News Release (2005.3.25)

Notice of New Medium-Term Management Plan

Mitsubishi Materials Corporation has launched a two-year management plan, starting in April 2005. The new initiative succeeds a consolidated medium-term management plan that ran from fiscal 2002, ended March 31, 2002, through fiscal 2004, ended March 31, 2004, and the subsequent Rolling Plan, which also covered fiscal 2004 as well as fiscal 2005, ended March 31, 2005.

Under the plan for fiscal 2002 through fiscal 2004, we took steps to rebuild the Company into a superior business conglomerate. In 2003, we revised that initiative to reflect dramatic changes in the operating climate, instituting the Rolling Plan to cover fiscal 2004 through fiscal 2005. We focused on revamping our business and cost structures under that plan, according particular attention to bolstering profitability and reinforcing our financial position.

Our new medium-term management plan will step up efforts to improve profitability and our financial position, providing the foundations that management needs to formulate Group growth strategies. These endeavors are in line with our objective of becoming a superior business conglomerate.

1. Rolling Plan Initiatives and Results

Overview (April 1, 2003–March 31, 2005)

1) Business restructuring
We pushed ahead with business and cost restructuring to make management more agile and bolster profitability..
2) Operational targets
Earnings (fiscal 2005)
• Consolidated ordinary income: ¥50 billion
• Return on assets (calculated using ordinary income): 3.1%

Financial position improvements (at March 31, 2005)
• Interest-bearing debt: ¥750 billion

Main initiatives and benefits

1) Business restructuring and reorganization of headquarters
• In April 2003, we shifted to a structure of core and strategic businesses to more efficiently allocate management resources and accelerate selective concentration.
• In April 2004, we reorganized headquarters operations into the Corporate Strategy Department, Corporate Business Department and Shared Services Center. Our goal was to

strengthen strategic planning and overall operational control as well as enhance efficiency, while clarifying and optimizing cost loads to encourage expense reductions.

2) Cost structure reforms
We overhauled our cost structure to create a system that ensures consistent profits even in poor economic climates.
(Note that between October 2001 and March 2004, we had targeted emergency reductions of ¥70 billion in fixed and variable costs, and exceeded that goal by ¥4.5 billion.)

3) Management targets

	Rolling Plan Targets	Fiscal 2005 Year-End Projections
Consolidated ordinary income	¥50 billion (fiscal 2005)	¥50 billion (fiscal 2005)
Return on assets (calculated using ordinary income)	3.1% (fiscal 2005)	3.4% (fiscal 2005)
Interest-bearing debt	¥750 billion (at March 31, 2005)	¥750 billion (at March 31, 2005)

2. Overview of New Medium-Term Management Plan

1) Period
April 1, 2005–March 31, 2007

2) Basic goals
Stabilize earnings structure while harnessing the strengths of integrated management to establish growth foundations to achieve success in core businesses.

3) Issues and management strategies
Improve stability
①Combine business realignments and optimal businesses
Efficiently concentrate management resources and create the foundations for a business conglomerate by reorganizing operations.

Overview
To date: Four core businesses (Cement Company, Aluminum Company, Metals Company, and Powder Metallurgy Products and Tools Company) + seven strategic businesses

From April 2005: Shift to business structure centered on five companies
(Five companies + two divisions + affiliated corporations division)

Five companies: Cement, Metals, Advanced Materials and Tools, Aluminum, and Electronic Materials and Components
• Advanced Products and Powder Metallurgy Products and Tools businesses merged.

We decided to merge the High Performance Alloy Products business with the Powder Metallurgy Products and Tools business, as both operations have the same customer bases in the automotive, aerospace and other sectors. On top of that, we seek to enhance operational efficiency by utilizing the extensive overseas marketing and sales network of the Powder Metallurgy Products and Tools business.

We also decided to integrate the Silicon and Advanced Products businesses to create the Electronic Materials business. Silicon is primarily used as an electronic material. There are many technological and sales commonalities with existing advanced products, so we can anticipate considerable synergies from integration.

Two businesses: Energy and Precious Metals
• We will transform the Energy & System business into the Energy business, focusing on nuclear power, geothermal power and coal.

One business office: affiliated corporations division
• Our Resources & Environmental businesses will only have headquarters functions.

② Company autonomy: Toward second stage of internal company system
We plan to take the internal company system we instituted in 1999 a step further. We will balance the interests of companies that have obtained the necessary corporate governance requirements to achieve an efficient management system that utilizes the attributes of each in-house company.
Specifically, in the second stage of the internal company system we will delegate authority with regard to various personnel affairs, long-term funding and other areas to these companies, while implementing a performance assessment system to ensure that the companies are responsible for achieving results.

③ Improving financial position
We aim to enhance our financial position. We will do this by further reducing interest-bearing debt on the strength of more stringent asset selection and inventory reduction.

Growth area initiatives

Strengthen research and development

We have positioned automobiles, information electronics, and the environment and recycling as our three growth fields. We will concentrate management resources on those areas to pursue research and development (R&D). We will strengthen the R&D structure to make it collaborative with the companies. Operations in the three growth fields will work closely with sales and marketing operations to create user-oriented R&D themes and focus on market needs.

Key development themes
• Information electronics: Networking
(Encompassing such areas as telecommunications modules and high-performance surface-mounting materials)

• Automobiles: Electronics
(Including car parts for power electronics and wireless sensor modules)

• Environment and recycling: Zero emission technologies
(Including process improvements in cement and copper production)

Strengthening cost-competitiveness
① Strengthening cost-competitiveness
We will strive to improve cost-competitiveness by shortening lead times, reducing inventories and enhancing quality to push further ahead with supply chain management.

② Cutting costs
We will pursue ongoing cost reductions through joint Group purchasing and by buying low-cost raw materials around the globe.

Reforming corporate culture
① Cultivating human resources
We will take the following steps in recognition that our people provide the primary support for our operational progress.
• Establish system to train tomorrow's managers
We will establish a structure to systematically train tomorrow's managers while providing more support for managers.
To reinforce consolidated management, we will also foster candidate managers of Group companies.
• Restructure Companywide training system
We will clarify the training plans of each operation while linking the existing Companywide training system with the next-generation manager training program.

② Reform employee remuneration system
We will build a personnel and remuneration system based on action and results (including processes). The goals are to improve the motivation of each employee, reinvigorate our organization and transform the corporate culture.

③ Move ahead with corporate social responsibility efforts

In December 2002, the Group instituted a risk management system and stepped up compliance activities.

In January 2005, we established a structure to promote corporate social responsibility (CSR) activities in response to the diversification of the social structure, rising awareness of the need to safeguard the environment and advances in information availability. Our CSR activities are designed to ensure that we coexist harmoniously with society and fulfill our community roles. Our CSR efforts will be integrated, transcending the traditional risk management and compliance frameworks.

4) Management targets

Earnings objectives (for fiscal 2007, ending March 31, 2007)

• Consolidated ordinary income: ¥60 billion
• Return on assets (calculated using ordinary income): Greater than 4%

Targeted improvements in financial position (by fiscal 2007 year-end)

• Interest-bearing debt: ¥700 billion

Reference: Broad objectives of new medium-term management plan

1) Performance targets (Billions of yen)

	New medium-term management plan (fiscal 2007)
Net sales	970
Operating profit	60
Ordinary income	60
Net income	30

2) Sales of key businesses (Billions of yen)

	New medium-term management plan (fiscal 2007)
Cement	146
Metals	270
Advanced Materials and Tools	147
Aluminum	133
Electronic Materials and Components	87
Others	317
Companywide and eliminations	-130
Net sales	970

3) Operating profit of key businesses (Billions of yen)

	New medium-term management plan (fiscal 2007)
Cement	14
Metals	15.5
Advanced Materials and Tools	13
Aluminum	10
Electronic Materials and Components	5
Others	7.5
Companywide and eliminations	-5
Operating profit	60

4) Financial position improvements (Billions of yen)

	New medium-term management plan (fiscal 2007)
Interest-bearing debt	700
Total assets	1,430
Interest-bearing debt to total assets	49.0%
Debt-to-equity ratio	Less than 3

3. Overview of Operations of Five Companies

1) Cement

Management plans

Secure stable earnings by maintaining a regional portfolio encompassing Japan, the United States, China and Southeast Asia.

Japan: Respond to declining demand for cement by reducing costs, centered on expanding industrial waste treatment, thus reinforcing the earnings base.

United States: Strengthen the cost-competitiveness of existing businesses while expanding downstream businesses, notably in ready-mixed concrete.

China and Southeast Asia: Boost operational scale by upgrading and increasing cement shipment and sales bases.

2) Metals

Management plans

Integrate everything from mining and smelting to copper processing to bolster earnings.
Domestic copper smelting: Cut costs by expanding recycling operations, such as by processing more automobile shredder residue, while improving the cost-competitiveness of copper smelters.
Overseas copper smelting: Increase electrolytic copper production at subsidiary PT. Smelting, in Indonesia.
Copper alloy products: Expand the range of highly profitable offerings, centered on oxygen-free copper and copper alloys.

3) Advanced Materials and Tools
Management plans
Cultivate operations from a user-oriented perspective, concentrating on automobiles, aircraft and information technology. Integrate advanced products operations that serve the same customer base and expand the business scale.
Tools: Develop new products while strengthening domestic sales foundations, tackling emerging markets overseas and expanding our manufacturing and sales structures globally.
Powder metallurgy: Build foundations to expand globally in line with growing worldwide demand for automobiles.
High performance alloy products: Ramp up efforts to handle the growing aircraft market.

4) Aluminum
Management plans
Increase sales of aluminum cans and expand aluminum rolled products operations, focusing on extruded products for automotive parts.
Aluminum cans: In October 2005, we plan to integrate our beverage aluminum can operations with those of Hokkai Can Co., Ltd. In strategic aluminum bottles, we will increase unit sales to further boost demand.
Rolled products: We will prioritize automotive offerings, including extruded materials for heat exchangers.

5) Electronic Materials and Components
Management plans
We will integrate our Silicon and Advanced Products businesses, which share many technological and sales commonalities, and will harness the resulting synergies. We have positioned the Electronic Materials business as a Companywide growth driver, and will accordingly concentrate management resources to increase earnings.
Advanced Materials: We will harness synergies in advanced products, centered on semiconductor markets, and expand operations.
Electronic components: Drawing on our parts business we will develop new products, particularly telecommunications modules, that will contribute to earnings.
Silicon: We will reinforce the earnings base for Sumitomo Mitsubishi Silicon Corporation, mainly by bolstering the 300-millimeter wafer business,

while offering more high-quality products for wafers smaller than 200 millimeters. In polycrystalline silicon, we will maintain the high quality of 300-millimeter offerings while further revising prices and increasing productivity to enhance our profitability in this area, where the technological barriers for entry are high.

This information is based on management’s assumptions regarding the economic climate and market trends as of the announcement date. Changing circumstances may cause results to differ materially from the assumptions.