Consolidated Financial Results for the Six Months Ended September 30, 2017 (Japanese Accounting Standards)

November 8, 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: November 8, 2017
Scheduled date of start of dividend payment: December 4, 2017
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 six months ended September 30, 2017 (From April 1, 2017 to September 30, 2017)

(1) Consolidated 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 six months ended September 30, 2017	725,450	20.3	36,479	33.5	39,530	51.9	20,148	-31.8
First six months ended September 30, 2016	603,137	-15.0	27,320	-24.5	26,026	-33.2	29,555	-35.4

(Note) Comprehensive income: The first six months ended September 30, 2017: 30,532 million yen (–%)
The first six months ended September 30, 2016: -1,715 million yen (–%)

	Net income per share	Diluted net income per share
	Yen	Yen
First six months ended September 30, 2017	153.83	–
First six months ended September 30, 2016	225.62	–

* 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) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of September 30, 2017	2,007,078	727,221	31.8
As of March 31, 2017	1,896,939	710,195	32.8

(Reference) Shareholders' Equity: As of September 30, 2017: 638,456 million yen   As of March 31, 2017: 621,281 million yen

2. Dividend Payments

	Dividends per share				
(Record date)	First quarter	Second quarter	Third quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2017	–	2.00	–	40.00	–
Year ending March 31, 2018	–	30.00			
Year ending March 31, 2018 (Forecast)			–	50.00	80.00

(Note) Revision of dividend forecast published most recently: No

* 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 ended March 31, 2017, 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. Consolidated earnings forecast (From April 1, 2017 to March 31, 2018)

(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, 2018	1,600,000	22.7	75,000	25.5	80,000	25.1	35,000	23.4	267.22

(Note) Revision to forecast published most recently: Yes

* 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 “(4) Notes to consolidated quarterly financial statements (Application of special accounting treatment in the preparation of the quarterly consolidated financial statements)” under “2. Consolidated Financial Statements and Keynotes” on page 13.

(3) Changes in accounting policies, changes of accounting estimates and restatement

(i) Changes in accounting policies due to amendments to accounting standards: None

(ii) Other changes in accounting policies: Yes

(iii) Changes in accounting estimates: None

(iv) Restatements: None

(Note) For details, please see “(4) Notes to consolidated quarterly financial statements (Changes in accounting policies)” under “2. Consolidated Financial Statements and Keynotes” on page 13.

(4) Numbers of issued shares (common stock)

(i) Numbers of issued shares at end of terms (including treasury shares):

Six months ended September 30, 2017: 131,489,535 shares

Year ended March 31, 2017: 131,489,535 shares

(ii) Numbers of treasury shares at end of terms:

Six months ended September 30, 2017: 515,895 shares

Year ended March 31, 2017: 507,863 shares

(iii) Average number of shares issued during terms (quarterly cumulative period):

Six months ended September 30, 2017: 130,977,833 shares

Six months ended September 30, 2016: 130,998,123 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 average number of shares issued during terms are calculated based on the assumption that the consolidation of shares was conducted at the beginning of the previous consolidated fiscal year.

* This quarterly financial summaries is not subject to a quarterly review.

* 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 Six Months Ended September 30, 2017” on page 5 for the assumptions about consolidated earnings forecasts.

(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 Wednesday, November 8, 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.

Contents

1. Qualitative Information on Financial Results for the First Six Months Ended September 30, 2017

(1) Details of operating results

1) Overview of operating results

During the first half of the consolidated fiscal year under review, signs of recovery were seen in the Asian economies of China, Thailand and Indonesia. In the United States, the economy remained on a moderate recovery track.

In Japan, corporate earnings and employment and income conditions were on the road to recovery, and consumer spending and capital expenditure showed signs of improvement.

Regarding the business environment for the Mitsubishi Materials Group, the energy prices rose but the copper prices increased, the yen remained weak, and demand for products used in the automotive and electronics industry remained strong.

Under these circumstances, consolidated net sales for the first half of the year under review totaled ¥725,450 million, up 20.3% year on year. Operating profit increased 33.5% year on year, to ¥36,479 million, and ordinary income rose 51.9%, to ¥39,530 million. Net income attributable to owners of parent was ¥20,148 million, down 31.8% year on year. *

* The decrease in net income attributable to owners of parent in the first six months of the fiscal year under review was caused by a decline in gain on sales of non-current assets.

2) Overview by segments

(Cement)

(Billion yen)

	FY 2017 Q1-Q2	FY 2018 Q1-Q2	Increase / Decrease (%)
Net sales	83.8	95.6	11.8 (14.1%)
Operating profit	8.1	10.6	2.5 (31.8%)
Ordinary income	7.5	11.0	3.4 (45.5%)

Sales volumes rose in Japan due to the firm performance of construction work of facilities related to the Tokyo Olympic and Paralympic Games in the Tokyo metropolitan area, as well as disaster restoration work and road-related work in Kyushu, which also remained solid. However, mainly rising energy costs resulted in a decline in operating profit, even as net sales increased.

In the United States, the sales volumes of ready-mixed concrete increased thanks to strong private-sector demand related to housing and commercial facilities in Southern California. In addition, both the sales volumes and selling price of cement grew year on year. As a result, both net sales and operating profit increased.

As a result, net sales and operating profit increased year on year for the entire Cement business. Ordinary income also rose with the increase in operating profit.

(Metals)

(Billion yen)

	FY 2017 Q1-Q2	FY 2018 Q1-Q2	Increase / Decrease (%)
Net sales	278.8	374.5	95.6 (34.3%)
Operating profit	7.9	10.8	2.8 (35.4%)
Ordinary income	9.3	14.2	4.8 (51.5%)

In the copper business, both net sales and operating profit rose, reflecting increase in the copper prices and a rise in the amount contracted by Onahama Smelting and Refining Co., Ltd. despite periodic furnace repairs conducted at Noshima Smelter & Refinery.
In the gold and other valuable metals business, net sales and operating profit increased mainly due to a rise in palladium prices.
In the copper and copper alloy products business, net sales and operating profit were up chiefly due to an increase in sales of products for automobiles and other use.
As a result, the overall Metals business posted a year-on-year increase in net sales and operating profit. Ordinary income increased due to a rise in operating profit and dividend income.
The business results of MMC Copper Products have been added to the consolidated statement of income of the Mitsubishi Materials Group since the second quarter of the fiscal year under review.

(Advanced Materials & Tools)

(Billion yen)

	FY 2017 Q1-Q2	FY 2018 Q1-Q2	Increase / Decrease (%)
Net sales	71.1	78.3	7.1 (10.1%)
Operating profit	6.5	8.6	2.1 (32.2%)
Ordinary income	4.9	8.1	3.2 (65.0%)

In the cemented carbide products business, net sales and operating profit increased as a result of aggressive efforts for sales promotion, in addition to higher demand in Japan, Europe, United States, and Southeast Asia.
In the high-performance alloy products business, sales of our mainstay sintering parts increased in Japan, Europe, and the United States following the launch of new products in addition to growth in demand, but operating profit declined due to a rise in selling and administrative expenses, although net sales increased.
As a result, the overall Advanced Materials & Tools business recorded year-on-year increases in net sales and operating profit. Ordinary income also rose due to foreign exchange gains, in addition to higher operating profit.

(Electronic Materials & Components)

(Billion yen)

	FY 2017 Q1-Q2	FY 2018 Q1-Q2	Increase / Decrease (%)
Net sales	29.8	34.0	4.1 (14.1%)
Operating profit	0.9	1.8	0.9 (105.5%)
Ordinary income	0.9	2.3	1.4 (156.4%)

In the advanced materials and chemical products business, net sales and operating profit increased, reflecting a rise in sales of products related to semiconductor manufacturing equipment and other products.
In the electronic components business, both net sales and operating profit also increased thanks to a higher

volume of sales of products for home appliances and optical communication related equipment.
The polycrystalline silicon business recorded an increase in net sales and a decrease in operating profit, chiefly due to a fall in selling prices, despite an increase in sales volume based primarily on higher demand backed by the strong semiconductor market.
As a result, the entire Electronics Materials & Components business registered year-on-year increases in net sales and operating profit. Ordinary income rose as a result of higher operating profit and dividend income.

(Aluminum)

(Billion yen)

	FY 2017 Q1-Q2	FY 2018 Q1-Q2	Increase / Decrease (%)
Net sales	80.6	77.5	-3.0 (-3.8%)
Operating profit	5.0	3.9	-1.1 (-22.0%)
Ordinary income	5.1	3.7	-1.4 (-27.2%)

In the aluminum can business, net sales and operating profit declined due to a fall in sales of both regular cans and bottle cans and rising energy costs.
In the rolled aluminum and processed aluminum products business, net sales and operating profit fell as a result of lower sales of plate products for Litho sheets, etc. and a rise in energy costs.
As a result, the entire Aluminum business posted a year-on-year decrease in net sales and operating profit. Ordinary income also declined due to a fall in operating profit.

(Others)

(Billion yen)

	FY 2017 Q1-Q2	FY 2018 Q1-Q2	Increase / Decrease (%)
Net sales	95.6	106.4	10.7 (11.3%)
Operating profit	2.7	3.9	1.1 (43.2%)
Ordinary income	2.5	4.4	1.8 (75.4%)

In the energy-related business, net sales and operating profit increased due to a rise in sales prices of coal thanks to an improvement in the coal market condition.
In the “E-waste” (used electronics and electrical products) recycling business, both net sales and operating profit increased with a rise in the recycling unit cost of valuables, in addition to continued firmness in recycling volumes.
Total net sales and operating profit in the overall Others business excluding the energy-related business and the “E-waste” (used electronics and electrical products) recycling business increased.
In the overall Others business, net sales and operating profit increased from a year earlier. Ordinary income rose due to the rise in operating profit, in addition to an increase in dividend income.

(2) Details of financial position

Total assets at the end of the second quarter of the consolidated fiscal year under review stood at ¥2,007.0 billion, up ¥110.1 billion from the end of the previous consolidated fiscal year. This result was mainly due to an increase in inventories.

Total liabilities were ¥1,279.8 billion, an increase of ¥93.1 billion from the end of the previous consolidated fiscal year. This increase was chiefly attributable to a rise in notes and accounts payable-trade.

The status of cash flow and factors contributing to these amounts in each category for the first six months of the fiscal year under review are as follows:

(Cash Flow from Operating Activities)

Net cash provided by operating activities totaled ¥4.3 billion (a decrease of ¥38.5 billion from the first half of the previous fiscal year) mainly due to an increase in inventories, despite strong earnings.

(Cash Flow from Investing Activities)

Net cash used in investing activities totaled ¥78.1 billion (an increase of ¥63.2 billion from the first half of the previous fiscal year) chiefly attributable to the purchase of shares of subsidiaries resulting in change in scope of consolidation.

(Cash Flow from Financing Activities)

Net cash provided by financing activities totaled ¥19.7 billion (net cash used of ¥20.8 billion in the first half of the previous fiscal year) mainly as a result of raising the ¥73.7 billion cash used by operating activities and investing activities through commercial paper.

As a result of adding a net increase (decrease) in cash and cash equivalents mainly due to the effect of the exchange rate changes to the above, cash and cash equivalents at the end of the second quarter under review stood at ¥81.0 billion (down ¥51.5 billion from the end of the previous fiscal year).

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

In our consolidated earnings forecasts for the full year of the fiscal year ending March 31, 2018, we have revised the previous forecasts (announced on August 8, 2017) as shown below mainly due to an increase in demand of the cemented carbide products in the Advanced Materials & Tools business.

Revisions to Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2018
(from April 1, 2017 to March 31, 2018)

(Billion yen)

	Previous forecast	Current forecast	Increase / Decrease (%)
Net sales	1,540.0	1,600.0	3.9%
Operating profit	70.0	75.0	7.1%
Ordinary income	75.0	80.0	6.7%
Net income attributable to owners of parent	31.0	35.0	12.9%

(Note) The above forecast has been prepared on assumed economic conditions, market trends, and other factors foreseeable as of the date of this announcement, and the results may differ from the forecasts due to various factors arising in the future.

2. Consolidated Financial Statements and Keynotes

(1) Consolidated balance sheet

(Million yen)

	As of March 31, 2017	As of September 30, 2017
Assets		
Current assets		
Cash and deposits	141,264	89,532
Notes and accounts receivable - trade	213,343	250,209
Merchandise and finished goods	85,878	95,936
Work in process	101,643	150,236
Raw materials and supplies	100,757	130,166
Others	227,119	230,756
Allowance for doubtful accounts	(2,537)	(2,697)
Total current assets	867,469	944,141
Non-current assets		
Property, plant and equipment		
Machinery and equipment, net	199,758	203,377
Land, net	260,805	259,101
Other, net	205,661	214,378
Total property, plant and equipment	666,226	676,857
Intangible assets		
Goodwill	43,436	48,672
Other	15,138	21,477
Total intangible assets	58,574	70,150
Investments and other assets		
Investment securities	252,067	258,073
Others	58,151	63,429
Allowance for doubtful accounts	(5,549)	(5,574)
Total investments and other assets	304,669	315,928
Total non-current assets	1,029,470	1,062,936
Total assets	1,896,939	2,007,078

(Million yen)

	As of March 31, 2017	As of September 30, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	114,502	163,904
Short-term loans payable	203,819	202,640
Current portion of bonds payable	15,000	25,000
Commercial papers	–	20,000
Income taxes payable	16,154	11,516
Provision	13,518	12,556
Gold payable	241,406	252,057
Other	102,262	107,042
Total current liabilities	706,665	794,718
Non-current liabilities		
Bonds payable	55,000	50,000
Long-term loans payable	254,411	263,836
Provision for environmental measures	32,568	31,510
Other provision	5,502	2,475
Net defined benefit liability	56,037	57,069
Other	76,560	80,244
Total non-current liabilities	480,079	485,137
Total liabilities	1,186,744	1,279,856
Net assets		
Shareholders' equity		
Capital stock	119,457	119,457
Capital surplus	92,422	92,422
Retained earnings	333,526	349,206
Treasury stock	(2,017)	(2,045)
Total shareholders' equity	543,390	559,042
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	55,226	58,504
Deferred gains or losses on hedges	888	(1,296)
Revaluation reserve for land	34,930	34,924
Foreign currency translation adjustment	(1,418)	(2,359)
Remeasurements of defined benefit plans	(11,735)	(10,359)
Total accumulated other comprehensive income	77,891	79,413
Non-controlling interests	88,913	88,765
Total net assets	710,195	727,221
Total liabilities and net assets	1,896,939	2,007,078

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

Consolidated statement of income

Consolidated first six months (Million yen)

	Six Months Ended September 30, 2016 (Apr. 1, 2016–Sep. 30, 2016)	Six Months Ended September 30, 2017 (Apr. 1, 2017–Sep. 30, 2017)
Net sales	603,137	725,450
Cost of sales	505,708	616,750
Gross profit	97,428	108,700
Selling, general and administrative expenses	70,108	72,220
Operating profit	27,320	36,479
Non-operating profit		
Interest income	255	362
Dividend income	2,966	6,729
Equity in earnings of affiliates	1,213	1,694
Rent income on non-current assets	2,499	2,406
Other	1,117	2,204
Total non-operating profit	8,051	13,396
Non-operating expenses		
Interest expenses	2,655	2,532
Settlement expenses of remaining business in mines	1,721	2,348
Other	4,968	5,465
Total non-operating expenses	9,345	10,345
Ordinary income	26,026	39,530
Extraordinary income		
Gain on sales of investment securities	602	165
Gain on sales of non-current assets	16,026	33
Other	459	6
Total extraordinary income	17,088	204
Extraordinary losses		
Loss on sales of investment securities	–	490
Loss on sales of non-current assets	35	280
Loss on valuation of investment securities	589	–
Other	253	164
Total extraordinary losses	878	934
Income before income taxes	42,236	38,800
Income taxes	10,191	13,807
Net income	32,045	24,993
Net income attributable to non-controlling interests	2,490	4,844
Net income attributable to owners of parent	29,555	20,148

Consolidated statements of comprehensive income

Consolidated first six months (Million yen)

	Six Months Ended September 30, 2016 (Apr. 1, 2016–Sep. 30, 2016)	Six Months Ended September 30, 2017 (Apr. 1, 2017–Sep. 30, 2017)
Net income	32,045	24,993
Other comprehensive income		
Valuation difference on available-for-sale securities	332	3,202
Deferred gains or losses on hedges	505	(2,122)
Foreign currency translation adjustment	(32,921)	2,746
Remeasurements of defined benefit plans	2,012	1,412
Equity in earnings of affiliates	(3,690)	300
Total other comprehensive income	(33,760)	5,539
Comprehensive income	(1,715)	30,532
(Breakdown)		
Comprehensive income attributable to owners of parent	3,899	25,054
Comprehensive income attributable to non-controlling interests	(5,614)	5,477

(3) Consolidated statement of cash flows

(Million yen)

	Six Months Ended September 30, 2016 (Apr. 1, 2016–Sep. 30, 2016)	Six Months Ended September 30, 2017 (Apr. 1, 2017–Sep. 30, 2017)
Cash flows from operating activities		
Income before income taxes	42,236	38,800
Depreciation	27,776	27,776
Increase (decrease) in provision for environmental measures	(2,686)	(1,057)
Increase (decrease) in provision	(1,953)	(1,069)
Increase (decrease) in net defined benefit liability	318	891
Interest and dividend income	(3,222)	(7,091)
Interest expenses	2,655	2,532
Share of (profit) loss of entities accounted for using equity method	(1,213)	(1,694)
Loss (gain) on sales of property, plant and equipment	(16,038)	297
Loss (gain) on sales of investment securities	(602)	324
Loss (gain) on valuation of investment securities	589	–
Decrease (increase) in notes and accounts receivable-trade	30,397	(24,903)
Decrease (increase) in inventories	(29,957)	(71,558)
Proceeds from sales of gold bullion	61,551	72,398
Purchase of gold bullion	(61,277)	(52,123)
Increase (decrease) in notes and accounts payable-trade	8,366	35,883
Other	(7,748)	(3,244)
Subtotal	49,192	16,163
Interest and dividend income received	3,975	8,443
Interest expenses paid	(2,694)	(2,531)
Income taxes (paid) refund	(7,543)	(17,696)
Net cash provided by operating activities	42,929	4,379
Cash flows from investing activities		
Purchase of property, plant and equipment	(37,232)	(34,541)
Proceeds from sales of property, plant and equipment	22,991	144
Purchase of investment securities	(401)	(1,251)
Proceeds from sales of investment securities	264	209
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	–	273
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(38,496)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	2,035	185
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	–	(901)
Payments of loans receivable	(1,182)	(2,999)
Collection of loans receivable	44	4,363
Proceeds from transfer of business	2,176	–
Payments for transfer of business	–	(1,475)
Other	(3,567)	(3,679)
Net cash provided by investing activities	(14,871)	(78,170)

	Six Months Ended September 30, 2016 (Apr. 1, 2016–Sep. 30, 2016)	Six Months Ended September 30, 2017 (Apr. 1, 2017–Sep. 30, 2017)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	6,676	2,810
Proceeds from long-term loans payable	23,302	33,206
Repayments of long-term loans payable	(40,115)	(32,498)
Proceeds from issuance of bonds	–	20,000
Redemption of bonds	(15,100)	(15,000)
Increase (decrease) in commercial papers	16,000	20,000
Purchase of treasury shares	(16)	(28)
Cash dividends paid	(6,550)	(5,239)
Dividends paid to non-controlling interests	(2,905)	(2,247)
Other	(2,157)	(1,217)
Net cash provided by financing activities	(20,866)	19,785
Effect of exchange rate change on cash and cash equivalents	(4,931)	484
Net increase (decrease) in cash and cash equivalents	2,260	(53,520)
Cash and cash equivalents at the beginning of period	58,482	132,616
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	896	714
Increase (decrease) in cash and cash equivalents resulting from change of accounting period of consolidated subsidiary	–	1,228
Cash and cash equivalents at the end of period	61,639	81,039

(4) Notes to consolidated quarterly financial statements

Notes on assumptions for a going concern

N/A

Segment information

[Segment Information]

I. For the six months ended September 30, 2016 (from April 1, 2016 to September 30, 2016)

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	82,424	275,367	63,324	27,113	79,575	75,331	603,137	–	603,137
(2) Within consolidated group	1,425	3,530	7,822	2,697	1,094	20,321	36,891	(36,891)	–
Total	83,850	278,897	71,146	29,810	80,669	95,653	640,028	(36,891)	603,137
Segment income	7,588	9,378	4,932	901	5,163	2,508	30,473	(4,447)	26,026

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 -¥4,447 million includes the elimination of intersegment transactions of -¥85 million and corporate expenses of -¥4,361 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 six months ended September 30, 2017 (from April 1, 2017 to September 30, 2017)

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	94,003	370,151	72,523	29,592	77,153	82,025	725,450	–	725,450
(2) Within consolidated group	1,681	4,370	5,787	4,416	427	24,392	41,076	(41,076)	–
Total	95,685	374,522	78,310	34,009	77,580	106,418	766,527	(41,076)	725,450
Segment income	11,042	14,211	8,139	2,311	3,758	4,401	43,863	(4,332)	39,530

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 -¥4,332 million includes the elimination of intersegment transactions of -¥7 million and corporate expenses of -¥4,324 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.
(Changes in the depreciation method of property, plant and equipment)
As stated in "Changes in accounting policies", as the deprecation method applied to production facilities for electronic materials and components of the Company and its consolidated subsidiaries in Japan, the declining-balance method was mainly used, but the method has been changed to the straight-line method from the first quarter of the current consolidated fiscal year.
As a result of changing the depreciation method, segment income has increased ¥134 million in the first half of the current consolidated fiscal year, compared with the case in which the past method is used.

Notes on significant changes in the amount of shareholders' equity, if any

N/A

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 tax effect accounting to income before income taxes for the consolidated fiscal year, including the second quarter under review, and multiplying income before income taxes for the first half by the estimated effective tax rate.

Changes in accounting policies

(Changes in the depreciation method of property, plant and equipment)
As the deprecation method applied to production facilities for electronic materials and components of the Company and its consolidated subsidiaries in Japan, the declining-balance method was mainly used, but the method has been changed to the straight-line method from the first quarter of the current consolidated fiscal year.
This change has been made based on our judgment that the straight-line method is more reasonable, given that production facilities are expected to operate stably over a long period of time and that the investment effect is expected to emerge evenly, as a result of examining the depreciation method in the wake of the formulation of the Medium-Term Management Strategy (FY2018 to FY2020).
As a result of changing the depreciation method, operating profit, ordinary income and income before income taxes have increased ¥134 million, respectively, in the first half of the current consolidated fiscal year, compared with the case in which the past method is used.

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 mines managed by the Group, we have recorded a provision for expenses whose estimated amount has been fixed because the details of the construction work have been determined. 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.

Contingent liabilities

Previous consolidated fiscal year (As of March 31, 2017)
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 (¥5,370 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 (¥1,570 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.
On December 22, 2016, the Consolidated Subsidiary received a notice of reassessment in an amount of US$34 million (¥3,841 million) from the Indonesian National Tax Authority, regarding its posting of raw material costs for the fiscal year ended December 31, 2011.
However, the Consolidated Subsidiary submitted a written objection to the Indonesian National Tax Authority on March 20, 2017, because this assessment was a view that unilaterally negated the basis for recording raw materials costs, etc. of the Consolidated Subsidiary and found to be unacceptable by the Company and the Consolidated Subsidiary.

Second quarter of the consolidated fiscal year under review (As of September 30, 2017)
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 (¥5,396 million based on the exchange rate at the end of the second 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 (¥1,578 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.
On December 22, 2016, the Consolidated Subsidiary received a notice of reassessment in an amount of US$34 million (¥3,859 million) from the Indonesian National Tax Authority, regarding its posting of raw material costs for the fiscal year ended December 31, 2011.
However, the Consolidated Subsidiary submitted a written objection to the Indonesian National Tax Authority on March 20, 2017, because this assessment was a view that unilaterally negated the basis for recording raw materials costs, etc. of the Consolidated Subsidiary and found to be unacceptable by the Company and the Consolidated Subsidiary.