



## 2. Dividend payments

(Yen)

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

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

(Millions of yen)

(Percentage changes relative to previous corresponding period)

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

Notes:

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

(2) Changes in accounting policies; changes in accounting estimates; restatements

(i) Changes in accounting policies due to amendment of accounting standards: Yes

(ii) Other changes in accounting policies: None

(iii) Changes in accounting estimates: None

(iv) Restatements: None

(3) Number of issued shares (common stock)

(i) Number of issued shares at end of year (including treasury shares)

Year ended March 31, 2016: 1,314,895,351 shares

Year ended March 31, 2015: 1,314,895,351 shares

(ii) Number of treasury shares at end of year

Year ended March 31, 2016: 4,886,174 shares

Year ended March 31, 2015: 4,677,305 shares

(iii) Average number of shares during the period

Year ended March 31, 2016: 1,310,101,981 shares

Year ended March 31, 2015: 1,310,342,256 shares

(Reference) Summary of nonconsolidated financial results

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

(1) Nonconsolidated results of operations:

(Millions of yen)

(Percentage changes relative to previous corresponding period)

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

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

(2) Nonconsolidated financial position:

(Millions of yen)

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

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

Indication regarding the situation of audit procedures

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

Appropriate use of business forecasts and other special items

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

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

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

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

## Contents

|  |    |
|--|----|
| 1. Analysis of Business Results and Financial Position.....  | 2  |
| (1) Analysis of Business Results.....  | 2  |
| (2) Analysis of Financial Position.....  | 4  |
| (3) Basic Profit Distribution Policies and Dividend Payments.....  | 5  |
| (4) Business and Other Risks.....  | 6  |
| 2. Management Policies.....  | 8  |
| (1) Basic Group Management Policies.....   | 8  |
| (2) Target Management Indicator, Medium- and Long-Term Management Strategies and Issues to Be Addressed..... | 8  |
| 3. Basic Perspective on Selection of Accounting Standards.....   | 11 |
| 4. Consolidated Financial Statement.....   | 12 |
| (1) Consolidated Balance Sheets.....   | 12 |
| (2) Consolidated Statement of Operations and Consolidated Statement of Comprehensive Income.....             | 14 |
| Consolidated Statement of Operations.....  | 14 |
| Consolidated Statement of Comprehensive Income.....  | 15 |
| (3) Statement of Changes in Consolidated Shareholders' Equity.....   | 16 |
| (4) Consolidated Statements of Cash Flows.....   | 19 |
| (5) Segment Information.....   | 21 |
| (6) Per-Share Information.....   | 26 |
| (7) Important Subsequent Events:.....  | 26 |

## 1. Analysis of Business Results and Financial Position

### (1) Analysis of Business Results

#### 1) Results for the Year Ended March 31, 2016

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

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

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

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

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

#### 2) Overview of Segments (Cement)

(Billions of yen)

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

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

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

#### (Metals)

(Billions of yen)

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

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

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

factors.

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

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

#### **(Advanced Materials & Tools)**

(Billions of yen)

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

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

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

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

#### **(Electronic Materials & Components)**

(Billions of yen)

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

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

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

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

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

**(Aluminum)**

(Billions of yen)

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

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

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

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

**(Others)**

(Billions of yen)

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

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

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

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

**3) Outlook for the Year Ending March 31, 2017**

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

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

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

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

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

**(2) Analysis of Financial Position**

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

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

**(Cash Flows from Operating Activities)**

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

**(Cash Flows from Investing Activities)**

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

(Cash Flows from Financing Activities)

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

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

Below is a summary of major cash flow indicators.

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

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

(Note 1) All indicators are calculated on a consolidated basis.

(Note 2) Market capitalization is based on the year-end share price multiplied by the number of shares issued and outstanding at year-end (after deducting treasury stock).

(Note 3) Cash flow is based on the net cash provided by operating activities in the Consolidated Statements of Cash Flows.

(Note 4) Interest-bearing debt covers all interest-bearing debt in the Consolidated Balance Sheets. Interest payments are based on the amounts shown in the Consolidated Statements of Cash Flows.

### (3) Basic Profit Distribution Policies and Dividend Payments

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

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



#### **(4) Business and Other Risks**

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

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

##### **1) Corporate reorganization**

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

##### **2) Market and customer trends**

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

##### **3) Rates for nonferrous metals, exchange fluctuation, etc.**

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

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

##### **4) Trends in the conditions of the semiconductor market**

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

##### **5) Interest-bearing debt**

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

##### **6) Guaranty of liabilities**

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

##### **7) Fluctuations of the market value of assets**

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

#### 8) Retirement benefit expenses and obligations

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

#### 9) Environmental regulations, etc.

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

#### 10) Overseas operations, etc.

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

#### 11) Intellectual property rights

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

#### 12) Quality of the products

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

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

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

#### 14) Management of information

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

#### 15) Lawsuits, etc.

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

#### 16) Procurement of electricity

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

power stations and increases in charges for renewable energy.

#### 17) Other matters

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

## 2. Management Policies

### (1) Basic Group Management Policies

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

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

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

#### 1) Fortifying the foundation for growth

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

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

#### 2) Strengthening global competitiveness

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

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

#### 3) Pursuing a recycling-based business model

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

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

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

<Priorities in each business>

- Cement

In the domestic cement business, the demand outlook is unclear. Nevertheless, shipments in relation to

earthquake reconstruction are expected to be firm, and a number of large-scale projects are slated to commence. These include projects related to the upcoming Olympic Games and construction of a linear shinkansen (in some sections). As a result, fiscal 2016 domestic demand for cement is expected to remain at the previous year's level of approximately 43 million tons. Under these circumstances, we will work to secure sales volumes by steadily implementing initiatives to benefit from demand related to large-scale projects.

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

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

- Metals

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

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

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

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

- Advanced Materials & Tools

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

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

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

- Electronic Materials & Components

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

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

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

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

- Aluminum

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

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

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

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

### **3. Basic Perspective on Selection of Accounting Standards**

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

#### 4. Consolidated Financial Statement

##### (1) Consolidated Balance Sheets

[March 31, 2015 and 2016]

(Millions of yen)

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

(Millions of yen)

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



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

### Consolidated Statement of Operations

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

(Millions of yen)

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

## Consolidated Statement of Comprehensive Income

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

(Millions of yen)

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

**(3) Statement of Changes in Consolidated Shareholders' Equity**

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

(Millions of yen)

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

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

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

(Millions of yen)

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

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

#### (4) Consolidated Statements of Cash Flows

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

(Millions of yen)

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

(Millions of yen)

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

## (5) Segment Information

[Segment Information]

### 1. Overview of reporting segments

#### (1) Method of determining reporting segments

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

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

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

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

The main products in each business are as follows.

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

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

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

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

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



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

(Millions of yen)

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

Notes:

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

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

(Millions of yen)

|   | Cement  | Metals  | Advanced Materials & Tools | Electronic Materials & Components | Aluminum | Others  | Total     | Adjustment amount | Amount indicated in the statements of income |
|---|---------|---------|----------------------------|-----------------------------------|----------|---------|-----------|-------------------|--|
| Net sales   |         |         |                            |                                   |          |         |           |                   |  |
| (1)Outside Customers                                  | 194,113 | 680,431 | 133,550                    | 56,374                            | 156,854  | 196,750 | 1,417,895 | -                 | 1,417,895                                    |
| (2)Within Consolidated Group                          | 3,386   | 8,290   | 18,117                     | 13,880                            | 1,810    | 46,697  | 92,182    | (92,182)          | -  |
| Total   | 197,500 | 688,721 | 151,668                    | 70,254                            | 158,665  | 243,268 | 1,510,077 | (92,182)          | 1,417,895                                    |
| Segment income  | 19,710  | 27,048  | 14,965                     | 6,339                             | 3,641    | 9,936   | 81,642    | (9,199)           | 72,442                                       |
| Segment assets  | 353,523 | 654,099 | 221,620                    | 107,402                           | 149,446  | 190,276 | 1,676,370 | 117,005           | 1,793,375                                    |
| Segment liabilities                                   | 179,737 | 496,729 | 127,677                    | 98,322                            | 114,552  | 144,438 | 1,161,459 | (13,100)          | 1,148,358                                    |
| Other items   |         |         |                            |                                   |          |         |           |                   |  |
| Depreciation and amortization                         | 12,335  | 15,757  | 11,257                     | 3,428                             | 7,322    | 3,511   | 53,612    | 2,782             | 56,395                                       |
| Amortization of goodwill                              | 3,191   | -       | 1,248                      | -                                 | -        | 7       | 4,447     | -                 | 4,447  |
| Dividend income                                       | 74      | 327     | 71                         | 117                               | 11       | 435     | 1,038     | (448)             | 589  |
| Interest expenses                                     | 1,923   | 2,014   | 1,078                      | 999                               | 712      | 935     | 7,664     | (969)             | 6,694  |
| Equity in earnings of affiliates                      | 1,358   | (3,351) | 610                        | 4,152                             | 107      | (607)   | 2,270     | (81)              | 2,188  |
| Investment to equity method affiliate                 | 20,338  | 17,877  | 5,936                      | 39,980                            | 740      | 13,965  | 98,839    | (165)             | 98,674                                       |
| Increase in tangible and intangible noncurrent assets | 17,561  | 22,968  | 17,674                     | 3,535                             | 7,196    | 6,079   | 75,016    | 3,087             | 78,103                                       |

Notes:

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

[Reference information]

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

1. Information by Product/Service

Omitted because the same information is written in the Segment Information.

2. Information by Region

(1) Net sales

(Millions of yen)

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

(2) Property, plant and equipment

(Millions of yen)

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

1. Categories for the countries and regions are geographically proximity-based.

2. Main countries and regions belong to the categories other than U.S.

(1) Europe: Germany, United Kingdom, Spain, France

(2) Asia: Indonesia, South Korea, Malaysia, Singapore, China, Taiwan, Hong Kong, Thailand

(3) Other: Australia, Canada, Brazil

3. Information by Customer

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

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

1. Information by Product/Service

Omits because the same information is written in the Segment Information.

2. Information by Region

(1) Net sales

(Millions of yen)

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

(2) Property, plant and equipment

(Millions of yen)

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

1. Categories for the countries and regions are geographically proximity-based.

2. Main countries and regions belong to the categories other than U.S.

(1) Europe: Germany, United Kingdom, Spain, France

(2) Asia: Indonesia, South Korea, Malaysia, Singapore, China, Taiwan, Hong Kong, Thailand

(3) Other: Australia, Canada, Brazil

3. Information by Customer

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

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

(Millions of yen)

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

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

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

(Millions of yen)

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

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

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

(Millions of yen)

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

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

(Millions of yen)

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

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

(Millions of yen)

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

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

(Millions of yen)

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

[Information on negative goodwill generated for each reporting segment]

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

None

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

None

## (6) Per-Share Information

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

Note:

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

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

## (7) Important Subsequent Events:

Change in the Number of Shares Constituting One Share Unit, Reverse Stock Split, etc.

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

An overview of these resolutions is provided below.

### (1) Reason for and Description of the Proposed Changes

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

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

### (2) Conditions for the Changes

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