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To Our Shareholders

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Announcement of Formulation of Medium-Term Management Strategy

Mitsubishi Materials Corporation hereby announces that it has formulated its medium-term management strategy for FY2018-2020 (hereinafter the “FY2020 Strategy”). Details are as follows:

1. Overview of previous medium-term management plan (FY2015-2017)

Under the previous medium-term management plan, the Company developed a Group-wide growth strategy: fortifying the foundation for growth, strengthening global competitiveness, and pursuing a recycling-based business model. It implemented a range of initiatives, including M&A in Japan and overseas, expansion in production and sales locations in overseas countries, and strengthening of recycling facilities.

As a result, in FY2017, the Company achieved its target net debt-to-equity (D/E) ratio of 1.0 or lower. However, the Company could not meet its targets for consolidated operating profit, ordinary income and ROA (ordinary income to total assets).

	FY2017 Targets	Result		
		FY2015	FY2016	FY2017
Consolidated operating profit	100 billion yen	71.8 billion yen	70.4 billion yen	59.7 billion yen
Consolidated ordinary income	110 billion yen	81.0 billion yen	72.4 billion yen	63.9 billion yen
ROA (ordinary income to total assets)	6%	4.4%	3.9%	3.5%
Net D/E ratio	1.0 times	1.0 times	0.8 times	0.6 times

The Company’s failure to achieve its targets can be attributed to various factors: stagnation of demand in Japan and North America and the decline of export prices mainly in Asia in the Cement Business; falling copper prices and decreased sales of copper and copper alloy products in the Metals Business; and a delay in the effect of initiatives to expand sales, decreased sales largely due to the economic slowdown in China and a delay in the reduction of fixed costs in the Advanced Materials & Tools Business. In addition to such external factors as falling copper prices and the slowing Chinese economy, there were also internal factors such as the non-implementation or delayed implementation of important strategies and a delay in the effect of initiatives to expand sales. Accordingly, the Company recognizes that accommodating changes in the external environment and building a structure focusing on strategy are issues.

2. Formulation of the FY2020 Medium-Term Management Strategy

1) Themes

In recent years, the business environment surrounding the Mitsubishi Materials Group has been changing intensely with increasing uncertainty. In this environment, implementation of a transformation is essential to achieve sustainable development. Accordingly, the Company formulated the FY2020 Medium-Term Management Strategy based on the theme “Transformation for Growth.”

The Company believes that the three driving forces for transformation are sharing a sound sense of crisis, possessing clear targets and a passion to achieve the targets, and transforming corporate culture. The Company holds that transformation for growth can only be achieved when all of these driving forces are in place.

2) Changes to formulation method

To accommodate changes in the external environment and build a structure focusing on strategy, the Company has changed its formulation method for the FY2020 Strategy as shown below.

- The Company is changing both the content and the name of the plan, switching from a “medium-term management plan” that is primarily a financial plan to a “medium-term management strategy” that focuses on the planning and implementation of growth strategies. To build a structure focused on strategy, the Company will concentrate on growth strategies rather than on financial plans and will place emphasis on executing growth strategies.
- The growth strategies and investment plan were fixed for three years under FY2017 Plan. To respond flexibly to changes in the external environment, the Company will every year plan to review its growth strategies and investment plans for upcoming three years under the FY2020 Strategy.

3) Review of long-term management policy

Recently, when formulating the FY2020 Strategy, the Company reviewed its long-term management policy as a policy looking 10 years ahead.

The Mitsubishi Materials Group’s Philosophy is “For People, Society and the Earth” and its Vision is “We will become the leading business group committed to creating a sustainable world through materials innovation, with the use of our unique and distinctive technologies, for People, Society and the Earth.” The Group conducts a wide range of business activities, from upstream resources and raw materials to downstream products. Leveraging the manufacturing technology and knowhow accumulated in these areas, the Group has built a business model for supplying high value-added products and a recycling-oriented business model for using waste as resources.

To realize its Vision, the Company has adopted its long-term management policy which consists of medium- and long-term goals (the company in the future) and a group-wide policy. Details are as follows:

< Medium- and 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

The Company will also consider reviewing its long-term management policy every three years, once again looking 10 years ahead.

3. Overview of FY2020 Strategy

1) Implementation of Group-wide policies

Under the FY2020 Strategy, the Company will implement group-wide policies set out in the long-term management policy, as detailed below:

(i) Optimization of business portfolio

The Company will classify its business into three categories: stable growth business, growth promotion business and profitability restructuring business, and will promote selection and concentration and improve capital efficiency after determining a direction geared to the characteristics of each business and clarifying any issues. Stable growth business consists of the cement, metals (smelting), recycling and renewable energy businesses, and in this category, the Company will aim to strengthen its business foundations by maintaining and improving cost competitiveness. Growth promotion business consists of the metals (copper and copper alloy) and advanced materials & tools businesses, and here the Company will seek business development in adjacent fields and global markets to outperform market growth. Profitability restructuring business consists of the electronic materials & components and aluminum businesses. In this category, the Company will work promptly to solve issues and define the future direction of growth.

(ii) Comprehensive efforts to increase business competitiveness

To increase the business competitiveness of the business divisions, it is necessary to put in place a more efficient and effective structure. The Company will seek improvement and innovation in the production technologies of the business divisions by making optimal use of its technical and management resources in cross-functional projects, mainly among the departments of the Technology Division (Production Technology Management Dept., Safety & Environment Dept., System Strategy Dept., Procurement & Logistics Dept., Corporate Production Engineering Dept., Corporate Research & Development Dept. and Mineral Resources Dept.), which was established on April 1, 2017. Through this initiative, the Company will pursue business competitiveness in the production technology area by responding rapidly to an evolving world, differentiating itself from its competitors by being a step ahead, and achieving new development such as new products and production technologies.

(iii) Creation of new products and businesses

For the Group to achieve sustainable development in a dramatically changing external environment, it must create new business that will support profitability in the future. Under the FY2020 Strategy, important social needs the Company should meet are identified as next-generation vehicles, internet of things (IoT) and artificial intelligence (AI), and building a rich, sustainable society. The Company plans to create and develop new products and new businesses that are vital for sustainable development.

2) Key strategies

The Company will implement specific measures under Key strategies shown below:

- 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

3) Investment Strategy

The total amount invested over the period of the FY2020 Strategy is expected to be 280 billion yen, with growth strategy investment of 110 billion yen and maintenance/upgrading investment of 170 billion yen. The Company will implement the investment by utilizing operating cash flow and revenue from selling 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 debt-to-equity (D/E) ratio of 1.0 or lower.

4) Capital Policy

The Company considers the return of profits to shareholders to be one of the most important management priorities and its policy is to determine the distribution of profits based on comprehensive consideration of a wide range of management factors, including income for the period, internal reserves and financial position.

Regarding profit distributions during the period of the FY2020 Strategy, the Company will attach importance to stable dividends even when its consolidated performance fluctuates and annual dividends during the FY2018-2020 period will be 80 yen per share. If the consolidated dividend payout ratio is below 25%, however, the Company will temporarily increase the dividend or purchase treasury stock.

5) Business Strategies of each Business Segment

①Cement Business

Medium- and Long-term goals	Become a leading company in terms of efficiency in the cement industry Become a local-area champion in overseas
Business policy	Become superior in a domestic market that is contracting as it matures Grow overseas businesses with the support of stable cash income from domestic businesses
Key strategies	< Domestic business > <ul style="list-style-type: none">• Increase the global competitiveness of Kyushu Plant• Fortify the sales foundation in the Tokyo metropolitan area, etc. for downstream business• Expand the environmental business by developing new business in growth segments < US business > <ul style="list-style-type: none">• Fortify the cement manufacturing and supply system• Expand ready-mixed concrete business < New overseas business bases > <ul style="list-style-type: none">• Develop new business bases through acquisitions, etc.

②Metals Business

Medium- and long-term goals	Increase synergy between new copper mine development and smelting Expand the recycling business and increase its profitability Build high rolling-margin profitability
Business policy	Contribute to a recycling-oriented society through metals from manufacturing to recycling
Key strategies	<p>< Mining ></p> <ul style="list-style-type: none"> • Develop new projects • Refine the system for improving and making decisions on existing projects <p>< Smelting ></p> <ul style="list-style-type: none"> • Increase e-scrap recycling • Increase process efficiency, Optimize the smelting business <p>< Copper & copper alloy products ></p> <ul style="list-style-type: none"> • Sell products meeting customer needs (Increase sales of terminal materials and new alloys, Develop high-performance plating) • Promote alloy recycling • Make use of synergies with Luvata, Establish a global sales system • Expand sealing materials business • Fortify the manufacturing system of rolling business • Strengthen cost competitiveness of extrusion business

③Advanced Materials & Tools Business

Medium- and long-term goals	Become a global player capable of providing high value-added products and service solutions
Business policy	We aspire to become an energetic company with a “WakuWaku” feeling as well as a trusted genuine partner of our customers through a relentless pursuit of “speed” and “innovation” from our customers’ perspective, consistently making things happen.
Key Strategies	<ul style="list-style-type: none"> • Enhance the power of solutions by industry oriented teams • Create key technologies through the Company’s original development and open innovation • Promote local production for local consumption by reinforcing factories and using local vendors • Create synergies with MHTE • Reinforce the Key Account strategy

④Electronic Materials & Components Business

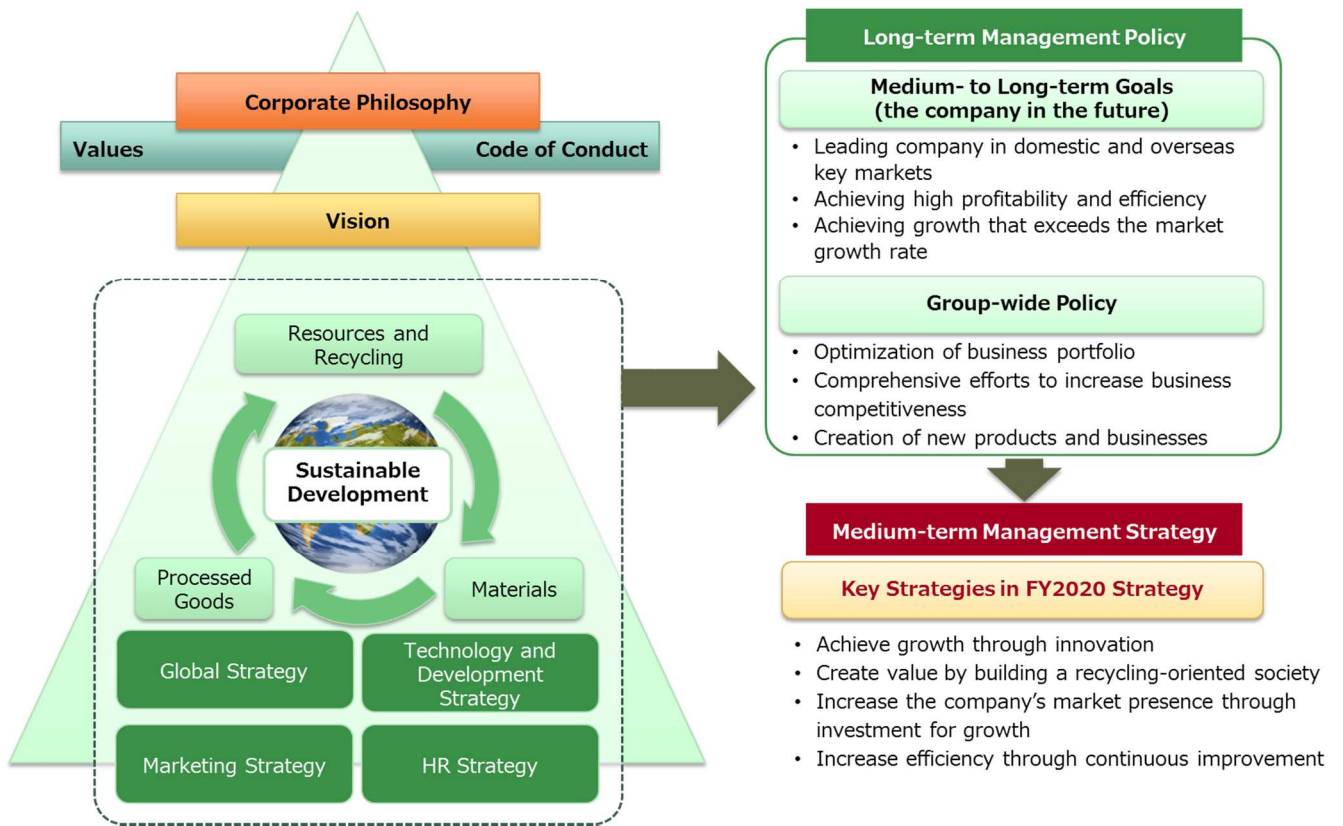
Medium- and long-term goals	Become a highly profitable business entity that provides materials (solutions as well as products) required by growth market in timely manner by responding to changes in the business environment quickly
Business policy	Lineup of high value-added products Generate and expand profits by concentrating resources on growth businesses and products Develop and nurture strong new businesses
Key Strategies	<ul style="list-style-type: none"> • New products and sales expansion in the IoT- related market (antenna modules, thermistor sensors, etc.) • New products and sales expansion in the next-generation vehicle market (insulated substrates with high thermal conductivity, in-vehicle sensors, solar heat-ray shielding, etc.)

⑤ Aluminum Business

Medium- and long-term goals	(Rolling and processing) Establish a presence in the global market for automotive heat exchanger materials (Can manufacturing) Gain the No. 1 share of the domestic aluminum can market and expand business overseas
Business policy	Pursue business strategies that utilize the strengths of the rolling and can manufacturing businesses, respectively
Key Strategies	<ul style="list-style-type: none"> • Implement a selection and concentration strategy in rolling and processing businesses (shift to heat exchanger materials) • Respond to increased production of beverage bottle-cans and develop next-generation products

< For Reference >

1. Corporate Philosophy, Long-Term Management Policy and FY2020 Strategy



Medium- to Long-term Goals

- ◆ 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

Key strategies

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
<ul style="list-style-type: none"> • Become a partner prioritized by customers • Provide optimal solutions • Implement open innovations 	<ul style="list-style-type: none"> • Reduce waste by pursuing value chains • Expand the recycling business by establishing the Company's original business model 	<ul style="list-style-type: none"> • Expand global business bases by increasing production, sales, and service establishments • Promote local production for local consumption • Determine and strengthen core technology 	<ul style="list-style-type: none"> • Strengthen safety management system • Carry out stable operation • Increase productivity • Increase energy efficiency • Increase productivity and improve services using IT • Develop sales skills comparable to competitors

2. Provisional Financial Calculations and of Investment Amounts

FY2020 provisional financial calculations assuming implementation of the initiatives under the FY2020 Strategy and the investment amounts are as follows.

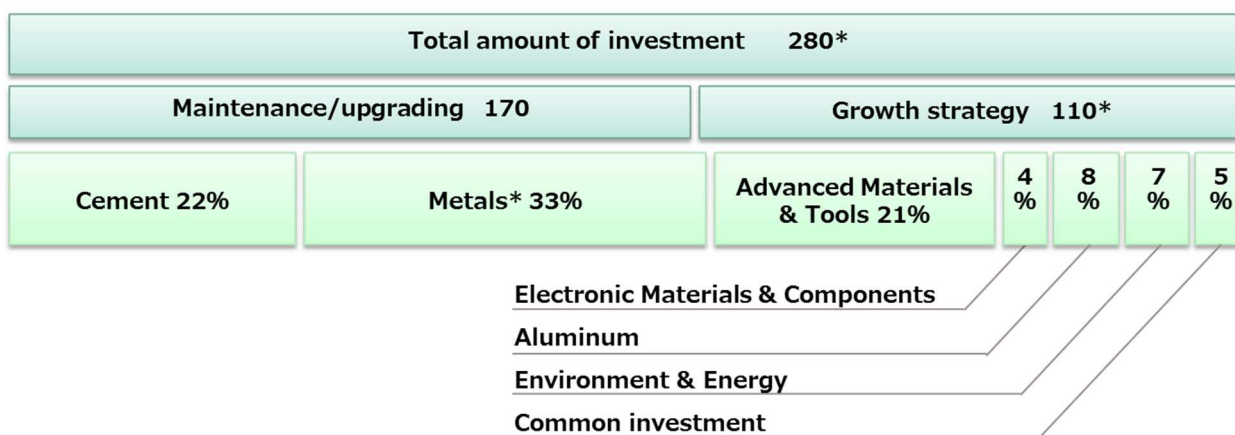
① Provisional financial calculations (consolidated)

		FY2017 Results	FY2020 (Provisional calculations)
PL	Consolidated sales	¥1,304 billion	¥1,620 – 1,840 billion
	Consolidated sales (excluding metal)	¥757 billion	¥870 - 910 billion
	Consolidated ordinary income	¥64 billion	¥82 - 100 billion
BS	Total assets	¥1,897 billion	¥1,950 billion
	Net debt	¥387 billion	¥450 billion
	Equity	¥621 billion	¥640 billion
ROA (ordinary income to total assets)		3.5 %	4.5 – 5.0 %
ROE		4.8 %	7.0 – 8.0 %
Net D/E ratio		0.6 times	0.7 times
Assumptions *	Exchange rate USD	108 ¥/\$	100 - 120 ¥/\$
	Exchange rate EUR	119 ¥/€	120 ¥/€
	Copper price	234 ¢ /1b	250 - 270 ¢ /1b

* median used for BS

② Investment amounts (billion yen)

FY2018 – 2020 Cumulative Investment Plan



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