

# **Long-term Management Policy and Medium-term Management Plan (FY2015–2017)**

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# I Long-Term Management Policy

# Long-term Management Policy: Overview

## Vision

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.

### What the keywords mean to us

- materials  
This term refers not only to resources, raw materials and products, but to everything of value that Mitsubishi Materials provides, including services, solutions and personnel.
- unique  
This term is strongly charged with the meaning of things that make Mitsubishi Materials special, things we can do because we are Mitsubishi Materials, things only Mitsubishi Materials can do. These are things that set us apart from the rest.
- world's leading business group  
This term indicates a group of companies that pursues uniqueness across its entire business model in each operation, embracing regions, markets, products, productivity, quality, service and more, at every level, including the Group as a whole, internal companies, department, companies, locations and workplaces, to be world's leading business group and one-of-a-kind.

## Target State

By achieving above vision and earning the trust of customers , each Mitsubishi Materials operation occupies an important position in each industry and market.

# Long-term Management Policy: Overview (Policy towards 2020s)

Corporate  
philosophy

For People, Society and the Earth

Vision

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.

Image for scale of operations

Net sales of ¥2 trillion or more, net income of  
¥100 billion or more

## Cement

- ◆ No. 1 ROA in global cement industry
- ◆ Major player in the Pacific Rim

## Advanced Materials & Tools

- ◆ Over 10% global share of cemented carbide products
- ◆ No. 1 ROS in industry for high-performance alloy products

## Metals

- ◆ captive mine ratio 50%
- ◆ No. 1 globally in processing of precious metals scrap (E-Scrap)
- ◆ No. 1 globally in profitability from copper processing

## Electronic Materials & Components

- ◆ A high-profitability operator with the world's No. 1 product lineup

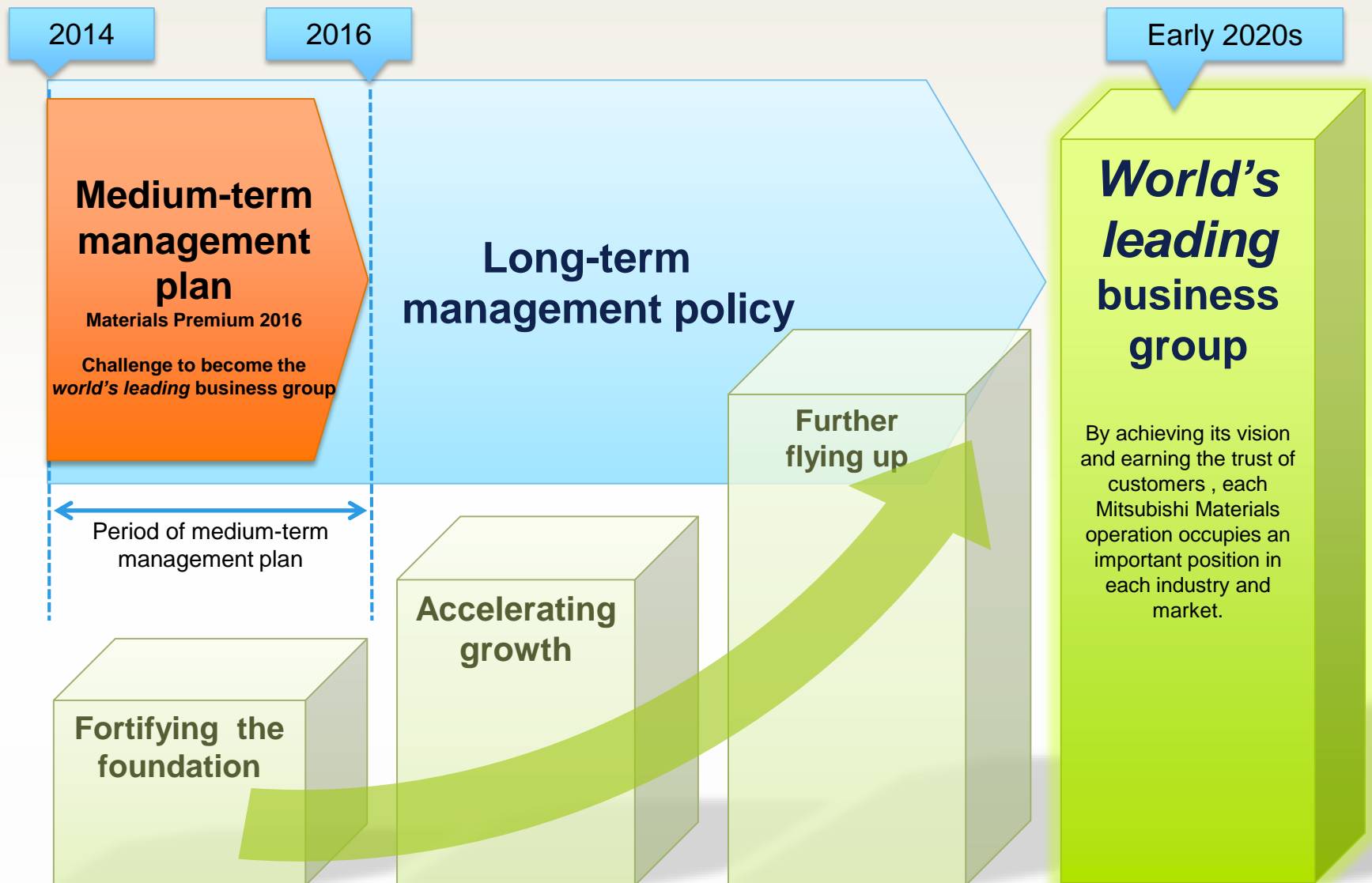
## Aluminum

- ◆ No. 1 global share in extruded multi-hole tubes for heat exchangers
- ◆ No. 1 domestic share in aluminum cans for beverages



## Ⅱ Overview of Medium-term Management Plan (FY2015–2017)

# Positioning of Medium-term Management Plan




# Medium-term Management Plan: Overview

## Medium-term Management Plan (FY2015-2017)

Materials Premium 2016 –

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

### Management Targets

	FY2014		FY2017
● Operating profit	¥66.2 billion		<b>¥100 billion</b>
● Ordinary income	¥76.9 billion		<b>¥110 billion</b>
● Return on assets (ordinary income base)	4.3%		<b>6%</b>
● Net D/E ratio	1.3times		<b>1.0 time or lower</b>

### Growth Strategy

- Fortifying the foundation for growth
- Strengthening global competitiveness
- Pursuing a recycling-based business model

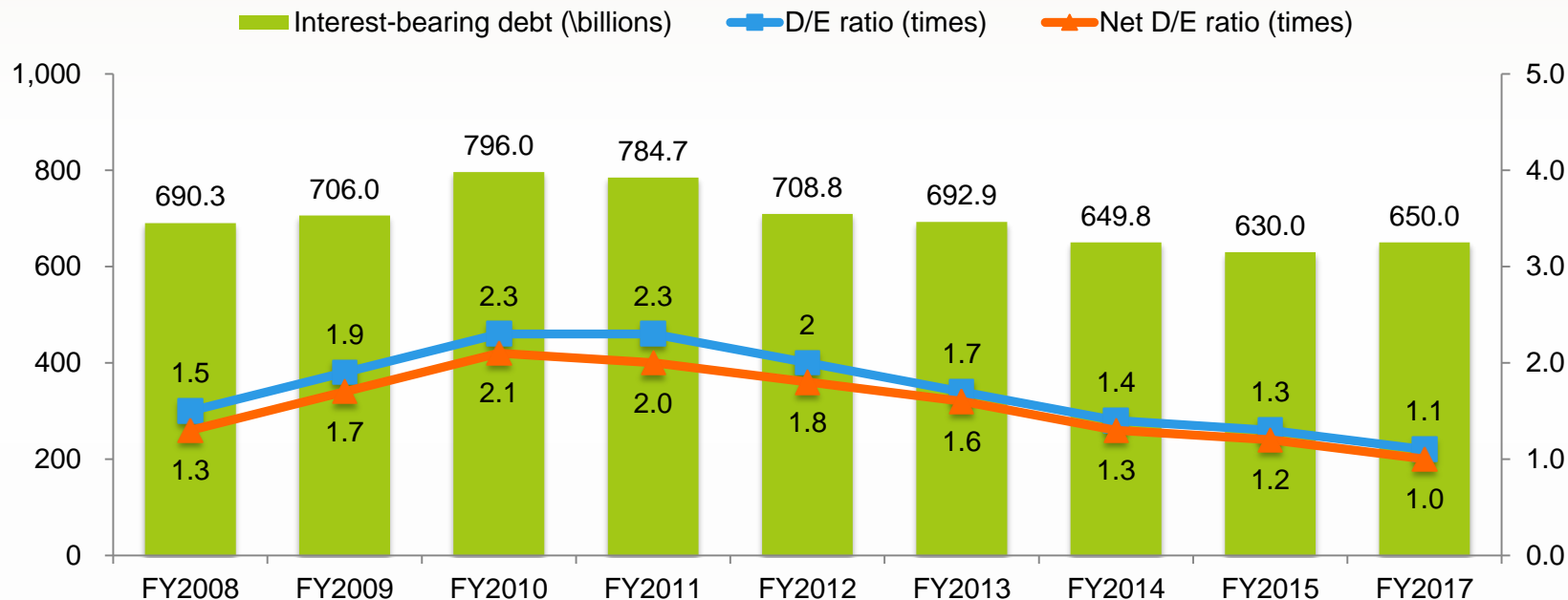


# Consolidated Financial Targets

## Cash flow

3-year cash flow (FY2015–2017)	CF from operating activities	¥361 billion
	(Depreciation cost)	¥176 billion
	CF from investing activities	(¥318 billion)
	Free cash flow	¥43 billion

## Financial soundness



# Plan by Segment

(¥billions)

	FY2014			FY2017		
	Net sales	Operating profit	Ordinary income	Net sales	Operating profit	Ordinary income
Cement	190.1	19.1	18.8	229.0	35.0	35.0
Metals	750.9*	23.7*	37.8*	810.0	30.0	40.0
Advanced Materials & Tools	145.8	14.0	13.9	168.0	23.0	23.0
Electronic Materials & Components	67.7	4.0	2.1	88.0	7.0	6.0
Aluminum	151.5	5.5	4.7	175.0	8.0	7.0
Others, elimination, etc.	108.5*	-0.3*	-0.7*	130.0	-3.0	-1.0
Total	1,414.7	66.2	76.9	1,600.0	100.0	110.0

\* Results for FY2014 is based after reclassification of precious-metals segment.

Assumptions	FY2014	FY2017
Average TTM rate (yen/\$)	100	100
Average TTM rate (yen/€)	134	130
Copper price LME ( ¢ /lb)	322	300

# Group-wide Growth Strategy

Fortifying  
the foundation  
for growth

- Enhancing safety management systems and securing stable operations
- Strategic investment (M&A, etc.) to embody sustainable growth
- Improving financial position continuously (raising profitability through business selection and focus)

Strengthening  
global  
competitiveness

- Expanding current location, and deploying new production and sales location with focus on emerging countries
- Improving competitiveness by developing new customers and markets (strategic marketing)

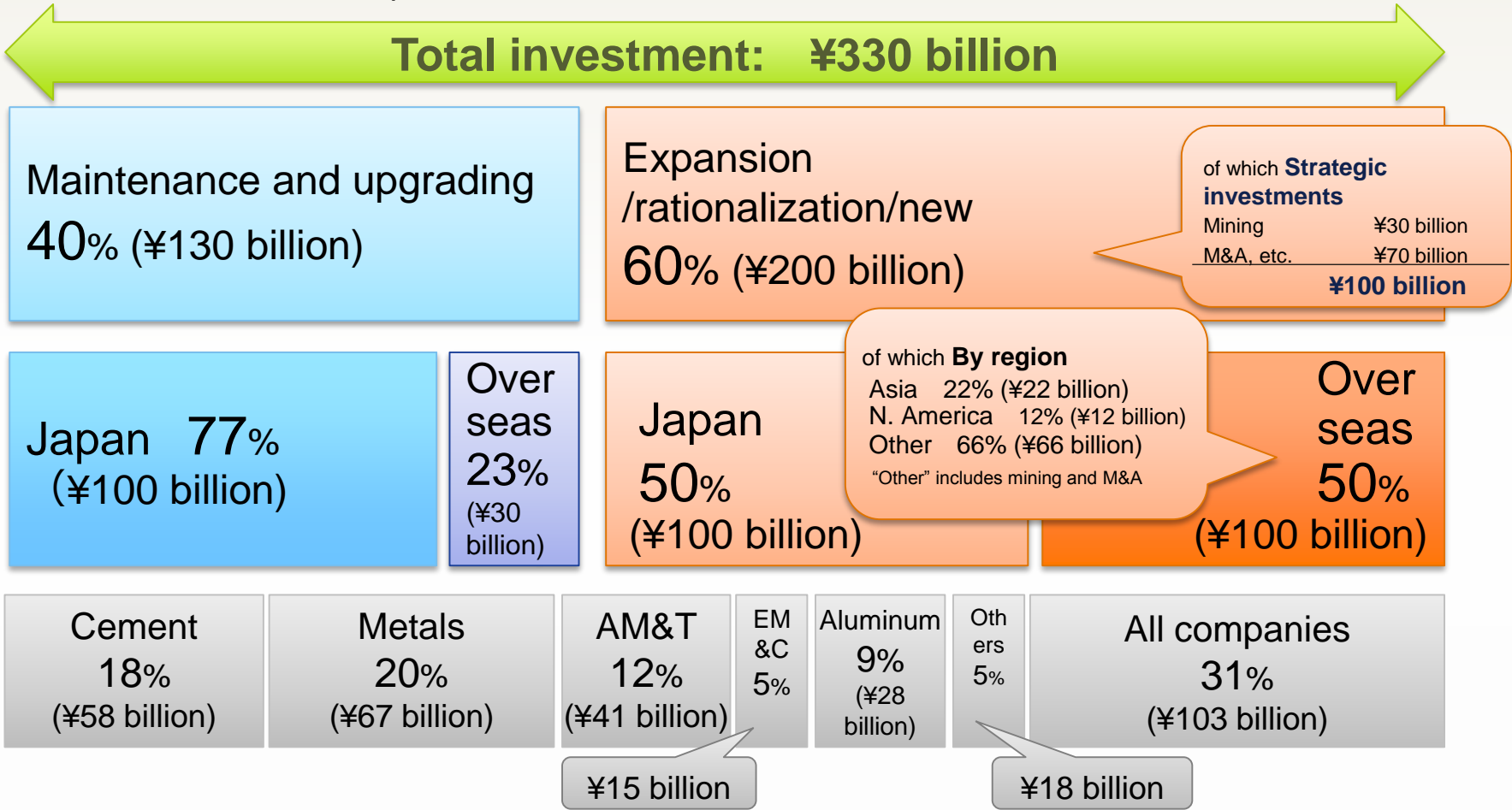
Pursuing a  
recycling-based  
business model

- Achieving long-term growth by pursuing a recycling-oriented value chain
- Establishing a business model unique to Mitsubishi Materials by realizing Materials Premium, our strength as conglomerate.

# Group-wide Growth Strategy ①Fortifying the foundation for growth

## Strategic investments to accelerate sustainable growth

■ Cumulative investment plan, FY2015–2017

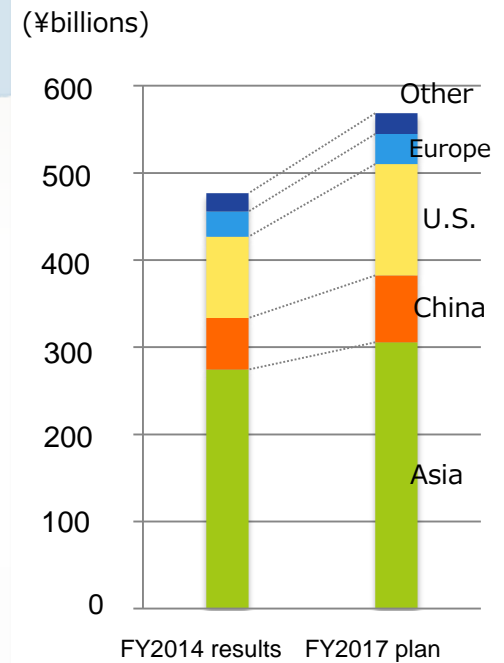


## Expansion of existing locations and deployment of new production and sales locations with focus on emerging countries

- Improvement of global competitiveness by developing new customers and markets through strategic deployment of marketing

	Existing locations			New locations		
	Production	Sales	Other	Production	Sales	Other
Europe	2	6	4		2	
Americas	16	8	11	1	2	1
China	8	10	4	1	5	
Asia	21	19	4	7	1	2
Other	2	1	3			
TOTAL	49	44	26	9	10	3

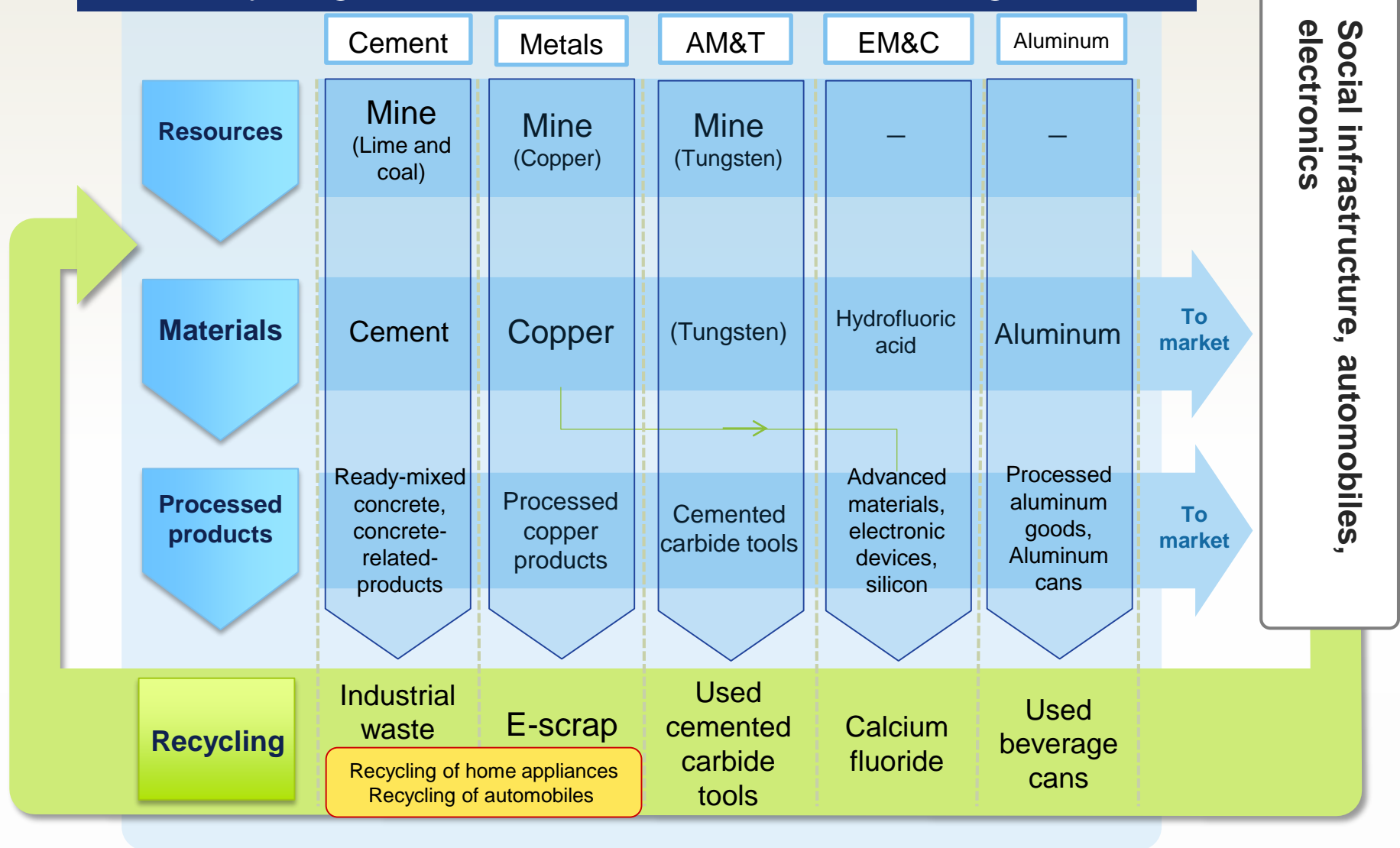
Overseas net sales by region



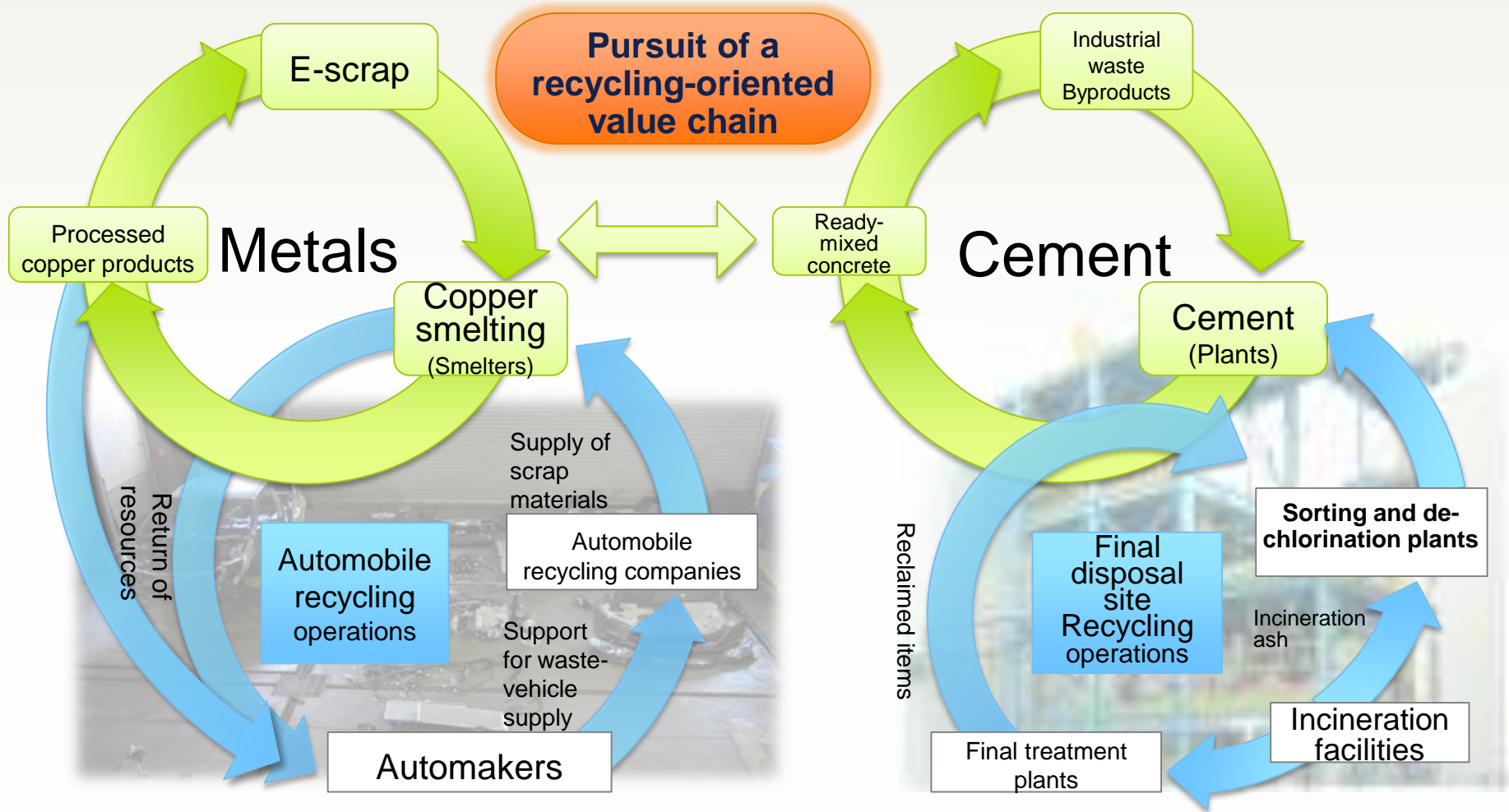
Note:1) "Asia" excludes Japan and China  
2) Excludes bullion

# Group-wide Growth Strategy ③Pursuit of a Recycling-based Business Model

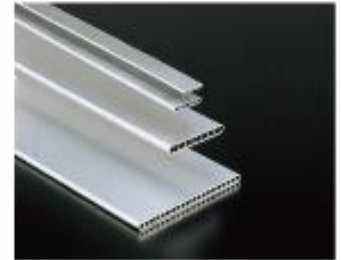
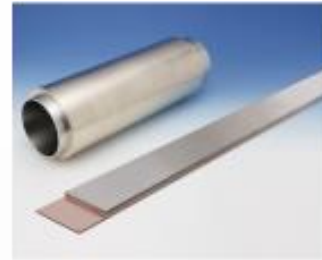
## Recycling-based Business Model in Each Segment



Establishing a business model that realizes Materials Premium



# Ⅲ Operating Strategy by Segment



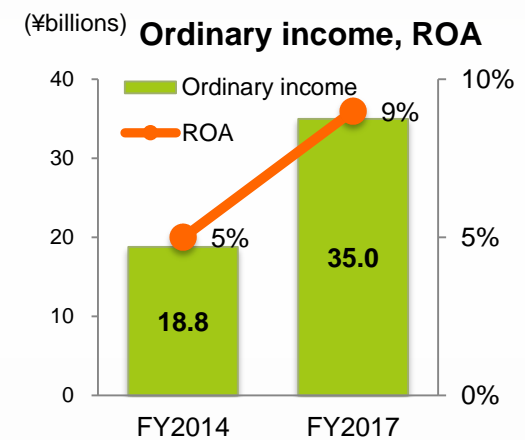
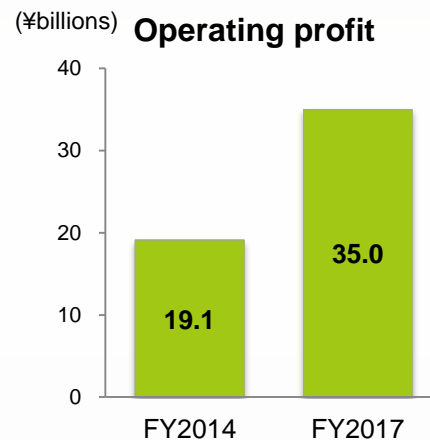
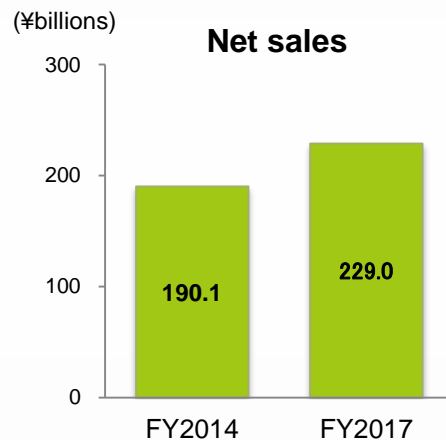


# Cement

## Long-term Targets

- No. 1 ROA in global cement industry
- Major player in the Pacific Rim

## Medium-term Management Targets

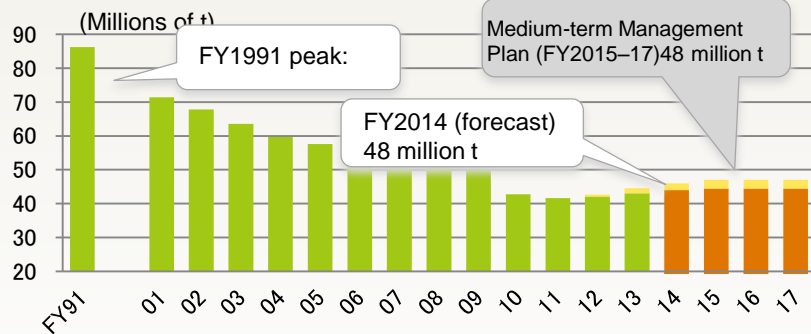


# Cement

## Business environment during the medium-term management plan period

### Forecast of cement demand in Japan

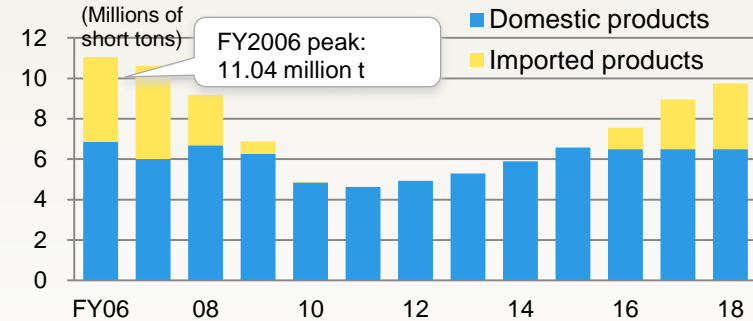
FY2014: 48 million tons  
FY2017: 48 million tons



To FY2015 forecast: Published figures from the Japan Cement Association  
FY2016 and later: Mitsubishi Materials forecast

### Forecast of cement demand in southern California (U.S.)

FY2014: 5.9 million short tons  
FY2017: 9.0 million short tons



To FY2010: USGS Cement Statistics and Information  
To FY2014: Actual results published from PCA Forecast 2013 winter  
For FY2023: Mitsubishi Materials forecast

## Business strategy during the medium-term management plan period

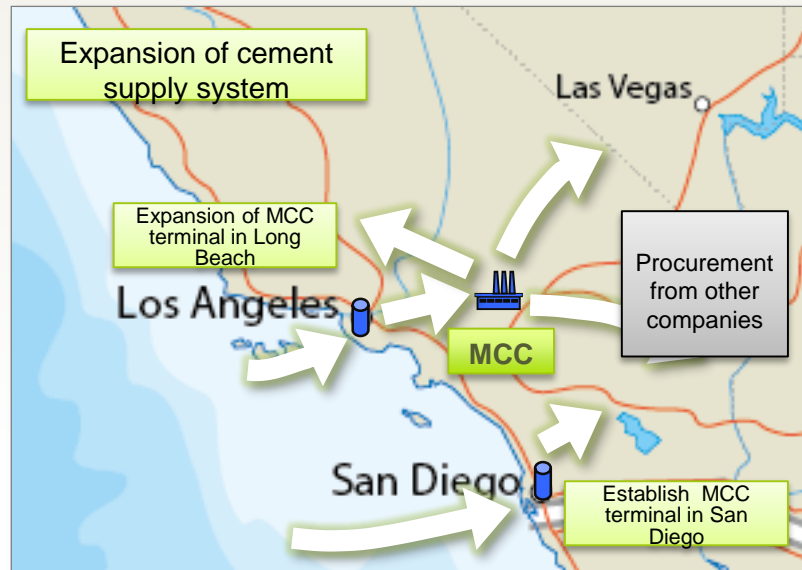
- | Region             | Strategy  |
|--------------------|---|
| Japan              | <ul style="list-style-type: none"> <li>Stably supply for booming demand due to earthquake disaster reconstruction, hosting of Tokyo Olympics, etc.</li> <li>Promote integrated business capabilities to expand recycle operations</li> </ul>  |
| United States      | <ul style="list-style-type: none"> <li>Expand cement supply abilities by such measures as terminal expansion, etc.</li> <li>Expand earnings from ready-mixed concrete operations by new construction and purchasing of ready-mixed concrete plants, and securing of aggregate quarries</li> </ul> |
| Emerging countries | <ul style="list-style-type: none"> <li>Deploy operations in emerging countries by such measures as building new cement plants, terminals and relationships with local companies</li> </ul>  |

# Cement

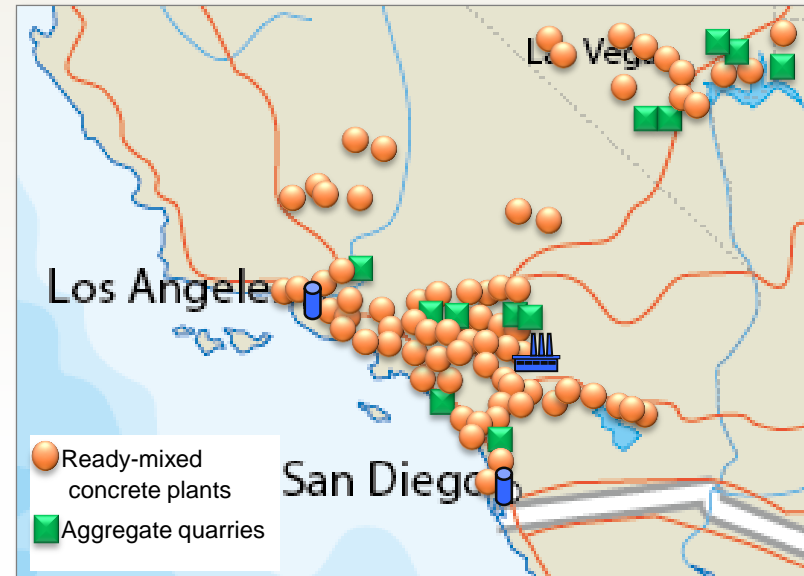
## Key growth strategy: Expansion of US operations and deployment in emerging countries

### ■ US operations

Expansion of cement supply system



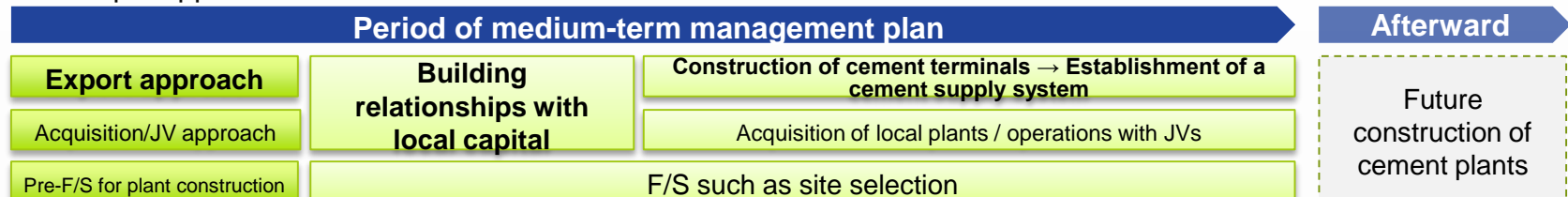
Increase in earnings from ready-mixed concrete operations



### ■ Emerging countries

Building relationships with local capital and new construction of cement plants and terminals to deploy operations in emerging countries

#### ▼ Sample approaches

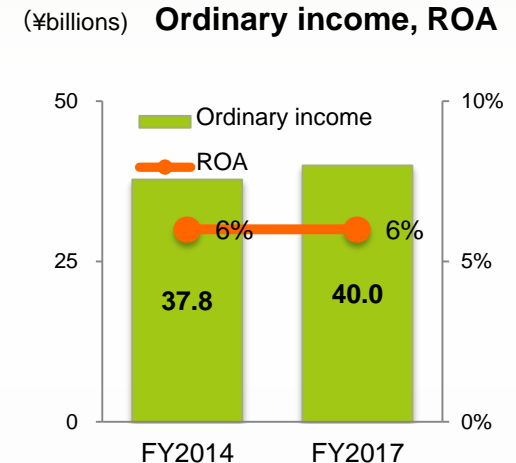
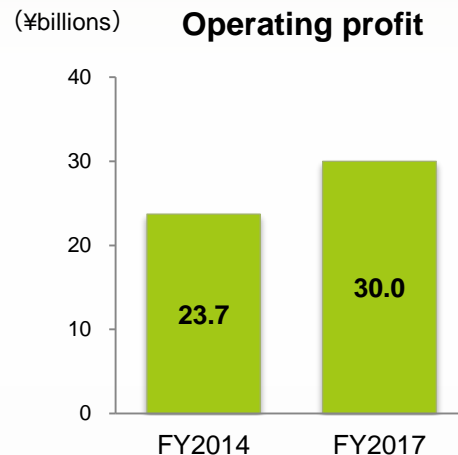
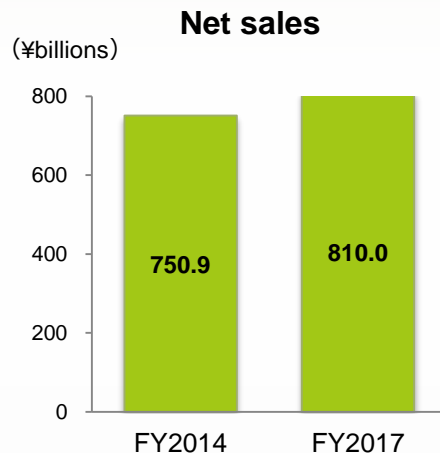


# Metals

## Long-term Targets

- Mining Captive mine ratio 50% \*  
\* Captive mine ratio= (Copper production volume as share of concentrate rights)/(Electrolytic copper production volume from concentrate)
- Smelting No.1 globally in processing of precious metals scrap (E-Scrap)
- Copper processing No. 1 globally in profitability

## Medium-term Management Targets



Note: Results for FY2014 are indicated according to the classifications after the reclassification of precious-metals segment.

# Metals

## Business environment during the medium-term management plan period

- China has overcapacity in both the smelting and copper processing fields.
- The domestic demand will not recover as domestic manufacturers have moved overseas with yen appreciation, but overseas demand will increase.
- Price competition with products from emerging markets is intensifying globally in processed copper products.
- We expect a certain degree of recovery in TC/RC, because the slowdown in the Chinese economy will ease demand for copper concentrates for the time being

## Business strategy during the medium-term management plan period

Mining

- Launching of new mine development (Zafranal in Peru, etc.)

Smelting

- Strengthening of recycling operations; responding to increasing generation of precious metals scrap (e-scrap) overseas by expanding collection and pretreatment facilities
- Utilizing slag (smelting by-products) effectively

Copper processing

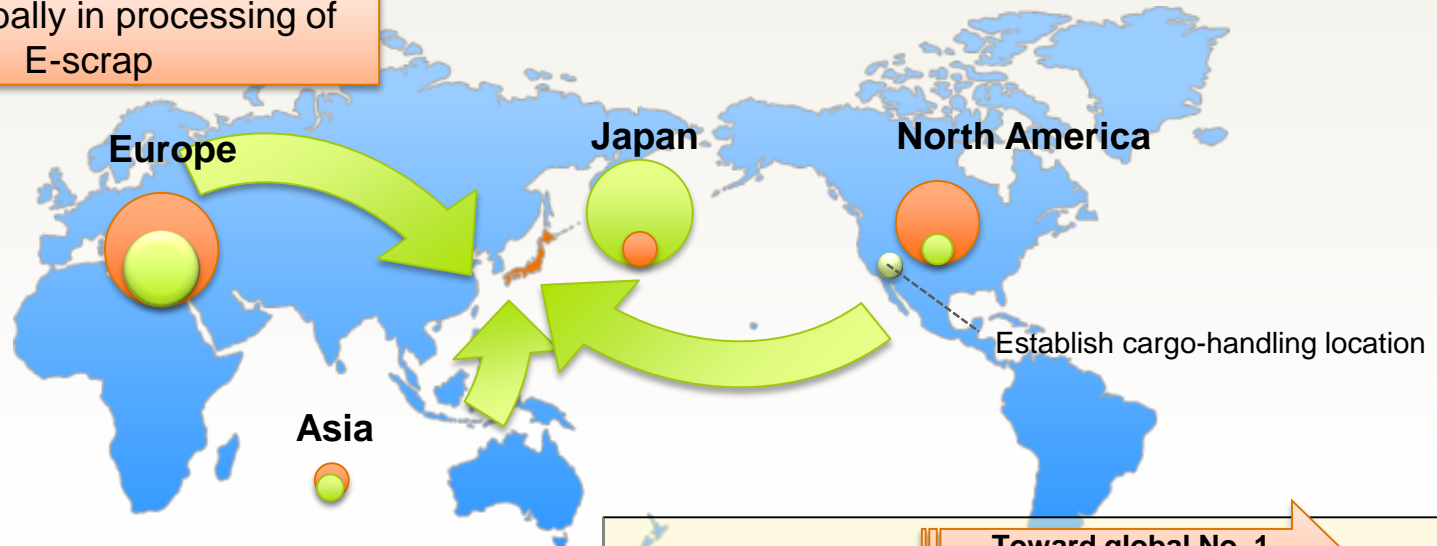
- Expanding sales of new alloy MNEX® for volume-zone markets in emerging-country
- Establishment of slitting facilities and sales location in emerging countries
- Cultivating new markets with unique alloys such as lead-free products (“ECOBASS®”) and discoloration-resistant antimicrobials products (“CLEANBRIGHT®”)

# Metals

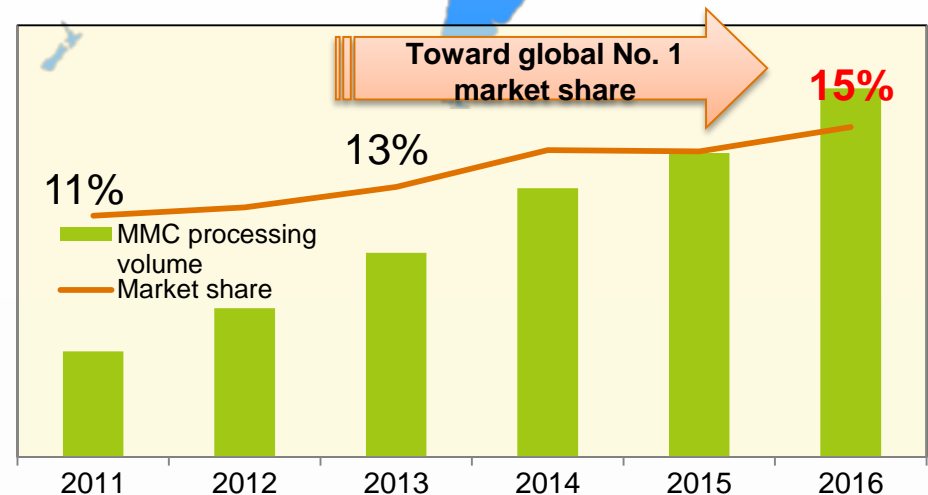
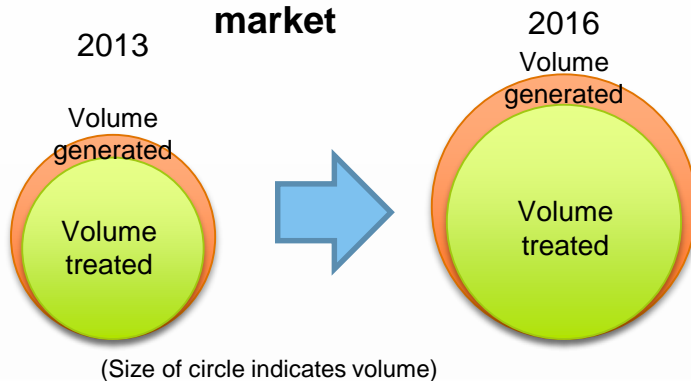
## Key Growth Strategy: Strengthening Recycling Operations

(Mitsubishi Materials estimate for 2016)

No. 1 globally in processing of E-scrap



### Total E-scrap market



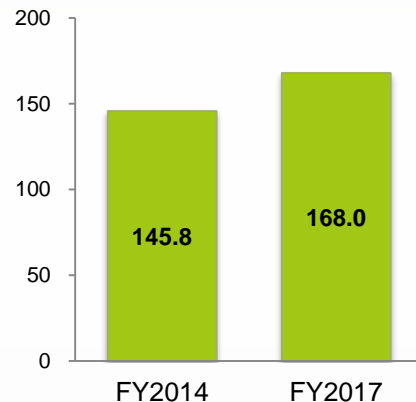
# Advanced Materials & Tools

## Long-term Targets

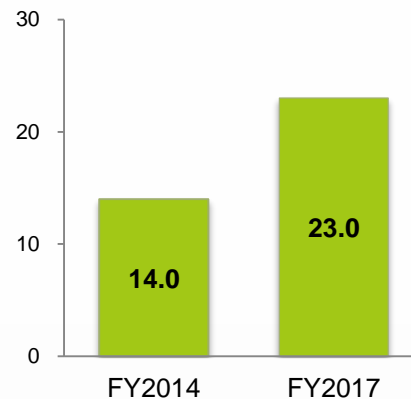
- Cemented carbide products Over 10% global share
- High-performance alloy products World No.1 in ROS

## Medium-term Management Targets

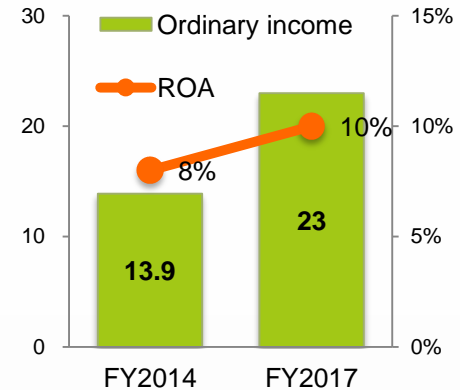
(¥billions) **Net sales**



(¥billions) **Operating profit**



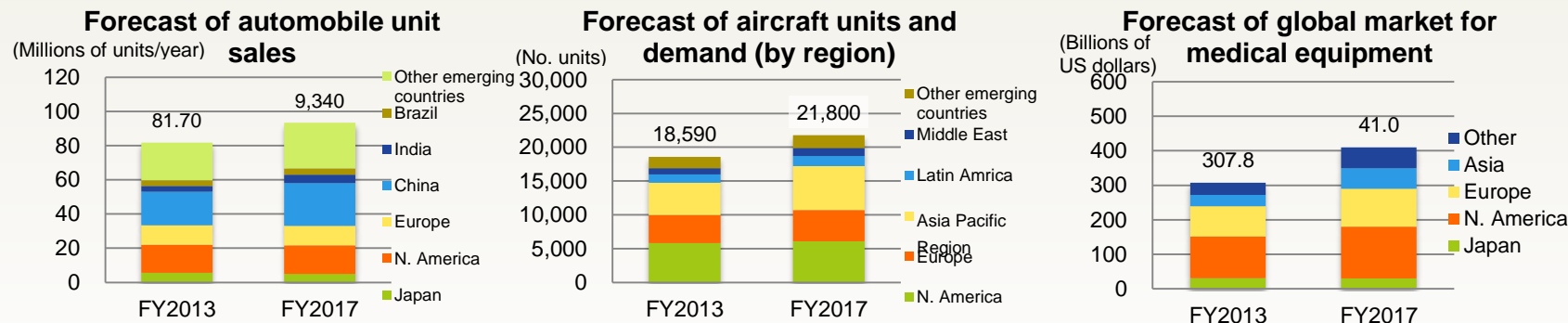
(¥billions) **Ordinary income, ROA**



# Advanced Materials & Tools

## Business environment during the medium-term management plan period

- Demand is continuously expanding for cemented carbide tools used for automobiles, aircraft and medical equipment.



## Business strategy during the medium-term management plan period

### Cemented carbide products

- Expansion of sales through industry-based team such as automobiles, aircraft and medical equipment
- Expansion of sales networks and production location, focusing on emerging countries
- Enhancing tungsten recycling

### High-performance alloy products

- Increasing market share among auto-parts manufacturers by expanding existing production locations and opening new ones
- Expanding sales of eco-car parts (VVT, etc.) by improving quality while reducing sales price



# Advanced Materials & Tools

## Key growth strategy: Expansion and deployment of overseas bases

### Cemented carbide products

Expanding sales networks and production locations, focusing on emerging countries

- Expansion of sales networks in China, eastern Europe and other emerging countries
- Expansion of production locations in Asia and emerging countries

### High-performance alloy products

Increasing market share among auto parts manufacturers by expanding existing production locations and opening new ones

- Expansion of overseas sales of eco-car parts
- Expansion of production locations in Asia and emerging countries

### Cemented carbide product network

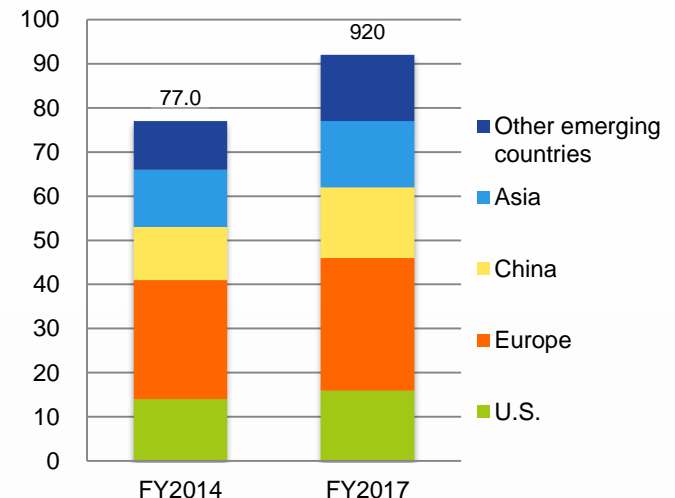
● New sales networks\* ● Existing sales subsidiaries

\* Establishment of new overseas sales companies, branches and offices, and dealerships



### Overseas net sales in Advanced Materials & Tools by region

(¥billions)

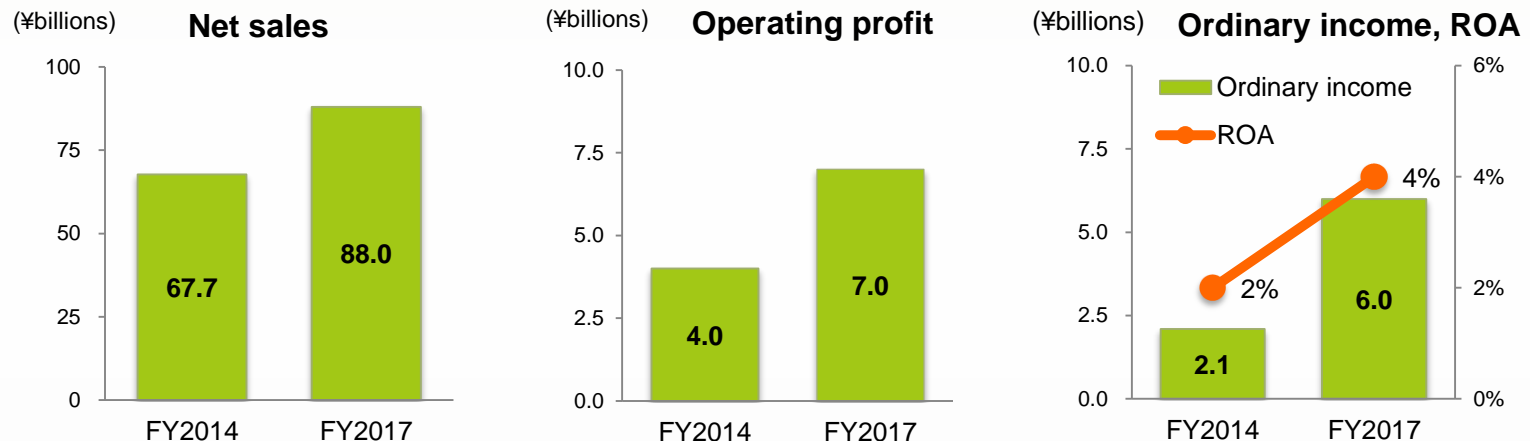


# Electronic Materials & Components

## Long-term Targets

- A high- profitability operator with the world's No. 1 product lineup

## Medium-term Management Targets



# Electronic Materials & Components

## Business environment during the medium-term management plan period

### Advanced materials

- Demand is expected to increase for semiconductors, products used in displays and heat-dispersion substrates for railways and industrial equipment.

### Devices

- Ratios for air conditioner and refrigerators equipped with inverter will expand due to energy-saving regulations.
- Demand for sensor products will expand due to introduction of emissions regulations in Europe for cars, trucks and motorcycles.

## Business strategy during the medium-term management plan period

### Advanced materials and electronic devices

- Promotion of marketing-driven R&D to achieve rapid development and commercialization of unique, value-added strategic products
- Optimization of products portfolio through selection and focus as well as M&A

### Silicon

- Aiming for a recommencement of Yokkaichi Plant, the Group aims to thoroughly elucidate the causes of the accident and establish systems for safety and production technology.
- Ensuring early stabilization of overall silicon business  
(The Group will continue to observe autonomous reconstructing at SUMCO.)

# Electronic Materials & Components

**Key growth strategy: Strengthening of production and sales systems for advanced materials and devices**

## Advanced materials

### Strengthening of production systems for target materials

- Expand production for display market  
Securing production location in Taiwan
- Expand production of cylinder types and large types  
Differentiation from the customer's viewpoint using special production technologies
- Development of new alloys (Ag, Cu)  
Realizing Materials Premium in ingredients, production, recycling, etc.

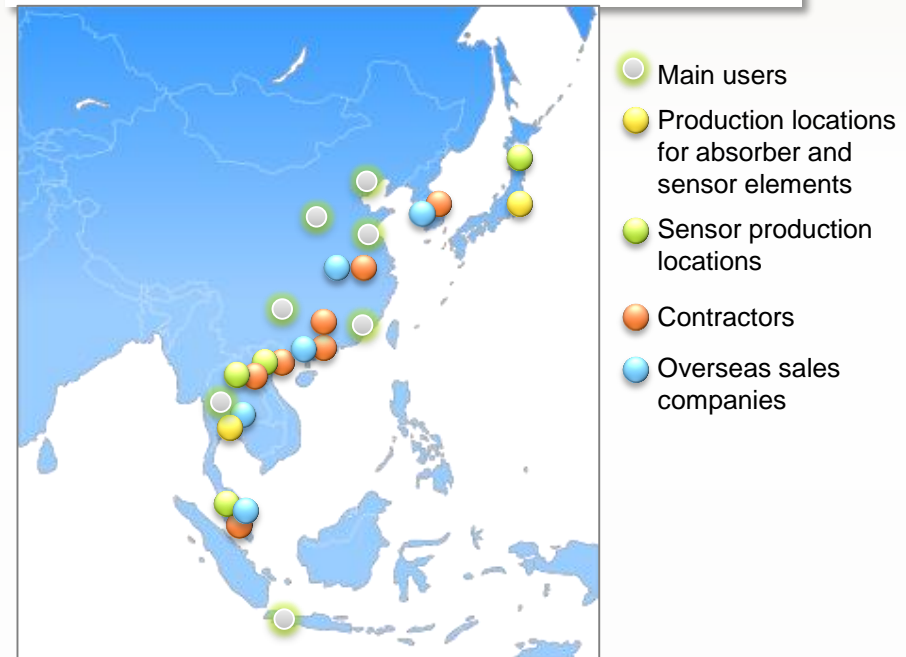
### DBA for the railway and industrial equipment markets

- Developing new markets and customers in next-generation vehicle applications as well as railways and industrial equipment

## Devices

### Strengthening of production and sales systems

- To expand production at low cost, the Group will secure overseas production contractors and build a new factory in Laos, a country with low-cost (estimating time of starting operation, March 2015).



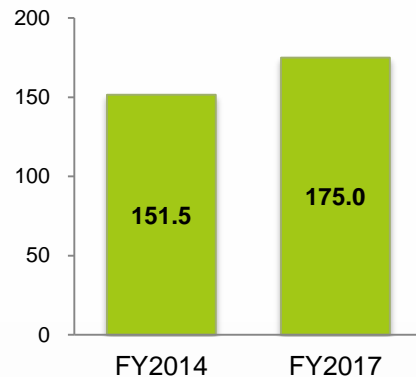
# Aluminum

## Long-term Targets

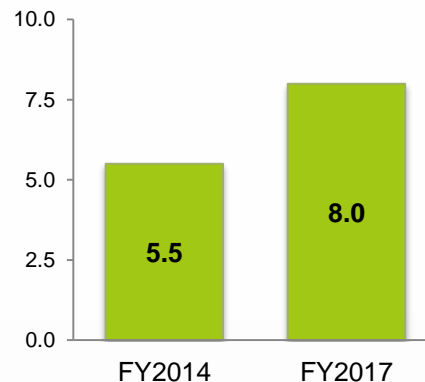
- Rolling and processing No. 1 global market share in extruded multi-hole tubes for heat exchangers
- Can manufacturing No. 1 domestic share in aluminum cans for beverages  
Industry No.1 in UBC usage

## Medium-term Management Targets

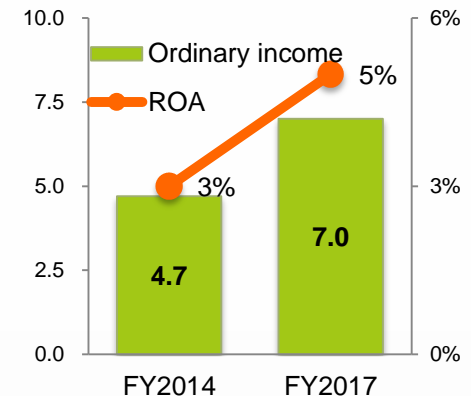
(¥billions) **Net sales**



(¥billions) **Operating profit**



(¥billions) **Ordinary income, ROA**



# Aluminum

## Business environment during the medium-term management plan period

### Market in Japan

- Domestic demand will hit a ceiling due to population decline, low birthrate, etc.
  - Rolling and processing: Offshoring of customer production bases and shift to local procurement
  - Beverage can manufacturing: Stable demand for aluminum cans
- Customers and competitors in Japan
  - Rolling and processing: Mergers among competitors are bringing powerful new top companies into the market.
  - Can manufacturing: Beverage producers are becoming more selective for can suppliers

### Overseas markets

- Market expansion in emerging countries and intensifying competition

## Business strategy during the medium-term management plan period

### Rolling and processing

- Strengthening of existing overseas locations for extruded multi-hole tubes for heat exchangers and sheet metal
- Launching a company in India and achieving profitability
- Serving needs for light weight and low cost in automobiles and electronics

### Can manufacturing

- Enhancing a system for increasing production by speeding up existing lines
- Strengthening bottle can sales overseas
- Strengthening collaboration among collection, casting and rolling in aluminum-can recycling

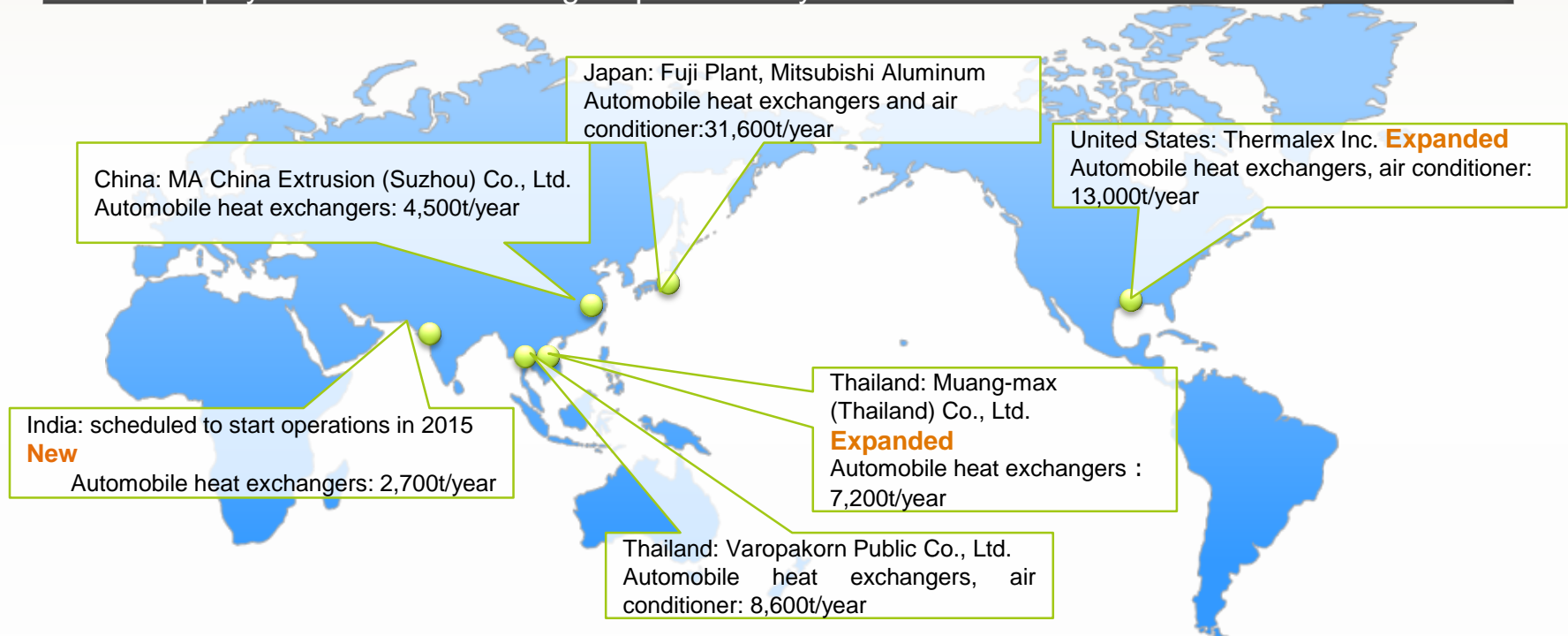
# Aluminum

## Key growth strategy: Strengthening of existing overseas bases and establishment of new ones

- Rolling and processing (Mitsubishi Aluminum Co., Ltd.)  
Focusing business resources on extruded perforated tubes for heat exchangers and sheet metal, and expanding global business
- Can manufacturing (Universal Can Corporation)  
Strengthening bottle cans sales overseas



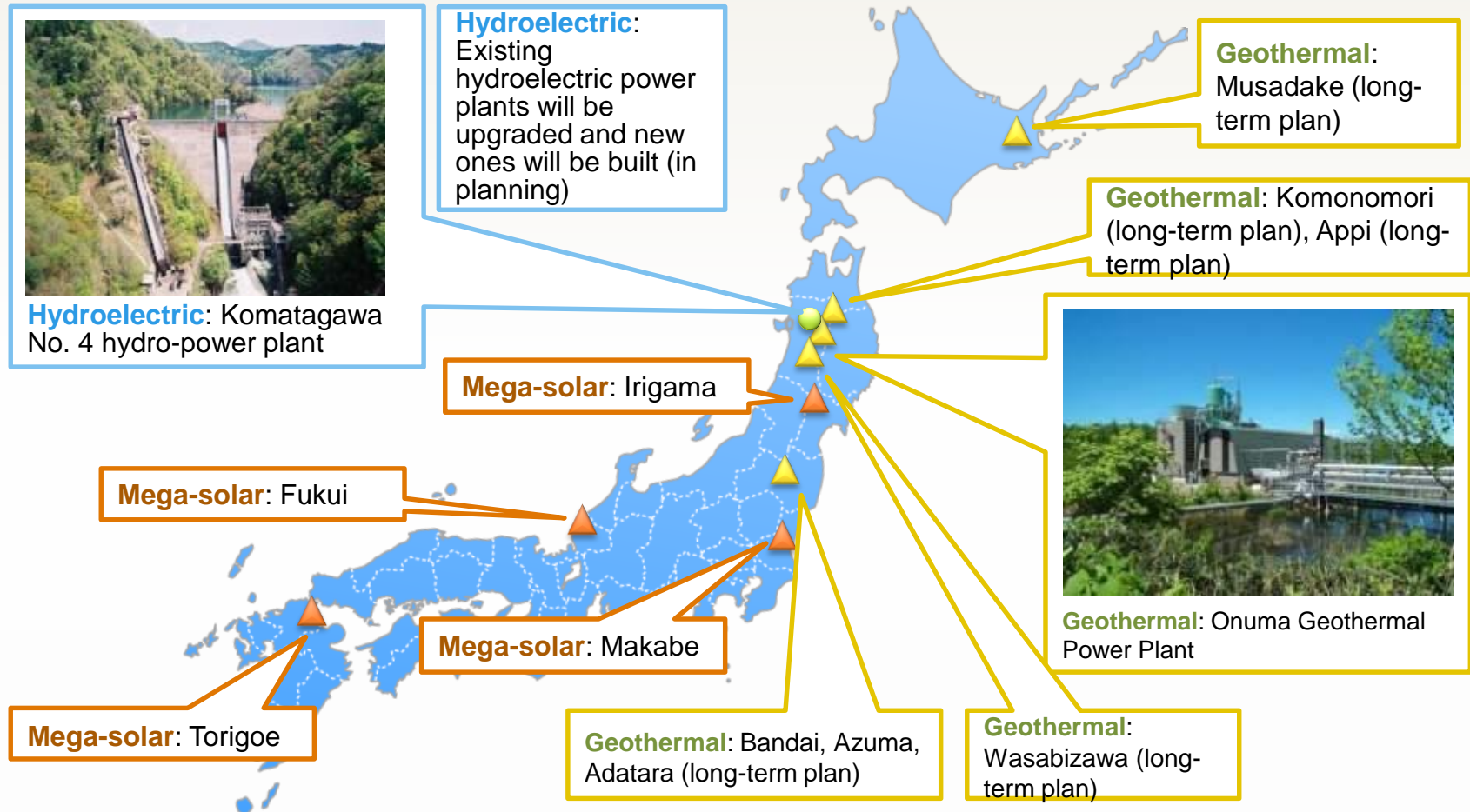
## Global deployment of heat-exchanger operations by Mitsubishi Aluminum



# Others: Renewable Energy

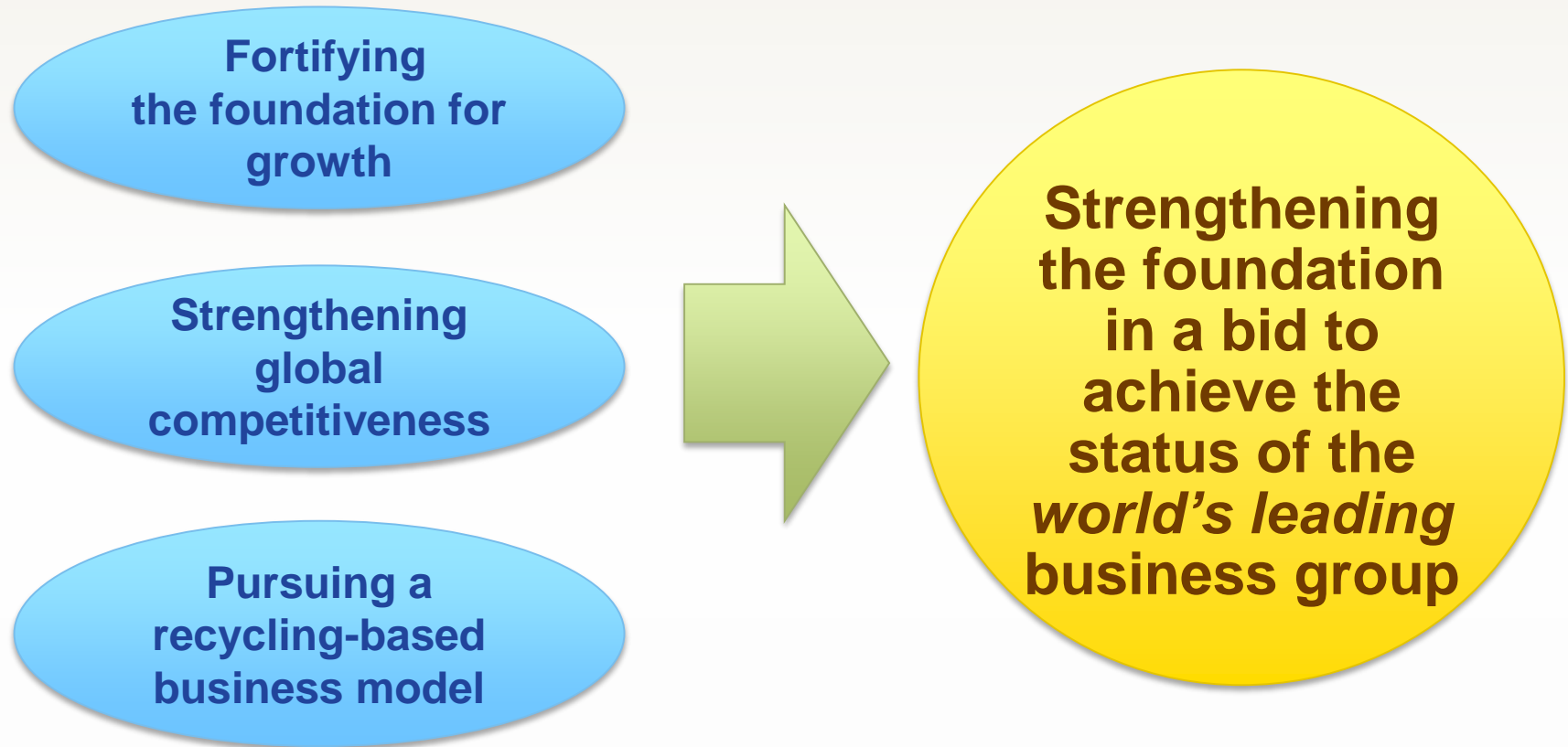
Based on the precious management resources it has cultivated over many years, Mitsubishi Materials is expanding its business in renewable energy. By providing a stable supply of environmental-friendly energy, the Company is contributing to sustainable society.

Target state: Supplying 1,000MW of the 3,500MW which is forecasted to be generated by geothermal power in Japan in 2030.





## **Materials Premium 2016** **Taking up the Challenge of Becoming** **the *world's leading* business group**



# IV Reference Materials

# Recap of Previous Medium-term Management Plan (FY2012–2014) ①

## Management indices and results

	Management index	FY2012	FY2013	FY2014
Ordinary income	¥110 billion	¥42.4 billion	¥74.4 billion	¥76.9 billion
Return on assets (ROA)	6%	2.4%	4.2%	4.3%
Net D/E ratio	1.5 times or lower	1.8 times	1.6 times	1.3 times

- The Group missed its targets for ordinary income and ROA. Reasons include a significant drop in dividends received from copper mines, failure to achieve the sales volume plan for cemented carbide products and a slump in silicon operations.
- The Group achieved its target for net D/E ratio. Factors include a weakening yen exchange rate, an increase in net assets due to rising share prices and a decrease in interest-bearing debt from sale of assets.
- Investments reached only ¥253.6 billion, compared with a plan of ¥275.0 billion (3-year plan) because of a change in business environment. However, the Group decisively achieved growth-strategy investments such as conversion of Robertson's Ready Mix into a wholly owned subsidiary of Mitsubishi Materials.

# Recap of Previous Medium-term Management Plan (FY2012–2014) ②

## Business advancement in overseas markets, especially emerging markets

- Advancement of sintered products manufacturing bases in China and Indonesia
- Expansion of sales bases in China for cemented carbide products operations
- Expansion of aluminum extruded heat-exchanger operations into India
- Complete conversion to wholly owned subsidiaries of ready-mixed concrete and aggregate sales companies in the United States
- Participation in development of copper mines in Peru

## Realization of Materials Premium

- Expansion of acceptance of earthquake-disaster waste and difficult-to-treat waste through advanced use of smelting and cement recycling systems
- Promotion of the use of copper slag as concrete aggregates
- Development of long cylindrical target materials which utilize raw procurement capabilities and technologies such as recycling, dissolution, forging and rolling.
- Development of flexible thermistors using coating technologies of cemented carbide tools.

# Reference: Assumptions and Sensitivity ①

Statistics / Assumptions	FY2013 (full year) Results	FY2014 (full year) Results (a)	FY2015 (full year) Forecast	FY2017 (full year) Forecast (b)	Difference (b-a)
Average TTM rate (yen/\$)	83	100	102	100	0
Average TTM rate (yen/€)	107	134	140	130	-4
Total demand for cement in Japan (million tons)	44.58	47.71	48.00	48.00	0.29
Cement sales volumes for MMC-Domestic (million tons)	6.59	7.42	7.49	7.90	0.48
Cement sales volumes for MMC-Exports (million tons)	2.73	2.28	2.51	2.50	0.22
Total demand for cement in the U.S. (million tons)	76.47	79.84	86.01	104.20	24.36
Cement sales volumes in the U.S. (million short tons)	1.53	1.68	1.75	2.30	0.62
Copper price LME (¢ /lb)	356	322	310	300	-22
Sales of cathodes(in-house product) (thousand tons)	284	289	272	300	11
Sales of cathodes(exports) (thousand tons)	98	114	135	90	-24
Sales of cathodes (PTS) (thousand tons)	202	198	275	260	62
Processed copper products sales volumes (thousand tons)	129	143	154	160	17
Dividends from copper mine ( ¥ billions)	24.5	15.1	12.6	14.0	-1.1

## Reference: Assumptions and Sensitivity ②

Statistics / Assumptions	FY2013 (full year) Results	FY 2014 (full year) Results (a)	FY2015 (full year) Forecast	FY 2017 (full year) Forecast (b)	Difference (b-a)
SUMCO's net income ( ¥ billions)	3.4	0.7	9*	—*	—
MMC's equity method investment gain ( ¥ billions)	0.6	-0.1	2.2*	—*	—

### Sensitivity (operating profit base)

Exchange rate	¥/US\$	(yen appreciation)	Per year	
			-700	JPY million
	¥/€	(yen appreciation)	-100	JPY million
Copper price (LME) operating profit	10 ¢ /lb		500	JPY million
non-operating profit	10 ¢ /lb		1,500	JPY million

\* For net income for SUMCO in FY2015, the figure for H1 announced February 14, 2014 is used. For H2, the same amount as for H1 is used, because SUMCO has not yet announced its full-year forecast.  
Furthermore, SUMCO's medium-term plan is not appropriated for FY2017 because it has not yet been made public.

## ◆ Forward-Looking Statements ◆

These future plans and other statements 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 plans, and there might be cases in which actual results materially differ from plans and other statements of this material.

Mitsubishi Materials Corporation