Consolidated Financial Results for the Fiscal Year Ended March 31, 2018 (Japanese Accounting Standards)

May 10, 2018

Name of Listed Company: Mitsubishi Materials Corporation   Listing: Tokyo Stock Exchange
Stock Code: 5711   URL: http://www.mmc.co.jp/
Representative: Akira Takeuchi, President
Contact: Nobuyuki Suzuki, General Manager, Corporate Communications Dept., General Affairs Dept., Human Resources & General Affairs Div.   Tel: +81-3-5252-5206
Scheduled date for ordinary general meeting of shareholders: June 22, 2018
Scheduled date of start of dividend payment: June 1, 2018
Scheduled date of submission of securities report: June 22, 2018
Supplementary materials for the financial results: Yes
Investor conference for the financial results: Yes (For Institutional Investors)

(Amounts of less than million yen are omitted.)

1. Results of the Consolidated Fiscal Year Ended March 31, 2018 (From April 1, 2017 to March 31, 2018)

(1) Consolidated Results of Operations (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	%
Year ended March 31, 2018	1,599,533	22.7	72,819	21.9	79,621	24.6	34,595	22.0
Year ended March 31, 2017	1,304,068	-8.0	59,761	-15.1	63,925	-11.8	28,352	-53.8

(Note) Comprehensive income: Year ended March 31, 2018: 80,068 million yen (16.5%) Year ended March 31, 2017: 68,723 million yen (249.5%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary income to total assets	Operating profit to net sales
	Yen	Yen	%	%	%
Year ended March 31, 2018	264.15	–	5.3	4.1	4.6
Year ended March 31, 2017	216.44	–	4.8	3.5	4.6

(Reference) Equity in earnings of affiliates: Year ended March 31, 2018: -1,336 million yen Year ended March 31, 2017: 1 million yen

* 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	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2018	2,015,084	768,495	33.9	5,211.20
As of March 31, 2017	1,896,939	710,195	32.8	4,743.27

(Reference) Shareholders' equity: As of March 31, 2018: 682,471 million yen As of March 31, 2017: 621,281 million yen

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

(3) Consolidated cash flows

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Year ended March 31, 2018	50,715	-83,957	-11,034	87,355
Year ended March 31, 2017	115,552	-26,557	-15,703	132,616

2. Dividend Payments

	Dividends per share					Total dividend amount (annual)	Dividend payout ratio (consolidated)	Dividends to net assets (consolidated)
(Record date)	First quarter	Second quarter	Third quarter	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Year ended March 31, 2017	–	2.00	–	40.00	–	7,859	27.7	1.3
Year ended March 31, 2018	–	30.00	–	50.00	80.00	10,477	30.3	1.6
Year ending March 31, 2019 (Forecast)	–	40.00	–	40.00	80.00		29.9	

* 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, 2018 to March 31, 2019) (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
Six months ending September 30, 2018	800,000	10.3	32,000	-12.3	33,500	-15.3	19,000	-5.7	145.06
Year ending March 31, 2019	1,660,000	3.8	67,000	-8.0	79,000	-0.8	35,000	1.2	267.23

* Notes
(1) Significant changes of subsidiaries during the term under review (changes in specific subsidiaries accompanied by a change in the scope of consolidation): Yes
New: 1 company (Company name: MMC Copper Products Oy)

(2) 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

(3) Numbers of issued shares (common stock)
- (i) Numbers of issued shares at end of terms (including treasury shares):
  Year ended March 31, 2018: 131,489,535 shares
  Year ended March 31, 2017: 131,489,535 shares
- (ii) Numbers of treasury shares at end of terms:
  Year ended March 31, 2018: 527,089 shares
  Year ended March 31, 2017: 507,863 shares
- (iii) Average number of shares issued during terms:
  Year ended March 31, 2018: 130,972,453 shares
  Year ended March 31, 2017: 130,993,050 shares

(Note) 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.

(Reference) Summary of Non-Consolidated Financial Results

1. Results of the Non-Consolidated Fiscal Year Ended March 31, 2018 (From April 1, 2017 to March 31, 2018)

(1) Non-Consolidated Results of Operations (Figures in percentages denote the year-on-year change.)

	Net sales		Operating profit		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended March 31, 2018	869,677	28.9	13,732	13.3	31,370	15.3	25,530	29.6
Year ended March 31, 2017	674,515	-8.3	12,120	-54.2	27,202	-23.2	19,701	-40.3

	Net income per share	Diluted net income per share
	Yen	Yen
Year ended March 31, 2018	194.93	–
Year ended March 31, 2017	150.40	–

* 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) Non-Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2018	1,358,233	533,103	39.2	4,070.58
As of March 31, 2017	1,265,120	477,706	37.8	3,647.06

(Reference) Shareholders' equity: As of March 31, 2018: 533,103 million yen As of March 31, 2017: 477,706 million yen

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

* These financial results are outside the scope of audit procedures by certified public accountants and audit firms.

* 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 "(1) Overview of operating results, Outlook for the year ending March 31, 2019" of "1. Overview of Operating Results and Financial Position" on page 5 for the assumptions about consolidated earnings forecasts.

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

Mitsubishi Materials Corporation plans to hold a financial briefing for institutional investors on Thursday, May 10, 2018. The materials used at this briefing are disclosed on the TDnet and the Company's web page at the time that the financial results are announced.

Contents

1. Overview of Operating Results and Financial Position

(1) Overview of operating results

1) Overview of performance

During 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, employment, and income conditions were on the road to recovery and capital expenditure and industrial production also increased modestly during the consolidated fiscal year under review.

Regarding the business environment for the Mitsubishi Materials Group, although energy prices rose, copper prices increased and demand in cement-related business in the United States and demand for products used in the automotive and electronics industries remained strong.

Under these circumstances, the Company formulated a Long-Term Management Policy for the next 10 years and a Medium-Term Management Strategy (FY2018-2020) that focuses on the planning and implementation of growth strategies, and we implemented various measures as a theme of “Transformation for Growth” to achieve group-wide policies for the enhancement of corporate value, namely “optimization of business portfolio,” “comprehensive efforts to increase business competitiveness,” and “creation of new products and businesses.”

As a result, consolidated net sales for the fiscal year under review totaled ¥1,599,533 million, up 22.7% year on year. Operating profit rose 21.9% year on year, to ¥72,819 million, and ordinary income climbed 24.6%, to ¥79,621 million. Net income attributable to owners of parent was ¥34,595 million, up 22.0% year on year.

The Company has made prior announcements about the matter in which the Company’s consolidated subsidiaries Mitsubishi Cable Industries, Ltd., Mitsubishi Shindoh Co., Ltd., Mitsubishi Aluminum Co., Ltd., Tachibana Metal Manufacturing Co., Ltd., and Diamet Corporation had delivered products, etc. that deviated from customer standards or internal company specifications (“Non-Conforming Products”) due to misconduct, including the rewriting of inspection records data, concerning some of the products manufactured and sold in the past (the “Incident”).

The Company sincerely apologizes to its shareholders, customers and all other parties affected by the Incident for all and any inconvenience and difficulties it has caused. The Company understands the gravity and seriousness of the situation and will implement measures quickly and properly to strengthen the group governance framework, including quality control. In order to prevent such a situation again in the future, we will endeavor to further improve the group governance. In addition, the Company has decided partial relinquishment of the six Representative Directors’ remuneration.

The Incident had the effect of reducing operating profit by around ¥1.4 billion in the consolidated fiscal year under review, causing the Company to record an extraordinary loss of ¥3,202 million.

2) Overview by business segments

(Cement)

(Billion yen)

	FY 2017	FY 2018	Increase / Decrease (%)
Net sales	177.5	192.3	14.8 (8.3%)
Operating profit	20.9	19.4	-1.4 (-7.1%)
Ordinary income	20.5	21.0	0.5 (2.6%)

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. 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, the selling price of cement grew year on year. As a result, both net sales and operating profit increased.
As a result, net sales for the entire Cement business increased year on year, but operating profit decreased. Ordinary income increased mainly through an increase in equity in earnings of affiliates.

(Metals)

(Billion yen)

	FY 2017	FY 2018	Increase / Decrease (%)
Net sales	629.4	862.7	233.2 (37.1%)
Operating profit	17.3	24.0	6.6 (38.5%)
Ordinary income	27.5	36.2	8.7 (31.8%)

In the copper business, both net sales and operating profit rose, reflecting an increase in the amount contracted by Onahama Smelting and Refining Co., Ltd., higher production volume and higher copper prices despite periodic furnace repairs conducted at Naoshima Smelter & Refinery.
In the gold and other valuable metals business, both net sales and operating profit grew, mainly due to increased production as a result of a rise in the amount of gold and other valuable metals contained in the raw material ore.
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 the inclusion of the business results of MMC Copper Products Oy in the consolidated statements of income since the second quarter of the fiscal year.
As a result, overall the Metals business posted year-on-year increases in net sales and operating profit. Ordinary income increased due to a rise in operating profit and dividend income.

(Advanced Materials & Tools)

(Billion yen)

	FY 2017	FY 2018	Increase / Decrease (%)
Net sales	143.4	161.1	17.7 (12.4%)
Operating profit	11.7	18.5	6.7 (57.7%)
Ordinary income	9.9	16.8	6.8 (69.6%)

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 the automotive and aerospace industries, which are the main customers for cemented carbide products, mainly in Japan, Europe, United States and Southeast Asia.
In the high-performance alloy products business, net sales increased and the operating loss narrowed due to increased sales in Japan, Europe and the United States as a result of growth in demand for mainstay sintering parts and the launch of new products, despite costs, etc. associated with shipments of non-conforming products.
As a result, overall the Advanced Materials & Tools business recorded year-on-year increases in net sales and operating profit. Ordinary income also rose due to higher operating profit.

(Electronic Materials & Components)

(Billion yen)

	FY 2017	FY 2018	Increase / Decrease (%)
Net sales	63.0	73.4	10.3 (16.4%)
Operating profit	2.4	3.4	0.9 (38.6%)
Ordinary income	2.8	4.5	1.7 (64.0%)

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, products for displays 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 other products.

The polycrystalline silicon business recorded an increase in net sales and a decrease in operating profit, 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	FY 2018	Increase / Decrease (%)
Net sales	155.9	148.5	-7.3 (-4.7%)
Operating profit	7.8	3.7	-4.1 (-52.1%)
Ordinary income	7.4	3.0	-4.4 (-59.6%)

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 costs of raw materials.

In the rolled aluminum and processed aluminum products business, net sales and operating profit fell as a result of lower sales, principally of can materials and plate products for litho sheets, despite higher sales volume of heat exchanger materials for automobiles.

In the business as a whole, energy costs rose.

As a result, the entire Aluminum business posted year-on-year decreases in net sales and operating profit. Ordinary income also declined due to a fall in operating profit.

(Others)

(Billion yen)

	FY 2017	FY 2018	Increase / Decrease (%)
Net sales	218.2	249.5	31.2 (14.3%)
Operating profit	10.1	13.1	3.0 (30.2%)
Ordinary income	7.1	8.3	1.1 (15.8%)

In the energy-related business, net sales and operating profit increased due to expansion in sales increase of coal and nuclear energy-related products.

In the “E-waste” (used electronics and electric products) recycling business, both net sales and operating profit increased with a rise in the recycling unit cost of valuable, in addition to continued firmness in recycling volumes.

Total net sales and operating profit in the Others business excluding the energy-related business and the "E-waste" (used electronics and electric products) recycling business increased.

As a result, overall the Others business posted year-on-year increases in net sales and operating profit. Ordinary income increased due to the rise in operating profit despite increase in equity in losses of affiliates.

3) Outlook for the year ending March 31, 2019

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

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

Turning to the Group's operating environment, the Japanese economy appears to be recovering on the back of growth in exports, etc. However, the recent yen appreciation, rising energy prices and worsening labor shortages give cause for concern.

Against this backdrop, the Group will implement measures such as to strengthen the group governance framework, including quality control outlined in "2. Management Policies."

For the fiscal year ending March 31, 2019, our consolidated operating performance forecasts predict net sales of ¥1,660.0 billion, operating profit of ¥67.0 billion, ordinary income of ¥79.0 billion and net income attributable to owners of parent of ¥35.0 billion on the assumption of average exchange rates of ¥107/USD and ¥130/EUR and a copper price of 310¢/lb.

(2) Overview of financial position

Total assets at the end of the consolidated fiscal year under review stood at ¥2,015.0 billion, up ¥118.1 billion from the end of the previous consolidated fiscal year. This result was mainly due to an increase in inventories.

Total liabilities were ¥1,246.5 billion, an increase of ¥59.8 billion from the end of the previous consolidated fiscal year. This was mainly due to an increase in notes and accounts payable-trade.

The cash flows during the consolidated fiscal year under review and their causes are as follows.

(Cash flow from operating activities)

Net cash provided by operating activities amounted to ¥50.7 billion (a decrease in net cash provided of ¥64.8 billion). This fall was primarily due to an increase in inventories despite strong business results.

(Cash flow from investing activities)

Net cash used in investing activities totaled ¥83.9 billion (an increase in net cash used of ¥57.4 billion from the previous fiscal year). This cash was primarily used for outlays related to capital expenditure

(Cash flow from financing activities)

Together operating and investing activities produced a net outflow of ¥33.2 billion and the Company raised these funds through borrowing and the issuance of bonds but also applied some funds to the repayment of long-term loans payable. Accordingly, net cash used in financing activities was ¥11.0 billion (a decrease in net cash used of ¥4.6 billion).

As a result of the above, as well as effect of exchange rate change and other factors, the balance of cash and cash equivalents at March 31, 2018 stood at ¥87.3 billion, down ¥45.2 billion from March 31, 2017.

Below is a summary of the major cash flow indicators.

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Shareholders' equity ratio (%)	25.7	29.0	31.0	32.8	33.9
Shareholders' equity ratio on a market-value basis (%)	21.6	27.9	23.2	23.3	20.8
Ratio of interest-bearing debt to cash flow	6.5	6.0	4.6	4.7	10.6
Interest coverage ratio	10.2	12.9	16.5	23.3	10.0

Shareholders' equity ratio: Shareholders' equity / Total assets
Shareholders' equity ratio on a market-value basis: Market capitalization / Total assets
Ratio of interest-bearing debt to cash flow: Interest-bearing debt / Cash flow
Interest coverage ratio: 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 share).
(Note 3) Cash flow is based on the cash flow from 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 for the current and next fiscal years

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 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.

During the period of the Medium-Term Management Strategy, from FY2018 to FY2020, the Company is emphasizing the distribution of consecutive dividends even if the Company's performance is changed. The Company will pay annual dividends 80 yen per share during the FY2018-2020 period. If the consolidated dividend payout ratio is lower than 25%, however, the Company will temporarily increase the dividend or purchase treasury stock.

Based on this policy, the Board of Directors, at its meeting on May 10, 2018, decided to distribute a year-end dividend of ¥50, which, combined with the interim dividend of ¥30, brings the annual dividend for the fiscal year under review to ¥80 yen per share. Taking the share consolidation conducted on October 1, 2016 into consideration, the dividend for the previous consolidated fiscal year is equivalent to ¥60, which means that the dividend for the fiscal year under review of ¥80 represents an increase of ¥20 per share compared to this.

The Company plans to pay a dividend of ¥80 per share (¥40 interim dividend and ¥40 year-end dividend) for the fiscal year ending March 31, 2019.

(4) Business and other risks

Because the Group, as stated in "4. Consolidated Financial Statements, Segment Information," is engaged in a broad variety of business activities, its business results and financial position are influenced by all kinds of factors such as political affairs, economy, weather, market conditions, currency movements, and laws and ordinances, both inside and outside the country. Listed below are 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 10, 2018.

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, while 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 position of the Group may be influenced by this process.

2) Market and customer trends

The Group provides products and services to all kinds of industries, and factors such as changes of the conditions of the world economy, rapid changes in customers' markets, changes in customers' market share, and changes in customers' business strategies or product development trends may influence the sales of the products of the Group. Especially the automobile industry and 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 customers' 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 the 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 rate, 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 the business results and financial position of the Group may be influenced by conditions of the semiconductor market.

5) Interest-bearing debt

In the term ended March 31, 2018, the interest-bearing debt of the Group of ¥521.4 billion (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) accounts for 25.9% of the total assets. Although we are making efforts to improve the financial position by reducing inventories, asset sales, etc., the future financial situation may affect the business results and financial position of the Group.

6) Guaranty of liabilities

In the term ended March 31, 2018, the Group has undertaken ¥21.0 billion 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 position of the Group.

7) Fluctuations of the market value of assets

The business results and financial position 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 actuarial 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, waste water 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 Act. However, in cases where related laws are revised or permissible greenhouse gas emission volumes 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 31 countries and regions abroad and foreign sales account for 45.9% of its consolidated net sales. Business results and financial position 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 position 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 may also affect the business results and financial position of the Group.

12) Quality of the products

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

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

The Group takes thoroughgoing measures to prevent occupational accidents and incidents involving 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, this may affect business results and financial position 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 position of the Group.

15) Lawsuits, etc.

The business results and financial position 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 or in foreign countries.

16) Procurement of electricity

The business results and financial position of the Group may be influenced by increases in the 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) Response to the matters concerning Non-Conforming Products

In November 2017, the Company announced that the Company’s consolidated subsidiaries Mitsubishi Cable Industries, Ltd. and Mitsubishi Shindoh Co., Ltd. had delivered products, etc. that deviated from customer standards or internal company specifications due to misconduct, including the rewriting of inspection records data, concerning some of the products manufactured and sold in the past, and in February 2018, the Company announced that the Company’s consolidated subsidiaries Mitsubishi Aluminum Co., Ltd., Tachibana Metal Manufacturing Co., Ltd., and Diamet Corporation were likewise involved in a similar incident (collectively, the “Incident”). The Company has been taking action, including explanations to customers by each company and confirmation of safety, and the Company has also been conducting extraordinary quality audits of all of the Group’s manufacturing locations and checking that there are no quality issues at other locations.

The Company established a Special Investigation Committee, the majority of which consists of external directors and outside experts, on December 1, 2017. The Committee investigated the facts and root causes of the Incident and issued its final report to the Company’s Board of Directors on March 28, 2018.

Extraordinary quality audits were completed on May 8, 2018. In cases where matters with quality control methods, etc. were identified in the audits, corrective action has been taken. No cases in which there were matters with product quality were identified.

The Company is providing direction and supervision to each company in order to achieve early completion of the task of confirming the safety of products that have already delivered and, with the cooperation of its customers, it will continue to make every effort to resolve quality issues.

In light of the facts and issues uncovered, the Company formulated and began to implement the measures (the “Measures”) sequentially, to enhance the Group governance framework including quality control. The Special Investigation Committee has expressed the opinion that these measures are appropriate as measures in response to the Incident.

In addition, the “Committee for Monitoring of Measures to Enhance Governance” consisting of external directors and outside experts was established on May 10, 2018, for the purpose of supervising the progress, results and operations of the Measures, etc. from a position that is independent from the business execution of the Company, and providing necessary advice and proposals to the Board of Directors with respect to issues and others.

Moreover, the Company decided to establish the "Committee for Nomination and Compensation," the majority of whose members are external directors, on June 22, 2018, to guarantee the transparency and objectivity of judgment on the election and removal of directors and executive officers of the Company and judgement of remuneration by the Board of Directors.

Depending on the future progress of the Incident, the business results and financial position of the Group may be affected due to the impact of the loss of trust or changes in orders received on sales activities or the occurrence of losses, including expenses necessary to strengthen the quality control framework and the cost of compensation for customers, etc.

* For details of the Measures, please see "1) Measures to Enhance the Group Governance Framework Including Quality Control" in "(2) Target Management Indicators and Medium- to Long-term Management Strategy and Issues to Be Addressed" under "2. Management Policies.

18) Other matters

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

2. Management Policies

(1) Basic Policy for the Group Management

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

(2) Target Management Indicators and Medium- to Long-term Management Strategy and Issues to Be Addressed

The Group will pursue a number of measures based on the Long-Term Management Policy, which looks ahead 10 years, and the Medium-Term Management Strategy for FY2018-FY2020, starting with initiatives to enhance the group governance framework including quality control.

1) Measures to Enhance the Group Governance Framework Including Quality Control

In November 2017, the Company announced that the Company's consolidated subsidiaries Mitsubishi Cable Industries, Ltd. and Mitsubishi Shindoh Co., Ltd. had delivered products, etc. that deviated from customer standards or internal company specifications due to misconduct, including the rewriting of data, concerning some of the products manufactured and sold in the past, and in February 2018, the Company announced that the Company's consolidated subsidiaries Mitsubishi Aluminum Co., Ltd., Tachibana Metal Manufacturing Co., Ltd., and Diamet Corporation were likewise involved in a similar incident (collectively, the "Incident"). The Company has been taking action, including explanations to customers by each company and confirmation of safety, and the Company has also been conducting extraordinary quality audits of all of the Group's manufacturing locations and checking that there are no quality issues at other locations.

The Company established a Special Investigation Committee, the majority of which consists of external directors and outside experts, on December 1, 2017. The Committee investigated the facts and root causes of the Incident and issued its final report to the Company's Board of Directors on March 28, 2018.

Extraordinary quality audits were completed on May 8, 2018. In cases where matters with quality control methods, etc. were identified in the audits, corrective action has been taken. No cases in which there were matters with product quality were identified.

The Company is providing direction and supervision to each company in order to achieve early completion of the task of confirming the safety of products that have already delivered and, with the cooperation of its customers, it will continue to make every effort to resolve quality issues.

In light of the facts and issues uncovered, the Company formulated and began to implement the measures (the "Measures") sequentially, to enhance the Group governance framework including quality control. The Special Investigation Committee has expressed the opinion that these measures are appropriate as measures in response to the Incident.

In addition, the "Committee for Monitoring of Measures to Enhance Governance" consisting of external directors and outside experts was established on May 10, 2018, for the purpose of supervising the progress, results and operations of the Measures, etc. from a position that is independent from the business execution of the Company, and providing necessary advice and proposals to the Board of Directors with respect to issues and others.

Moreover, the Company decided to establish the "Committee for Nomination and Compensation," the majority of whose members are external directors, on June 22, 2018, to guarantee the transparency and objectivity of judgment on the election and removal of directors and executive officers of the Company and judgement of remuneration by the Board of Directors.

(i) Restructuring Measures of the Group Governance Framework for Quality Control

The Group is implementing the following measures sequentially in regards to the governance framework for quality control announced on December 2017.

A) Implementation of a Front Loading System for Order Receiving

Currently, we are planning to implement a system (a Front Loading System) for making decisions on specifications and receiving orders after considering whether the order can be accepted taking into account manufacturing capability at various department within the business division including development and design, manufacturing, inspections and sales.

Currently, according to the new guidelines for the front loading system, each business is installing the front loading system. Some businesses have begun considering of products in new orders at receiving orders, based on the guidelines.

B) Enhancement of the Framework and Authority of the Quality Control Department

Under the leadership of the Quality Management Dept. which was established in December 2017, the quality management system of each business is being investigated. By the end of July 2018, a draft policy for the improvements required of each business will be formulated to enable those improvements.

C) Expansion of Quality Training

We will expand quality training aiming to have our group employees at all levels and in all areas understand the importance of quality and what should be done to maintain and improve quality. We will use the Incident in this training.

After April 2018, training of quality management personnel of the Group (about 300 persons) will be provided by inviting outside experts, and a meeting will be held for personnel responsible for quality in the Group. In addition, a new handbook for quality management will be developed and used for training and other purposes.

D) Promoting Automated Inspection Equipment

For all product inspection data, from when it is obtained during the manufacturing process though the final inspections, by promoting initiatives such as automating acquisition of inspection data, we will aim to establish a system that will prevent misconduct, including the rewriting of data, and will establish a system that allows for more accurate and prompt confirmation that inspection data is consistent with customer specifications.

Currently, the locations where the Incident occurred are installing equipment for automated processing as soon as it is ready and some locations have already started operating the equipment. In addition, the details of the process to install the equipment for automated processing for the entire Group are being discussed. We will formulate a three-year plan to be prepared for this installation.

E) Enhancement of Quality Audits

With the Quality Management Department and Internal Audit Department in the Governance Division taking the lead, we will implement the following measures, etc.:

a. Improving the independence of our group’s internal audit departments and strengthening their authority;
b. Increasing internal audit staff and increasing the frequency of audits;
c. Training human resources to become experts in quality audits;
d. Applying audit methods for the prevention of misconduct;
e. Enhancing coordination among the Company’s Internal Audit Department and the internal audit departments of our subsidiaries and associates; and

f. Improving internal audit operations with the use of IT

During FY 2019, quality audits will be conducted, covering about 70 locations in Japan and overseas.

F) Utilization of Outside Consultant

In order to introduce third party perspective in quality control, we will utilize outside consultants on an ongoing basis specializing in quality control matters. Since January 2018, outside consultants have visited locations where the Incident occurred and provided guidance and advice on quality management and assurance. The number of locations these consultants visit will be increased in the future to prevent complacency in the Group's quality management activities and to firmly establish effective quality management activities.

(ii) Group Governance Framework Enhancement Measures

The Company considers further enhancement of the Group governance framework is necessary after it became clear that the background and root causes of the Incident include the fact that recognition of quality and issues of corporate culture and risk information was not grasped and reported in a timely and appropriate manner and that issues were not discovered in the internal audit. Therefore, the Company is implementing the following measures sequentially.

A) Enhancement of Framework for Discussion, Reporting and Follow-up of Governance-Related Matters

The Governance Deliberative Council, which was newly established in April 2018, have been held and the policy for addressing matters relating to the governance of the entire Group, the annual plan and the status of the actions taken were discussed and shared. The measures decided at the meeting will be carried out on a group-wide basis.

In addition, the reporting system of the Company and its subsidiaries will be restructured and the Group's safety and health, CSR, environment, compliance, quality and other matters relating to governance will be monitored regularly by the Board of Directors and the Corporate Strategy Committee of the Company.

B) Improvement of Functions of Management Divisions and its Collaboration with Operating Divisions

In order to improve administrative divisions' control and support functions for governance-related matters, the Company reorganized its structure as of April 1, 2018 and launched the Governance Division (comprising the CSR Department, Safety & Environment Dept., Quality Management Dept. and Internal Audit Dept.)

In addition, the Company will specify departments and persons responsible for the promotion of governance-related matters in each department within operating divisions, each business establishment, and each subsidiary, with the aim of facilitating communication of information and to enhance the promotion framework.

C) Improvement of Human Resources Training and Encouragement of Active Interaction

The Company will expand training regarding governance-related matters provided to the Group's management and other employees. In addition to promoting human resources interactions in the Group and endeavoring to deepen communication, the Company plans to provide human resources training throughout the Group.

Since January 2018, there were total of four education sessions for Executive Officers of the Company, Presidents of its subsidiaries and other management executives of the Group in matters to strengthen the governance framework, legal liability of directors and other related matters, resulting in 290 persons in total attending the sessions.

D) Internal Audit Strengthening

With respect to the Company's internal audits of business establishments and subsidiaries, the frequency and content of audits will be enhanced through cooperation with each department within the Governance Division. The Company will also strengthen cooperation with the Corporate Auditor such as joint audits, etc.

E) Studies with a Business Optimization Focus

When considering the Group's business optimization, whether the governance framework can sufficiently function is also one of the important decision-making criteria. On that basis, we will seek to achieve an appropriate business portfolio and management framework that match the Group's governance capabilities.

The Company's Audit & Supervisory Board has reported that it will implement the following measures for improving the effectiveness of audits by Audit &Supervisory Board members, and the Company will make a necessary response to such efforts.

a. For subsidiaries having Standing Corporate Auditor, the members of the Audit & Supervisory Board Member Assistance Dept. will concurrently serve as part-time Corporate Auditor of those subsidiaries and cooperation between the Company's Corporate Auditor and the Standing Corporate Auditor of the subsidiaries will be enhanced.
b. For the subsidiaries having only part-time Corporate Auditor, information will be made known at an early stage through the monthly report from those part-time Corporate Auditor to enable a response.
c. A new consultation contact method liaising directly with the Company's Standing Audit & Supervisory Board members will be established.
d. Enhancement cooperation by joint audits and other activities with the Internal Audit Dept., Governance Div.

2) Long-term Management Policy

The businesses of the Group have set the Medium- to Long-Term Targets (the company in the future) and the Group-wide Policy as the Long-Term Management Policy as described below, to realize the vision described in the Basic Policy for the Group Management in (1) above.

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

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

<Group-wide Policy>

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

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

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

(i) Optimization of business portfolio

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

(ii) Comprehensive efforts to increase business competitiveness

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

(iii) Creation of new products and businesses

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

In addition, we will promote specific measures, with the following items as key strategies.

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

<Issues in each business>

● Cement Business

In Japan, domestic demand for cement in FY2019 is expected to slightly exceed the year-earlier level and stand at approximately 42.5 million tons, as while the construction of large projects including those related to the Tokyo Olympic and Paralympic Games in 2020 and the linear Chuo Shinkansen (in some sections) are expected to gain momentum, there is also concern over delays owing to labor shortages. In these circumstances, we will strive to secure sales volumes by steadily taking in demand for cement for the large projects.

In the United States, the economy is expected to grow at a modest pace, buoyed by an improvement in the employment situation and the impact of the Trump administration’s fiscal package, including tax cuts. Demand for cement and ready-mixed concrete is also expected to remain firm, driven by rising demand in the private housing and non-residential sectors. While rising labor costs and energy costs will be a factor affecting profitability, we will pass cost increases on to customers as appropriate. We will also realize stable and efficient operations at cement plants through renovations, reduce the cost of ready-mixed concrete production by expanding production capacity and increasing the ratio of our own aggregates, and aim for further improvement in profitability.

● Metals Business

The supply capacity of mines is not expected to be able to keep pace with rising demand for copper ore in countries such as China and India and purchasing conditions of copper ore are also expected to deteriorate.

While copper prices currently remain high, the existing supply-demand condition may change as a result of the construction of new smelters in China and India, and we will keep a close watch on the market trends going forward, along with the foreign exchange and the stock market conditions.

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

In this environment, we will continue to seek a shift toward a more solid structure less susceptible to price fluctuations by lowering the breakeven point through a reduction in energy costs and fixed cost.

In copper smelting and refining, we will ensure earnings through measures such as endeavoring to achieve stable operations at smelters in Japan and overseas and increasing the processing volume of E-Scrap. In copper & copper alloy products, we will continue to increase profitability by creating business synergy with MMC Copper Products Oy, which was included in the scope of consolidation from the current fiscal year, and by enhancing sales competitiveness through the accelerated development of alloys, drawing on our technological and development capabilities.

● Advanced Materials & Tools Business

As in FY2018, market conditions for cemented carbide products are expected to be favorable in FY2019. Under these conditions, we will conduct effective sales operations, focusing on industries and regions with high growth potential. In particular, we will prioritize the investment of our management resources in the aerospace industry, which is in the growth stages, and seek to strengthen manufacturing, R&D and sales functions. In the area of cutting tools, we have launched and begun marketing two brands DIAEDGE (Mitsubishi Materials Corporation) and MOLDINO (Mitsubishi Hitachi Tool Engineering, Ltd.). Under these brands, we will work on providing customer-oriented solutions that will build customer trust as a true partner. Regarding the sourcing of key materials, tungsten and cobalt, we will continue working to reduce sourcing risks by improving the recycling ratio and diversifying procurement sources.

Turning to the high-performance alloy products, we expect demand for our mainstay sintering parts to remain firm in the automobile industry, as in FY2018. The Group will continue working to increase earnings by enhancing quality and productivity.

● Electronic Materials & Components Business

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

In the electronic components, sales of products for home appliances, especially air conditioning and refrigerators, are strong. We will work to strengthen our production system to meet growing demand and will also accelerate the development of temperature sensors for automotive for which the market is expected to expand in the future and aim for their early launch to the market. Meanwhile, we will continue working to strengthen our business structure by introducing new products quickly and continuing to reduce costs.

In the polycrystalline silicon, business environment is expected to face difficult conditions. However, we will make efforts for further improvement quality and reducing costs to establish the stable business foundation, while top priority will be placed on safety and stable operation to supply high quality products in a timely manner in response to the changing environment.

● Aluminum Business

In the aluminum beverage cans, we will endeavor to maintain and increase competitiveness with seeking to achieve stable orders for regular cans and expand sales of aluminum bottle cans, our strategic products, and develop and launch cans with new shapes. In addition, we will promote to consider overseas business expansion, while further promote the advantageous procurement of raw materials, stable product quality and cost reduction.

In the rolled and processed aluminum products, sales of heat exchange sheet materials for automobiles and products for electronic materials are expected to remain strong. Under these circumstances, we will make efforts to strengthen quality control, develop high value-added products and increase customer satisfaction. In addition, establishment of new manufacturing locations for products for automobiles, demand for which is expected to increase overseas, will be considered for sales expansion.

3. Basic Concept of Selection of Accounting Standards

The Group's policy is to prepare its consolidated financial statements in accordance with Japanese Accounting Standards for the time being, taking into consideration the comparability of consolidated financial statements between different accounting periods and against different companies.

We plan to act appropriately in adopting International Financial Reporting Standards (IFRS), taking various circumstances into consideration.

4. Consolidated Financial Statements

(1) Consolidated balance sheet

(Million yen)

	As of March 31, 2017	As of March 31, 2018
Assets		
Current assets		
Cash and deposits	141,264	93,389
Notes and accounts receivable-trade	213,343	260,427
Merchandise and finished goods	85,878	91,772
Work in process	101,643	132,043
Raw materials and supplies	100,757	142,275
Deferred tax assets	9,375	9,068
Gold receivable	110,458	88,862
Others	107,284	138,824
Allowance for doubtful accounts	(2,537)	(2,518)
Total current assets	867,469	954,146
Non-current assets		
Property, plant and equipment		
Buildings and improvements, net	154,828	153,490
Machinery, equipment and vehicles, net	213,586	217,620
Land, net	260,805	236,709
Construction in progress	23,091	23,105
Other, net	13,914	14,632
Total property, plant and equipment	666,226	645,559
Intangible assets		
Goodwill	43,436	44,636
Other	15,138	19,938
Total intangible assets	58,574	64,574
Investments and other assets		
Investment securities	252,067	303,924
Net defined benefit asset	393	449
Deferred tax assets	26,425	17,914
Others	31,332	32,813
Allowance for doubtful accounts	(5,549)	(4,297)
Total investments and other assets	304,669	350,804
Total non-current assets	1,029,470	1,060,938
Total assets	1,896,939	2,015,084

(Million yen)

	As of March 31, 2017	As of March 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable-trade	114,502	158,369
Short-term loans payable	203,819	206,142
Current portion of bonds payable	15,000	25,000
Income taxes payable	16,154	9,151
Deferred tax liabilities	352	79
Provision for bonuses	12,880	13,228
Gold payable	241,406	246,227
Provision for loss on disposal of inventories	637	783
Other	101,910	118,097
Total current liabilities	706,665	777,080
Non-current liabilities		
Bonds payable	55,000	50,000
Long-term loans payable	254,411	240,292
Provision for directors' retirement benefits	1,365	1,384
Provision for loss on business of subsidiaries and associates	4,137	986
Provision for environmental measures	32,568	37,833
Deferred tax liabilities	23,526	40,039
Deferred tax liabilities for land revaluation	25,590	24,162
Net defined benefit liability	56,037	51,647
Other	27,443	23,162
Total non-current liabilities	480,079	469,508
Total liabilities	1,186,744	1,246,589
Net assets		
Shareholders’ equity		
Capital stock	119,457	119,457
Capital surplus	92,422	92,422
Retained earnings	333,526	361,430
Treasury stock	(2,017)	(2,089)
Total shareholders’ equity	543,390	571,222
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	55,226	95,487
Deferred gains or losses on hedges	888	1,068
Revaluation reserve for land	34,930	33,071
Foreign currency translation adjustment	(1,418)	(10,312)
Remeasurements of defined benefit plans	(11,735)	(8,066)
Total accumulated other comprehensive income	77,891	111,249
Non-controlling interests	88,913	86,023
Total net assets	710,195	768,495
Total liabilities and net assets	1,896,939	2,015,084

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

Consolidated statement of income

(Million yen)

	Year Ended March 31, 2017 (Apr. 1, 2016–Mar. 31, 2017)	Year Ended March 31, 2018 (Apr. 1, 2017–Mar. 31, 2018)
Net sales	1,304,068	1,599,533
Cost of sales	1,104,402	1,379,877
Gross profit	199,665	219,655
Selling, general and administrative expenses	139,904	146,835
Operating profit	59,761	72,819
Non-operating profit		
Interest income	587	812
Dividend income	14,692	19,447
Rent income on non-current assets	4,863	4,866
Share of profit of entities accounted for using equity method	1	–
Other	2,666	2,657
Total non-operating profit	22,811	27,784
Non-operating expenses		
Interest expenses	4,922	5,058
Share of loss of entities accounted for using equity method	–	1,336
Loss on retirement of non-current assets	4,076	4,494
Rent expenses on non-current assets	3,061	2,867
Settlement expenses of remaining business in mines	3,565	4,098
Other	3,020	3,127
Total non-operating expenses	18,646	20,982
Ordinary income	63,925	79,621
Extraordinary income		
Gain on sales of non-current assets	16,545	6,760
Gain on sales of investment securities	19,072	5,667
Insurance income	2,400	–
Other	503	1,752
Total extraordinary income	38,522	14,179
Extraordinary losses		
Impairment loss	9,977	11,035
Provision for environmental measures	23,912	9,092
Loss on non-conforming products	–	3,202
Loss on valuation of investment securities	5,049	400
Other	3,924	2,291
Total extraordinary losses	42,863	26,023
Income before income taxes	59,584	67,777
Income taxes - current	24,594	18,941
Income taxes - deferred	(583)	4,698
Total income taxes	24,011	23,639
Net income	35,573	44,137
Net income attributable to non-controlling interests	7,220	9,542
Net income attributable to owners of parent	28,352	34,595

Consolidated statements of comprehensive income

(Million yen)

	Year Ended March 31, 2017 (Apr. 1, 2016–Mar. 31, 2017)	Year Ended March 31, 2018 (Apr. 1, 2017–Mar. 31, 2018)
Net income	35,573	44,137
Other comprehensive income		
Valuation difference on available-for-sale securities	33,676	40,535
Deferred gains or losses on hedges	635	490
Revaluation reserve for land	–	(147)
Foreign currency translation adjustment	(6,009)	(9,165)
Remeasurements of defined benefit plans	4,758	3,578
Share of profit of entities accounted for using equity method	88	637
Total other comprehensive income	33,150	35,930
Comprehensive income	68,723	80,068
(Breakdown)		
Comprehensive income attributable to owners of parent	62,777	73,000
Comprehensive income attributable to non-controlling interests	5,946	7,067

(3) Consolidated statement of changes in equity

Year Ended March 31, 2017 (Apr. 1, 2016–Mar. 31, 2017) (Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury share	Total shareholders' equity
Balance at beginning of current period	119,457	92,266	303,026	(1,953)	512,797
Changes of items during period					
Dividends of surplus			(9,170)		(9,170)
Net income attributable to owners of parent			28,352		28,352
Reversal of revaluation reserve for land			(1,165)		(1,165)
Increase associated with change in accounting period of consolidated subsidiaries					
Increase associated with the increase in number of consolidated subsidiaries			127		127
Increase associated with the decrease in number of equity method affiliates			12,355		12,355
Purchase of treasury shares				(65)	(65)
Disposal of treasury shares		(0)		2	1
Change in ownership interest of parent due to transactions with non-controlling interests		157			157
Net changes of items other than shareholders' equity					
Total changes of items during period	–	156	30,499	(63)	30,592
Balance at end of current period	119,457	92,422	333,526	(2,017)	543,390

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	21,645	(199)	34,282	3,647	(16,946)	42,430	89,789	645,017
Changes of items during period								
Dividends of surplus								(9,170)
Net income attributable to owners of parent								28,352
Reversal of revaluation reserve for land								(1,165)
Increase associated with change in accounting period of consolidated subsidiaries								
Increase associated with the increase in number of consolidated subsidiaries								127
Increase associated with the decrease in number of equity method affiliates								12,355
Purchase of treasury shares								(65)
Disposal of treasury shares								1
Change in ownership interest of parent due to transactions with non-controlling interests								157
Net changes of items other than shareholders' equity	33,581	1,087	647	(5,066)	5,211	35,460	(876)	34,584
Total changes of items during period	33,581	1,087	647	(5,066)	5,211	35,460	(876)	65,177
Balance at end of current period	55,226	888	34,930	(1,418)	(11,735)	77,891	88,913	710,195

Year Ended March 31, 2018 (Apr. 1, 2017–Mar. 31, 2018) (Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury share	Total shareholders' equity
Balance at beginning of current period	119,457	92,422	333,526	(2,017)	543,390
Changes of items during period					
Dividends of surplus			(9,168)		(9,168)
Net income attributable to owners of parent			34,595		34,595
Reversal of revaluation reserve for land			1,711		1,711
Increase associated with change in accounting period of consolidated subsidiaries			83		83
Increase associated with the increase in number of consolidated subsidiaries			681		681
Increase associated with the decrease in number of equity method affiliates					
Purchase of treasury shares				(72)	(72)
Disposal of treasury shares		(0)		0	0
Change in ownership interest of parent due to transactions with non-controlling interests		(0)			(0)
Net changes of items other than shareholders' equity					
Total changes of items during period		(0)	27,903	(71)	27,831
Balance at end of current period	119,457	92,422	361,430	(2,089)	571,222

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	55,226	888	34,930	(1,418)	(11,735)	77,891	88,913	710,195
Changes of items during period								
Dividends of surplus								(9,168)
Net income attributable to owners of parent								34,595
Reversal of revaluation reserve for land								1,711
Increase associated with change in accounting period of consolidated subsidiaries								83
Increase associated with the increase in number of consolidated subsidiaries								681
Increase associated with the decrease in number of equity method affiliates								
Purchase of treasury shares								(72)
Disposal of treasury shares								0
Change in ownership interest of parent due to transactions with non-controlling interests								(0)
Net changes of items other than shareholders' equity	40,260	180	(1,858)	(8,894)	3,669	33,358	(2,889)	30,468
Total changes of items during period	40,260	180	(1,858)	(8,894)	3,669	33,358	(2,889)	58,300
Balance at end of current period	95,487	1,068	33,071	(10,312)	(8,066)	111,249	86,023	768,495

(4) Consolidated statement of cash flows

(Million yen)

	Year Ended March 31, 2017 (Apr. 1, 2016–Mar. 31, 2017)	Year Ended March 31, 2018 (Apr. 1, 2017–Mar. 31, 2018)
Cash flow from operating activities		
Income before income taxes	59,584	67,777
Depreciation	56,748	57,025
Amortization of goodwill	4,048	4,395
Increase (decrease) in allowance for doubtful accounts	(173)	(187)
Increase (decrease) in provision for loss on business of subsidiaries and associates	3,021	23
Increase (decrease) in provision for environmental measures	19,210	5,265
Increase (decrease) in net defined benefit liability and directors' retirement benefits	(761)	(1,548)
Interest and dividend income	(15,279)	(20,260)
Interest expenses	4,922	5,058
Share of (profit) loss of entities accounted for using equity method	(1)	1,336
Loss (gain) on sales of property, plant and equipment	(16,431)	(6,368)
Loss on retirement of non-current assets	4,076	4,494
Impairment loss	9,977	11,035
Loss on non-conforming products	–	3,202
Loss (gain) on sales of investment securities	(19,014)	(5,064)
Loss (gain) on valuation of investment securities	5,049	(736)
Decrease (increase) in notes and accounts receivable - trade	14,498	(37,337)
Decrease (increase) in inventories	(32,982)	(65,635)
Proceeds from sales of gold bullion	79,991	119,985
Purchase of gold bullion	(79,599)	(99,460)
Decrease (increase) in other current assets	9,374	(20,182)
Increase (decrease) in notes and accounts payable - trade	8,818	34,764
Increase (decrease) in accrued expenses	(2,202)	2,853
Increase (decrease) in other current liabilities	1,961	7,010
Increase (decrease) in other non-current liabilities	697	(3,386)
Other	4,870	(1,247)
Subtotal	120,406	62,811
Interest and dividend income received	16,426	22,043
Interest expenses paid	(4,962)	(5,057)
Income taxes (paid) refund	(16,317)	(27,365)
Loss on non-conforming products paid	–	(1,716)
Net cash provided by (used in) operating activities	115,552	50,715

(Million yen)

	Year Ended March 31, 2017 (Apr. 1, 2016–Mar. 31, 2017)	Year Ended March 31, 2018 (Apr. 1, 2017–Mar. 31, 2018)
Cash flow from investing activities		
Purchase of property, plant and equipment	(76,838)	(71,494)
Proceeds from sales of property, plant and equipment	24,359	10,048
Purchase of intangible assets	(1,283)	(1,431)
Purchase of investment securities	(494)	(757)
Proceeds from sales of investment securities	32,915	7,168
Purchase of shares of subsidiaries	(2,224)	(863)
Proceeds from sales of shares of subsidiaries	0	0
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(38,829)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	–	273
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	2,157	14,903
Payments for transfer of business	–	(1,541)
Proceeds from transfer of business	2,176	–
Payments of loans receivable	(2,253)	(6,202)
Collection of loans receivable	128	4,615
Other	(5,199)	154
Net cash provided by (used in) investing activities	(26,557)	(83,957)
Cash flow from financing activities		
Net increase (decrease) in short-term loans payable	11,155	20,981
Proceeds from long-term loans payable	42,066	47,358
Repayments of long-term loans payable	(54,488)	(66,251)
Proceeds from issuance of bonds	30,000	20,000
Redemption of bonds	(25,100)	(15,000)
Purchase of treasury shares	(65)	(72)
Cash dividends paid	(9,170)	(9,168)
Dividends paid to non-controlling interests	(6,201)	(6,546)
Other	(3,899)	(2,334)
Net cash provided by (used in) financing activities	(15,703)	(11,034)
Effect of exchange rate change on cash and cash equivalents	(55)	(2,927)
Net increase (decrease) in cash and cash equivalents	73,237	(47,204)
Cash and cash equivalents at 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 in accounting period of consolidated subsidiaries	–	1,228
Cash and cash equivalents at end of period	132,616	87,355

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 review by the Board of Directors to determine the allocation of management resources and evaluate business results.

The Company has adopted an internal-company structure, and each internal company and each business division and department carry out their business activities by formulating comprehensive strategies in Japan and overseas for the products and services they handle.

Therefore, the Company consists of segments according to products and services based on the internal companies and positions five businesses, namely “Cement,” “Metals,” “Advanced Materials & Tools,” “Electronic Materials & Components,” and “Aluminum” with high importance in the business divisions and departments as the reporting segments.

(2) Types of products and services belonging to each reporting segment

The main products in each business are as follows.

(i) Cement	Cement, cement-related products, ready-mixed concrete, aggregates
(ii) Metals	Copper smelting and refining (copper, gold, silver, sulfuric acid, etc.), copper & copper alloy products
(iii) Advanced Materials & Tools	Cemented carbide products, high-performance alloy products
(iv) Electronic Materials & Components	Advanced materials, chemical products, electronic components, polycrystalline silicon,
(v) Aluminum	Aluminum beverage cans, rolled and processing aluminum products

2. Method of calculating the amounts of net sales, income and losses, assets, liabilities and other items for each reporting segment

Figures for income in the reporting segments are based on ordinary income.

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

(Change in the depreciation method of property, plant and equipment)

As the depreciation 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 consolidated fiscal year under review.

As a result of changing the depreciation method, segment income has increased ¥331 million in the consolidated fiscal year under review, compared with the case in which the past method is used.

3. Information relating the amounts of net sales, income and losses, assets, liabilities and other items for each reporting segment

Year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)

(Million yen)

	Cement	Metals	Advanced Materials & Tools	Electronic Materials & Components	Aluminum	Others	Total	Adjustment amount	Amount reported in consolidated financial statements
Net sales									
(1) Outside customers	174,361	621,313	126,834	56,472	154,017	171,069	1,304,068	–	1,304,068
(2) Within consolidated group	3,205	8,157	16,581	6,614	1,944	47,177	83,680	(83,680)	–
Total	177,566	629,470	143,415	63,087	155,962	218,246	1,387,748	(83,680)	1,304,068
Segment income	20,520	27,513	9,913	2,802	7,480	7,177	75,407	(11,481)	63,925
Segment assets	345,604	685,941	212,347	134,817	150,770	183,453	1,712,934	184,005	1,896,939
Segment liabilities	168,274	520,075	120,358	85,767	111,069	133,179	1,138,725	48,018	1,186,744
Other items									
Depreciation	11,463	16,041	11,873	3,442	7,323	3,706	53,851	2,896	56,748
Amortization of goodwill	2,798	–	1,243	–	–	6	4,048	–	4,048
Interest income	93	340	21	163	13	323	956	(369)	587
Interest expenses	1,513	1,686	934	840	672	744	6,391	(1,469)	4,922
Share of profit or loss of entities accounted for using equity method	914	357	158	1,293	118	(2,878)	(35)	36	1
Investment in equity method affiliates	20,653	14,143	5,922	1,768	840	10,949	54,277	(155)	54,122
Increase in property, plant and equipment and intangible assets	20,517	19,339	14,719	2,946	8,658	4,185	70,367	5,318	75,685

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 -¥11,481 million includes the elimination of intersegment transactions of -¥44 million and corporate expenses of -¥11,436 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. "Adjustment amount" of segment assets of ¥184,005 million includes the elimination of intersegment transactions of -¥31,781 million and corporate assets of ¥215,786 million which are not distributed to the reporting segments. Corporate assets consist mainly of assets pertaining to the administrative divisions that do not belong to the reporting segment and assets for basic experiment and research.
4. "Adjustment amount" of segment liabilities of ¥48,018 million includes the elimination of intersegment transactions of -¥26,673 million and corporate liabilities of ¥74,692 million which are not distributed to the reporting segments. Corporate liabilities consist mainly of liabilities pertaining to the administrative divisions that do not belong to the reporting segment and liabilities in basic experiment and research.
5. "Adjustment amount" of the increase in property, plant and equipment and intangible assets of ¥5,318 million consists mainly of capital expenditure of Central Research Institute.
6. Segment income has been adjusted together with ordinary income on the consolidated statements of income.

Year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

(Million yen)

	Cement	Metals	Advanced Materials & Tools	Electronic Materials & Components	Aluminum	Others	Total	Adjustment amount	Amount reported in consolidated financial statements
Net sales									
(1) Outside customers	188,612	853,615	149,635	64,535	147,753	195,381	1,599,533	–	1,599,533
(2) Within consolidated group	3,766	9,144	11,542	8,927	834	54,122	88,337	(88,337)	–
Total	192,378	862,759	161,177	73,462	148,588	249,503	1,687,870	(88,337)	1,599,533
Segment income	21,044	36,263	16,808	4,595	3,025	8,312	90,049	(10,428)	79,621
Segment assets	323,857	835,532	217,735	179,701	155,074	163,442	1,875,342	139,741	2,015,084
Segment liabilities	150,384	652,683	118,773	101,859	113,318	106,939	1,243,959	2,629	1,246,589
Other items									
Depreciation	11,533	17,420	11,227	2,646	7,401	3,663	53,893	3,131	57,025
Amortization of goodwill	2,873	288	1,230	–	–	2	4,395	–	4,395
Interest income	80	540	41	245	16	329	1,253	(441)	812
Interest expenses	1,233	2,525	892	543	568	513	6,277	(1,218)	5,058
Share of profit or loss of entities accounted for using equity method	1,891	2,242	43	409	8	(5,940)	(1,343)	7	(1,336)
Investment in equity method affiliates	21,569	13,421	–	1,786	869	4,948	42,594	(150)	42,444
Increase in property, plant and equipment and intangible assets	16,818	22,037	16,516	4,125	7,343	5,106	71,948	4,283	76,231

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 -¥10,428 million includes the elimination of intersegment transactions of ¥2 million and corporate expenses of -¥10,431 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. “Adjustment amount” of segment assets of ¥139,741 million includes the elimination of intersegment transactions of -¥32,459 million and corporate assets of ¥172,200 million which are not distributed to the reporting segments. Corporate assets consist mainly of assets pertaining to the administrative divisions that do not belong to the reporting segment and assets for basic experiment and research.

4. “Adjustment amount” of segment liabilities of ¥2,629 million includes the elimination of intersegment transactions of -¥31,417 million and corporate liabilities of ¥34,047 million which are not distributed to the reporting segments. Corporate liabilities consist mainly of liabilities pertaining to the administrative divisions that do not belong to the reporting segment and liabilities in basic experiment and research.

5. “Adjustment amount” of the increase in property, plant and equipment and intangible assets of ¥4,283 million consists mainly of capital expenditure of Central Research Institute.

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

[Related information]

Year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)

1. Information by product and service

The note is omitted because the same information is disclosed in the Segment Information.

2. Information by region

(1) Net sales (Million yen)

Japan	United States	Europe	Asia	Other	Total
752,169	133,646	37,851	366,916	13,484	1,304,068

(2) Property, plant and equipment (Million yen)

Japan	United States	Europe	Asia	Other	Total
538,516	86,544	1,982	37,525	1,656	666,226

1. Categories of country and region are based on geographical proximity.
2. Main countries and regions belonging to categories other than the United States
   (1) Europe Germany, the United Kingdom, Spain and France
   (2) Asia Indonesia, South Korea, Malaysia, Singapore, China, Taiwan, Hong Kong and Thailand
   (3) Other Australia, Canada and Brazil

3. Information by main customer

The note is omitted because there is no customer who accounts for 10% or more of net sales in the consolidated statement of income.

Year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

1. Information by product and service

The note is omitted because the same information is disclosed in the Segment Information.

2. Information by region

(1) Net sales (Million yen)

Japan	United States	Europe	Asia	Other	Total
865,373	144,243	52,315	520,350	17,250	1,599,533

(2) Property, plant and equipment (Million yen)

Japan	United States	Europe	Asia	Other	Total
523,681	80,496	5,383	34,254	1,742	645,559

1. Categories of country and region are based on geographical proximity.
2. Main countries and regions belonging to categories other than the United States
   (1) Europe Germany, the United Kingdom, Spain, France and Finland
   (2) Asia Indonesia, South Korea, Malaysia, Singapore, China, Taiwan, Hong Kong and Thailand
   (3) Other Australia, Canada and Brazil

3. Information by main customer

The note is omitted because there is no customer who accounts for 10% or more of net sales in the consolidated statement of income.

[Information relating to impairment losses of non-current assets by reporting segment]

Year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)

(Million yen)

	Cement	Metals	Advanced Materials & Tools	Electronic Materials & Components	Aluminum	Others	Total	Corporate or elimination	Grand total
Impairment loss	36	183	7,045	1,699	–	519	9,484	493	9,977

(Note) Adjustment of impairment loss of ¥493 million consists mainly of the impairment loss of assets for rent.

Year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

(Million yen)

	Cement	Metals	Advanced Materials & Tools	Electronic Materials & Components	Aluminum	Others	Total	Corporate or elimination	Grand total
Impairment loss	31	171	4,785	5,875	–	165	11,029	6	11,035

(Note) Adjustment of impairment loss of ¥6 million consists mainly of the impairment loss of idle assets.

[Information relating to amortization and unamortized balance of goodwill by reporting segment]

Year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)

(Million yen)

	Cement	Metals	Advanced Materials & Tools	Electronic Materials & Components	Aluminum	Others	Total	Corporate or elimination	Grand total
Amortization in the fiscal year ended March 31, 2017	2,798	–	1,243	–	–	6	4,048	–	4,048
Unamortized balance at the end of the fiscal year ended March 31, 2017	33,676	–	9,756	–	–	2	43,436	–	43,436

The amortization and the unamortized balance of negative goodwill arising from business combination, etc. conducted before April 1, 2010 are as follows.

(Million yen)

	Cement	Metals	Advanced Materials & Tools	Electronic Materials & Components	Aluminum	Others	Total	Corporate or elimination	Grand total
Amortization in the fiscal year ended March 31, 2017	–	–	–	–	–	–	–	–	–
Unamortized balance at the end of the fiscal year ended March 31, 2017	–	2,221	–	–	–	–	2,221	–	2,221

Year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

(Million yen)

	Cement	Metals	Advanced Materials & Tools	Electronic Materials & Components	Aluminum	Others	Total	Corporate or elimination	Grand total
Amortization in the fiscal year ended March 31, 2018	2,873	288	1,230	–	–	2	4,395	–	4,395
Unamortized balance at the end of the fiscal year ended March 31, 2018	27,405	8,697	8,525	–	–	7	44,636	–	44,636

The amortization and the unamortized balance of negative goodwill arising from business combination, etc. conducted before April 1, 2010 are as follows.

(Million yen)

	Cement	Metals	Advanced Materials & Tools	Electronic Materials & Components	Aluminum	Others	Total	Corporate or elimination	Grand total
Amortization in the fiscal year ended March 31, 2018	–	–	–	–	–	–	–	–	–
Unamortized balance at the end of the fiscal year ended March 31, 2018	–	2,221	–	–	–	–	2,221	–	2,221

Per-share Information

	Year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)	Year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)
Net assets per share	4,743.27 yen	5,211.20 yen
Net income per share	216.44 yen	264.15 yen

(Notes) 1. Diluted net income per share is not stated because there are no dilutive shares.

2. A consolidation of shares of the Company's common stock at a 10:1 ratio was conducted, with an effective date of October 1, 2016. Associated with this, net assets per share and net income per share are calculated on the assumption that the consolidation of shares was conducted at the beginning of the previous fiscal year.

3. The basis for the calculation of net income per share is as follows.

	Year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)	Year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)
Net income per share		
Net income attributable to owners of parent (million yen)	28,352	34,595
Amount not attributable to ordinary shareholders (million yen)	–	–
Net income attributable to owners of parent pertaining to common stock (million yen)	28,352	34,595
Average number of shares issued during terms (thousand shares)	130,993	130,972

Important Subsequent Events

Not applicable