Consolidated Financial Results for the Three Months Ended June 30, 2019 (Japanese Accounting Standards)

August 7, 2019

Name of Listed Company: Mitsubishi Materials Corporation   Listing: Tokyo Stock Exchange
Stock Code: 5711   URL: http://www.mmc.co.jp/
Representative: Naoki Ono, Chief Executive Officer
Contact: Nobuyuki Suzuki, General Manager, Corporate Communications Dept., General Affiars Dept., Human Resources & General Affairs Div.   Tel: +81-3-5252-5206

Scheduled filing date of Quarterly Report: August 7, 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 three months ended June 30, 2019 (From April 1, 2019 to June 30, 2019)

(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 three months ended June 30, 2019	366,256	-12.8	8,992	-46.8	19,191	6.2	2,411	-75.6
First three months ended June 30, 2018	420,049	26.0	16,887	-2.4	18,078	-16.5	9,883	-15.0

(Note) Comprehensive income: The first three months ended June 30, 2019: -14,800 million yen (–%)
The first three months ended June 30, 2018: 5,521 million yen (-60.0%)

	Net income per share	Diluted net income per share
	Yen	Yen
First three months ended June 30, 2019	18.41	–
First three months ended June 30, 2018	75.47	–

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of June 30, 2019	1,958,546	695,620	31.3
As of March 31, 2019	1,938,270	723,337	32.7

(Reference) Shareholders' Equity: As of June 30, 2019: 613,754 million yen As of March 31, 2019: 633,582 million yen

2. Dividend Payments

	Dividends per share				
(Record date)	First quarter	Second quarter	Third quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2019	–	40.00	–	40.00	80.00
Year ending March 31, 2020	–				
Year ending March 31, 2020 (Forecast)		40.00	–	40.00	80.00

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

3. Consolidated Earnings Forecast (From April 1, 2019 to March 31, 2020)

(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, 2019	830,000	-3.0	23,000	-16.7	24,000	-27.4	5,000	-66.3	38.18
Year ending March 31, 2020	1,700,000	2.2	51,000	38.4	62,000	22.3	30,000	–	229.10

(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 10.

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

(i)	Changes in accounting policies due to amendments to accounting standards:	Yes
(ii)	Other changes in accounting policies:	None
(iii)	Changes in accounting estimates:	None
(iv)	Restatements:	None

(4) Numbers of issued shares (common stock)

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

Three months ended June 30, 2019:	131,489,535 shares
Year ended March 31, 2019:	131,489,535 shares

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

Three months ended June 30, 2019:	540,902 shares
Year ended March 31, 2019:	538,493 shares

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

Three months ended June 30, 2019:	130,949,845 shares
Three months ended June 30, 2018:	130,961,338 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 First Quarter Ended June 30, 2019" 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 Wednesday, August 7, 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 First Quarter Ended June 30, 2019

(1) Details of operating results

1) Overview of operating results

During the first quarter of the consolidated fiscal year under review, in the Asia region, economic slowdown continued in China and a tendency toward economic deceleration was also seen in Thailand. However, economy showed signs of a modest recovery in Indonesia. In the United States, the economy continued to improve steadily.

In Japan, employment and income conditions were on the road to recovery. However, exports showed a downward trend and growth in industrial production also appeared to slow down.

Regarding the business environment for the Mitsubishi Materials Group, declining demand in automobile and semiconductor-related sectors and falling copper prices and weaker domestic demand for cement had a negative impact.

Under these circumstances, consolidated net sales for the first quarter under review totaled ¥366,256 million, down 12.8% year on year. Operating profit decreased 46.8% year on year, to ¥8,992 million, and ordinary income rose 6.2%, to ¥19,191 million. Meanwhile, Universal Can Corporation, which is a consolidated subsidiary of the Company, recorded an extraordinary loss of ¥10,423 million as a provision for loss on the Antimonopoly Act. As a result, net income attributable to owners of parent fell 75.6%, to ¥2,411 million.

2) Overview by segments

From the first quarter of the fiscal year, the reporting segments have been changed. 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 for the same quarter of the previous year under the changed segments is used .

(Advanced Products)

(Billion yen)

	FY 2019 Q1	FY 2020 Q1	Increase / Decrease (%)
Net sales	148.4	133.2	-15.1 (-10.2%)
Operating profit	4.5	1.0	-3.4 (-75.7%)
Ordinary income	4.3	1.3	-2.9 (-68.3%)

In the copper and copper alloy products business, both net sales and operating profit decreased as a result of a fall in sales of automotive and semiconductor-related products.

In the electronics materials & components business, both net sales and operating profit decreased, reflecting decline in sales of products such as advanced materials and electronic components and mainly an increase in the production costs of polycrystalline silicon products.

In the aluminum products business, both net sales and operating profit fell due to a decrease in sales of regular cans and bottle cans for beverages and rolled and extruded products such as extruded products for automobiles and heat exchange sheet materials.

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

(Metalworking Solutions Business)

(Billion yen)

	FY 2019 Q1	FY 2020 Q1	Increase / Decrease (%)
Net sales	44.8	40.4	-4.4 (-9.9%)
Operating profit	5.9	3.6	-2.2 (-38.4%)
Ordinary income	5.4	3.3	-2.1 (-39.5%)

In the cemented carbide products business, both net sales and operating profit decreased as a result of decline in sales in the Asia region, especially China.
In the sintering parts, etc. business, net sales fell and operating loss expanded due to decline in sales of mainstay sintering parts mainly in China.
Consequently, both net sales and operating profit for the entire Metalworking Solutions business fell year on year. Ordinary income declined due to decrease in operating profit.

(Metals Business)

(Billion yen)

	FY 2019 Q1	FY 2020 Q1	Increase / Decrease (%)
Net sales	192.6	151.9	-40.6 (-21.1%)
Operating profit	3.5	1.4	-2.0 (-59.4%)
Ordinary income	3.5	9.9	6.3 (177.9%)

In the copper business, both net sales and operating profit fell, mainly due to decrease production volume following operational troubles at Onahama Smelting and Refining Co., Ltd. in addition to falling copper prices.
In the gold and other valuable metals business, both net sales and operating profit declined due to decreased production volume of gold and other valuable metals as a result of a fall in the amount contained in raw materials.
As a result, overall the Metal business posted year-on-year declines in both net sales and operating profit. Despite the decrease in operating profit, ordinary income increased due to higher dividend income.

(Cement Business)

(Billion yen)

	FY 2019 Q1	FY 2020 Q1	Increase / Decrease (%)
Net sales	57.1	58.5	1.3 (2.4%)
Operating profit	4.3	4.2	-0.1 (-3.0%)
Ordinary income	5.1	5.1	-0.0 (-0.3%)

In Japan, both net sales and operating profit decreased, reflecting lower sales volumes mainly due to decline in demand both for construction work of facilities related to the Tokyo Olympic and Paralympic Games in the Tokyo metropolitan area as well as the road construction work related to Shin-Meishin Expressway in the Tokai area.
Overseas, both net sales and operating profit increased due to rising sales prices for ready-mixed concrete in the United States as well as higher sales volumes.
Consequently, net sales for the entire Cement business increased year on year, but operating profit decreased. Ordinary income declined mainly due to decrease in operating profit.

(Others Business)

(Billion yen)

	FY 2019 Q1	FY 2020 Q1	Increase / Decrease (%)
Net sales	39.6	38.2	-1.3 (-3.5%)
Operating profit	0.7	0.5	-0.2 (-27.8%)
Ordinary income	0.9	0.9	0.0 (1.5%)

In the energy-related business, net sales increased but operating profit decreased, reflecting late progress in certain contracted work despite higher sales in nuclear energy-related business.
In the environment recycling business, net sales increased but operating profit decreased, reflecting higher operational costs in addition to decline in the unit sales price of valuables, which offset increased sales due to higher volumes of "E-waste" (used electronics and electrical products) and incineration ash processing.
In the Others business excluding the energy-related business and the environmental recycling business, net sales decreased but operating profit increased.
In the Others business overall, both net sales and operating profit decreased year on year. Ordinary income rose, reflecting an increase in equity in earnings of affiliates.

(2) Details of financial position

Total assets at the end of the first quarter of the consolidated fiscal year under review stood at ¥1,958.5 billion, up ¥20.2 billion from the end of the previous consolidated fiscal year. This result was mainly due to an increase in inventories during the first quarter under review.
Total liabilities were ¥1,262.9 billion, an increase of ¥47.9 billion from the end of the previous consolidated fiscal year. This was mainly due to increases in commercial papers and short-term loans payable in the consolidated first quarter under review.

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

For the first six months of the fiscal year ending March 31, 2020, the Company revised the previous consolidated earnings forecast that announced on May 13, 2019. Net income attributable to owners of parent is expected to decline from the previous forecast, given that the provision for loss on the Antimonopoly Act was posted as an extraordinary loss and so on in the first three months of the current fiscal year under review.
While, the full-year consolidated earnings forecasts for the fiscal year ending March 31, 2020 remain unchanged from the previous forecasts.

Revisions to Consolidated Earnings Forecasts for the Six months of the fiscal year ending March 31, 2020 (from April 1, 2019 to September 30, 2019)

(Billion yen)

	Previous forecast	Current forecast	Increase / Decrease (%)
Net sales	830.0	830.0	—
Operating profit	23.0	23.0	—
Ordinary income	24.0	24.0	—
Net income attributable to owners of parent	12.0	5.0	-58.3

(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, 2019	As of June 30, 2019
Assets		
Current assets		
Cash and deposits	108,648	87,919
Notes and accounts receivable-trade	248,220	248,065
Merchandise and finished goods	92,452	100,739
Work in process	108,293	121,818
Raw materials and supplies	134,825	137,692
Others	220,108	249,981
Allowance for doubtful accounts	(2,900)	(2,855)
Total current assets	909,647	943,362
Non-current assets		
Property, plant and equipment		
Machinery and equipment, net	229,123	232,264
Land, net	235,664	234,226
Other, net	222,627	228,895
Total property, plant and equipment	687,415	695,387
Intangible assets		
Goodwill	40,816	38,814
Other	17,924	17,271
Total intangible assets	58,740	56,086
Investments and other assets		
Investment securities	236,572	218,458
Others	49,983	49,451
Allowance for doubtful accounts	(4,088)	(4,198)
Total investments and other assets	282,467	263,711
Total non-current assets	1,028,622	1,015,184
Total assets	1,938,270	1,958,546

(Million yen)

	As of March 31, 2019	As of June 30, 2019
Liabilities		
Current liabilities		
Notes and accounts payable-trade	147,566	137,790
Short-term loans payable	180,100	192,284
Commercial papers	5,000	35,000
Income taxes payable	7,869	5,488
Provision for loss on the Antimonopoly Act	–	10,423
Other provisions	14,931	7,915
Gold payable	253,918	268,072
Other	118,623	118,502
Total current liabilities	728,011	775,477
Non-current liabilities		
Bonds payable	50,000	50,000
Long-term loans payable	259,667	258,718
Provision for environmental measures	40,427	37,979
Other provisions	3,468	3,365
Net defined benefit liability	50,003	50,329
Other	83,353	87,056
Total non-current liabilities	486,921	487,448
Total liabilities	1,214,933	1,262,925
Net assets		
Shareholders' equity		
Capital stock	119,457	119,457
Capital surplus	92,393	92,393
Retained earnings	352,932	350,268
Treasury stock	(2,123)	(2,130)
Total shareholders' equity	562,659	559,988
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	51,220	38,266
Deferred gains or losses on hedges	124	1,205
Revaluation reserve for land	33,023	33,013
Foreign currency translation adjustment	(5,828)	(10,723)
Remeasurements of defined benefit plans	(7,617)	(7,996)
Total accumulated other comprehensive income	70,922	53,765
Non-controlling interests	89,754	81,866
Total net assets	723,337	695,620
Total liabilities and net assets	1,938,270	1,958,546

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

Consolidated statement of income

Consolidated first three months (Million yen)

	Three Months Ended June 30, 2018 (Apr. 1, 2018 - Jun. 30, 2018)	Three Months Ended June 30, 2019 (Apr. 1, 2019 - Jun. 30, 2019)
Net sales	420,049	366,256
Cost of sales	364,529	319,134
Gross profit	55,520	47,122
Selling, general and administrative expenses	38,633	38,130
Operating profit	16,887	8,992
Non-operating profit		
Interest income	245	346
Dividend income	3,314	11,074
Share of profit of entities accounted for using equity method	354	765
Rent income on non-current assets	1,243	1,268
Other	510	1,205
Total non-operating profit	5,668	14,660
Non-operating expenses		
Interest expenses	1,217	1,263
Settlement expenses of remaining business in mines	677	948
Foreign exchange losses	1,131	578
Other	1,450	1,671
Total non-operating expenses	4,476	4,461
Ordinary income	18,078	19,191
Extraordinary income		
Gain on sales of investment securities	170	1,070
Gain on liquidation of subsidiaries and associates	506	–
Other	85	53
Total extraordinary income	762	1,123
Extraordinary losses		
Provision for loss on the Antimonopoly Act	–	10,423
Impairment loss	686	478
Loss on valuation of investment securities	334	–
Other	0	27
Total extraordinary losses	1,020	10,928
Income before income taxes	17,820	9,386
Income taxes	6,223	5,655
Net income	11,596	3,730
Net income attributable to non-controlling interests	1,713	1,319
Net income attributable to owners of parent	9,883	2,411

Consolidated statements of comprehensive income

Consolidated first three months (Million yen)

	Three Months Ended June 30, 2018 (Apr. 1, 2018 - Jun. 30, 2018)	Three Months Ended June 30, 2019 (Apr. 1, 2019 - Jun. 30, 2019)
Net income	11,596	3,730
Other comprehensive income		
Valuation difference on available-for-sale securities	(9,908)	(12,970)
Deferred gains or losses on hedges	(1,603)	1,881
Foreign currency translation adjustment	5,834	(6,808)
Remeasurements of defined benefit plans	350	(393)
Share of other comprehensive income of entities accounted for using equity method	(748)	(240)
Total other comprehensive income	(6,075)	(18,531)
Comprehensive income	5,521	(14,800)
(Breakdown)		
Comprehensive income attributable to owners of parent	1,663	(14,325)
Comprehensive income attributable to non-controlling interests	3,858	(474)

(3) Notes to consolidated quarterly financial statements

Notes on assumptions for a going concern

N/A

Segment information

[Segment Information]

I. For the three months ended June 30, 2018 (from April 1, 2018 to June 30, 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	144,938	41,971	145,399	56,523	31,216	420,049	–	420,049
(2) Within consolidated group	3,515	2,913	47,222	664	8,470	62,786	(62,786)	–
Total	148,453	44,884	192,622	57,188	39,687	482,836	(62,786)	420,049
Segment income	4,307	5,498	3,592	5,132	931	19,463	(1,384)	18,078

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 -¥1,384 million includes the elimination of intersegment transactions of ¥82 million and corporate expenses of -¥1,467 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 three months ended June 30, 2019 (from April 1, 2019 to June 30, 2019)

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	130,610	37,455	110,877	57,834	29,479	366,256	–	366,256
(2) Within consolidated group	2,644	2,993	41,049	712	8,812	56,212	(56,212)	–
Total	133,254	40,449	151,926	58,546	38,292	422,469	(56,212)	366,256
Segment income	1,366	3,329	9,983	5,116	945	20,741	(1,550)	19,191

Notes: 1. “Others business” includes nuclear energy-related services, environmental and recycling-related business, and engineering-related services.
2. “Adjustment amount” of segment income of -¥1,550 million includes the elimination of intersegment transactions of -¥23 million and corporate expenses of -¥1,527 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 February 12, 2019, the Company resolved to partially change the organization of business divisions. This change was made on 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.

In this regard, the segment information for the three 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 first quarter under review, and multiplying income before income taxes for the first quarter by the estimated effective tax rate.

Changes in accounting policies

(Application of IFRS 16 "Leases")

Foreign subsidiaries that apply IFRS started applying IFRS 16 "Leases" from the first quarter of the consolidated fiscal year under review. The impact of application of this accounting standard on the consolidated financial statements for the first quarter of the consolidated fiscal year under review was insignificant.

Additional information

(On-site inspection by the Japan Fair Trade Commission)

Universal Can Corporation (hereinafter, "Universal Can"), a consolidated subsidiary of the Company, was on-site inspected by the Japan Fair Trade Commission (hereinafter, "JFTC") on February 6, 2018, due to suspected of violating the Antimonopoly Act concerning the transaction of empty cans for beverages. On July 2, 2019, Universal Can received from the JFTC a notice of hearing of opinions pertaining to a cease and desist order (draft) and a surcharge payment order (draft) in accordance with the Antimonopoly Act. Accordingly, in the first quarter of the consolidated fiscal year under review, the Company recorded a provision for loss on the Antimonopoly Act of ¥10,423 million based on the surcharge payment order (draft).

Contingent liabilities

(Matters concerning taxation in Indonesia)

Previous consolidated fiscal year (As of March 31, 2019)

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 (¥5,312 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 (¥1,553 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.
The written objection submitted by the PTS on February 27, 2018 was dismissed by the Indonesian National Tax Authority on February 25, 2019. Therefore, the PTS filed a complaint to the Tax Court in Indonesia on May 17, 2019 to present the fairness of the view of 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 submitted a written objection to the Indonesian National Tax Authority on February 27, 2019, 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.
The total amount for additional collection being disputed by the PTS, including amounts for the fiscal years described above as well as amounts for the fiscal year ended December 31, 2010, the fiscal year ended December 31 2011, the fiscal year ended December 31, 2013 and the fiscal year ended December 31, 2015 is US$101 million (¥11,309 million).

First quarter of the consolidated fiscal year under review (As of June 30, 2019)
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 (¥5,159 million based on the exchange rate at the end of the first 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 (¥1,509 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 (¥2,460 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 (¥678 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.
The written objection submitted by the PTS on February 27, 2018 was dismissed by the Indonesian National Tax

Authority on February 25, 2019. Therefore, the PTS filed a complaint to the Tax Court in Indonesia on May 17, 2019 to present the fairness of the view of the Company and the PTS.
On December 5, 2018, the PTS also received a notice of reassessment in an amount of US$15 million (¥1,639 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 (¥632 million) as part of the additional collection.
However, the PTS submitted a written objection to the Indonesian National Tax Authority on February 27, 2019, 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.
The total amount for additional collection being disputed by the PTS, including amounts for the fiscal years described above as well as amounts for the fiscal year ended December 31, 2010, the fiscal year ended December 31 2011, the fiscal year ended December 31, 2013 and the fiscal year ended December 31, 2015 is US$101 million (¥10,983 million).

(Matters concerning Non-Conforming Products)
Previous consolidated fiscal year (As of March 31, 2019)
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 compensate customers and other losses. However, such amounts which are currently difficult to estimate are not reflected in the consolidated financial statements.

First quarter of the consolidated fiscal year under review (As of June 30, 2019)
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 compensate customers and other losses. However, such amounts which are currently difficult to estimate are not reflected in the quarterly consolidated financial statements.

Important subsequent events

(Absorption-type merger of the consolidated subsidiary)

The Company resolved at a meeting of its Board of Directors held on July 31, 2019 to conduct an absorption-type merger of Mitsubishi Shindoh Co., Ltd., a consolidated subsidiary of the Company with April 1, 2020 as the effective date and concluded a merger agreement on July 31, 2019.

1. Overview of transaction

(1) Name and business of acquired enterprise

Name of acquired enterprise:	Mitsubishi Shindoh Co., Ltd.
Business of acquired enterprise:	Rolling, extruding and casting of copper and copper alloys and the processing and sales thereof

(2) Date of business combination

April 1, 2020 (Plan)

(3) Legal form of business combination

Absorption-type merger in which the Company shall be the surviving company and Mitsubishi Shindoh Co., Ltd. shall be dissolved.

(4) Name of the companies after the business combination

Mitsubishi Materials Corporation

(5) Purpose of business combination

The purpose of the merger is to cooperatively operate the Group’s management resources in the Copper & Copper Alloy business in order to invest more actively and flexibly and to develop products promptly that meet market needs and to improve and enhance the production and sales systems in Japan as well as overseas.

2. Overview of accounting procedures to implement

The Company plans to account processing for the merger as a transaction under common control in accordance with the Accounting Standard for Business Combinations (ASBJ Statement No. 21, January 16, 2019) and Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, January 16, 2019).