

# Investor Meeting Mitsubishi Materials Corporation



Cemented carbide products

November 13, 2014

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# **1. FY2015 1st Half Consolidated Performance**

# FY2015 1st Half Consolidated Performance Overview

■ Net sales	751.1 billion yen (47.5 billion yen increase YOY)	<b>+6.8%</b>
■ Operating profit	34.0 billion yen (0.6 billion yen increase YOY)	<b>+2.1%</b>
■ Ordinary income	40.0 billion yen (4.5 billion yen increase YOY)	<b>+12.9%</b>
■ Net income	23.2 billion yen (6.0 billion yen decrease YOY)	<b>-20.5%</b>

## 1st Half Highlights (as compared with the same period last year, ordinary income)

- ◆ Cement: Increased mainly for export in Japan. Decreased in North America, as the ready-mixed concrete shipment remained roughly the same as the previous year due to unsettled weather and other reasons and the increase in costs could not be covered.
- ◆ Metals: Although the copper cathode production increased substantially, the profit remained same as the previous year due to the increase in repair cost.
- ◆ Advanced Materials & Tools: Increased as a result of the sales volume recovery mainly for export of cemented carbide tools.
- ◆ Electronic Materials & Components: Increased profit from improvement of equity in earnings of affiliates due to the business recovery of SUMCO.
- ◆ Aluminum: Decreased due to the rising cost of raw materials and electricity for can manufacturing.
- ◆ Interim dividend: Paid 3 yen/share, increased 1 yen from the previous year.

# Consolidated Statements of Operations (for the 1st Half) YOY Comparison

(¥billions)	FY2014 1st Half Result (a)	FY2015 1st Half Result (b)	Difference (b)-(a)	Reason
<b>Net sales</b>	<b>703.6</b>	<b>751.1</b>	<b>47.5</b>	Metals +43.0, Cement +3.4, AM&T -4.4 (cemented carbide +6.5), EM&C -3.9 etc
<b>Operating profit</b>	<b>33.3</b>	<b>34.0</b>	<b>0.6</b>	AM&T +0.8, Cement -0.6 etc
Net interest and dividends income	2.4	3.5	1.1	Dividends +0.4 etc
Equity in earnings of affiliates	2.2	4.8	2.6	JDC +1.7, SUMCO +2.1, Metals -0.8 etc
Other/Non-operating profit	-2.4	-2.4	0.0	
<b>Ordinary income</b>	<b>35.4</b>	<b>40.0</b>	<b>4.5</b>	
Extraordinary income/loss	4.1	-3.6	-7.8	Gain on sales of noncurrent assets -3.9, Provision for environmental measures -1.3, Loss on suspension of operations -1.1 etc
Income taxes	-7.9	-10.4	-2.5	
Minority interests in income	-2.4	-2.6	-0.2	
<b>Net income</b>	<b>29.2</b>	<b>23.2</b>	<b>-6.0</b>	

Exchange rate: 99 JPY/\$ → 103 JPY/\$

Copper price: 323 ¢/lb → 313 ¢/lb

# Factor Analysis of Net Sales, Operating Profit and Ordinary Income by Segment

(¥billions)		1H/FY2014 (a)	1H/FY2015 (b)	Differences (b)-(a)	Exchange rates differences	Price differences	Quantity variation	Electricity price effect	Dividends received	Earnings in equity of affiliates	Others
Cement	Net sales	87.2	90.6	3.4	2.2	1.5	-0.5				0.1
	Operating profit	7.0	6.4	-0.6	0.0	0.9	-0.4	-0.3			-0.7
	Ordinary income	6.7	6.0	-0.7					-0.0	-0.1	-0.8
Metals	Net sales	366.9	410.0	43.0	12.3	-14.6	44.0				1.2
	Operating profit	12.3	12.4	0.1	0.6	-0.4	2.2	-0.6			-1.7
	Ordinary income	16.8	16.8	-0.0					0.4	-0.8	-1.4
Advanced Materials & Tools	Net sales	72.5	68.0	-4.4	1.6	0.9	4.2				-11.1
	Operating profit	7.5	8.3	0.8	1.1	-0.1	2.6	-0.2			-2.5
	Ordinary income	7.0	8.1	1.1					-0.0	-0.0	-2.3
Electronic Materials & Components	Net sales	34.5	30.5	-3.9	0.4	-0.3	-4.0				0.0
	Operating profit	2.0	2.0	0.0	0.0	0.0	-3.0	-0.1			3.3
	Ordinary income	0.9	3.3	2.3					-0.0	1.9	3.6
Aluminum	Net sales	77.5	80.9	3.3	0.1	-0.7	3.9				0.0
	Operating profit	4.3	3.9	-0.3	0.0	-1.8	1.1	-0.3			0.6
	Ordinary income	3.9	3.6	-0.2					0.0	-0.0	0.8
Other	Net sales	118.1	114.7	-3.4	0.1	0.0	-3.9				0.3
	Operating profit	2.5	3.0	0.5	0.0	0.3	0.2	0.0			-0.1
	Ordinary income	2.5	4.9	2.3					-0.0	1.7	0.1
Elimination, etc.	Net sales	-53.2	-43.7	9.5	0.0	0.0	9.5				0.0
	Operating profit	-2.4	-2.3	0.0	0.0	0.0	0.2	0.0			-0.1
	Ordinary income	-2.6	-2.8	-0.1					0.1	0.0	-0.3
Total	Net sales	703.6	751.1	47.5	16.9	-13.1	53.1				-9.5
	Operating profit	33.3	34.0	0.6	1.8	-1.2	2.9	-1.6			-1.2
	Ordinary income	35.4	40.0	4.5					0.4	2.6	-0.3

Other main contents

\*1 Metals: Repair cost for recycling facility etc. (MMC) -0.8; gain on valuation of inventories reported in the same period last year (MMC) -1.0

\*2 Advanced Materials & Tools: Fixed cost coverage from stock increase and decrease (cemented carbide) -1.1; sales promotion cost (cemented carbide) -0.9

\*3 Electronic Materials & Components: Loss on suspension of operations reported as extraordinary loss (Yokkaichi Plant) +1.1; depreciation (Yokkaichi Plant) +1.5

# Consolidated Statements of Operations (for the 1st Half) Comparison with Forecast

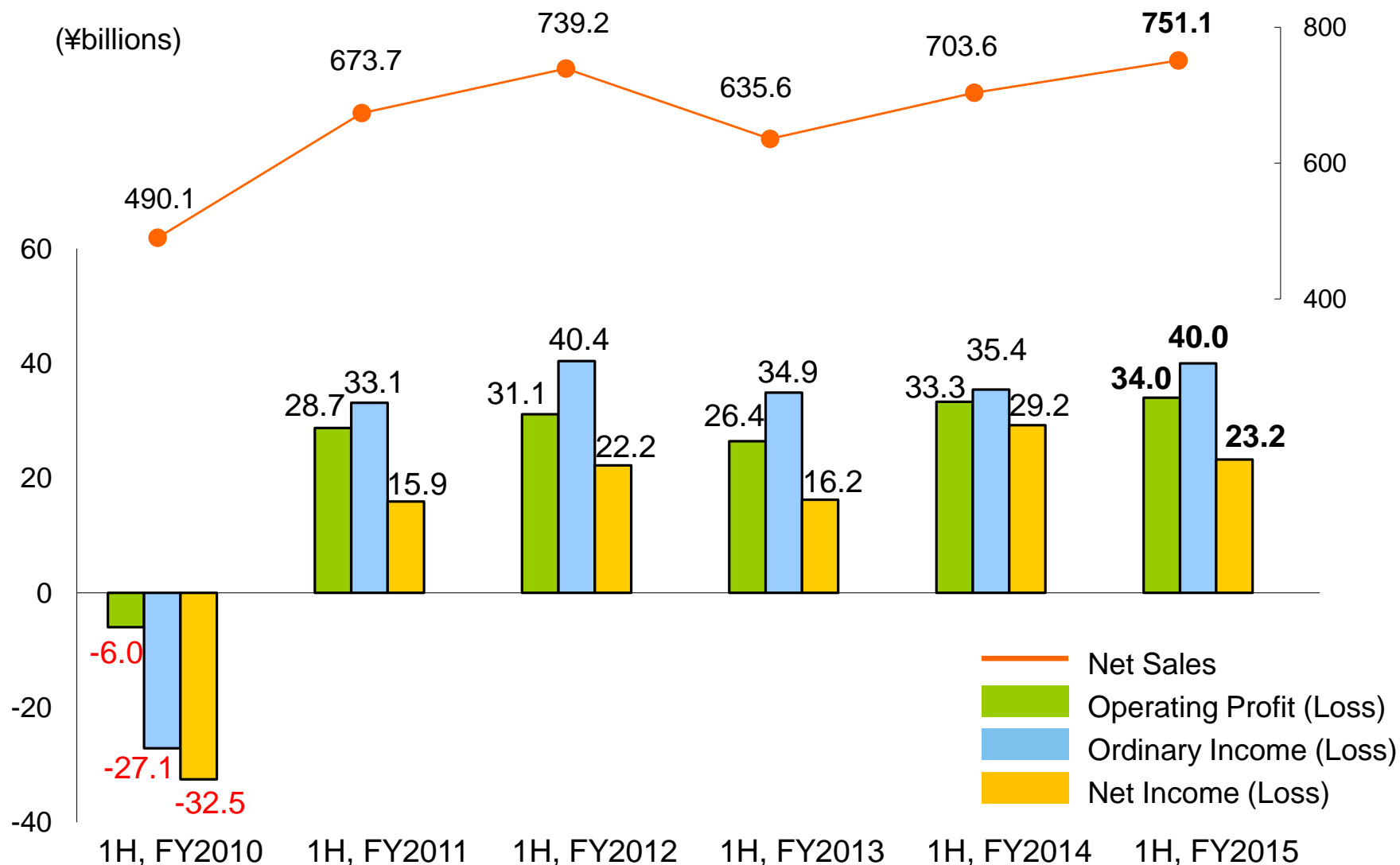
(¥billions)	FY2015 1st Half Forecast (a)*	FY2015 1st Half Result (b)	Difference (b)-(a)	Reason
<b>Net sales</b>	<b>760.0</b>	<b>751.1</b>	<b>-8.9</b>	Cement -6.3 etc
<b>Operating profit</b>	<b>33.0</b>	<b>34.0</b>	<b>1.0</b>	AM&T +2.1, Resources/Recycling +0.9, Aluminum +0.8, EM&C +0.7, Cement -3.6 etc
Net interest and dividends income	0.5	3.5	<b>3.0</b>	Dividends +2.8 etc
Equity in earnings of affiliates	2.7	4.8	<b>2.1</b>	JDC +0.7, SUMCO +0.9 etc
Other/Non-operating profit	<b>-2.2</b>	<b>-2.4</b>	<b>-0.2</b>	
<b>Ordinary income</b>	<b>34.0</b>	<b>40.0</b>	<b>6.0</b>	Metals +2.1, AM&T +1.9, EM&C +1.6, Resources/Recycling +2.0, Cement -3.0 etc
Extraordinary income/loss	<b>-4.0</b>	<b>-3.6</b>	<b>0.4</b>	
Income taxes	<b>-9.0</b>	<b>-10.4</b>	<b>-1.4</b>	
Minority interests in income	<b>-4.0</b>	<b>-2.6</b>	<b>1.4</b>	
<b>Net income</b>	<b>17.0</b>	<b>23.2</b>	<b>6.2</b>	

\* Announced on May 12, 2014

Exchange rate: 102 JPY/\$ → 103 JPY/\$

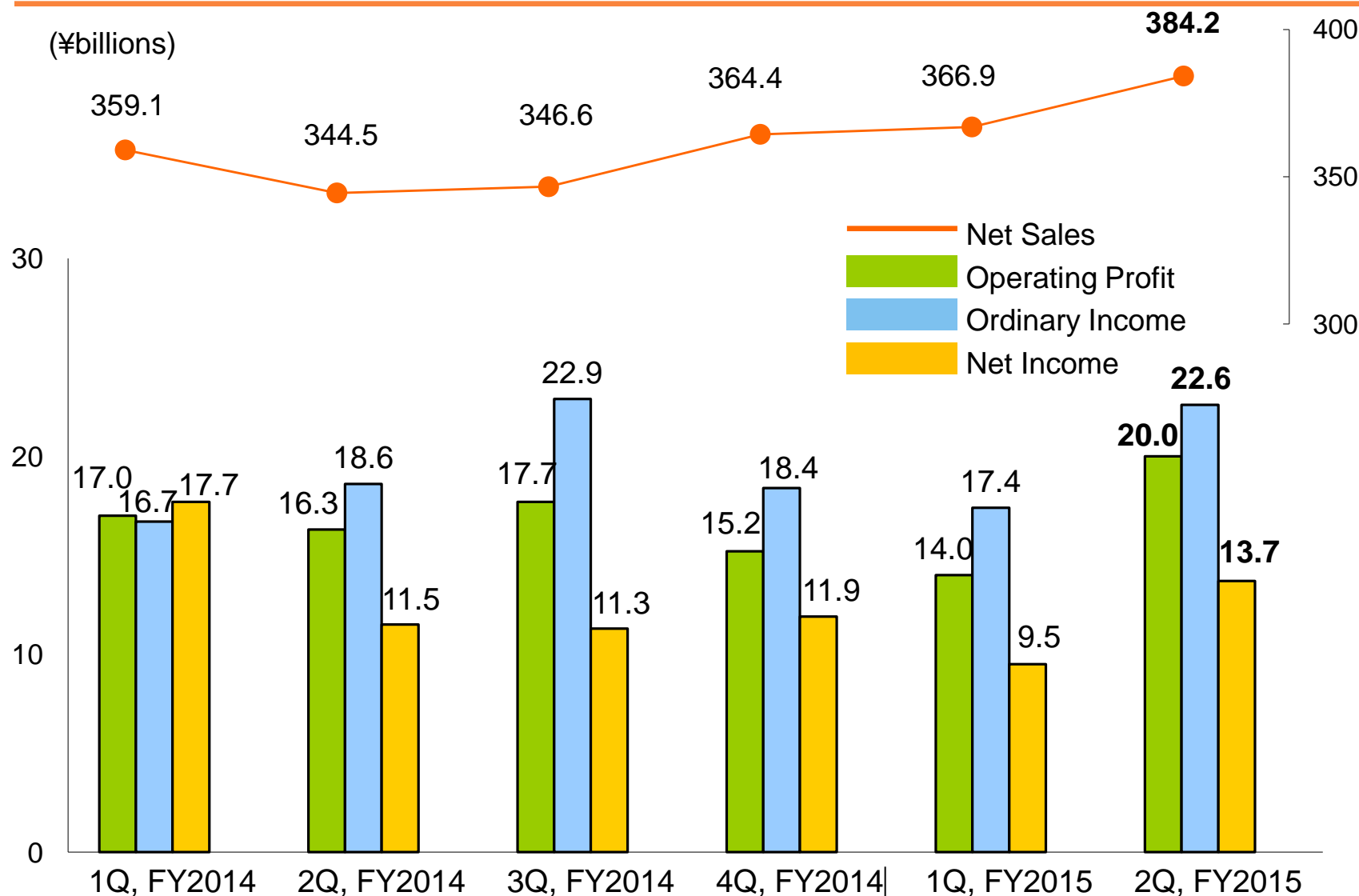
Copper price: 310 ¢ /lb → 313 ¢ /lb

# Performance Overview (for the 1st Half)





# Performance Overview (quarterly data)



# Consolidated Balance Sheet: Assets

(¥billions)		End of Mar. 2014 (a)	End of Sep. 2014 (b)	Difference (b-a)
Current assets	Cash and deposits	63.4	61.2	-2.2
	Notes and accounts receivable-trade	219.0	242.4	23.3
	Inventories	284.9	316.7	31.7
	Other	207.0	211.2	4.2
	Sub total	774.4	831.6	57.1
Noncurrent assets	Property, plant and equipment and intangible assets	698.7	688.2	-10.5
	Investments and other assets	305.2	319.0	13.7
	Sub total	1,004.0	1,007.3	3.2
Total		1,778.5	1,838.9	60.4

# Consolidated Balance Sheet: Liabilities and Net Assets

(¥billions)		End of Mar. 2014 (a)	End of Sep. 2014 (b)	Difference (b-a)
Liabilities	Notes and accounts payable-trade	106.6	137.3	30.7
	Loans payable, bonds payable, and CP	(37%) 649.8	(36%) 657.7	7.8
	Other liabilities	496.2	498.3	2.0
	Sub total	1,252.7	1,293.3	40.5
Net assets	Capital stock	119.4	119.4	-
	Capital surplus and treasury stock	90.4	90.4	-0.0
	Retained earnings	207.3	222.1	14.7
	Other comprehensive income	39.4	43.3	3.9
	Minority interests	68.9	70.1	1.2
Sub total		(30%) 525.7	(30%) 545.5	19.8
Total		1,778.5	1,838.9	60.4

Equity Ratio (Mar. '14) 26% → (Sep. '14) 26%  
 Net Debt to Equity Ratio 1.3 times → 1.3 times

# Forecast for the FY2015

The full-year forecast remains unchanged from the beginning of the fiscal year.

(¥billions)	At beginning of FY (a)*	This time (b)
<b>Net sales</b>	<b>1,500.0</b>	<b>1,500.0</b>
<b>Operating profit</b>	<b>74.0</b>	<b>74.0</b>
Net interest and dividends income	7.1	8.2
Equity in earnings of affiliates	7.6	6.6
Other/Non-operating profit	-4.7	-4.8
<b>Ordinary income</b>	<b>84.0</b>	<b>84.0</b>
Extraordinary income/loss	-8.0	-8.0
Income taxes	-18.0	-18.0
Minority interests in income	-8.0	-8.0
<b>Net income</b>	<b>50.0</b>	<b>50.0</b>

\*Announced on May 12, 2014

Exchange rate USD (JPY/\$)	102	102
EUR (JPY/€)	140	140
Copper price (¢ /lb)	310	311



[Breakdown by Segment]		At beginning of FY (a)	This time (b)	Difference (b)-(a)
Cement	Net sales	205.0	198.2	-6.8
	Operating profit	24.2	21.0	-3.2
	Ordinary income	24.0	20.2	-3.8
Metals	Net sales	833.6	816.4	-17.2
	Operating profit	26.3	26.2	-0.1
	Ordinary income	36.9	37.2	0.3
Advanced Materials & Tools	Net sales	139.0	138.2	-0.8
	Operating profit	14.3	16.0	1.7
	Ordinary income	14.2	15.9	1.7
Electronic Materials & Components	Net sales	65.0	67.3	2.3
	Operating profit	3.9	4.2	0.3
	Ordinary income	4.7	6.5	1.8
Aluminum	Net sales	156.7	159.7	3.0
	Operating profit	5.4	5.6	0.2
	Ordinary income	4.5	4.9	0.4
Other	Net sales	234.1	238.7	4.6
	Operating profit	7.2	7.6	0.4
	Ordinary income	8.7	8.6	-0.1
Elimination, etc.	Net sales	-133.4	-118.8	14.6
	Operating profit	-7.3	-6.7	0.6
	Ordinary income	-8.9	-9.3	-0.4
Total	Net sales	1,500.0	1,500.0	0.0
	Operating profit	74.0	74.0	0.0
	Ordinary income	84.0	84.0	0.0

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## **2. Progress of the Medium-term Management Plan**

# Long-term Management Policy / Medium-term Management Plan

## ● Positioning of long-term management policy and medium-term management plan



## ● Vision for the Long-term Management policy

We will become the **world's leading** business group committed to supporting recycling-oriented society through **materials** innovation, with use of our **unique and distinctive** technologies.

# Progress of the Medium-term Management Plan

## Medium-term Management Plan (FY2015-17)

Materials Premium 2016 –

Challenge to become the *world's leading* business group

**Growth Strategies: “Fortifying the foundation for growth”, “strengthening global competitiveness”, and “pursuing a recycling-based business model”**

### ◆ Cement Business

- Expansion of recycling business ⇒ **Decided to quintuple the processing capacity of waste gypsum board powder**
- Expansion of ready-mixed concrete business in North America  
⇒ **Start production of Hubs aggregate mine**

### ◆ Metals Business

- Expansion of recycling business ⇒ **Established new E-Scrap Recycling Business Department in the U.S.A.**

### ◆ Advanced Materials & Tools Business

- Expansion of cemented carbide business  
⇒ **Complete production capacity enhancement (Tsukuba plant +20% up)**  
**Setup new sales offices in Turkey and China (Wuhan and Tsingtao)**  
**Decided to acquire 51% of Hitachi Tool Engineering (will be consolidated in FY2016)**

# Topics: Hitachi Tool Engineering Share Acquisition (1)

## 1. Comparison of businesses

**Realize top market share in Japan**

	<b>Our cemented carbide products business</b>	<b>Hitachi Tool Engineering</b>
<b>Manufacturing bases</b> (except raw material manufacturing bases)	<b>10 in total</b> (3 in Japan (Tsukuba, Gifu and Akashi), 1 in China, 2 in Thailand, 1 in Indonesia, 1 in Spain and 2 in US)	<b>3 in total</b> (2 in Japan (Narita and Yasu) and 1 in Thailand)
<b>Characteristics</b>	<ul style="list-style-type: none"> <li>• Strong global sales network</li> <li>• Strength in material development with a complete supply chain from raw material to end product</li> <li>• High ratio for automotive</li> <li>• High ratio of turning tools</li> </ul>	<ul style="list-style-type: none"> <li>• Strength in complex shape milling (product lineup, technology and solution lineup)</li> <li>• Large share in mold area</li> <li>• Robust financial ground and earning capacity</li> </ul>
<b>Performance (FY2014)</b>	Net sales                      145.8 billion yen Ordinary income        13.9 billion yen (includes high-performance alloy products business)	Net sales                      18.9 billion yen Ordinary income        3.4 billion yen (simple consolidated base)



# Topics: Hitachi Tool Engineering Share Acquisition (2)

## 2. Synergy

## Aim for more than 10% of global share



Tools for aviation industries

Product picture (left) : for processing blade

Product picture(right) : for processing titanium alloy

### 【Sales and share increase】

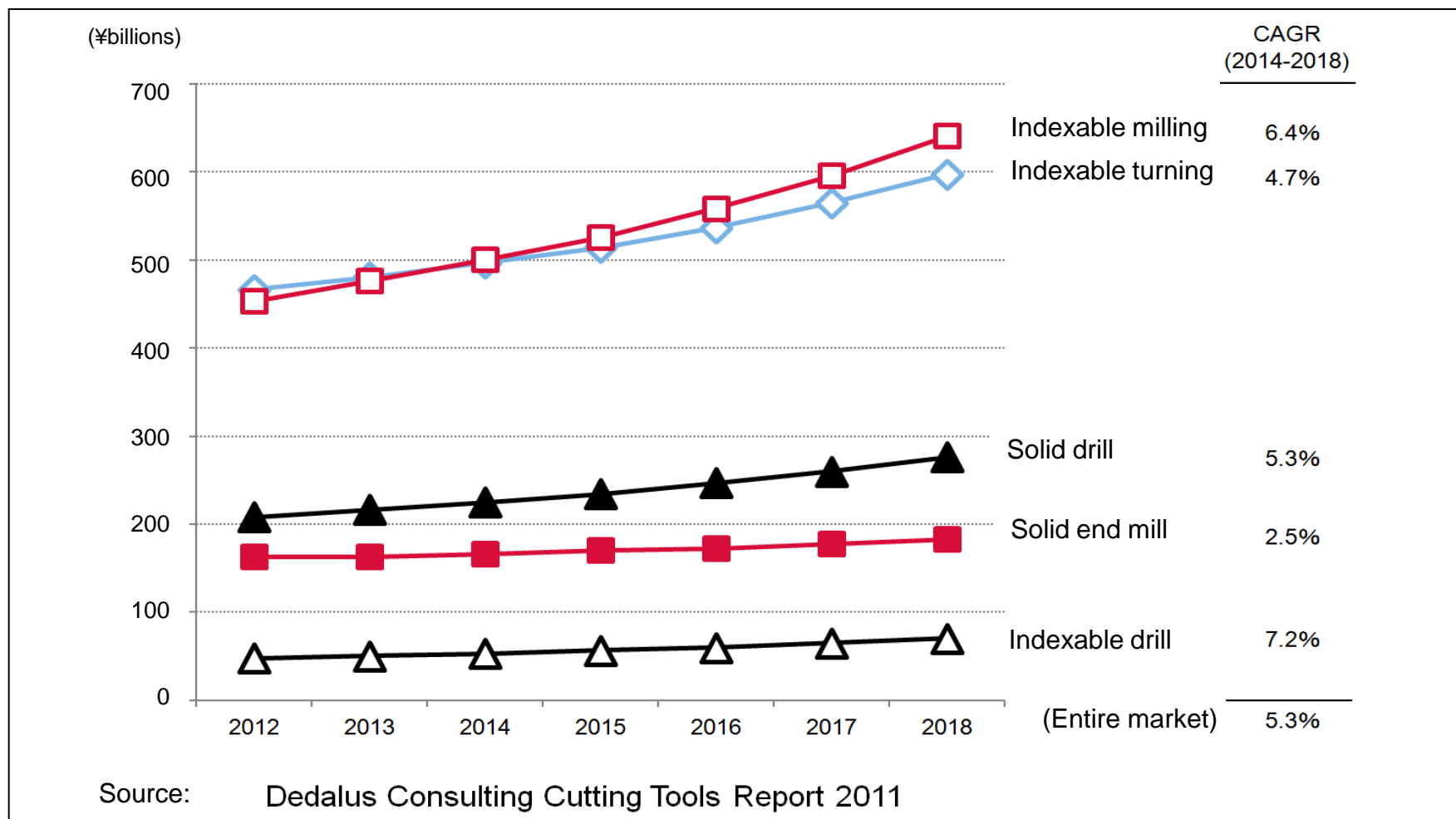
- ① **Add full product lineup** in milling area
- ② Overseas sales expansion of Hitachi Tool products with our strong **overseas sales network**
- ③ Optimize the use of Hitachi Tool's excellent technological and proposal capabilities of milling in high-value added markets such as **aviation**, our focus area

### 【Cost and Development】

- ① Cost cutting and mutual exploitation of new material by **sharing material**
- ② Speed up and improve by **coordinating development**
- ③ Raise the technical level with close **human exchange**

## Topics: Hitachi Tool Engineering Share Acquisition (for your reference)

### Demand forecast by product and processing method



## Topics: Hitachi Tool Engineering Share Acquisition (for your reference)

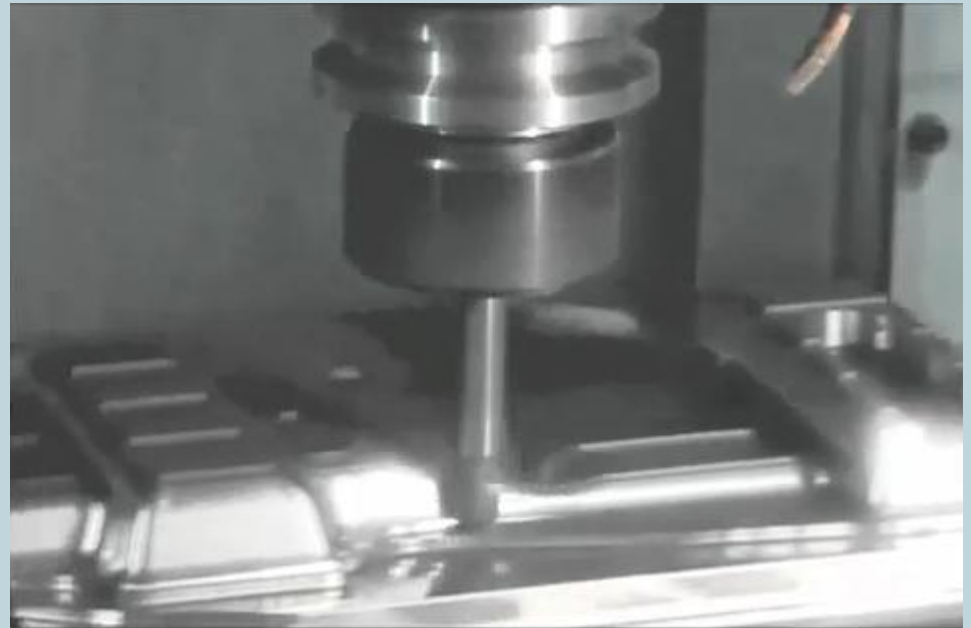
### Milling examples in mold and aviation industries



Cutting mold example (1) (picture)



Cutting aviation part example (picture)



Cutting mold example (2) (video)

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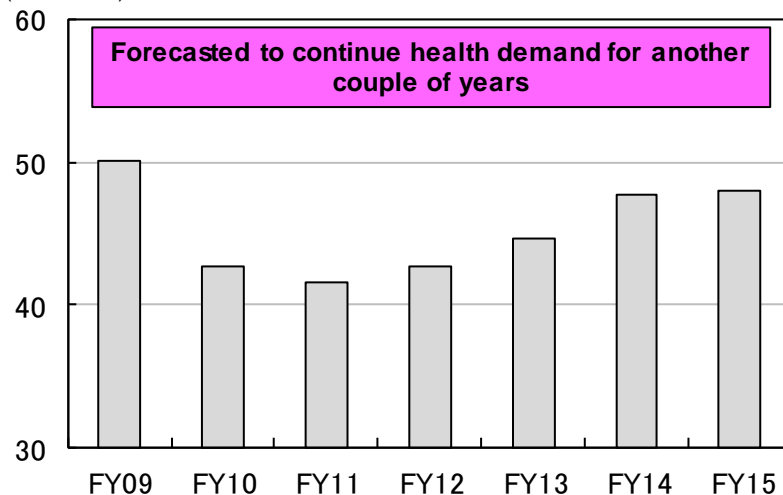
# **3. Overview by Segment**

# Overview of Cement Business

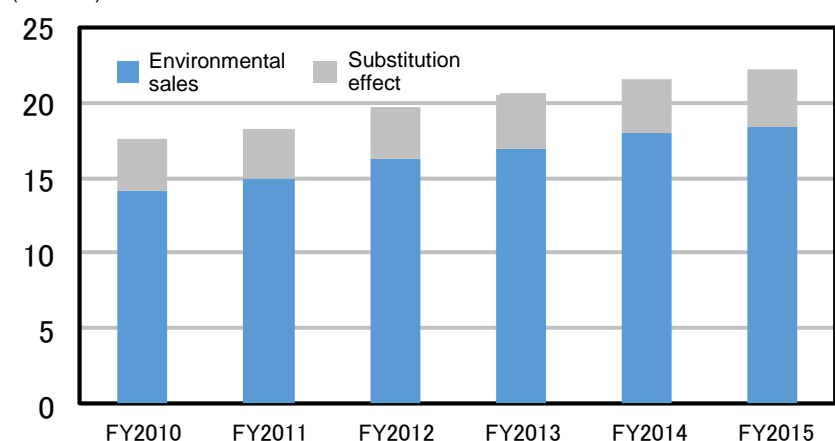
## Japan

- ◆ Domestic demand: 48 million tons per year is forecasted. Slight decrease in the first half from last year due to labor shortage and unsuccessful public works tenders, however for the second half, it is forecasted to exceed the same period of last year
- ◆ Price adjustment: Steady progress mainly in Kyushu and Tohoku areas
- ◆ Expansion of waste treatment: **Decided to quintuple the processing capacity of waste gypsum board powder in Kyushu Plant (currently 12,000 tons/year to 64,000 tons/year)**

(Million tons) Domestic demand trend and forecast



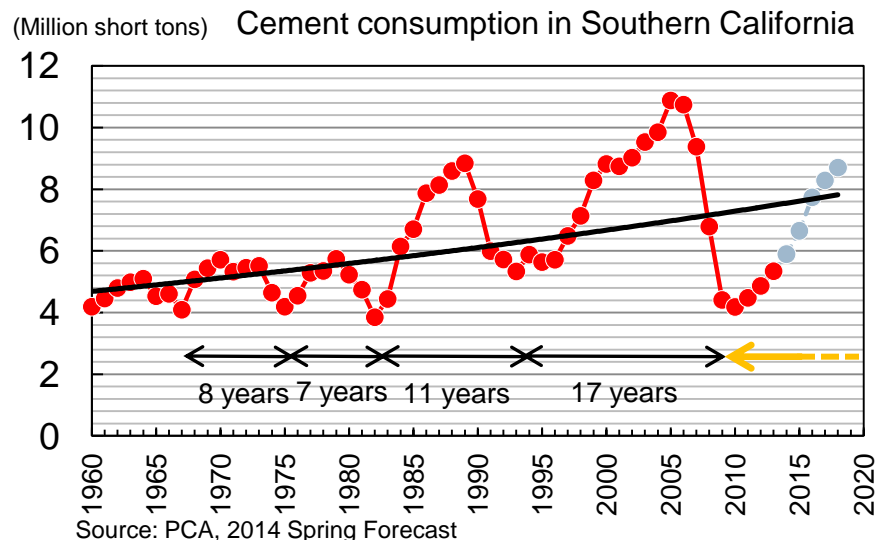
(¥billions) Waste treatment effects: Trend and forecast



# Overview of Cement Business (2)

## North America

- ◆ Southern California market: Continue to recover and enter long term uptrend
- ◆ Secure aggregate material and strengthen cement supply system:  
**Start production of Hubs aggregate mine**, prepare reinforcement and new construction of cement import terminals
- ◆ Price adjustment: Steady price increase in both cement and ready-mixed concrete is permeating  
RRM is driving increase strongly as a leading company



Hubs aggregate mine



Long Beach terminal

# Overview of Metals Business

## Mining

- ◆ Improvement of copper ore self sufficiency ratio:

Zafranal project (Peru) moved to Pre F/S in July this year

## Smelting

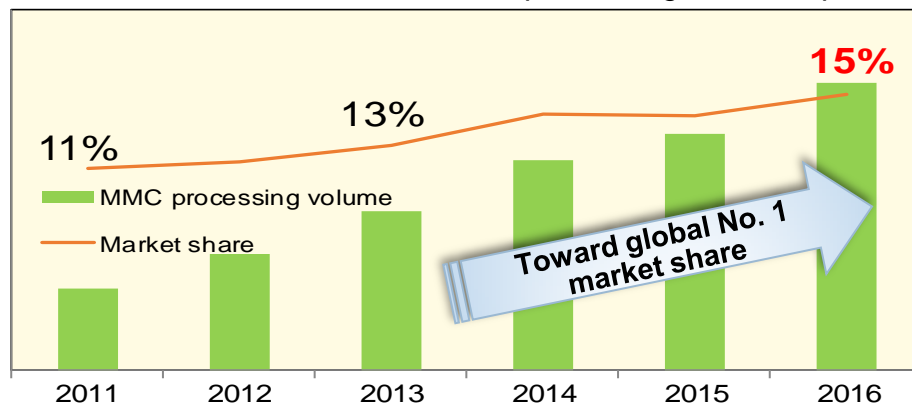
- ◆ Business environment: Stable copper price, purchase condition improvement and correction of the yen appreciation

- ◆ Expansion of recycling business: **Setup new E-Scrap Recycling Business Department in the U.S.A.**

## Metals processing

- ◆ Promote certification and expand sales for strategic new alloy MNEX<sup>®</sup>
- ◆ Global cumulative sales of lead-free alloy (EcoBrass) exceeded 100,000 tons

Global No. 1 market share in processing of E-Scrap



Example of collected E-Scrap

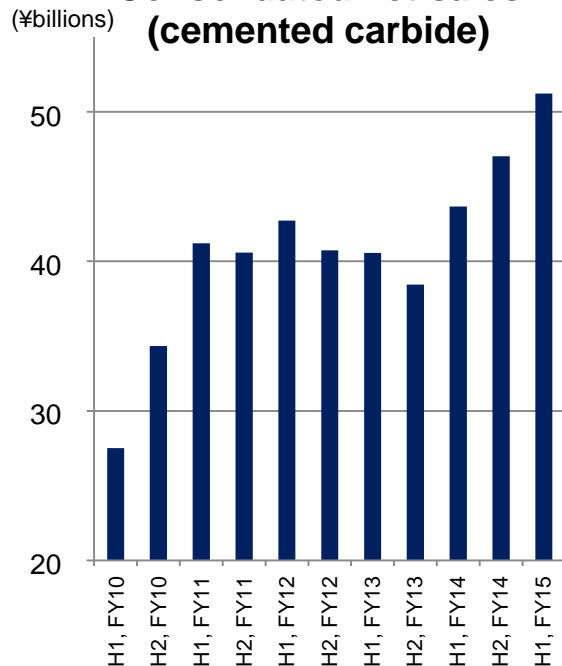


# Overview of Advanced Materials & Tools Business

## Cemented carbide products

- ◆ Sale situation: Significant recovery from the second half of the previous year. Firm growth is expected to continue in the future
- ◆ Overseas bases expansion: **Setup new sales offices in Turkey and China (Wuhan and Tsingtao)**
- ◆ Production capacity expansion: **Complete production capacity enhancement (Tsukuba plant +20% up)**
- ◆ Acceleration of selection and concentration: **Decided to acquire 51% of Hitachi Tool**

**Consolidated net sales  
(cemented carbide)**



**European cemented carbide business bases**



JIMTOF Oct. 30<sup>th</sup> to Nov. 4<sup>th</sup>

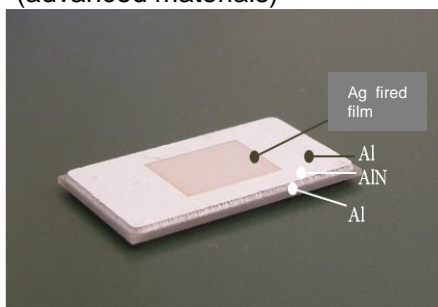


# Overview of Electronic Materials & Components Business and Aluminum Business

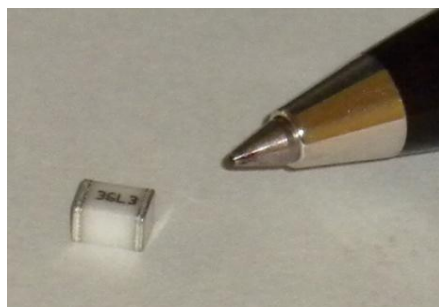
## Electronic Materials & Components Business

- ◆ **New product development:** Accelerate development of unique and high-value added strategic products
- ◆ **Production expansion:** Progress of establishing new manufacturing base in Laos is roughly on schedule
- ◆ **Polycrystalline silicon:** After restarting operations at Yokkaichi Plant on June 30<sup>th</sup> this year, the stable operation is continued giving the highest priority to safety

DBA (Direct Bonded Aluminum) substrate with Ag fired film (advanced materials)



Smallest class surge absorber for power supply (electronic components)



Extruded multi-hole tubes for heat exchangers (Aluminum)

## Aluminum Business

- ◆ **Rolling business:** Progress of establishing new manufacturing base in India (extruded material) is roughly on schedule
- ◆ **Can manufacturing business:** Examination is continued from various angles for overseas development of bottle cans

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# 4. Recap

# Recap

## ◆ Strengthen safety control system

Acknowledge “Safety and health are the first priority” as the most important policy, strengthen safety management system, and thoroughly foster philosophy and culture to value safety

## ◆ Steady execution of medium-term management plan

Continue financial constitutional improvement along with bold strategic investment for sustained growth, and strengthen the basis for growth

## ***Materials Premium 2016***

Challenge to become the *world's*  
*leading* business group

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# **5. Reference Data**

(Statistics / Assumptions / Sensitivity)

# Statistics / Assumptions / Sensitivity (1)

Statistics / Assumptions	FY2014 (Results)			FY2015 (Announced in May 2014)			FY2015 (Forecast this time)	
	1st Half	2nd Half	Full year	1st Half	2nd Half	Full year	1st Half	Full year
Average TTM rate (yen/\$)	99	102	100	102	102	102	103	102
Average TTM rate (yen/€)	130	139	134	140	140	140	139	140
Total demand for cement in Japan (million tons)	22.91	24.80	47.71	23.20	24.80	48.00	22.61	48.00
Cement sales volumes for MMC-Domestic (million tons)	3.49	3.93	7.42	3.57	3.92	7.49	3.35	7.43
Cement sales volumes for MMC-Exports (million tons)	1.06	1.22	2.28	1.28	1.23	2.51	1.28	2.47
Total demand for cement in the U.S. (million tons)	-	-	79.74	-	-	86.01	-	86.06
Cement sales volumes in the U.S. (million short tons)	0.84	0.85	1.68	0.90	0.85	1.75	0.80	1.57
Ready-mixed concrete sales volumes in the U.S. (million cy)	3.01	3.27	6.28	3.29	3.52	6.81	3.06	6.35
Copper price LME (¢ /lb)	323	322	322	310	310	310	313	311
Sales of cathodes(in-house product) (thousand tons)	142	147	289	148	124	272	142	280
Sales of cathodes(exports) (thousand tons)	58	57	115	96	39	135	62	108
Sales of cahodes (PTS) (thousand tons)	103	95	198	140	135	275	134	271

# Statistics / Assumptions / Sensitivity (2)

Statistics / Assumptions	FY2014 (Results)			FY2015 (Announced in May 2014)			FY2015 (Forecast this time)	
	1st Half	2nd Half	Full year	1st Half	2nd Half	Full year	1st Half	Full year
Processed copper products sales volumes (thousand tons)	71	72	143	76	78	154	75	154
Dividends from copper mine (¥ billions)	5.4	9.7	15.1	3.2	9.4	12.6	5.7	13.6
SUMCO's net income (¥ billions)	0.1	0.5	0.7	4.5	4.5	9.0	7.8	14.5*
MMC's equity method investment gain (¥ billions)	-0.1	0.0	-0.1	1.1	1.1	2.2	2.0	3.7
Sales of aluminum sheet products (kilotons)	55	52	107	54	54	108	56	111
Sales of aluminum extrusion products (kilotons)	10	11	21	10	10	20	11	21

\* Announced by SUMCO on November 17, 2014

## FY2015 Sensitivity for 3Q-4Q

Exchange rate operating profit yen/US\$ (yen appreciation)	-170	JPY million
operating profit yen/€ (yen appreciation)	-30	JPY million
Copper price (LME) operating profit 10 ¢ /lb	200	JPY million
non-operating profit 10 ¢ /lb	900	JPY million

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These projected performance figures are based on information available to the Company's management as of the day for releasing this material. There are many uncertain or risk factors inherent in projections, and there might be cases in which actual results materially differ from projections of this material.