

# Investor Meeting

# Mitsubishi Materials Corporation



North American Ready-Mixed Concrete Plant (RRM)

November 12, 2015

Akira Takeuchi, President

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# 1. Performance Summary

# 1st Half Performance

## 1st Half Performance

### YOY comparison

Despite equipment trouble at smelting facilities in Indonesia, growth in the North American Cement Business and ongoing yen depreciation drove operating profit higher. Ordinary income declined slightly on weak mining profits. Net income increased substantially mainly due to a gain on sales of shares of an affiliate.

	FY2015 1st half results		FY2016 1st half results	(Billions of yen)
				<b>Difference</b>
Net sales	751.1		709.5	<b>-41.6</b>
Operating profit	34.0		36.1	<b>+2.1</b>
Ordinary income	40.0		38.9	<b>-1.1</b>
Net income	23.2		45.7	<b>+22.5</b>

### Comparison with previous forecast

Each profit exceeded the previous forecast mainly due to an upturn in the Aluminum Business, where raw material prices were lower than expected.

	FY2016 1st half revised forecast (Announced August 6, 2015)		FY2016 1st half results	(Billions of yen)
				<b>Difference</b>
Net sales	740.0		709.5	<b>-30.5</b>
Operating profit	34.0		36.1	<b>+2.1</b>
Ordinary income	37.5		38.9	<b>+1.4</b>
Net income	41.0		45.7	<b>+4.7</b>

# Full-Year Forecast

## Full-Year Forecast

### Comparison with previous forecast

Factoring in lower sales of cement and cemented carbide products in the Chinese market in addition to decrease in the assumed copper price, operating profit and ordinary income were revised lower. On the other hand, net income remains unchanged due to a decrease in corporate income taxes and other factors. (The full-year dividend forecast remains unchanged at ¥10 per share.)

(Billions of yen)	FY2016 Previous forecast <small>(Announced May 12, 2015)</small>	FY2016 Current forecast	Difference	FY2015 Performance
Net sales	1,580.0	1,480.0	-100.0	1,517.2
Operating profit	85.0	83.0	-2.0	71.8
Ordinary income	92.0	88.0	-4.0	81.0
Net income	65.0	65.0	—	56.1
Dividend per share (Annual)	¥10	¥10	—	¥8
Exchange rate (JPY/USD)	¥118	¥121	+¥3	¥110
Copper price (LME)	270¢/lb.	248¢/lb.	-22¢/lb.	297¢/lb.

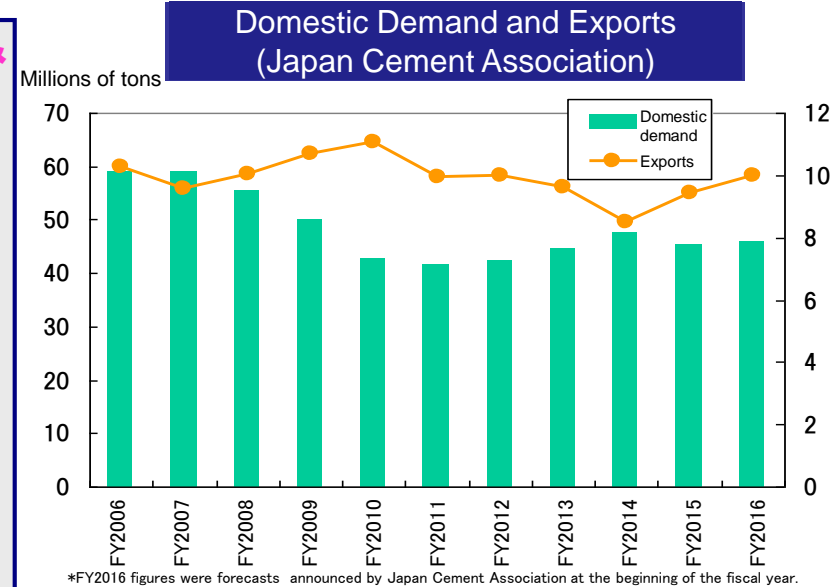
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## 2. Initiatives by Segment

# Cement Business

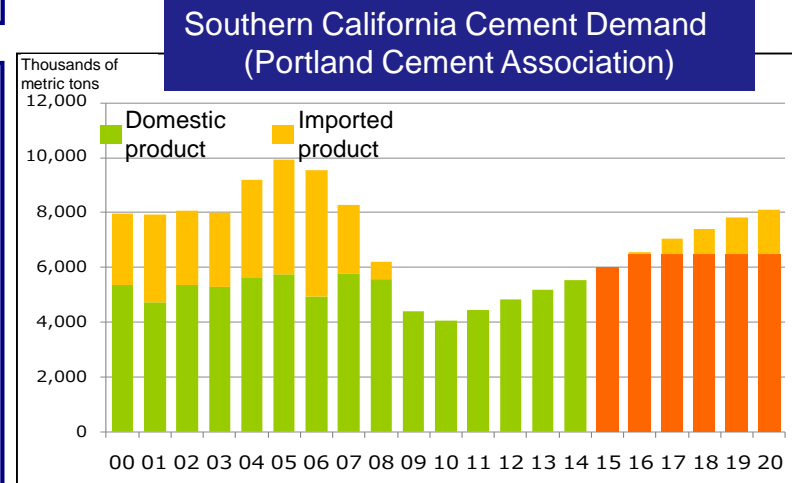
## Japan **Maintain high capacity utilization & improve profitability**

- ◆ Flexible response by exports
  - Consider enhancing Kyushu Plant export capabilities
- ◆ Propel high-value-added promotion of industrial waste processing
  - Five-fold increase in waste gypsum board powder processing capabilities
- ◆ Enhance limestone crushed sand equipment capabilities
  - Increase capacity for producing 1.5 million tons annually



## North America **Expand profit-driving Ready-Mixed Concrete Business**

- ◆ Upgrade cement supply system
  - Expand import terminals (existing & new)
- ◆ Further expand Ready-Mixed Concrete Business
  - Build/purchase new plants, aggregate securement



# Metals Business

## Mining **Aim for 50% captive mine ratio**

- ◆ New mine development (Zafranal project, etc.)

## Smelting **Expand sustainable and stable profits**

- ◆ Purchase condition improvement
- ◆ Recycling Business expansion
- E-Scrap processing capability augmentation



E-Scrap

## Copper Processing **Strategic product sales promotion**

- ◆ Promote employment of new alloy MNEX®
- ◆ Promote sales of lead-free alloy ECOBRASS®



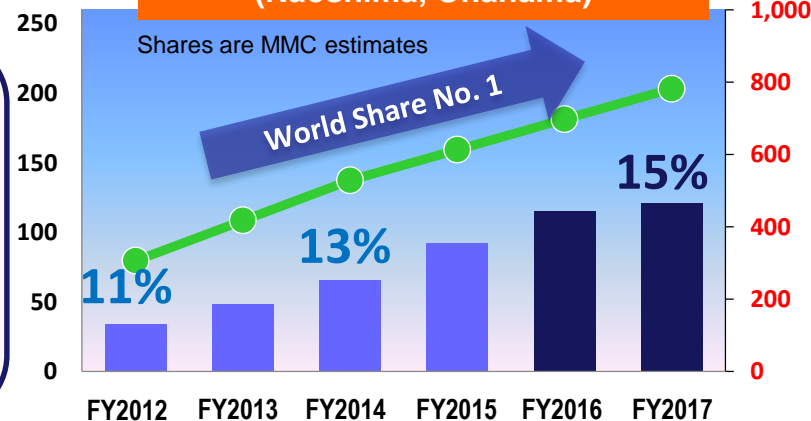
### Expand Naoshima Smelter and Refinery E-Scrap receiving and processing capabilities to world's largest

- 1) Investment: Approx. ¥5 billion
- 2) Facility upgrades: Receiving sampling, analysis and processing equipment
- 3) Processing capability: Approx. 110,000 tons/year (approx. +30,000 tons)
- 4) Completion: Scheduled for April 2016

MMC processing volume (Thousands of tons/year)

### E-Scrap Processing Volume (Naoshima, Onahama)

Global volume (Thousands of tons/year)





# Advanced Materials & Tools Business

**Cemented Carbide**

**Global share over 10%**

- ◆ Expand overseas locations
- ◆ Strengthen sales with industry-specific teams
- ◆ Enhance ability to provide solutions



Insert

**Market scale**

Cemented carbide cutting tool market scale: ¥1,400.0 billion/year (2014)

Americas market	European market	Asia market (within Japan)
4,200(30%)	4,000(29%)	5,800(41%)
		2,100(15%)

Source: MMC estimate

## ◆ Overseas Sales & Manufacturing Base Expansion Status

### New Overseas Sales Locations

- Eastern Europe: Turkey (July 2014)
- China: Wuhan (July 2014)
- Tsingtao (August 2014)
- Dalian (June 2015)
- Shenzhen (September 2015)
- Vietnam: Ho Chi Minh (May 2015)
- India: Ahmadabad (October 2015)

### Overseas Production Location Enhancement

- North America: MTA → End mill production start (April 2015)
- RFM → Transfer/expansion of metals plant (planned for Dec. 2015)
- Spain: MME → Insert augmentation (December 2014)
- (Drill and end mill production augmentation planned for March 2016)
- Indonesia: MMF → Double end mill capacity & launch drill production
- (planned for around October 2016)

# Electronic Materials & Components Business and Aluminum Business

## Electronic Materials & Components

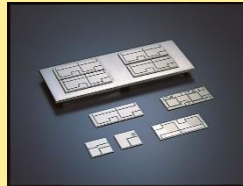
### Immediate

#### contribution of high-value-added products

- ◆ Advanced Materials
  - Introduce and mass produce new fine materials for assembly for smartphones
  - Promote sales of DBA substrates for railways and industrial equipment



Fine materials for assembly



DBA substrates

#### ◆ Electronic Components

- Mass production begun at new base in Laos



World's thinnest flexible thermistor sensor



Smallest-class surge absorber for power supply

## Aluminum

### Enhance growth through the global deployment of strategic products

- ◆ Rolling Business
  - Expand heat-exchanger overseas production location

Mass production scheduled to begin in December 2015 in India, the fourth overseas location

#### ◆ Can Manufacturing Business

- Enhance bottle can production line
- Considering deployment of bottle cans overseas



Heat-exchanger materials (extruded multi-hole tubes)



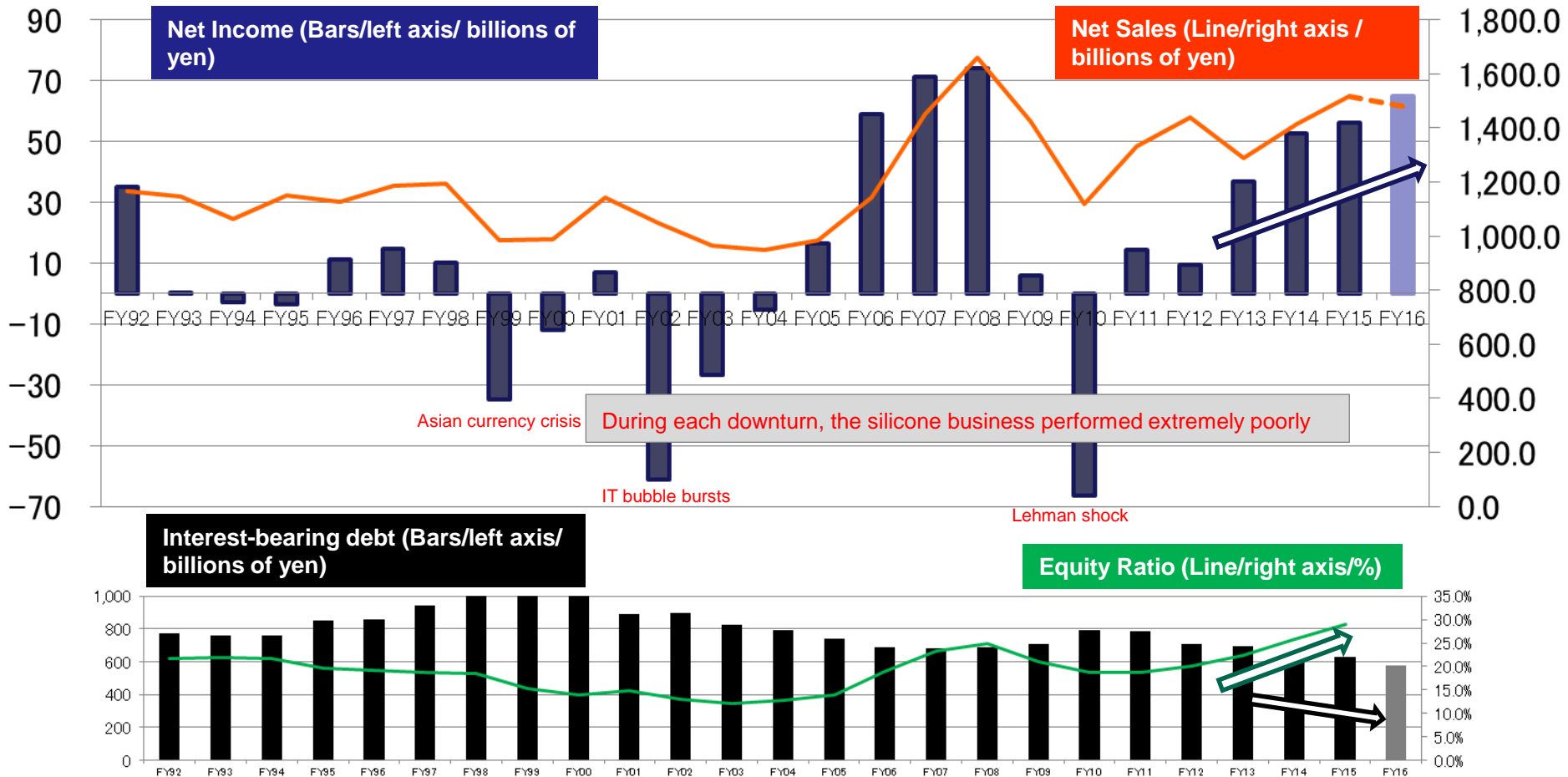
Left: Bottle can  
Right: Regular can

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# 3. Recap

# Performance and Financial Trends During 25 Years Since Establishment of MMC

Performance has been affected by the wave of economic fluctuations, with the recording of several net losses leading up to FY2009, but the past several years net income has stabilized and recovered. Our financial structure has also attained a high level since MMC's establishment.



# Business Structure Reforms (vs. FY2008)

Structural enhancements have resulted in a more stable profits and financial structure

## Business structure changes comparing FY2008 peak profits and current fiscal year forecasts

Cement	<p>Business environment: Domestic demand 55.5 → 45.0 million tons/year, southern CA demand 7.5 → 6.0 million tons/year (recovery developing)</p> <ul style="list-style-type: none"> <li>◆ Japan: Industrial waste processing revenue increased approximately 25%</li> <li>◆ North America: Enhanced ready-mixed concrete business (100% ownership of RRM)</li> </ul>
Metals	<p>Business environment: Copper price 344 → 248¢/lb., exchange rate: 114 → 121 JPY/USD</p> <ul style="list-style-type: none"> <li>◆ Launched E-Scrap processing</li> <li>◆ Restructured Metals Processing Business &amp; strengthened structure</li> </ul>
Advanced Materials & Tools	<ul style="list-style-type: none"> <li>◆ Focused management resources on Cemented Carbide Product Business (increased our core insert product sales volume/approximately 25% at Tsukuba)</li> </ul>
Electronic Materials & Components	<ul style="list-style-type: none"> <li>◆ Recorded an impairment loss at facilities in Japan related to polysilicon business</li> </ul>
Aluminum	<ul style="list-style-type: none"> <li>◆ Can manufacturing business growth mainly in bottle cans (Overall can sales increased approximately 15%, while bottle cans increased approximately 80%)</li> </ul>
Companywide operating profit	→ <b>Increased profit weight of Cement and Advanced Materials &amp; Tools</b>
Net interest and dividends income	<ul style="list-style-type: none"> <li>◆ Interest expenses decrease on reductions of loans payable, etc.</li> </ul>
Equity in earnings of affiliates	<ul style="list-style-type: none"> <li>◆ SUMCO: Strengthened structure and reduced MMC holdings (MMC holdings approximately 28% → 18%)</li> </ul>
Companywide ordinary income	→ <b>Transition to more easily controllable management structure</b>
Net D/E ratio	<ul style="list-style-type: none"> <li>◆ Developed improvements to financial structure (1.3 → 0.9 times)</li> </ul>

# Recap

## ◆ Stable execution of medium-term management plan growth strategy

Despite uncertainty of economic conditions, we will stably execute growth strategies mainly in our three core businesses and strengthen our foundation for growth ahead of our next leap forward.

Attack

## ◆ Prompt adjustment in response to worsening business conditions

In response to external environmental factors including worsening economic conditions, we will develop the ability to detect danger and respond rapidly to anticipated crises.

Protect

***Materials Premium 2016***  
~Challenge to become the  
world's leading business group~

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## ◆ Inquiries ◆

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