

Mitsubishi Materials Corporation Investor Conference Material

November 10, 2017

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Mitsubishi Materials Corporation



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*Announced on May 11, 2017

1. Performance Summary

2. Initiatives by Segment

3. Recap

4. (Reference) Medium-term Management Strategy

*Announced on May 11, 2017

FY2018 1st Half Result (Comparison with YoY Result)

Comparison with YoY Result

Net sales: Net sales went up, particularly in the Metals business, due to the rising copper prices.

Operating profit: Operating profit rose, particularly in the Cement, Metals, and Advanced Materials & Tools business, mainly due to the quantity variation and the yen depreciation.

Ordinary income: Ordinary income increased significantly, reflecting increases in operating profit and dividends from copper mines.

Net income*: Net income declined, chiefly reflecting a gain on sales of non-current assets which existed in the previous fiscal year and an increase in tax expense.

(¥ billions)	FY2017 1st Half Result (a)	FY2018 1st Half Result (b)	Difference (b)-(a)
Net sales	603.1	725.4	+122.3
Operating profit	27.3	36.4	+9.1
Ordinary income	26.0	39.5	+13.5
Net income *	29.5	20.1	-9.4
Net income per share (yen) *1	225.62	153.83	-71.79
Dividend per share (yen) *1	20	30	+10
Exchange rate USD (yen / \$)	105	111	+6
Copper price (LME) (¢ / lb)	216	272	+56

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

* Net income attributable to owners of parent

 MITSUBISHI MATERIALS

FY2018 1st Half Result (Comparison with Previous Forecast)

Comparison with Previous Forecast

Net sales: Net sales were on a par with the previous forecast.

Operating profit: Operating profit exceeded the forecast mainly due to a rise in sales of cemented carbide products in the Advanced Materials and Tools Business.

Ordinary income: Ordinary income exceeded the forecast, reflecting an increase in operating profit.

Net income*: Net income exceeded the forecast mainly due to a rise in ordinary income.

Dividend: Dividend remained unchanged from the previous forecast.

(¥ billions)	FY2018 1st Half Forecast (a) (Announced on Aug. 8)	FY2018 1st Half Result (b)	Difference (b)-(a)
Net sales	720.0	725.4	+5.4
Operating profit	33.0	36.4	+3.4
Ordinary income	36.0	39.5	+3.5
Net income *	18.0	20.1	+2.1
Net income per share (yen)	137.45	153.83	+16.38
Dividend per share (yen)	30	30	-
Exchange rate USD (yen / \$)	111	111	-
Copper price (LME) (¢ / lb)	258	272	+14

* Net income attributable to owners of parent

FY2018 Full Year Forecast (Comparison with Previous Forecast)

Comparison with Previous Forecast

Net sales: Net sales were revised upward due to an upward revision of the assumed copper prices and revisions to sales plans in each businesses.

Operating profit: Operating profit was revised upward chiefly due to a rise in sales of cemented carbide products.

Ordinary income: Ordinary income was revised upward reflecting an increase in operating profit.

Net income*: Ordinary income was revised upward mainly due to a rise in operating profit.

Dividend: The previous forecast remains unchanged.

(¥ billions)	FY2018 Full Year Forecast (a) (Announced on Aug. 8)	FY2018 Full Year Forecast (b) (Announced on Nov. 8)	Difference (b)-(a)	FY2017 Full Year Result		
Net sales	1,540.0	1,600.0	+60.0	1,304.0		
Operating profit	70.0	75.0	+5.0	59.7		
Ordinary income	75.0	80.0	+5.0	63.9		
Net income *	31.0	35.0	+4.0	28.3		
Net income per share (yen) *1	236.72	267.22	+30.50	216.44		
Dividend per share (yen) *1	80	80	-	60		
Dividend payout ratio (%)	33.8	29.9	-3.9	27.7		
Exchange rate USD (yen / \$)	2nd Half Assumption 113	112	2nd Half Assumption 110	110	-2	108
Copper price (LME) (¢ / lb)	2nd Half Assumption 260	259	2nd Half Assumption 290	281	+22	234

*1 A consolidation of shares of the Company's common stock at a 10:1 ratio was executed, with an effective date of October 1, 2016. According to this, net income per share and dividend per share for FY2017 are calculated on the assumption that the consolidation of its shares was conducted at the beginning of the FY2017.

* Net income attributable to owners of parent

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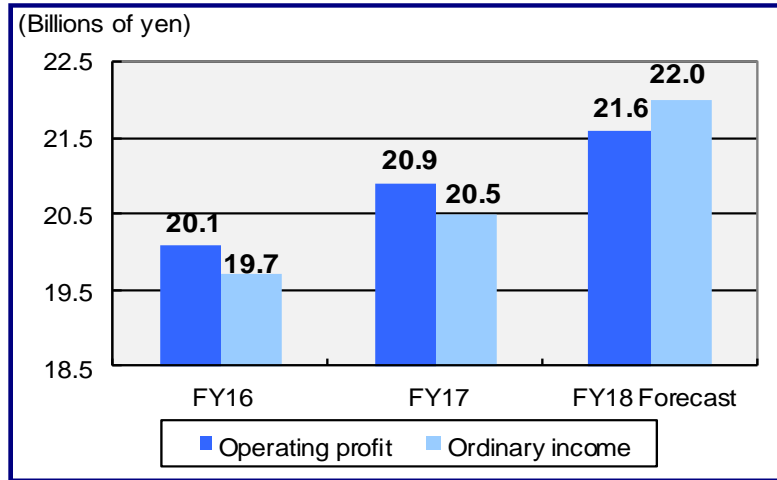
4. (Reference) Medium-term Management Strategy

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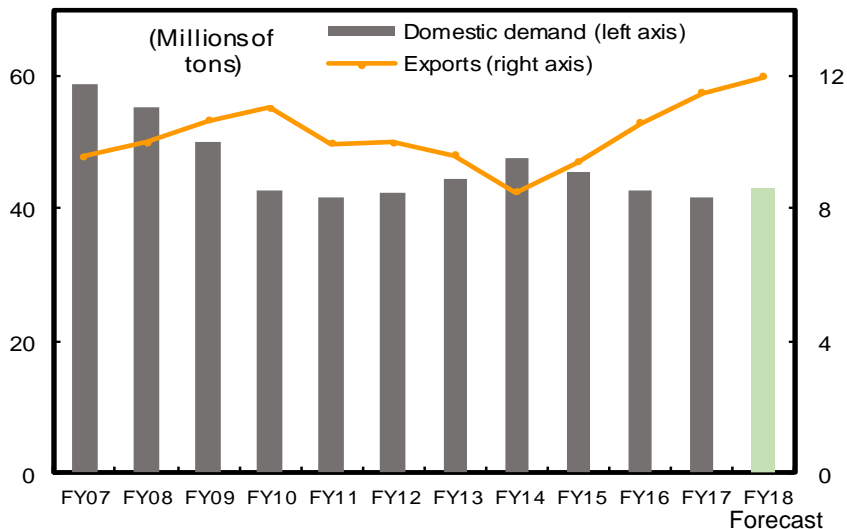
Cement Business

Japan

Performance History (Cement)



Demand history (domestic / export)



(Source: Japan Cement Association, forecast at the beginning of the fiscal year)

Overview

◆ Trends of sales and demand

Domestic demand in the first half rose YoY 3.1%, exceeding the pace based on 42 million tons in FY2018, our assumption at the beginning of the fiscal year.

◆ Sales price

Price optimizations are urgently needed, because costs of raw materials and fuels have risen.

◆ Export environment

Falls in prices in Asia, which became obvious in the previous fiscal year, slowed. Demand in Oceania continues to rise.

◆ Waste disposal processing

The price of newly accepted coal ash has risen.

Key strategy: Fortifying the domestic foundation for competitiveness

- Developed a high-precision temperature measuring system to enhance energy saving effect. (May 2017)
- Increase waste plastic processing capacity at Kyushu plant. (to be completed in the second half of 2017)
- Made Tokyo Ryoko Concrete KK a wholly-owned subsidiary. (April 2017)

United States

Overview

◆ Trends of sales and demand (Southern California)

Demand in the first half of this calendar year (January to June) rose YoY 7.9% due to strong growth in the private sector. Cement supply is tightening and there may be a temporary restart of imports.

◆ Sales price

- The price of cement was raised additionally from July by Mitsubishi Cement Cooperation (MCC).
- The price of ready-mixed concrete, which was unchanged for some time, has been started to rise by Robertson's Ready Mix, Ltd. (RRM).

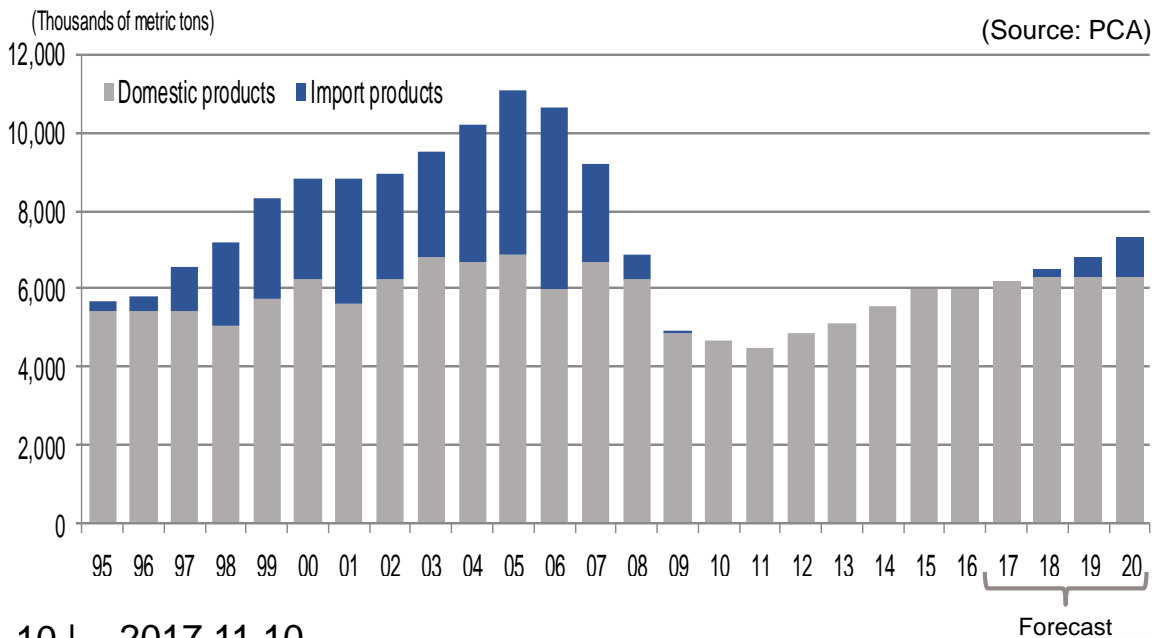
RRM Ready-mixed concrete plant



Long Beach Terminal



Demand history for cement in Southern California



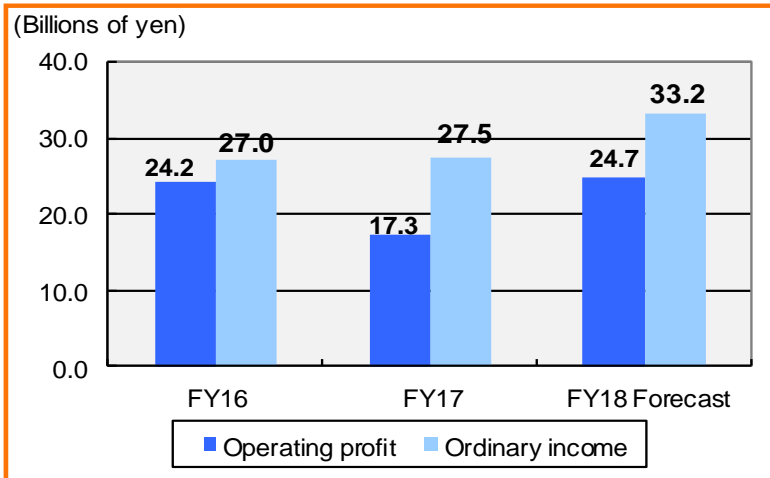
Key strategy: Expand the U.S. business

- Expansion of ready-mixed concrete business area
- Preparing to restart the cement import terminal (Long Beach Terminal)

Metals Business

Mining

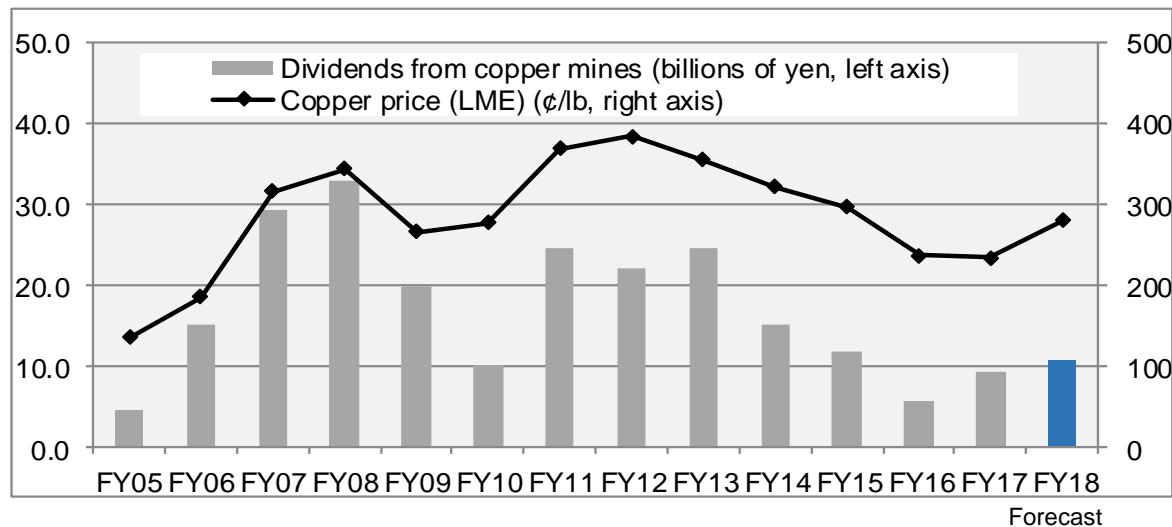
Performance History (Metals)



Overview

- ◆ Dividends from copper mines have been revised upward.
- ◆ Working on stable operation and cost cutting.

Dividends from Copper Mines & Copper Price (LME)



Key strategy: Develop new projects

- To promote the Zafranel project in Peru (F/S has been started in FY2018).

Long-term controlled volume ratio target

* Controlled volume ratio:

The ratio of the volume of ore according to mining interests plus the volume under off-take agreements.

Approx. 30% (now)



More than 50%

Smelting

Overview

◆ Status of operation at smelters

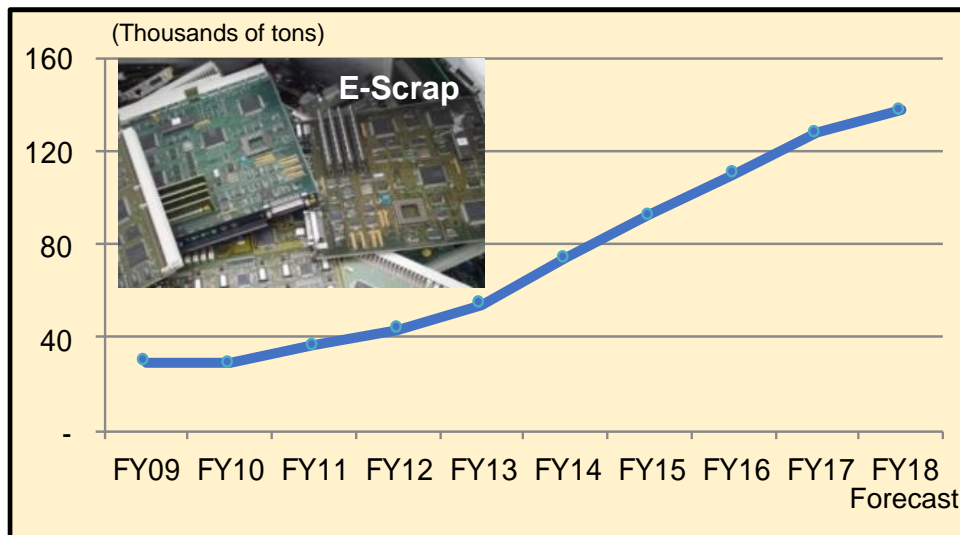
- At Naoshima Smelter & Refinery, periodic furnace repairs were made in March and April, 2017, and the operation is full production.
- At Onahama Smelting and Refining Co.,Ltd., periodic furnace repairs are making in October as planned.
- At PT. Smelting, there are no periodic furnace repairs in FY2018. From May 2017, the capacity utilization is high level.

◆ Recycling (E-Scrap)

In April 2016, the Second E-Scrap Center at Naoshima was completed.
The Group's treatment capacity has become 140,000 tons per year.



History of E-Scrap treatment capacity (Naoshima & Onahama)



Key strategy: Increasing E-Scrap recycling

- The E-Scrap sampling facility in the Netherlands will begin operations (in 2017).
⇒ Capacity will increase 20,000 tons, to 160,000 tons.
- In 2021, capacity may reach 200,000 tons.

Copper & Copper Alloy Products

Overview

◆ Mitsubishi Shindoh Co.,Ltd.

Sales of terminal materials for automobiles and leadframes for semiconductor are firm.



◆ Mitsubishi Cable Industries, Ltd.

Sales of the main product - sealing parts, particularly for semiconductor manufacturing equipment and pneumatic equipment, are strong.



◆ Luvata Special Products (SP) Division

Luvata SP was consolidated from 2Q, FY2018 as planned. Creation of business synergies will be achieved.

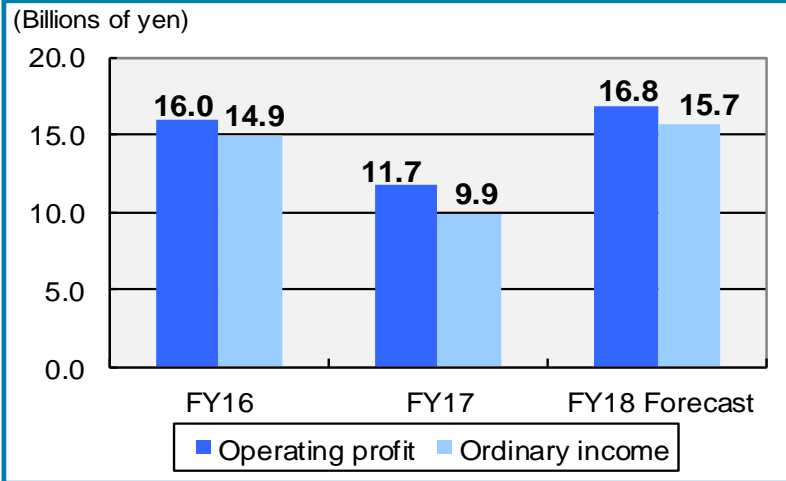


Key strategies	Tactics			
	Mitsubishi Shindoh (rolling)	Mitsubishi Shindoh (extrusion)	Mitsubishi Cable Industries	MMC Sakai Plant
● Focus on high value-added areas	- Increase sales of terminal materials for automobiles (MSP alloys and PIC plating)	- Increase sales, taking advantage of the features of ECOBRASS® (lead-free, strength, abrasion resistance)	- Increase sales of sealing parts	- Increase sales of ROX® alloys
● Business Expansion	- Create synergy with Luvata			- Create synergy with Luvata
● Efforts for the future	- Develop high-performance plating - Shift of automobile to EVs, etc. - Establish the foundation for increasing sales of terminal materials and new alloys - Strengthen the production system	- Establish sales and production systems to prepare for ELV and RoHS Directive	- Develop sealing parts for automobiles	

Advanced Materials & Tools Business

Cemented Carbide Products

Performance History (AM&T)



Overview



◆ Trends of sales and demand

- Sales of the main product - inserts, bottomed out in 2Q FY2017 and has continued to recover worldwide.
- Sales of drills and end mills continue to strong, especially in the aerospace industry.

Key strategy: Increase capacity to provide solutions

- Established the Central Japan Technical Center (June, 2017)
Work closely with Key Account in Central Japan, where companies in the automotive and the aerospace industry are concentrated.



- Relocated and expanded the technical center in Tianjin, China.

Key strategy: Promote tungsten recycling

- Increased the capacity of recycling tungsten, a raw material of cemented carbide products, by 50%. (October, 2017)
- Enhance recycling in Japan for the stable procurement of raw materials.



Cemented Carbide Products

Key strategy: Accelerate creation of synergies with Mitsubishi Hitachi Tool Engineering

Future concept of business scheme with Mitsubishi Hitachi Tool Engineering

	Industry	Company	Brand	Sales / Development / Marketing	Manufacturing
Advanced Materials & Tools Company	Mold	Mitsubishi Hitachi Tool Engineering	MOLDINO	Operations under the brand of MOLDINO	Total optimization
	Automotive Aerospace Medical Basic products	Mitsubishi Materials	DIAEDGE	Operations under the brand of DIAEDGE	

Main actions for creating sales synergies

- Started to sell MMC products under the Mitsubishi Hitachi Tool Engineering brand
- Integrated the sales organization in the United States

A structure that will enable customers to make choices more easily

Acceleration of synergy creation

New brands

DIAEDGE

Global unified brand of Mitsubishi Materials

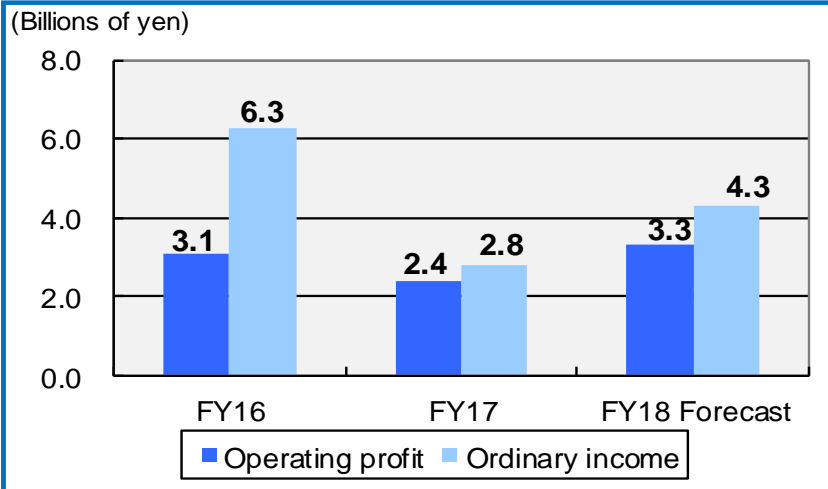


Global unified brand of Mitsubishi Hitachi Tool Engineering

Electronic Materials & Components Business & Aluminum Business

Electronic Materials & Components Business

Performance History (EM&C)



Overview

◆ Advanced Materials

Sales increased, especially the products for semiconductor manufacturing equipment (precision silicon products).

◆ Electronic Components

Sales of thermistor sensors (temperature sensors) for air conditioners recovered. Sales of thermistor sensors for refrigerators start.

◆ Silicon

Sales rose chiefly due to an increase in demand for silicon wafers.

Key strategies:

Lineup of high value-added products

★ Major new products from April, 2017

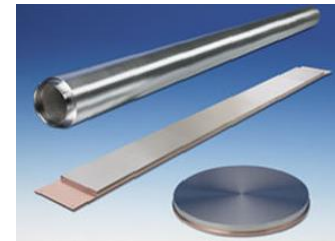
- Developed and commenced the mass production of new silver alloy sputtering target for organic EL displays
- Commercialize EFrontier™, a fluorine compound with hydrophilic oil-repellent
- Developed multiband antennas for cellular bands worldwide for automotive telecommunications equipment



Precision silicon products



Semiconductor
manufacturing
equipment



Sputtering targets



Organic EL display
Touch panel



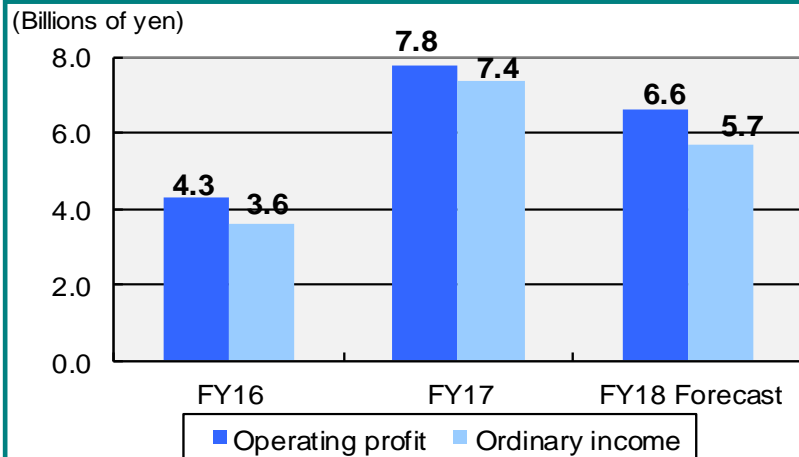
Thermistor sensors



Air conditioner
Refrigerator
Automobile

Aluminum

Performance History (Aluminum)



Overview

- ◆ **Mitsubishi Aluminum Co., Ltd.** (Rolled and extruded products)
Sales of heat exchanger materials for automobiles, truck body components and lithium-ion battery cases remains strong.
- ◆ **Universal Can Corporation** (aluminum beverage cans)
Sales of bottle cans, on which the company is focusing, declined in the first half YoY, but in the second half, the company aims to expand sales again.

Mitsubishi Aluminum Co., Ltd.

Key strategies

- Shift the heat exchanger sheet materials for automobiles through selection and concentration.
- Increase productivity at Fuji Plant.
- Establish a new production base for heat exchanger sheet materials for automobiles in North America.
⇒ Start to discuss with Gränges, the world's largest manufacturer in the industry.



Universal Can Corporation

Key strategies

- Respond to increase production of beverage bottle-cans and develop next-generation strategic products.
⇒ Establishing a new line at Gifu Plant.
- Promote UBC recycling
- Develop business into the Southeast Asian market.



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Recap

- **Undertake the "Transformation for Growth" which is theme of Medium-term Management Strategy.**
- **To get the three Group-wide policies in the Long-Term Management Policy on track early.**
 - ▶ **Optimization of Business Portfolio**
 - Stable growth business / Growth promotion business / Profitability restructuring business
Set performance indicators (KGIs and KPIs) appropriate for each business.
 - Process manufacturing business / Product manufacturing business
Consider reorganization to build the optimum management structure for each business.
 - ▶ **Comprehensive Efforts to Increase Business Competitiveness**
 - Execute CFPs (cross-functional projects) in addition to initiatives for each business.
 - ▶ **Creation of New Products and Business**
 - Determine target businesses following the consideration and assessment of potential themes and businesses.
 - Consider specific business plans and systems.

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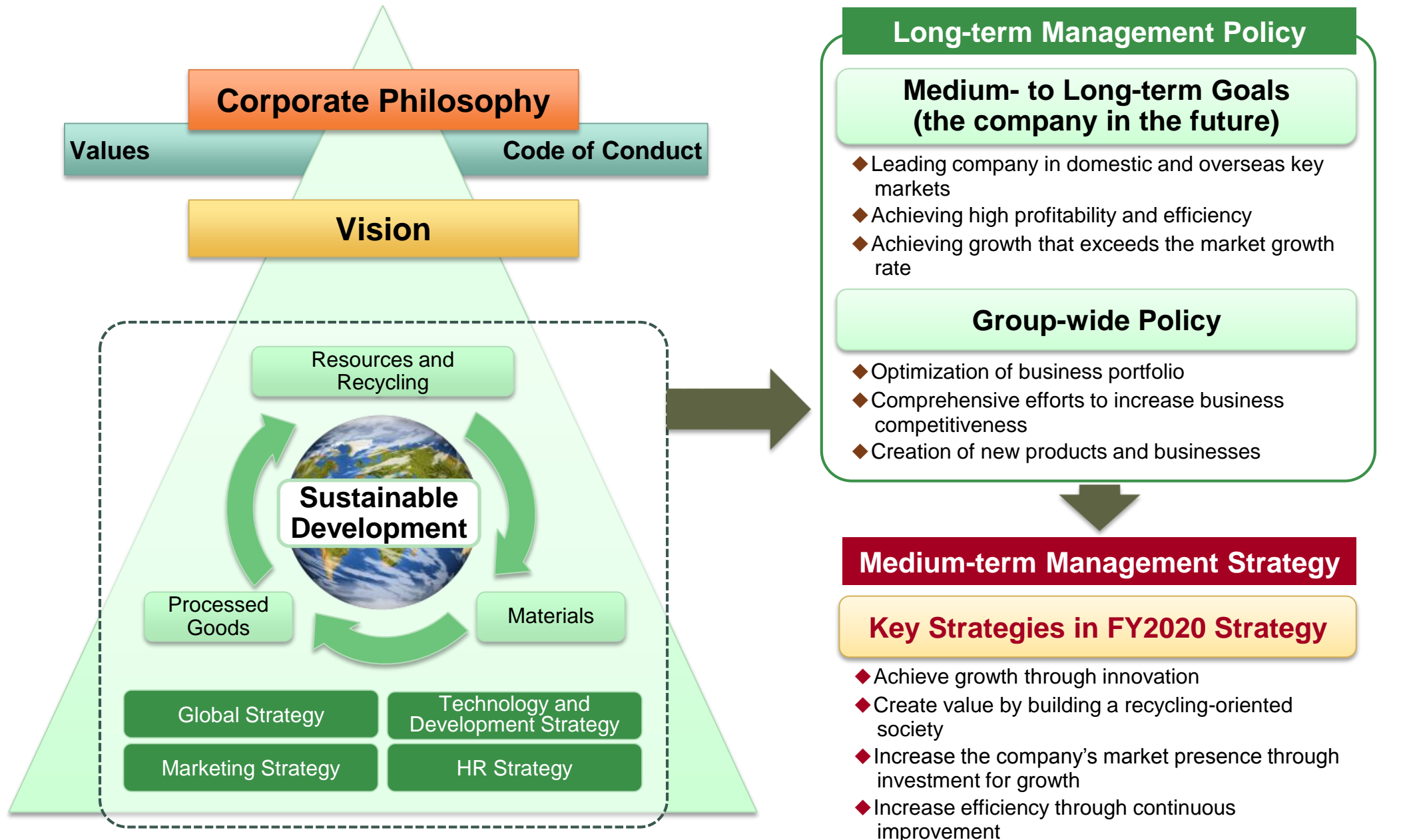
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***Announced on May 11, 2017**

Overview of the Medium-term Management Strategy



Long-term Management Policy

Medium- to Long-term Goals (the company in the future)

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

Group-wide Policy

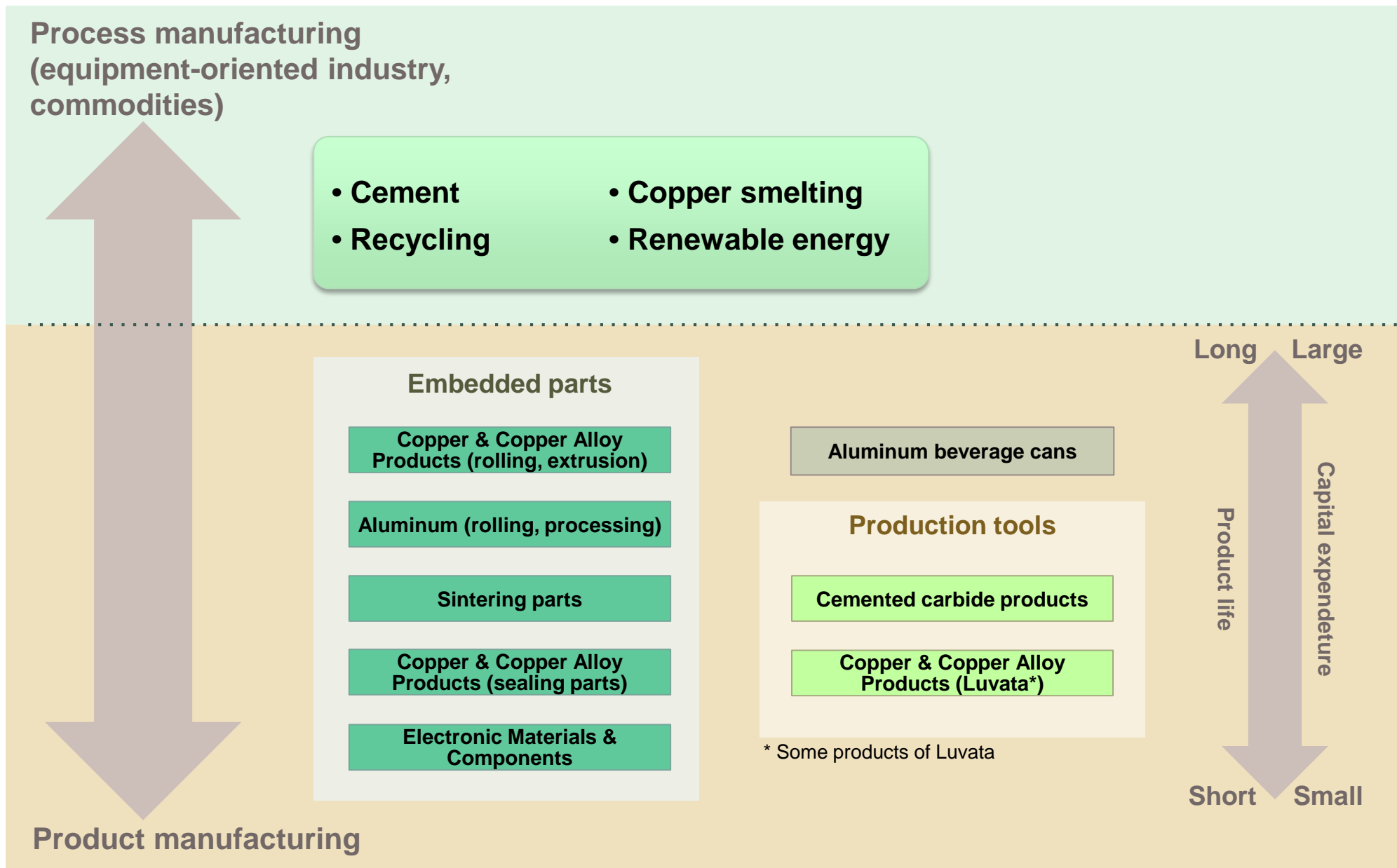
- ◆ Optimization of business portfolio
- ◆ Comprehensive efforts to increase business competitiveness
- ◆ Creation of new products and businesses

Medium-term Management Strategy

Key Strategies in FY2020 Strategy

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

Group-wide Policy: Optimization of Business Portfolio



Group-wide Policy: Optimization of Business Portfolio

		Direction	(Indicator to watch)
Stable growth business	Cement Metals (smelting) Recycling Renewable energy	<ul style="list-style-type: none"> ◆ Aim to strengthen the business foundation by increasing and maintaining cost competitiveness using recycling revenues, etc. and seek carefully selected opportunities for large investments 	ROA
Growth promotion business	Metals (Copper & Copper Alloy Products) Advanced Materials & Tools	<ul style="list-style-type: none"> ◆ Promote growth by matching customer and market needs and the Company's strength ◆ Business development in adjacent fields and global markets 	EBITDA growth rate
Profitability restructuring business	Electronic Materials & Components Aluminum	<ul style="list-style-type: none"> ◆ Work promptly to solve issues and define the future direction of growth. <ul style="list-style-type: none"> • Make investments in competitive advantages and support technological development • Ensure thorough selection and concentration 	ROS comparison with competitors

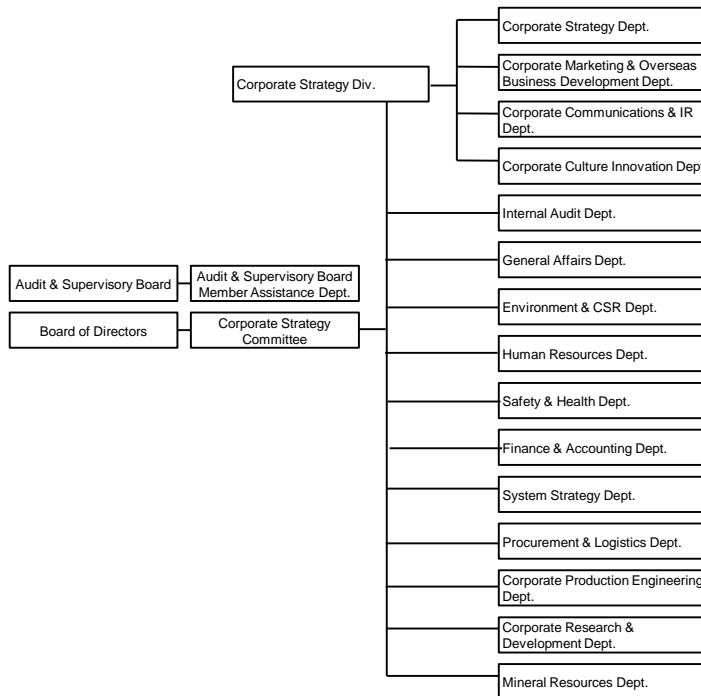
Group-wide Policy: Comprehensive Efforts to Increase Business Competitiveness

Reorganization of the Corporate Div. at Head Office

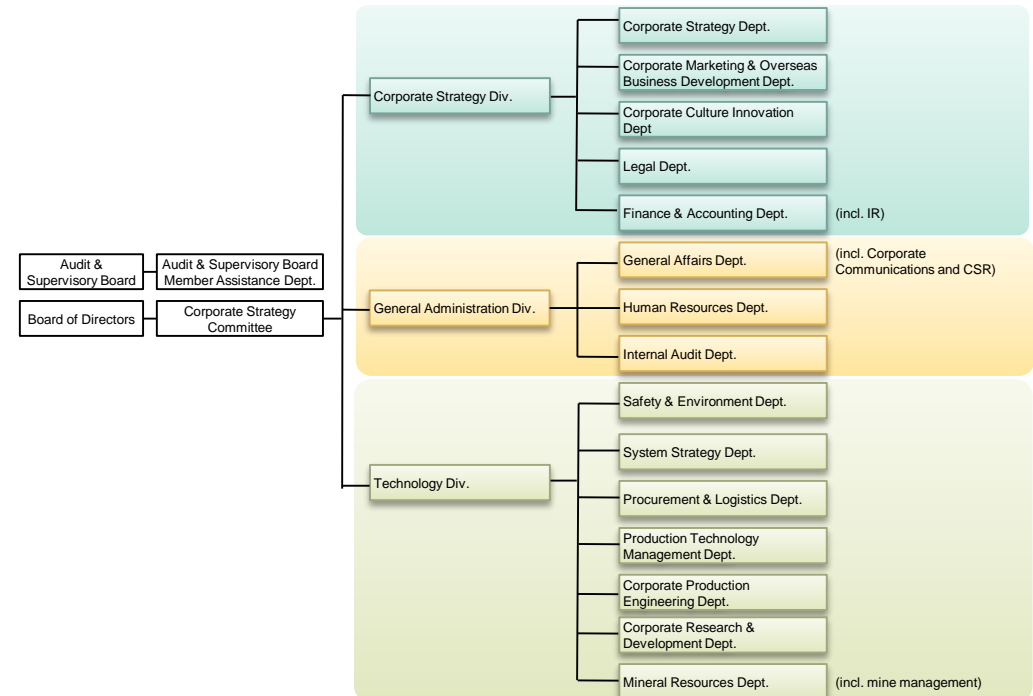
- ◆ Unified implementation of process development and product development by the Technology Div.
- ◆ Strengthening the function of group-wide strategy development and business support
- ◆ Providing one-stop services to business divisions

Reforming the organization to support the efforts to increase business competitiveness

Organization before reform

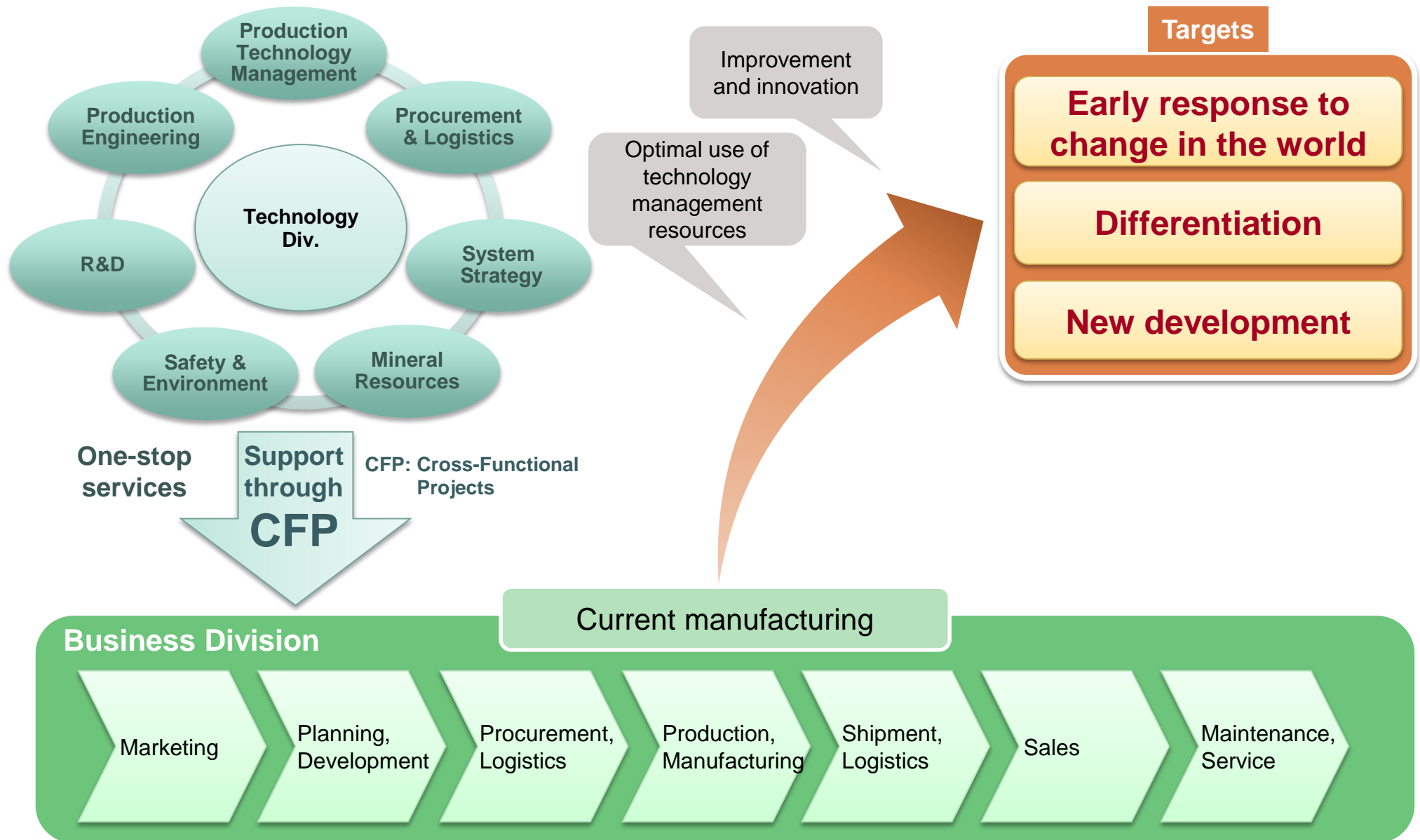


Organization after reform (from April 2017)

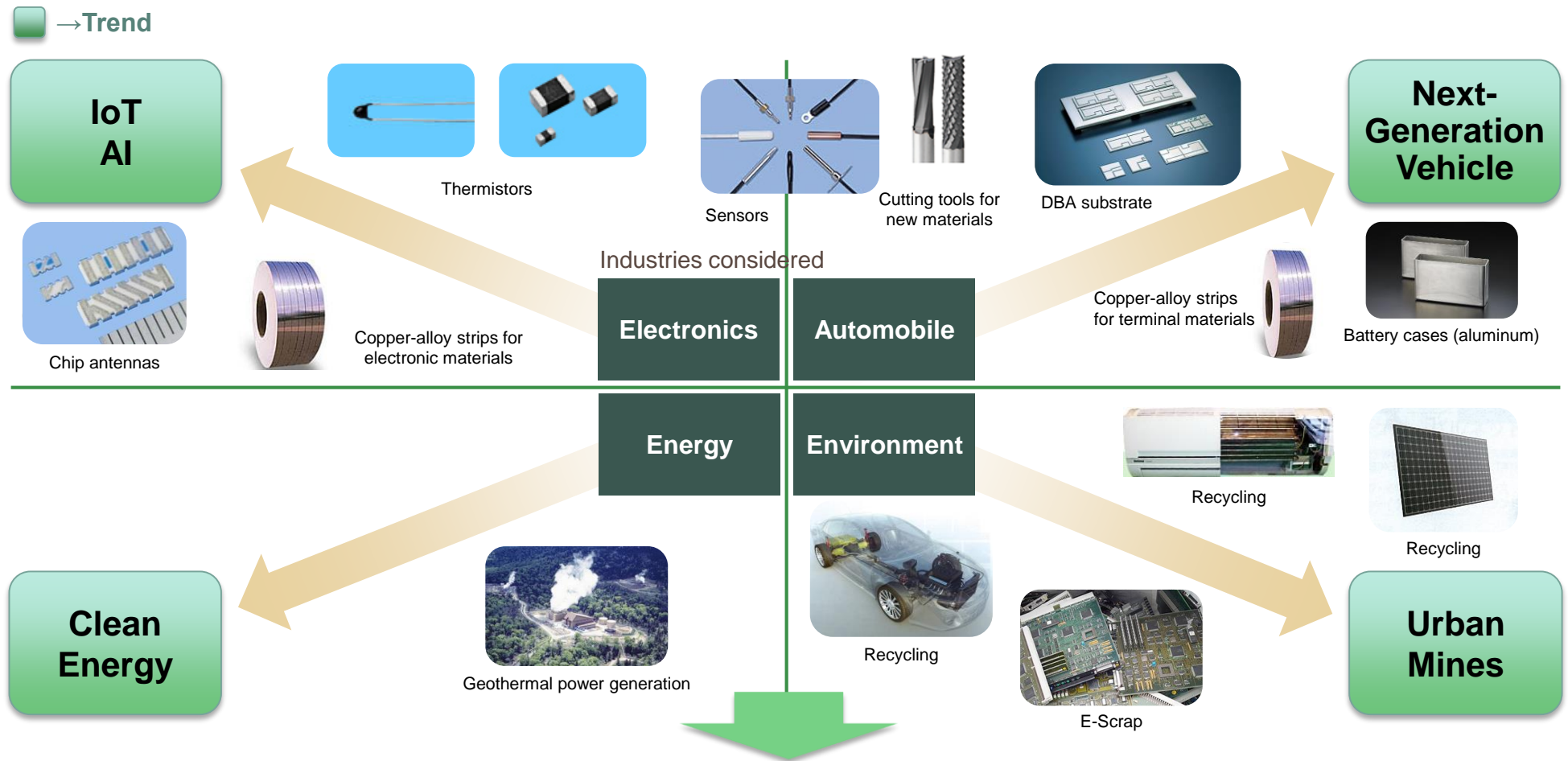


* Modify the business department organization in the FY2020 Strategy.

Group-wide Policy: Comprehensive Efforts to Increase Business Competitiveness



Group-wide Policy: Creation of New Products and Business



Needs that the Company should meet	Potential new products and businesses
Next-generation vehicle, IoT and AI	Solutions for the shift of automobiles to EVs and the needs of automatic driving Heat management materials Sensors, antenna modules, and etc.
Building a rich, sustainable society	Recycling, renewable energy, businesses related to hydrogen-energy society, and etc.

Group-wide: Investment Strategy

- ◆ Strengthen the businesses by utilizing operating cash flow and revenue from sale of assets
- ◆ If there is any other favorable large investment for growth, however, the Company will positively implement such an investment as far as keeping Net D/E ratio of 1.0 time or lower

FY2018 – 2020 Cumulative Cash Flow

Cash in		
Operating CF		240.0
Investing CF	Sale of assets	60.0
Total		300.0

Sales of share in SUMCO Corporation (moved forward in the previous period)	26.0
	326.0

Cash out		
Investing CF	Investment for growth	150.0
	Investment for maintenance and upgrading	170.0
	Subtotal	320.0
Financing CF	Dividend, etc*1	46.0
Total		366.0

Acquisition of Luvata (carry-over from FY2017)	-40.0
	326.0

¥ billions

280.0

FY2018 – 2020 Cumulative Investment Plan

Total amount of investment		280.0*2	
Maintenance/upgrading		170.0	
Growth strategy		110.0*2	
Cement	Metals*2	Advanced Materials & Tools	4
22%	33%	21%	8
			7
			5
			Electronic Materials & Components
			Aluminum
			Environment & Energy
			Common investment

*1 Total amounts of dividend payment from MMC and dividend payment to non-controlling interests from consolidated subsidiary

*2 Excludes the cost of acquiring Luvata (Approx. 40 billion yen) carried forward from the previous period.

Group-wide: Capital Policy

	FY2017 (Results)	FY2018-2020
Dividend	60 yen/share	80 yen/share

- ◆ While the Company's performance is changed, its policy is to maintain stable dividends, and annual dividends during the FY2018-2020 period will be 80 yen per share (dividend amount in 2019).
- ◆ If the consolidated dividend payout ratio is lower than 25%, however, the Company will temporarily increase the dividend or purchase treasury stock.

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Group-wide: Provisional Financial Calculations

(¥ billions)

		Results for FY2017	Provisional Financial Calculations for FY2020	Remarks
Income statement	Consolidated net sales	1,304.0	1,620.0~1,840.0	
	Consolidated net sales (excl. metals costs)	757.1	870.0~910.0	
	Consolidated ordinary income	63.9	82.0~100.0	[Principal reasons of changes, ordinary income base]
Balance sheet	Total assets	1,896.9	1,950.0	Market conditions 12.0
	Net interest-bearing debt	386.9	450.0	Investment effect 15.0
	Shareholders' equity	621.2	640.0	Metal prices 3.0~7.0
ROA (ordinary income to total assets) (%)		3.5	4.5~5.0	Foreign exchange -6.0~8.0
ROE (%)		4.8	7.0~8.0	Other -6.0
Net D/E ratio (times)		0.6	0.7	Total 18.1~36.1
Assumptions (*)	Exchange rate USD (yen/\$)	108	100~120	[Sensitivity]
	Exchange rate EUR (yen/€)	119	120	◆ Exchange rate 1 yen/\$ (yen depreciation) 0.7 billion yen
	Copper price (LME) (¢/lb)	234	250~270	◆ Copper price (LME) +10 ¢/lb 2.2 billion yen (Ordinary income)

* Median used for BS

◆ For further information, please contact at: ◆

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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.

Note

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