Consolidated Financial Results for the Nine Months Ended December 31, 2018 (Japanese Accounting Standards)

February 12, 2019

Name of Listed Company: Mitsubishi Materials Corporation   Listing: Tokyo Stock Exchange
Stock Code: 5711   URL: http://www.mmc.co.jp/
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Scheduled filing date of Quarterly Report: February 12, 2019
Scheduled date of start of dividend payment: –
Supplementary materials for the quarterly financial results: Yes
Investor conference for the quarterly financial results: Yes (For Institutional Investors)

(Amounts of less than million yen are omitted.)

1. Results of the first nine months ended December 31, 2018 (From April 1, 2018 to December 31, 2018)

(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 nine months ended December 31, 2018	1,272,555	10.9	34,248	-37.7	42,067	-38.7	12,831	-70.7
First nine months ended December 31, 2017	1,147,047	19.9	54,988	25.3	68,581	29.5	43,734	-11.5

(Note) Comprehensive income: The first nine months ended December 31, 2018: −17,631 million yen (－%)
The first nine months ended December 31, 2017: 105,073 million yen (124.6%)

	Net income per share	Diluted net income per share
	Yen	Yen
First nine months ended December 31, 2018	97.98	–
First nine months ended December 31, 2017	333.91	–

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of December 31, 2018	1,954,244	739,218	33.2
As of March 31, 2018	2,011,067	768,495	33.9

(Reference) Shareholders' Equity: As of December 31, 2018: 648,479 million yen As of March 31, 2018: 682,471 million yen

(Note) The Company has been applying "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28 on February 16, 2018) from the beginning of the first three months ended June 30, 2018. Individual figures related to the period ended March 31, 2018 have had the accounting standards applied retroactively.

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, 2018	–	30.00	–	50.00	80.00
Year ending March 31, 2019	–	40.00	–		
Year ending March 31, 2019 (Forecast)				40.00	80.00

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

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
Year ending March 31, 2019	1,650,000	3.2	42,000	-42.3	52,000	-34.7	10,000	-71.1	76.36

(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 "(3) 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 Key Notes" on page 11.

(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: None
(iii) Changes in accounting estimates: None
(iv) Restatements: None

(4) Numbers of issued shares (common stock)

(i) Numbers of issued shares at end of terms (including treasury shares):
Nine months ended December 31, 2018: 131,489,535 shares
Year ended March 31, 2018: 131,489,535 shares
(ii) Numbers of treasury shares at end of terms:
Nine months ended December 31, 2018: 536,278 shares
Year ended March 31, 2018: 527,089 shares
(iii) Average number of shares issued during terms (quarterly cumulative period):
Nine months ended December 31, 2018: 130,957,722 shares
Nine months ended December 31, 2017: 130,975,076 shares

* This quarterly financial summaries is not subject to a quarterly review by certified public accountants or 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 "(3) Information on the consolidated earnings forecasts and other future forecasts" of "1. Qualitative Information on Financial Results for the Nine Months Ended December 31, 2018" on page 4 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 Tuesday, February 12, 2019. 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 Nine Months Ended December 31, 2018

(1) Details of operating results

1) Overview of operating results

During the first nine months of the consolidated fiscal year under review, although signs of economic slowdown were seen in China, moderate recovery was seen in the Asian economies of Thailand and Indonesia. In the United States, the economy continued to recover steadily.

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, copper prices increased, and energy costs rose.

Under these circumstances, consolidated net sales for the first nine months of the year under review totaled ¥1,272,555 million, up 10.9% year on year. Operating profit decreased 37.7% year on year, to ¥34,248 million, and ordinary income fell 38.7%, to ¥42,067 million. Net income attributable to owners of parent was ¥12,831 million, down 70.7% year on year.

2) Overview by segments

From the third quarter of the fiscal year, the reporting segments have been changed, among other changes. The details are set forth in “2. (3) Notes to consolidated quarterly financial statements (segment information).” In this regard, in comparison with the data of the same quarter of the previous year below, the numerical data obtained upon the reclassification of the numerical data for the same quarter of the previous year under the changed segments is used.

(Advanced Products)

(Billion yen)

	FY 2018 Q1-Q3	FY 2019 Q1-Q3	Increase / Decrease (%)
Net sales	393.4	435.3	41.9 (10.7%)
Operating profit	14.6	10.8	-3.8 (-26.2%)
Ordinary income	14.6	10.6	-3.9 (-27.0%)

In the copper and copper alloy products business, net sales increased and operating profit decreased as a result of an increase in the costs of raw materials, despite the sales increase that was mainly attributable to the contribution of MMC Copper Products OY to the consolidated results from the beginning of the fiscal year.

In the electronics materials & components business, net sales increased and operating profit decreased, mainly due to the effect of the falling sales prices of some electronic component products, despite an increase in sales of products related to semiconductor manufacturing equipment and products for automobiles.

In the aluminum products business, net sales increased due to a rise in aluminum prices, despite a decrease in the sales volume of beverage aluminum bottle cans and plate products for litho sheets, which are the rolled and processed products, among other products. In addition, energy costs rose. As a result, the aluminum products business posted an increase in net sales and a decrease in operating profit.

Consequently, net sales for the entire Advanced Products increased year on year, but operating profit decreased. Ordinary income declined mainly due to the decrease in operating profit.

(Metalworking Solutions)

(Billion yen)

	FY 2018 Q1-Q3	FY 2019 Q1-Q3	Increase / Decrease (%)
Net sales	119.6	130.0	10.3 (8.6%)
Operating profit	13.8	13.7	-0.1 (-0.7%)
Ordinary income	13.0	12.7	-0.2 (-2.2%)

In the cemented carbide products business, net sales and operating profit increased as a result of strong demand mainly in Japan, Europe, United States, China and Southeast Asia.

In the sintering parts, etc. business, net sales increased due to growth in demand for mainstay sintering parts in Japan and North America. However, the operating loss expanded due to the increased costs associated with quality inspection and shipments.

Consequently, net sales for the entire Metalworking Solutions business increased year on year, but operating profit decreased. Ordinary income declined mainly due to the decrease in operating profit.

(Metals)

(Billion yen)

	FY 2018 Q1-Q3	FY 2019 Q1-Q3	Increase / Decrease (%)
Net sales	508.0	564.6	56.5 (11.1%)
Operating profit (loss)	9.4	-1.2	-10.6 (－%)
Ordinary income	23.1	3.9	-19.2 (-83.0%)

In the copper business, both net sales and operating profit decreased, mainly due to the lower production volume resulting from periodic furnace repairs at PT. Smelting in Indonesia and the increased costs for smelting.

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 contained in raw materials.

As a result, overall the Metal business posted year-on-year increase in net sales, but operating profit declined. Ordinary income decreased due to the decrease in operating profit and dividend income.

(Cement)

(Billion yen)

	FY 2018 Q1-Q3	FY 2019 Q1-Q3	Increase / Decrease (%)
Net sales	146.0	151.0	4.9 (3.4%)
Operating profit	16.9	11.7	-5.2 (-30.7%)
Ordinary income	18.3	12.2	-6.0 (-33.1%)

Despite the firm performance of construction work of facilities related to the Tokyo Olympic and Paralympic Games in the Tokyo metropolitan area, as well as the extension work of the Hokuriku Shinkansen in the Hokuriku area in Japan, mainly rising energy costs resulted in a decline in operating profit, even as net sales increased.

In the United States, although the sales price of ready-mixed concrete rose, given an increase in fuel and other costs, net sales increased and operating profit decreased.

Consequently, net sales for the entire Cement business increased year on year, but operating profit decreased. Ordinary income declined mainly due to the decrease in operating profit.

(Others)

(Billion yen)

	FY 2018 Q1-Q3	FY 2019 Q1-Q3	Increase / Decrease (%)
Net sales	170.2	182.5	12.2 (7.2%)
Operating profit	6.2	7.5	1.2 (20.3%)
Ordinary income	6.1	9.0	2.9 (46.8%)

In the energy-related business, although sales volume of coal decreased, due to a rise in sales prices of coal, both net sales and operating profit increased.

In the environment recycling business, net sales increased and operating profit decreased due to the costs incurred for the launch of new business, despite a rise in the recycling unit price of valuables as well as an increase in recycling volumes.

Although total net sales in the Others business excluding the energy-related business and the environmental recycling business increased, operating profit decreased.

In the overall Others business, both net sales and operating profit increased year on year. Ordinary income also rose due to the increase in operating profit and decrease in equity in losses of affiliates.

(2) Details of financial position

Total assets at the end of the third quarter of the consolidated fiscal year under review stood at ¥1,954.2 billion, down ¥56.8 billion from the end of the previous consolidated fiscal year. This result was mainly due to a decrease in investment securities.

Total liabilities were ¥1,215.0 billion, a decrease of ¥27.5 billion from the end of the previous consolidated fiscal year. This decrease was chiefly attributable to a fall in notes and accounts payable - trade.

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

For the fiscal year ending March 31, 2019, the Company expects operating profit and ordinary income to decrease from the previous forecast due to a decline in sales in the Metals business, which was mainly caused by the delay in the re-start of operation at PT. Smelting in Indonesia following the furnace repairs, as well as lower-than-projected sales in the Advanced Products. Net income attributable to owners of parent is also expected to be lower than the previous forecast, reflecting an increase in impairment loss, among other factors.

Revisions to Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2019
(from April 1, 2018 to March 31, 2019)

(Billion yen)

	Previous forecast	Current forecast	Increase / Decrease (%)
Net sales	1,660.0	1,650.0	-0.6
Operating profit	53.0	42.0	-20.8
Ordinary income	64.0	52.0	-18.8
Net income attributable to owners of parent	25.0	10.0	-60.0

(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 Key Notes

(1) Consolidated balance sheet

(Million yen)

	As of March 31, 2018	As of December 31, 2018
Assets		
Current assets		
Cash and deposits	93,389	95,924
Notes and accounts receivable-trade	260,427	254,912
Merchandise and finished goods	91,772	93,252
Work in process	132,043	132,847
Raw materials and supplies	142,275	138,609
Others	227,686	233,121
Allowance for doubtful accounts	(2,518)	(2,906)
Total current assets	945,077	945,762
Non-current assets		
Property, plant and equipment		
Machinery and equipment, net	204,513	210,993
Land, net	236,709	237,110
Other, net	204,336	213,574
Total property, plant and equipment	645,559	661,678
Intangible assets		
Goodwill	44,636	42,269
Other	19,938	18,508
Total intangible assets	64,574	60,777
Investments and other assets		
Investment securities	303,924	236,445
Others	56,228	53,624
Allowance for doubtful accounts	(4,297)	(4,044)
Total investments and other assets	355,855	286,025
Total non-current assets	1,065,989	1,008,481
Total assets	2,011,067	1,954,244

(Million yen)

	As of March 31, 2018	As of December 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable-trade	158,369	137,173
Short-term loans payable	206,142	213,195
Current portion of bonds payable	25,000	–
Commercial papers	–	20,000
Income taxes payable	9,151	6,306
Provision	13,228	7,106
Gold payable	246,227	251,977
Other	118,880	121,594
Total current liabilities	777,001	757,353
Non-current liabilities		
Bonds payable	50,000	50,000
Long-term loans payable	240,292	248,582
Provision for environmental measures	37,833	42,179
Other provision	2,370	2,756
Net defined benefit liability	51,647	49,736
Other	83,427	64,416
Total non-current liabilities	465,570	457,671
Total liabilities	1,242,571	1,215,025
Net assets		
Shareholders' equity		
Capital stock	119,457	119,457
Capital surplus	92,422	92,422
Retained earnings	361,430	364,514
Treasury stock	(2,089)	(2,117)
Total shareholders' equity	571,222	574,277
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	95,487	51,256
Deferred gains or losses on hedges	1,068	2,046
Revaluation reserve for land	33,071	32,974
Foreign currency translation adjustment	(10,312)	(5,190)
Remeasurements of defined benefit plans	(8,066)	(6,884)
Total accumulated other comprehensive income	111,249	74,202
Non-controlling interests	86,023	90,739
Total net assets	768,495	739,218
Total liabilities and net assets	2,011,067	1,954,244

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

Consolidated statement of income

Consolidated first nine months (Million yen)

	Nine Months Ended December 31, 2017 (Apr. 1, 2017–Dec. 31, 2017)	Nine Months Ended December 31, 2018 (Apr. 1, 2018–Dec. 31, 2018)
Net sales	1,147,047	1,272,555
Cost of sales	981,607	1,121,653
Gross profit	165,440	150,901
Selling, general and administrative expenses	110,451	116,653
Operating profit	54,988	34,248
Non-operating profit		
Interest income	579	820
Dividend income	18,252	13,169
Share of profit of entities accounted for using equity method	2,267	1,525
Rent income on non-current assets	3,595	3,746
Other	2,081	1,913
Total non-operating profit	26,776	21,175
Non-operating expenses		
Interest expenses	3,788	3,579
Settlement expenses of remaining business in mines	3,029	2,132
Loss on retirement of non-current assets	2,710	1,373
Other	3,655	6,270
Total non-operating expenses	13,184	13,356
Ordinary income	68,581	42,067
Extraordinary income		
Gain on liquidation of subsidiaries and associates	–	506
Gain on sales of non-current assets	2,365	462
Gain on sales of investment securities	981	269
Gain on reversal of loss of valuation of investment securities	1,145	170
Other	6	–
Total extraordinary income	4,499	1,409
Extraordinary losses		
Provision for environmental measures	–	6,530
Impairment loss	41	3,868
Loss on valuation of investment securities	–	2,779
Loss on sales of non-current assets	283	41
Loss on sales of investment securities	490	–
Other	136	178
Total extraordinary losses	952	13,398
Income before income taxes	72,128	30,077
Income taxes	19,746	12,785
Net income	52,381	17,291
Net income attributable to non-controlling interests	8,646	4,460
Net income attributable to owners of parent	43,734	12,831

Consolidated statements of comprehensive income

Consolidated first nine months (Million yen)

	Nine Months Ended December 31, 2017 (Apr. 1, 2017–Dec. 31, 2017)	Nine Months Ended December 31, 2018 (Apr. 1, 2018–Dec. 31, 2018)
Net income	52,381	17,291
Other comprehensive income		
Valuation difference on available-for-sale securities	47,519	(44,444)
Deferred gains or losses on hedges	(2,521)	1,224
Foreign currency translation adjustment	4,595	7,625
Remeasurements of defined benefit plans	2,104	1,188
Share of other comprehensive income of entities accounted for using equity method	993	(518)
Total other comprehensive income	52,691	(34,923)
Comprehensive income	105,073	(17,631)
(Breakdown)		
Comprehensive income attributable to owners of parent	95,360	(24,223)
Comprehensive income attributable to non-controlling interests	9,712	6,592

(3) Notes to consolidated quarterly financial statements

Notes on assumptions for a going concern

N/A

Segment information

[Segment Information]

I. For the nine months ended December 31, 2017 (from April 1, 2017 to December 31, 2017)

Sales and income of reporting segments

(Million yen)

	Advanced Products	Metalworking Solutions Business	Metals Business	Cement Business	Others business	Total	Adjustment amount	Amount indicated in the consolidated quarterly statements of income
Net sales								
(1) Outside customers	383,705	110,954	377,326	143,337	131,722	1,147,047	–	1,147,047
(2) Within consolidated group	9,759	8,739	130,765	2,706	38,512	190,483	(190,483)	–
Total	393,465	119,693	508,091	146,044	170,235	1,337,530	(190,483)	1,147,047
Segment income	14,636	13,036	23,154	18,340	6,195	75,362	(6,781)	68,581

Notes:
1. “Others” includes nuclear energy-related services, environmental and recycling-related business, real estate business, and engineering-related services.
2. “Adjustment amount” of segment income of -¥6,781 million includes the elimination of intersegment transactions of ¥82 million and corporate expenses of -¥6,864 million which are not distributed to the reporting segments. Corporate expenses consist mainly of general and administrative expenses that do not belong to the reporting segments, basic experiment and research expenses, and financial revenue and expenses.
3. Segment income has been adjusted together with ordinary income on the consolidated quarterly statements of income.

II. For the nine months ended December 31, 2018 (from April 1, 2018 to December 31, 2018)

1. Sales and income of reporting segments

(Million yen)

	Advanced Products	Metalworking Solutions Business	Metals Business	Cement Business	Others business	Total	Adjustment amount	Amount indicated in the consolidated quarterly statements of income
Net sales								
(1) Outside customers	424,925	120,900	432,163	148,562	146,003	1,272,555	–	1,272,555
(2) Within consolidated group	10,471	9,105	132,490	2,452	36,502	191,021	(191,021)	–
Total	435,397	130,005	564,653	151,014	182,505	1,463,577	(191,021)	1,272,555
Segment income	10,691	12,751	3,936	12,263	9,096	48,739	(6,672)	42,067

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

2. "Adjustment amount" of segment income of -¥6,672 million includes the elimination of intersegment transactions of -¥89 million and corporate expenses of -¥6,583 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 regarding the change of the reporting segments, among other changes

At the meeting of the Board of Directors held on August 7, 2018, the Company resolved to partially change the organization of business division. This change was made on October 1, 2018.

The Copper & Copper Alloy Products in the Metals Company, the Electronic Materials & Components Company and the Aluminum Div. are integrated to "Advanced Products Company" as a single in-house company, it aims to strengthen its product planning, marketing and proposal capabilities for key areas and main customers in a cross-functional manner.

Associated with this, the Company has changed the method of business segmentation from the "Cement Business", "Metals Business", "Advanced Materials & Tools Business", "Electronic Materials & Components Business", "Aluminum Business" and "Others business" to the "Advanced Products", "Metalworking Solutions Business", "Metals Business", "Cement Business" and "Others business".

In this regard, the segment information for the first nine months of the previous consolidated fiscal year that is disclosed herein is made according to the changed method of segmentation.

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 third quarter under review, and multiplying income before income taxes for the first nine months by the estimated effective tax rate.

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, regarding countermeasure work to stabilize large-scale collection sites, there were 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. The details of the construction work were determined and the estimated amount of expenses was fixed in the first nine months of the consolidated fiscal year under review, and we have thus recorded an extraordinary loss of ¥6,530 million that was posted and included in the provision for environmental measures.

(Adoption of the "Partial Amendments to Accounting Standard for Tax Effect Accounting," etc.)

The Company has adopted the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28 on February 16, 2018), etc. from the beginning of the first quarter of the fiscal year. As a result, deferred tax assets are presented in investments and other assets, and deferred tax liabilities are presented in non-current liabilities.

Contingent liabilities

(Matters concerning taxation in Indonesia)

Previous consolidated fiscal year (As of March 31, 2018)

On December 30, 2014, PT. Smelting in Indonesia, a consolidated subsidiary of the Company (hereinafter the "PTS") received a notice of reassessment in an amount of US$47 million (¥5,085 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 PTS for the year ended December 31, 2009. On January 28, 2015, the PTS made a provisional deposit of US$14 million (¥1,487 million) as a part of the additional collection.

However, the PTS 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 PTS 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 PTS.

The written objection submitted by the PTS on March 25, 2015 was dismissed by the Indonesian National Tax Authority on March 16, 2016. Therefore, the PTS 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 PTS.

On December 22, 2016, the PTS received a notice of reassessment in an amount of US$34 million (¥3,637 million) from the Indonesian National Tax Authority, regarding its posting of raw material costs, etc. for the fiscal year ended December 31, 2011.

However, the PTS 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 PTS and found to be unacceptable by the Company and the PTS.
On February 28, 2018, the PTS received a notice from the Indonesian National Tax Authority regarding the written objection submitted by the PTS on March 20, 2017, and the written objection of the PTS was accepted for US$28 million (¥3,012 million). For US$5 million (¥625 million), for which the written objection was dismissed, the PTS has decided to file a complaint to the Tax Court in Indonesia.
On November 29, 2017, the PTS also received a notice of reassessment in an amount of US$22 million (¥2,425 million) from the Indonesian National Tax Authority, primarily regarding its posting of gains and losses on hedging for the fiscal year ended December 31, 2012. On December 27, 2017, the PTS made a provisional deposit of US$6 million (¥668 million) as part of the additional collection.
However, the PTS submitted a written objection to the Indonesian National Tax Authority on February 27, 2018, because this assessment was a view that unilaterally negated the basis for recording gains and losses on hedging, etc. of the PTS and found to be unacceptable by the Company and the PTS.

Third quarter of the consolidated fiscal year under review (As of December 31, 2018)
On December 30, 2014, PT. Smelting in Indonesia, a consolidated subsidiary of the Company (hereinafter the “PTS”) received a notice of reassessment in an amount of US$47 million (¥5,313 million based on the exchange rate at the end of the third quarter of the consolidated fiscal year under review) from the Indonesian National Tax Authority, regarding the sales transaction pricing of the PTS for the year ended December 31, 2009. On January 28, 2015, the PTS made a provisional deposit of US$14 million (¥1,554 million) as a part of the additional collection.
However, the PTS 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 PTS 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 PTS.
The written objection submitted by the PTS on March 25, 2015 was dismissed by the Indonesian National Tax Authority on March 16, 2016. Therefore, the PTS 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 PTS.
On November 29, 2017, the PTS also received a notice of reassessment in an amount of US$22 million (¥2,533 million) from the Indonesian National Tax Authority, primarily regarding its posting of gains and losses on hedging for the fiscal year ended December 31, 2012. On December 27, 2017, the PTS made a provisional deposit of US$6 million (¥698 million) as part of the additional collection.
However, the PTS submitted a written objection to the Indonesian National Tax Authority on February 27, 2018, because this assessment was a view that unilaterally negated the basis for recording gains and losses on hedging, etc. of the PTS and found to be unacceptable by the Company and the PTS.
On December 5, 2018, the PTS also received a notice of reassessment in an amount of US$15 million (¥1,688 million) from the Indonesian National Tax Authority, primarily regarding its posting of gains and losses on hedging for the fiscal year ended December 31, 2014. On December 27, 2018, the PTS made a provisional deposit of US$5 million (¥651 million) as part of the additional collection.
However, the PTS plans to submit a written objection to the Indonesian National Tax Authority, because this assessment is a view that unilaterally negates the basis for recording gains and losses on hedging, etc. of the PTS and has been found to be unacceptable by the Company and the PTS.

(Matters concerning Non-Conforming Products)
Previous consolidated fiscal year (As of March 31, 2018)

Mitsubishi Materials Corporation discovered that 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 due to misconduct, including the rewriting of inspection records data and the insufficient testing concerning some of the products manufactured and sold in the past.
Based on the above fact, some of the aforementioned subsidiaries received notification of revocation of their JIS certification and ISO certifications from the accrediting agencies.
Since quality control related problems were also discovered with respect to the copper slag products manufactured at the Company's Naoshima Smelter & Refinery, the Company reported the fact to the Japan Quality Assurance organization (JQA) and a special inspection was conducted. As a result, JQA revoked the JIS certification for copper slag products manufactured at the Company’s Naoshima Smelter & Refinery.
Depending on the progress of the above mentioned issues, the Company’s consolidated business results may be affected, due to costs incurred to compensate customers and other parties and other losses. However, such amounts which are currently difficult to estimate are not reflected in the consolidated financial statements.

Third quarter of the consolidated fiscal year under review (As of December 31, 2018)
Mitsubishi Materials Corporation discovered that the Company’s consolidated subsidiaries had delivered products, etc. that deviated from customer standards or internal company specifications due to misconduct, including the rewriting of inspection records data and the insufficient testing, concerning some of the products manufactured and sold in the past.
Based on the above fact, some of the aforementioned subsidiaries received notification of revocation of their JIS certification and ISO certifications from the accrediting agencies.
Depending on the progress of the above mentioned issues, the Company’s consolidated business results may be affected, due to costs incurred to compensate customers and other parties and other losses. However, such amounts which are currently difficult to estimate are not reflected in the quarterly consolidated financial statements.

(On-site inspection by the Japan Fair Trade Commission)
Previous consolidated fiscal year (As of March 31, 2018)
Universal Can Corporation, a consolidated subsidiary of the Company, was on-site inspected by the Japan Fair Trade Commission on February 6, 2018, due to suspected of violating the Antimonopoly Act concerning the transaction of empty cans for beverages.
The subsequent progress of this matter may affect the Company’s consolidated financial results, since it is difficult to rationally estimate the impact amount at the present time, it is not reflected in the consolidated financial statements.

Third quarter of the consolidated fiscal year under review (As of December 31, 2018)
Universal Can Corporation, a consolidated subsidiary of the Company, was on-site inspected by the Japan Fair Trade Commission on February 6, 2018, due to suspected of violating the Antimonopoly Act concerning the transaction of empty cans for beverages.
The subsequent progress of this matter may affect the Company’s consolidated financial results, since it is difficult to rationally estimate the impact amount at the present time, it is not reflected in the quarterly consolidated financial statements.

Important subsequent events

(Change the method of business segmentation)

At the meeting of the Board of Directors held on February 12, 2019, the Company has resolved to partially change the organization of the business division effective of April 1, 2019.

The coal-related business in the "Others business" has changed to the "Cement Business," in which coal is used as thermal energy, to achieve more efficient business management.

Information on net sales and profits for each reporting segment for the first nine months of the consolidated fiscal year under review based on the business segments after the change is as provided below.

For the nine months ended December 31, 2018 (from April 1, 2018 to December 31, 2018)

Sales and income of reporting segments

(Million yen)

	Advanced Products	Metalworking Solutions Business	Metals Business	Cement Business	Others business	Total	Adjustment amount	Amount indicated in the consolidated quarterly statements of income
Net sales								
(1) Outside customers	424,925	120,900	432,163	189,589	104,975	1,272,555	–	1,272,555
(2) Within consolidated group	10,471	9,105	132,490	3,020	31,513	186,600	(186,600)	–
Total	435,397	130,005	564,653	192,610	136,488	1,459,155	(186,600)	1,272,555
Segment income	10,691	12,751	3,936	15,723	5,636	48,739	(6,672)	42,067

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

2. "Adjustment amount" of segment income of -¥6,672 million includes the elimination of intersegment transactions of -¥89 million and corporate expenses of -¥6,583 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.