

# Consolidated Financial Results for the Nine Months Ended December 31, 2016 (Japanese Accounting Standards)

February 9, 2017

Name of Listed Company: Mitsubishi Materials Corporation      Listing: Tokyo Stock Exchange  
 Stock Code: 5711      URL: <http://www.mmc.co.jp/>  
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 Scheduled filing date of Quarterly Report: February 9, 2017  
 Scheduled date of start of dividend payment: —  
 Supplementary materials for the quarterly financial results: Yes  
 Investor conference for the quarterly financial results: Yes (For Institutional Investors)

(Amounts of less than million yen are omitted.)

## 1. Results of the first nine months ended December 31, 2016 (From April 1, 2016 to December 31, 2016)

### (1) Results of Operations (cumulative)

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

|                                           | Net sales   |      | Operating profit |       | Ordinary income |       | Net income attributable to owners of parent |       |
|-------------------------------------------|-------------|------|------------------|-------|-----------------|-------|---------------------------------------------|-------|
|                                           | Million yen | %    | Million yen      | %     | Million yen     | %     | Million yen                                 | %     |
| First nine months ended December 31, 2016 | 956,344     | -9.4 | 43,892           | -15.9 | 52,977          | -4.5  | 49,393                                      | -12.7 |
| First nine months ended December 31, 2015 | 1,055,860   | -6.7 | 52,220           | -0.8  | 55,471          | -16.1 | 56,553                                      | 40.5  |

(Note) Comprehensive income:      Nine months ended December 31, 2016: 46,787 million yen (-3.9%)  
 Nine months ended December 31, 2015: 48,682 million yen (-33.4%)

|                                           | Net income per share | Diluted net income per share |
|-------------------------------------------|----------------------|------------------------------|
|                                           | Yen                  | Yen                          |
| First nine months ended December 31, 2016 | 377.06               | —                            |
| First nine months ended December 31, 2015 | 431.67               | —                            |

\* The Company consolidated its shares at a 10:1 ratio of its common stock, with an effective date of October 1, 2016. Accordingly, net income per share is calculated on the assumption that the consolidation of its shares was conducted at the beginning of the previous consolidated fiscal year.

### (2) Financial Position

|                         | Total assets | Net assets  | Shareholders' equity ratio |
|-------------------------|--------------|-------------|----------------------------|
|                         | Million yen  | Million yen | %                          |
| As of December 31, 2016 | 1,837,743    | 678,047     | 32.2                       |
| As of March 31, 2016    | 1,793,375    | 645,017     | 31.0                       |

(Reference) Shareholders' Equity:      As of December 31, 2016: 592,360 million yen      As of March 31, 2016: 555,227 million yen

## 2. Dividend Payments

| (Record date)                         | Dividends per share |                |               |          |        |
|---------------------------------------|---------------------|----------------|---------------|----------|--------|
|                                       | First quarter       | Second quarter | Third quarter | Year-end | Annual |
|                                       | Yen                 | Yen            | Yen           | Yen      | Yen    |
| Year ended March 31, 2016             | —                   | 5.00           | —             | 5.00     | 10.00  |
| Year ending March 31, 2017            | —                   | 2.00           | —             |          |        |
| Year ending March 31, 2017 (Forecast) |                     |                |               | 40.00    | —      |

(Note) Revision of dividend forecast published most recently: None

\* The Company consolidated its shares at a 10:1 ratio of its common stock, with an effective date of October 1, 2016. For the amount of dividends at the end of the second quarter of the fiscal year ended March 31, 2017, the amount prior to the consolidation of shares is stated because the dividends were paid based on the number of shares before the consolidation of shares.

For the year-end dividend per share in the fiscal year ending March 31, 2017 (forecast), the amount after the consolidation of shares is stated and a hyphen is written for the annual dividend because it cannot be simply combined.

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

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

|                            | Net sales   |      | Operating profit |       | Ordinary income |       | Net income attributable to owners of parent |       | Net income per share |
|----------------------------|-------------|------|------------------|-------|-----------------|-------|---------------------------------------------|-------|----------------------|
|                            | Million yen | %    | Million yen      | %     | Million yen     | %     | Million yen                                 | %     | Yen                  |
| Year ending March 31, 2017 | 1,300,000   | -8.3 | 59,000           | -16.2 | 64,000          | -11.7 | 24,000                                      | -60.9 | 183.24               |

(Note) Revision to forecast published most recently: Yes

\* The Company consolidated its shares at a 10:1 ratio of its common stock, with an effective date of October 1, 2016. Accordingly, net income per share is calculated on the assumption that the consolidation of its shares was conducted at the beginning of the current consolidated fiscal year.

\* Notes

- (1) Significant changes of subsidiaries during the term under review (changes in specific subsidiaries accompanied by a change in the scope of consolidation): None
- (2) Application of specific accounting treatment: Yes  
(Note) For details, please see “(1) Application of special accounting treatment in the preparation of the quarterly consolidated financial statements” under “2. Matters Related to Summary Information (Notes)” on page 6.
- (3) Changes in accounting policies, changes of accounting estimates and restatement
- (i) Changes in accounting policies due to amendments to accounting standards: Yes
  - (ii) Other changes in accounting policies: None
  - (iii) Changes in accounting estimates: None
  - (iv) Restatements: None
- (Note) For details, please see “(2) Changes in accounting policies, changes of accounting estimates and restatement” under “2. Matters Related to Summary Information (Notes)” on page 6.
- (4) Numbers of issued shares (common stock)
- (i) Numbers of issued shares at end of terms (including treasury shares):  
Nine months ended December 31, 2016: 131,489,535 shares  
Year ended March 31, 2016: 131,489,535 shares
  - (ii) Numbers of treasury shares at end of terms:  
Nine months ended December 31, 2016: 502,567 shares  
Year ended March 31, 2016: 488,618 shares
  - (iii) Average number of shares issued during terms (quarterly cumulative period):  
Nine months ended December 31, 2016: 130,995,924 shares  
Nine months ended December 31, 2015: 131,012,715 shares

\* The Company consolidated its shares at a rate of one share for every 10 shares of its common stock, with October 1, 2016 as the effective date. Subsequently, the number of issued shares at the end of the term, the number of treasury shares at the end of the term, and the average number of shares issued during the term are calculated based on the assumption that the consolidation of shares was conducted at the beginning of the previous consolidated fiscal year.

\* Indication regarding the status of a quarterly review

This financial summary for the nine months ended December 31, 2016 is not subject to a quarterly review under the Financial Instruments and Exchange Law. The review of the quarterly consolidated financial statements under the aforementioned act is in progress at the time of the announcement of this financial summary.

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

(Notes concerning forward-looking statements, etc.)

The operating results forecasts and other forward-looking statements contained in this report are based on information currently available to the Company, as well as certain assumptions that the Company has judged to be reasonable. As such, they do not constitute an assurance that the Company promises to achieve these projected results. Therefore, readers are advised to note that the actual results may vary materially from the forecasts due to a variety of factors.

Please see “(3) Information on the consolidated earnings forecasts and other future forecasts” of “1. Qualitative Information on Financial Results for the Nine Months Ended December 31, 2016” on page 4 for the assumptions about consolidated earnings forecasts.

(Operating Results Forecast after the Consolidation of Shares)

The consolidation of shares and the revisions in the number of shares constituting one share unit of the Company were passed and approved at the 91st Ordinary General Meeting of Shareholders held on June 29, 2016, and the Company consolidated the shares at a 10:1 ratio of its common stock and changed the number of shares constituting one share unit from 1,000 to 100 shares with effective date of October 1, 2016. Accordingly, net income per share is calculated on the assumption that the consolidation of its shares was conducted at the beginning of the current consolidated fiscal year.

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

Mitsubishi Materials Corporation plans to hold a quarterly financial briefing for institutional investors on Thursday, February 9, 2017. The materials used at this briefing are disclosed on the TDnet and the Company’s web page at the time that the quarterly financial results are announced.

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## 1. Qualitative Information on Financial Results for the Nine Months Ended December 31, 2016

### (1) Details of operating results

#### 1) Overview of operating results

During the first nine months of the consolidated fiscal year under review, there was an economic slowdown in China, Thailand and Indonesia, among other countries in Asia. In the United States, while the economy continued to grow moderately, the pace of growth tended to slow.

In the Japanese economy, employment and income conditions were on the road to recovery. However, public investments grew at a sluggish pace, and the improvement in capital expenditure and corporate earnings came to a temporary standstill.

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

Under these circumstances, consolidated net sales for the first nine months of the year under review totaled ¥956,344 million, down 9.4% year on year. Operating profit declined 15.9% year on year, to ¥43,892 million, and ordinary income decreased 4.5%, to ¥52,977 million. Net income attributable to owners of parent was ¥49,393 million, down 12.7% year on year.

#### 2) Overview by segments

##### (Cement)

(Billion yen)

|                  | FY 2016 Q1-Q3 | FY 2017 Q1-Q3 | Increase / Decrease (%) |
|------------------|---------------|---------------|-------------------------|
| Net sales        | 147.2         | 132.3         | -14.9 (-10.1%)          |
| Operating profit | 16.0          | 16.4          | 0.4 (2.5%)              |
| Ordinary income  | 15.7          | 16.3          | 0.5 (3.7%)              |

In the Cement business, the sales volume decreased in Japan because of a decline in demand throughout the market, chiefly reflecting a delay in construction work mainly due to labor shortages and sluggish growth in demand in the public and the private sectors. In the United States, the sales volume of ready-mixed concrete increased, reflecting strong sales related to housing and commercial properties. The sales volume of cement also increased, thanks to the rise in sales volume of ready-mixed concrete. In China, the sales volume declined due to restrictions on production activities at cement factory, etc. as a countermeasure against severe air pollution. In the overall Cement business, cement production amounted to 8.8 million tons, unchanged from the level a year ago.

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

##### (Metals)

(Billion yen)

|                  | FY 2016 Q1-Q3 | FY 2017 Q1-Q3 | Increase / Decrease (%) |
|------------------|---------------|---------------|-------------------------|
| Net sales        | 511.8         | 459.6         | -52.1 (-10.2%)          |
| Operating profit | 17.4          | 12.4          | -4.9 (-28.4%)           |
| Ordinary income  | 19.0          | 22.9          | 3.9 (20.6%)             |

In the copper business, net sales and operating profit declined, primarily reflecting a fall in copper prices, despite the return to ordinary operations at PT. Smelting in Indonesia, which was temporarily suspended

during the same period as the previous fiscal year due to equipment issues. Copper cathode production for the entire Metals business amounted to 426 thousand tons, up 55 thousand tons from the previous corresponding period.

In the gold and other valuable metals business, both net sales and operating profit increased, mainly thanks to the production hike, reflecting a rise in the contained amount in ore.

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

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

**(Advanced Materials & Tools)**

(Billion yen)

|                  | FY 2016 Q1-Q3 | FY 2017 Q1-Q3 | Increase / Decrease (%) |
|------------------|---------------|---------------|-------------------------|
| Net sales        | 115.3         | 106.1         | -9.1 (-8.0%)            |
| Operating profit | 12.8          | 8.2           | -4.5 (-35.4%)           |
| Ordinary income  | 12.2          | 7.2           | -4.9 (-40.6%)           |

In the cemented carbide products business, net sales and operating profit declined due to the deteriorating market conditions primarily attributable to the slowdown in the Chinese economy. Another contributing factor was the effect of the yen appreciation compared with the exchange rate in the same period of the previous fiscal year.

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

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

**(Electronic Materials & Components)**

(Billion yen)

|                  | FY 2016 Q1-Q3 | FY 2017 Q1-Q3 | Increase / Decrease (%) |
|------------------|---------------|---------------|-------------------------|
| Net sales        | 52.9          | 46.4          | -6.5 (-12.3%)           |
| Operating profit | 2.5           | 1.3           | -1.1 (-46.7%)           |
| Ordinary income  | 5.2           | 1.4           | -3.7 (-72.2%)           |

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

In the electronic components business, net sales increased while operating profit declined, reflecting a lower volume of sales of products for information and telecommunications equipment, as well as the yen appreciation compared with the same period of the previous fiscal year, despite a solid performance sales of products for home appliances and optical communication related equipment.

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

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

**(Aluminum)**

(Billion yen)

|                  | FY 2016 Q1-Q3 | FY 2017 Q1-Q3 | Increase / Decrease (%) |
|------------------|---------------|---------------|-------------------------|
| Net sales        | 122.4         | 120.4         | -1.9 (-1.6%)            |
| Operating profit | 4.1           | 7.6           | 3.5 (83.7%)             |
| Ordinary income  | 3.7           | 7.6           | 3.8 (103.3%)            |

In the aluminum can business, demand for bottle cans increased, and raw material costs declined.

In the rolled aluminum and processed aluminum products business, demand of products for solar cells declined, while demand of products for automobiles increased. While sales price declined due to falling market metal prices.

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

**(Others)**

(Billion yen)

|                  | FY 2016 Q1-Q3 | FY 2017 Q1-Q3 | Increase / Decrease (%) |
|------------------|---------------|---------------|-------------------------|
| Net sales        | 172.6         | 148.7         | -23.9 (-13.8%)          |
| Operating profit | 4.8           | 4.8           | -0.0 (-0.5%)            |
| Ordinary income  | 5.5           | 4.6           | -0.8 (-15.8%)           |

In the energy-related business, net sales declined, but operating profit increased thanks to a rise in electricity sales volume because hydroelectric power plants, which were being renewed during the previous corresponding period, returned to ordinary operation, while sales of coal declined.

In the “E-waste” (used electronics and electrical products) recycling business, net sales and operating profit declined, reflecting lower sales due to the falling unit price of valuables.

Orders received for nuclear energy and engineering-related services amounted to ¥62.0 billion, up ¥17.1 billion year on year. The order backlog at the end of the period was ¥46.6 billion, up ¥12.3 billion from a year earlier.

**(2) Details of financial position**

Total assets at the end of the third quarter of the consolidated fiscal year under review stood at ¥1,837.7 billion, up ¥44.3 billion from the end of the previous consolidated fiscal year. This result was mainly due to an increase in inventory.

Total liabilities were ¥1,159.6 billion, an increase of ¥11.3 billion from the end of the previous consolidated fiscal year. This was mainly due to an increase in notes and accounts receivable-trade.

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

We have revised the figures in our consolidated earnings forecasts for the fiscal year ending March 31, 2017, which were previously announced (on November 9, 2016).

In the consolidated earnings forecasts for the fiscal year ending March 31, 2017, net sales are expected to exceed the previous forecast, while operating income is set to be lower than the previous forecast, given that the operation of PT. Smelting in Indonesia has been temporarily suspended and the sales volume of cemented carbide products remains lower than planned in the Advanced Materials & Tools business, while copper prices continue to rise. Both ordinary income and net income attributable to owners of parent are likely to exceed the previous forecasts, primarily because the increase in dividend income was greater than expected.

(Billion yen)

|                                             | Previous forecast | Current forecast | Increase / Decrease (%) |
|---------------------------------------------|-------------------|------------------|-------------------------|
| Net sales                                   | 1,280.0           | 1,300.0          | 1.5%                    |
| Operating profit                            | 61.0              | 59.0             | -3.2%                   |
| Ordinary income                             | 61.0              | 64.0             | 4.9%                    |
| Net income attributable to owners of parent | 22.0              | 24.0             | 9.0%                    |



## **2. Matters Related to Summary Information (Notes)**

### **(1) Application of special accounting treatment in the preparation of the quarterly consolidated financial statements**

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

### **(2) Changes in accounting policies, changes of accounting estimates and restatement**

Changes in accounting policies

(Application of Practical Solution on a Change in Depreciation Method due to Tax Reform 2016)

In association with the revision of the Corporation Tax Act, the Company has applied the “Practical Solution on a change in depreciation method due to Tax Reform 2016” (ASBJ Practical Issues Task Force (PITF) No. 32 dated June 17, 2016) from the first quarter of the consolidated fiscal year under review. It also changed the depreciation method for facilities attached to buildings and structures that were acquired on or after April 1, 2016, switching from the declining-balance method to the straight-line method.

The impact of this change on profits and losses for the first nine months of the consolidated fiscal year under review is minor.

### **(3) Additional information**

(Provision for environmental measures)

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

(Application of implementation guidance on recoverability of deferred tax assets)

The Company has applied the “Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26 dated March 28, 2016) from the first quarter of the consolidated fiscal year under review.

(Business Combination by Acquisition Method)

The Company signed a share transfer agreement dated September 28, 2016, with Luvata Espoo Oy and its two subsidiaries, for the acquisition of the Special Products Division (“Luvata SP”) of the Luvata Group through equity acquisition and business transfer.

Overview of the business combination

(i) The acquired company and the description and size of its business

Acquired company: 14 companies belonging to Luvata SP

Business: Manufacture and sale of copper processed products

Net Sales: Approximately 78.0 billion yen (approximate amount of consolidated net sales recorded by Luvata SP in the fiscal year ended December 31, 2015)

(ii) Main reason for the business combination

The purpose of the business combination is to accelerate the global expansion of the Copper & Copper Alloy Products business of the Company by pursuing various synergies through the business and customer bases of the Special Products Division of Luvata and to lead it to the establishment of a high-profitable business structure

(iii) Date of the business combination

This transaction will be implemented without delay upon the completion of acquisition, etc. of approval and authorization pursuant to the laws and regulations required for its implementation, which is scheduled for the period between the fourth quarter of fiscal year 2017 and the first quarter of fiscal year 2018.

(iv) Legal form of the business combination

Acquisition of shares and business transfer in exchange for cash and deposits.

(v) Name of the companies after the business combination

No change

(vi) Percentage of voting rights to acquire

100%

#### **(4) Contingent liabilities**

Previous consolidated fiscal year (As of March 31, 2016)

On December 30, 2014, PT. Smelting in Indonesia, a consolidated subsidiary of the Company (hereinafter the “Consolidated Subsidiary”), received a notice of reassessment in an amount of US\$47 million (¥5,393 million based on the exchange rate at the end of the previous consolidated fiscal year) from the Indonesian National Tax Authority regarding the sales transaction pricing of the Consolidated Subsidiary for the year ended December 2009. On January 28, 2015, the Consolidated Subsidiary made a provisional deposit of US\$14 million (¥1,577 million) as a part of the additional collection.

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

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

Third quarter of the consolidated fiscal year under review (As of December 31, 2016)

On December 30, 2014, PT. Smelting in Indonesia, a consolidated subsidiary of the Company (hereinafter the “Consolidated Subsidiary”), received a notice of reassessment in an amount of US\$47 million (¥5,576 million based on the exchange rate at the end of the third quarter of the consolidated fiscal year under review) from the Indonesian National Tax Authority regarding the sales transaction pricing of the Consolidated Subsidiary for the year ended December 2009. On January 28, 2015, the Consolidated Subsidiary made a provisional deposit of US\$14 million (¥1,630 million) as a part of the additional collection.

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

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

On December 22, 2016, the Consolidated Subsidiary also received a notice of reassessment in an amount of US\$34 million (¥3,988 million) from the Indonesian National Tax Authority regarding its posting of raw material costs for the fiscal year ended December 31, 2011.

However, this assessment from the Indonesian National Tax Authority is based on its view of unilaterally negating the basis for recording raw material costs, etc. of the Consolidated Subsidiary and found to be unacceptable by the Company and the Consolidated Subsidiary. Therefore, the Consolidated Subsidiary has decided to submit a written objection to the Authority in the future.

### 3. Consolidated Financial Statements

#### (1) Consolidated balance sheet

(Million yen)

|                                            | As of March 31, 2016 | As of December 31, 2016 |
|--------------------------------------------|----------------------|-------------------------|
| <b>Assets</b>                              |                      |                         |
| <b>Current assets</b>                      |                      |                         |
| Cash and deposits                          | 60,123               | 89,401                  |
| Notes and accounts receivable-trade        | 233,093              | 223,254                 |
| Merchandise and finished goods             | 85,082               | 85,730                  |
| Work in process                            | 83,694               | 116,185                 |
| Raw materials and supplies                 | 89,875               | 98,549                  |
| Others                                     | 232,817              | 232,440                 |
| Allowance for doubtful accounts            | (2,155)              | (2,561)                 |
| <b>Total current assets</b>                | <b>782,530</b>       | <b>843,001</b>          |
| <b>Non-current assets</b>                  |                      |                         |
| <b>Property, plant and equipment</b>       |                      |                         |
| Machinery and equipment, net               | 196,085              | 196,484                 |
| Land, net                                  | 268,634              | 257,325                 |
| Other, net                                 | 205,517              | 203,614                 |
| <b>Total property, plant and equipment</b> | <b>670,237</b>       | <b>657,424</b>          |
| <b>Intangible assets</b>                   |                      |                         |
| Goodwill                                   | 48,986               | 39,917                  |
| Other                                      | 17,032               | 15,860                  |
| <b>Total intangible assets</b>             | <b>66,019</b>        | <b>55,777</b>           |
| <b>Investments and other assets</b>        |                      |                         |
| Investment securities                      | 212,606              | 224,106                 |
| Others                                     | 68,052               | 63,032                  |
| Allowance for doubtful accounts            | (6,070)              | (5,599)                 |
| <b>Total investments and other assets</b>  | <b>274,588</b>       | <b>281,539</b>          |
| <b>Total non-current assets</b>            | <b>1,010,845</b>     | <b>994,742</b>          |
| <b>Total assets</b>                        | <b>1,793,375</b>     | <b>1,837,743</b>        |

(Million yen)

|                                                       | As of March 31, 2016 | As of December 31, 2016 |
|-------------------------------------------------------|----------------------|-------------------------|
| <b>Liabilities</b>                                    |                      |                         |
| <b>Current liabilities</b>                            |                      |                         |
| Notes and accounts payable-trade                      | 110,596              | 132,652                 |
| Short-term loans payable                              | 200,527              | 193,480                 |
| Current portion of bonds payable                      | 25,100               | 15,000                  |
| Income taxes payable                                  | 7,037                | 12,030                  |
| Provision                                             | 13,740               | 7,513                   |
| Gold payable                                          | 231,667              | 234,637                 |
| Other                                                 | 107,649              | 103,172                 |
| <b>Total current liabilities</b>                      | <b>696,319</b>       | <b>698,487</b>          |
| <b>Non-current liabilities</b>                        |                      |                         |
| Bonds payable                                         | 40,000               | 55,000                  |
| Long-term loans payable                               | 260,681              | 261,850                 |
| Provision                                             | 16,746               | 12,178                  |
| Net defined benefit liability                         | 63,544               | 61,130                  |
| Other                                                 | 71,066               | 71,049                  |
| <b>Total non-current liabilities</b>                  | <b>452,038</b>       | <b>461,208</b>          |
| <b>Total liabilities</b>                              | <b>1,148,358</b>     | <b>1,159,696</b>        |
| <b>Net assets</b>                                     |                      |                         |
| <b>Shareholders' equity</b>                           |                      |                         |
| Capital stock                                         | 119,457              | 119,457                 |
| Capital surplus                                       | 92,266               | 92,422                  |
| Retained earnings                                     | 303,026              | 345,489                 |
| Treasury stock                                        | (1,953)              | (1,997)                 |
| <b>Total shareholders' equity</b>                     | <b>512,797</b>       | <b>555,372</b>          |
| <b>Accumulated other comprehensive income</b>         |                      |                         |
| Valuation difference on available-for-sale securities | 21,645               | 35,083                  |
| Deferred gains or losses on hedges                    | (199)                | (4,490)                 |
| Revaluation reserve for land                          | 34,282               | 32,184                  |
| Foreign currency translation adjustment               | 3,647                | (11,438)                |
| Remeasurements of defined benefit plans               | (16,946)             | (14,351)                |
| <b>Total accumulated other comprehensive income</b>   | <b>42,430</b>        | <b>36,987</b>           |
| <b>Non-controlling interests</b>                      | <b>89,789</b>        | <b>85,686</b>           |
| <b>Total net assets</b>                               | <b>645,017</b>       | <b>678,047</b>          |
| <b>Total liabilities and net assets</b>               | <b>1,793,375</b>     | <b>1,837,743</b>        |

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

Consolidated first nine months

(Million yen)

|                                                             | Nine Months Ended<br>December 31, 2015<br>(Apr. 1, 2015–Dec 31, 2015) | Nine Months Ended<br>December 31, 2016<br>(Apr. 1, 2016–Dec. 31, 2016) |
|-------------------------------------------------------------|-----------------------------------------------------------------------|------------------------------------------------------------------------|
| <b>Net sales</b>                                            | 1,055,860                                                             | 956,344                                                                |
| <b>Cost of sales</b>                                        | 896,143                                                               | 807,859                                                                |
| <b>Gross profit</b>                                         | 159,717                                                               | 148,484                                                                |
| <b>Selling, general and administrative expenses</b>         | 107,496                                                               | 104,591                                                                |
| <b>Operating profit</b>                                     | 52,220                                                                | 43,892                                                                 |
| <b>Non-operating profit</b>                                 |                                                                       |                                                                        |
| Interest income                                             | 443                                                                   | 405                                                                    |
| Dividend income                                             | 7,046                                                                 | 14,368                                                                 |
| Equity in earnings of affiliates                            | 4,157                                                                 | 1,867                                                                  |
| Rent income on non-current assets                           | 3,770                                                                 | 3,661                                                                  |
| Other                                                       | 3,432                                                                 | 1,577                                                                  |
| <b>Total non-operating profit</b>                           | 18,850                                                                | 21,879                                                                 |
| <b>Non-operating expenses</b>                               |                                                                       |                                                                        |
| Interest expenses                                           | 5,184                                                                 | 3,812                                                                  |
| Other                                                       | 10,416                                                                | 8,981                                                                  |
| <b>Total non-operating expenses</b>                         | 15,600                                                                | 12,793                                                                 |
| <b>Ordinary income</b>                                      | 55,471                                                                | 52,977                                                                 |
| <b>Extraordinary income</b>                                 |                                                                       |                                                                        |
| Gain on sales of non-current assets                         | 6,281                                                                 | 16,039                                                                 |
| Gain on sales of investment securities                      | 19,187                                                                | 3,169                                                                  |
| Gain on change in equity                                    | 10,464                                                                | –                                                                      |
| Gain on redemption of investment securities                 | 1,234                                                                 | –                                                                      |
| Other                                                       | 4,210                                                                 | 470                                                                    |
| <b>Total extraordinary income</b>                           | 41,378                                                                | 19,680                                                                 |
| <b>Extraordinary losses</b>                                 |                                                                       |                                                                        |
| Loss on valuation of investment securities                  | 2                                                                     | 109                                                                    |
| Subsidiary transfer cost                                    | –                                                                     | 107                                                                    |
| Provision for environmental measures                        | 10,841                                                                | –                                                                      |
| Loss on suspension of operations                            | 2,661                                                                 | –                                                                      |
| Other                                                       | 2,684                                                                 | 295                                                                    |
| <b>Total extraordinary losses</b>                           | 16,191                                                                | 512                                                                    |
| <b>Income before income taxes</b>                           | 80,657                                                                | 72,145                                                                 |
| Income taxes                                                | 20,999                                                                | 17,454                                                                 |
| <b>Net income</b>                                           | 59,658                                                                | 54,690                                                                 |
| <b>Net income attributable to non-controlling interests</b> | 3,104                                                                 | 5,296                                                                  |
| <b>Net income attributable to owners of parent</b>          | 56,553                                                                | 49,393                                                                 |

## Consolidated statements of comprehensive income

Consolidated first nine months

(Million yen)

|                                                                | Nine Months Ended<br>December 31, 2015<br>(Apr. 1, 2015–Dec 31, 2015) | Nine Months Ended<br>December 31, 2016<br>(Apr. 1, 2016–Dec. 31, 2016) |
|----------------------------------------------------------------|-----------------------------------------------------------------------|------------------------------------------------------------------------|
| <b>Net income</b>                                              | 59,658                                                                | 54,690                                                                 |
| <b>Other comprehensive income</b>                              |                                                                       |                                                                        |
| Valuation difference on available-for-sale securities          | (8,217)                                                               | 13,472                                                                 |
| Deferred gains or losses on hedges                             | 2,046                                                                 | (4,941)                                                                |
| Revaluation reserve for land                                   | 59                                                                    | –                                                                      |
| Foreign currency translation adjustment                        | (2,696)                                                               | (15,752)                                                               |
| Remeasurements of defined benefit plans                        | 1,124                                                                 | 2,618                                                                  |
| Equity in earnings of affiliates                               | (3,292)                                                               | (3,299)                                                                |
| <b>Total other comprehensive income</b>                        | (10,975)                                                              | (7,902)                                                                |
| <b>Comprehensive income</b>                                    | 48,682                                                                | 46,787                                                                 |
| (Breakdown)                                                    |                                                                       |                                                                        |
| Comprehensive income attributable to owners of parent          | 45,661                                                                | 46,191                                                                 |
| Comprehensive income attributable to non-controlling interests | 3,021                                                                 | 596                                                                    |

### (3) Notes to consolidated quarterly financial statements

#### Notes on assumptions for a going concern

N/A

#### Segment information

[Segment Information]

I. For the nine months ended December 31, 2015 (from April 1, 2015 to December 31, 2015)

1. Sales and income of reporting segments

(Million yen)

|                               | Cement  | Metals  | Advanced Materials & Tools | Electronic Materials & Components | Aluminum | Others  | Total     | Adjustment amount | Amount indicated in the consolidated quarterly statements of income |
|-------------------------------|---------|---------|----------------------------|-----------------------------------|----------|---------|-----------|-------------------|---------------------------------------------------------------------|
| Net sales                     |         |         |                            |                                   |          |         |           |                   |                                                                     |
| (1) Outside customers         | 144,652 | 505,467 | 101,240                    | 42,554                            | 121,123  | 140,822 | 1,055,860 | –                 | 1,055,860                                                           |
| (2) Within consolidated group | 2,573   | 6,344   | 14,101                     | 10,373                            | 1,280    | 31,790  | 66,463    | (66,463)          | –                                                                   |
| Total                         | 147,225 | 511,811 | 115,341                    | 52,927                            | 122,404  | 172,613 | 1,122,323 | (66,463)          | 1,055,860                                                           |
| Segment income                | 15,792  | 19,015  | 12,215                     | 5,243                             | 3,748    | 5,550   | 61,566    | (6,095)           | 55,471                                                              |

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

2. “Adjustment amount” of segment income of -¥6,095 million includes the elimination of intersegment transactions of -¥13 million and corporate expenses of -¥6,081 million which are not distributed to the reporting segments. Corporate expenses consist mainly of general and administrative expenses that do not belong to the reporting segments, basic experiment and research expenses, and financial revenue and expenses.

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

II. For the nine months ended December 31, 2016 (from April 1, 2016 to December 31, 2016)

1. Sales and income of reporting segments

(Million yen)

|                               | Cement  | Metals  | Advanced Materials & Tools | Electronic Materials & Components | Aluminum | Others  | Total     | Adjustment amount | Amount indicated in the consolidated quarterly statements of income |
|-------------------------------|---------|---------|----------------------------|-----------------------------------|----------|---------|-----------|-------------------|---------------------------------------------------------------------|
| Net sales                     |         |         |                            |                                   |          |         |           |                   |                                                                     |
| (1) Outside customers         | 129,989 | 453,958 | 94,395                     | 41,727                            | 118,805  | 117,467 | 956,344   | –                 | 956,344                                                             |
| (2) Within consolidated group | 2,334   | 5,695   | 11,747                     | 4,673                             | 1,621    | 31,242  | 57,315    | (57,315)          | –                                                                   |
| Total                         | 132,323 | 459,654 | 106,143                    | 46,400                            | 120,427  | 148,709 | 1,013,659 | (57,315)          | 956,344                                                             |
| Segment income                | 16,380  | 22,938  | 7,259                      | 1,459                             | 7,619    | 4,674   | 60,332    | (7,354)           | 52,977                                                              |

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

2. “Adjustment amount” of segment income of -¥7,354 million includes the elimination of intersegment transactions of ¥21 million and corporate expenses of -¥7,376 million which are not distributed to the reporting segments. Corporate expenses consist mainly of general and administrative expenses that do not belong to the reporting segments, basic experiment and research expenses, and financial revenue and expenses.

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



2. Matters relating to the change in the reporting segments, etc.

(Application of Practical Solution on a change in depreciation method due to Tax Reform 2016)

As stated in “Changes in accounting policies,” the Company has applied the “Practical Solution on a change in depreciation method due to Tax Reform 2016” from the first quarter of this consolidated fiscal year. It also changed the depreciation method for facilities attached to buildings and structures that were acquired on or after April 1, 2016, switching from the declining-balance method to the straight-line method.

The impact of this change on segment income for the first nine months of the consolidated fiscal year under review is minor.

Notes on significant changes in the amount of Shareholders’ equity, if any

N/A