ltd.	Smelting and refining of copper	56%
PT. Smelting	Smelting, refining and sales of copper	61%
Advanced Materials & Tools		
Diamet Corp.	Production and sales of powder metallurgical products	100%
Japan New Metals Co., Ltd.	Production and sales of tungsten and molybdenum	89%, 11% (indirectly)
Mitsubishi Materials U.S.A. Corp.	Surveys in the United States and sales of fabricated metal products and electronic parts	100%
Mitsubishi Hitachi Tool Engineering, Ltd.	Manufacture and sales of tips, cutting tools, wear-resistant products, and tools for urban development, etc.	51%
Electronic Materials & Components		
Mitsubishi Materials Electronic Chemicals Co., Ltd.	Production and sales of chemical products	100%
Mitsubishi Polycrystalline Silicon America Corp.	Production and sales of polycrystalline silicon	100%
Aluminum		
Mitsubishi Aluminum Co., Ltd.	Production and sales of aluminum sheets, extrusion and foil	90%
Tachibana Metal Manufacturing Co., Ltd.	Production and sales of fabricated aluminum products	63% (indirectly)
Universal Can Corp.	Production and sales of aluminum beverage cans	80%
Others		
Dia Consultants Co., Ltd.	Soil analysis and consulting	81%, 3% (indirectly)
Diasalt Corp.	Production and sales of salt	95%
Materials' Finance Co., Ltd.	Financing	100%
Mitsubishi Materials Real Estate Corp.	Real estate	100%
Mitsubishi Materials (Shanghai) Corp.	Management, consulting and sales in China	100%
Mitsubishi Materials Techno Corp.	Technical engineering and construction	100%
Mitsubishi Materials Trading Corp.	Trading	100%

Main Affiliates*

	Line of Business	Percentage of Ownership
Cement		
P.S. Mitsubishi Construction Co., Ltd.**	Construction	33%
Ube-Mitsubishi Cement Corp.	Sales of cement	50%
Metals		
Kobelco & Materials Copper Tube, Ltd.	Production and sales of copper tubes and related products	45%
Advanced Materials & Tools		
Hitachi Metals MMC Superalloy, Ltd.	Production and sales of high-performance alloy products	49%
Electronic Materials & Components		
SUMCO Corp.**	Production and sales of silicon wafers	18%

* Companies to which the equity method is applied
** Companies whose shares are listed on the Tokyo Stock Exchange

Corporate Data
(As of March 31, 2016)

Company Name
Mitsubishi Materials Corporation

Head Office
3-2, Otemachi 1-chome, Chiyoda-ku, Tokyo
100-8117 Japan
URL: http://www.mmc.co.jp/corporate/en/

Date Established
April 1, 1950

Paid-in Capital
¥119,457 million

Number of Employees
Parent company:	4,525
Consolidated:	24,636

Investor Information

(As of March 31, 2016)

Shares of Common Stock

Authorized: 3,400,000,000

Issued and Outstanding: 1,314,895,351

Number of Shareholders

77,918

Stock Listing

Tokyo Stock Exchange

Administrator of Shareholder Registry

Mitsubishi UFJ Trust and Banking Corporation
Corporate Agency Division
10-11, Higashisuna 7-chome, Koto-ku
Tokyo 137-8081, Japan

Independent Certified Public Accountant

KPMG AZSA LLC

For Further Information, Contact

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Corporate Strategy Div.
Tel: +81-3-5252-5206
Fax: +81-3-5252-5272
E-mail: ml-mmcir@mmc.co.jp

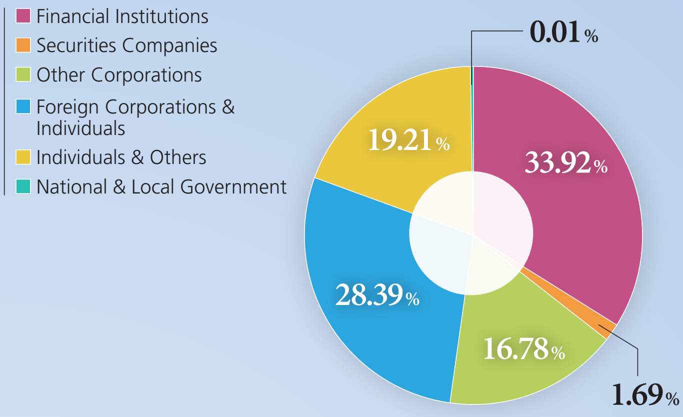
Annual Meeting of Shareholders

The annual meeting of shareholders of the Company is normally held in June each year in Tokyo.

Major Shareholders

- Japan Trustee Services Bank, Ltd. (Trust account)
- The Master Trust Bank of Japan, Ltd. (Trust account)
- National Mutual Insurance Federation of Agricultural Cooperatives
- Meiji Yasuda Life Insurance Co.
- MSIP CLIENT SECURITIES

Distribution of Shareholders



MITSUBISHI MATERIALS CORPORATION

http://www.mmc.co.jp/

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