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Nippon Mining Holdings, Inc.

## Medium Term Management Plan for Fiscal 2005 – 2007

Nippon Mining Holdings, Inc. (Head office: 2-chome Toranomom, Minato-ku, Tokyo; President: Yasuyuki Shimizu) has formulated the medium term management plan for fiscal 2005 to 2007 (Hereinafter referred to as the “Medium Term Plan”)

### < Summary of the Medium Term Plan >

- 1) Profitability: income before special items of over 100 billion yen for each fiscal year and net income between the 60 to 70 billion yen level
- 2) Financial position: at the end of the final fiscal year (fiscal 2007)
  - Interest-bearing liabilities of 610 billion yen (75 billion yen less compared to forecast for fiscal 2004)
  - Equity ratio of 31% (increase of approximately 9% compared to forecast for fiscal 2004)
  - D/E ratio of 1.2 times (improvement of 0.8 points compared to forecast for fiscal 2004)
- 3) Investments: approximately 260 billion yen during the 3-year period
  - Development of proactive investment as a growth strategy for future growth and profits
  - Enhancement of petrochemical products and IT-related products with growth potential
  - Development of promising copper resources

We expect to reach our previously announced medium- to long-term management goals (1. Equity ratio of 25%, 2. D/E ratio of 1.6 times) at an early stage during the period of the Medium Term Plan. In light of this situation, and assuming we will realize the Medium Term Plan, we have decided to take this opportunity to identify and work towards reaching the following medium- and long-term business targets for fiscal 2010:

- 1) Income before special items: 150 billion yen level
- 2) Shareholders' equity ratio: 40%
- 3) D/E ratio: less than 1.0 times

The following is the outline of the Medium Term Plan and the business forecast for fiscal 2004 upon which it is premised:

### Outline

#### 1. Business Forecast for fiscal 2004

- 1) With the upturn in the business environment mainly due to the rising value of resources and raw materials, in addition to efforts at structural improvement in each of our business operations, we predict that the income before special items and net income will surpass that of fiscal 2003.
- 2) In addition to these positive earnings, we have successfully tackled our longstanding business challenges such as the offering of treasury stocks, the transfer of management rights for

am/pm Japan Co., Ltd., and the proactive response to asset-impairment accounting. As a result, we have improved our financial standing through the reduction of interest-bearing liabilities by 10% (69 billion yen) compared with the previous fiscal year.

( Billions of yen )

	Forecast for fiscal 2004	Actual results for fiscal 2003	Difference
Net Sales	2,467.0	2,214.6	( ○ ) 252.4
Operating Income	114.5	50.4	( ○ ) 64.1
Income Before Special Items	135.0	53.7	( ○ ) 81.3
Net Income	48.0	14.9	( ○ ) 33.1
Interest-bearing liabilities (At the end of the fiscal year)	685.0	754.0	( - ) 69.0

## 2. Summary of the Medium Term Plan for Fiscal 2005 - 2007

### (1) Basic Strategies

#### 1) Working towards a growth strategy

We will work towards a growth strategy focused on future development and a long-term business targets, considering the changing situation such as paradigm shifts in resources, materials, and energy; improving the earning power of the group; reinforcing capital by offering treasury stocks; concluding ongoing issues (business restructuring and adopting impairment accounting). At the same time we will continue to strengthen the competitiveness of existing businesses and continue with structural reforms.

#### 2) Further strengthening of our financial base

Further developing our growth strategy, we will continue reinforcing our financial position and further strengthening the group's credibility, and will aim to attain the financial rank of blue-chip firm (corporate bond A ranking) as quickly as possible.

#### 3) Building a foundation for the group's future growth

We will aim to strengthen the group as a whole by fostering human resources, focusing on management, and reinforcing technology power.

### (2) Recognition of the business environment

- 1) The world economy will continue to be strong in spite of remaining geopolitical risks, because of the strong economic growth of the BRICs economies and stable US economic growth.
- 2) The domestic economy is continuing to recover gradually, supported by capital investment and strong exports.
- 3) China's economic growth and development of infrastructure will continue to pressure the international supply and demand for resources, materials and energy such as crude oil, metals and basic chemical products. Therefore, the prices of resources and materials are expected to remain high for the time being.
- 4) Although the IT Industry is undergoing adjustments, significant growth is expected in the medium-to-long term.

(3) Medium-Term Management Plan for Fiscal 2005 - 2007

1) Assumptions

The following are the assumptions for the period during the Medium Term Plan.

		Actual results for 2003	Forecast for 2004	Forecast for 2005	Forecast for 2006	Forecast for 2007
Exchange rate (Yen/US\$)		113	108	100	100	100
Petroleum	Crude oil FOB (US\$ / bbl) <Dubai spot price>	27.0	35.8	36.0	36.0	36.0
	Fuel oil sales volume (million kl/year) ,	22.5	22.6	22.0	22.0	22.0
Resources and non-ferrous metals	Copper price (cent / lb)	93	134	130	115	115
	PPC * Copper sales volume (thousand tons / year)	622	612	583	619	632
Electronic materials	Electro-deposited copper foil sales volume (thousand tons / month)	2.4	2.4	2.7	2.9	2.9
	Treated rolled copper foil sales volume (thousand kilometer / month)	3.1	3.4	4.1	4.9	5.9
	ITO (indium-tin-oxide) target sales volume (tons / month)	13.6	20.2	27.6	35.0	40.0
Metal Fabrication	Product sales volume (thousand tons / year)	47	45	47	50	52
	Ratio of high-function materials	22%	29%	41%	47%	50%

\*PPC: Pan Pacific Copper Co., Ltd. (Nippon Mining & Metals 66% of shares, Mitsui Mining & Smelting 34% of shares)

## 2) Earnings plan

Planned on the basis of the results of the above-mentioned assumptions:

- Sales volumes for the electronic materials and metal fabrication segment will increase, while we will see an overall sales decrease due to the yen's appreciation and the falling price of metals.
- Increased sales of growth products and high value-added products, an improved smelting margin, and other cost improvements will allow us to maintain overall yearly income before special items of at least 100 billion yen, and in the final fiscal year (fiscal 2007) income before special items of 130 billion yen, the same level as in fiscal 2004, can be achieved. We do not expect the particular profits and losses such as those occurring because of inventory valuation during fiscal 2004. Also, the margin of fuel oil and petrochemical products will slightly decrease compared to fiscal 2004, and both the appreciation of the yen and the falling price of metals and materials are expected to decrease profits.
- Nevertheless, net income during this period remained at the 60 to 70 billion yen level mainly because we have coped with the matters causing extraordinary losses by fiscal 2004, and will see increased profits compared to fiscal 2004.

(Billions of yen)

		Forecast for 2004	Plan for 2005	Plan for 2006	Plan for 2007	Difference between 2007 and 2004
Net sales		2,467.0	2,340.0	2,350.0	2,400.0	(×) 67.0
Operating income		114.5	93.0	102.0	117.0	(○) 2.5
Income before special items		135.0	110.0	120.0	130.0	(×) 5.0
Breakdown by segment	Petroleum (Japan Energy Group)	78.5	57.0	57.0	65.0	(×) 13.5
	Resources and non-ferrous metals (Nippon Mining & Metals Group)	43.5	36.0	41.0	37.0	(×) 6.5
	Electronic materials (Nikko Materials Group)	7.5	5.5	8.0	12.0	(○) 4.5
	Metal fabrication (Nikko Metal Manufacturing Group)	8.5	8.5	11.0	13.0	(○) 4.5
	Other (independent operating and functional support companies)	(3.0)	3.0	3.0	3.0	(○) 6.0
Net income		48.0	61.0	67.0	73.0	(○) 25.0
Ratio of income before special items to net sales ratio ( % )		5.5	4.7	5.1	5.4	(×) 0.1
Earnings per share ( yen / share )		56.6	71.9	79.0	86.0	(○) 29.5

### 3) Cash flows and reduction of interest-bearing liabilities

The following chart represents the results of incorporating the above earnings plan and capital investment / investment and loans, etc. (mentioned below).

( Billions of yen )

	Actual results for 2003	Forecast for 2004	Plan for 2005 – 2007 (3 years)
1) Cash flows from operating activities	106.2	6.6	326.0
2) Cash flows from investing activities	4.5	(30.1)	(222.0)
Capital expenditure, investments and loans	(40.6)	(72.1)	(260.0)
Recovery of investments and loans, etc.	45.1	42.0	38.0
3) Others	(2.8)	(7.1)	(32.0)
(A) Free cash flows (1) + 2) + 3))	108.0	(30.6)	72.0
(B) Reduction of cash and cash equivalents	5.1	21.1	2.0
(C) Other	9.3	78.5	1.0
(A+B+C) Reduction of interest-bearing liabilities	122.4	69.0	75.0

### 4) Consolidated balance sheet

At the end of fiscal 2007, the final fiscal year of the Medium Term Plan:

- The interest-bearing liabilities will be 610 billion yen (75 billion yen less than the forecast for the end of fiscal 2004).
- Shareholder's equity will be 515 billion yen (165 billion yen more than the forecast for fiscal 2004) due to the accumulation of profit during the period of the Medium Term Plan.
- Shareholder's equity ratio will be 31.1% (9.3% more than the forecast for fiscal 2004)

The D/E ratio will be 1.2 times (an improvement of 0.8 points compared to the forecast for fiscal 2004)

( Billions of yen )

	Actual results at the end of fiscal 2003 (Ended March 2004)	Forecast (A) at the end of fiscal 2004 (Ending March 2005)	Plan (B) at the end of fiscal 2007 (Ending March 2008)	Difference (B-A)
Total assets	1,572.5	1,602.0	1,655.0	( + ) 53.0
Interest-bearing liabilities	754.0	685.0	610.0	( - ) 75.0
Shareholder's equity	233.7	350.0	515.0	( + ) 165.0
Equity ratio (%)	14.9	21.8	31.1	( ○ ) 9.3%
Shareholder's equity per share (yen) *	275	413	607	( ○ ) 194
D/E ratio (times)	3.2	2.0	1.2	( ○ ) 0.8

\*For the purpose of comparison between the fiscal years, total issued shares are calculated at 848 million shares

5) Capital expenditure, investment and loans

This Medium Term Plan has been established as a foothold for future growth. An investment of approximately 260 billion yen will center on growth strategy investments such as increased petrochemical production, development of overseas copper resources, strengthening capabilities in electronic materials and heightening added value, and strengthening business in high performance alloys and foils.

(Billions of yen)

	Plan for fiscal years 2005 – 2007	Forecast for fiscal year 2004
(1) Growth strategy investments	129.0	9.5
[Major Items] Increased production of petrochemicals. Investment in overseas copper projects. Increase of high-value-added in electronic material products. New electronic material products. Strengthening of high-performance alloy and foil business Development of high-precision processing and high-precision rolling business in China		
(2) Maintenance and enhancement of profitability in existing businesses	54.0	34.0
[Major Items] Sales enhancement through investment in service stations. Strengthening of competitiveness of oil refineries. Strengthening the copper smelting business. Improve efficiency of high-precision rolling production.		
(3) Environmental maintenance and conservation investment, etc.	77.0	28.6
Total	260.0	72.1

6) Assessment of the business environments, basic strategies and key issues for core businesses are as shown in the attachment.

End

Attachment Business environments, basic strategies, and key issues for core businesses

Petroleum (Japan Energy Group)

<p>Assessment of the business environments</p>	<p><u>1. The international crude oil situation</u>            1) Increased demand from China and India and limits in the production capacities of the oil-producing countries will cause a tightening of the balance of supply and demand for crude oil.            2) Crude oil prices remain high because of the above-mentioned tightness of supply.</p> <p><u>2. Domestic supply and demand for products</u>            1) Demand for gasoline will edge upwards, with decreasing demand for gas oil and C-type heavy oil.            2) Supply for products remains tight.</p> <p><u>3. Petrochemical market</u>            The demand for aromatic products will continue to be strong in spite of a slight decrease at present.</p>
<p>Basic strategies</p>	<p>Step-up of earnings base            1) Further strengthening of the competitive edge of existing businesses            2) Realization of a growth strategy</p>
<p>Key issues</p>	<p><u>1. Strengthening the competitive edge of existing businesses</u>            (1) Refining            1) Early realization of the e-Refinery concept                Mizushima: “bottomless” refinery (measures for decreasing demand for heavy oil products)                Kashima: Increase added value through cooperation within the industrial complex                Chita: Strengthen competitive edge of petrochemical business by investing in energy conservation.            2) Refining cost: 1,500 yen/KL or less (after sulphur-free investment).            (2) Retail                Strengthen competitive edge through maintenance earnings improvement.</p> <p><u>2. Growth strategy</u>            (1) Improve earnings through large-scale capital investment                Increase production of aroma product line            (2) Promote resource development                Promote development of Sanriku and Iburi coasts            (3) Promotion of new business                Fuel cell business</p>

Resources and Non-ferrous Metals (Nippon Mining & Metals Group)

<p>Assessment of the business environments</p>	<p><u>1. Supply and demand for copper concentrate</u>          Though supply will increase with the operation of new and existing mines, it will become short again because of an increase of smelting capacity in China, India, Thailand and elsewhere.</p> <p><u>2. Supply and demand for refined copper</u>          Demand in China will remain firm, and increased smelting capacity will alleviate supply shortages, causing the price of copper to drop gradually.</p> <p><u>3. Business environment</u>          A gradual decrease in domestic demand, ore shortages and quality poorness, and the strong yen will cause the business climate for domestic smelters to become increasingly severe.</p>
<p>Basic strategies</p>	<p>Develop a consistent business from the development of mines to smelting and recycling/environmental business centered mainly on copper in the Pacific Rim and expand globally.</p> <ol style="list-style-type: none"> <li>1) Strengthening and structural reform of existing business</li> <li>2) Promotion of long-term growth strategy and expansion of high-profit business</li> </ol>
<p>Key issues</p>	<p><u>1. Strengthening and structural reform of existing business</u></p> <ol style="list-style-type: none"> <li>1) Strengthen copper business alliances and pursue further synergy</li> <li>2) Improve decreased capacity of refined copper produced from concentrate.</li> <li>3) Integration of refining process and conversion to permanent cathode at Saganoseki.</li> </ol> <p><u>2. Promotion of growth strategy and expansion of high-profit business</u></p> <ol style="list-style-type: none"> <li>(1) Expansion of copper resource business             <ol style="list-style-type: none"> <li>1) Acquire copper concentrate mine (including SX-EW) rights and interests.</li> <li>2) Promote development of hydro-metallurgical process technology and bio-mining technology.</li> </ol> </li> <li>(2) Strengthening and expansion of environmental recycling business             <ol style="list-style-type: none"> <li>1) Expand and improve collection system for precious metals scrap and recycling of raw materials</li> <li>2) Strengthen capacity of facilities at all subsidiaries involved in environmental business.</li> </ol> </li> <li>(3) Business expansion in China             <p>Increase production of wire rod at Changzhou Jinyuan Copper</p> </li> </ol>



Electric Materials (Nikko Materials Group)

<p>Assessment of the business environments</p>	<p><u>1. IT-related market</u>            Digital consumer electronics and mobile telephones, which are in a temporary adjustment phase, will gradually recover.</p> <p><u>2. Demand for major products</u>            1) Demand for treated rolled copper foil and ITO target will remain at a high level, and demand for semiconductor target will continue to be strong.            2) The market for electrodeposited copper foil will recover, mainly in Asia.            3) Circumstances will remain difficult for compound semiconductors materials for the time being.</p> <p><u>3. Trends in exchange rate and metal prices</u>            The weak dollar trend, incremental rises in metal prices, and the time lag in cost passage will compress earnings.</p>
<p>Basic strategies</p>	<p>1) Keep and expand products market shares in high-growth businesses (accurate timing in investment).            2) Improve earnings in the electrodeposited copper foil business            3) Strengthen and develop new businesses.</p>
<p>Key issues</p>	<p><u>1. Issues regarding the major products</u>            1) Treated rolled copper foil: Increase sales through strategic product input (alloy foil and 12<math>\mu</math> foil, etc.) in addition to capacity expansion in the Philippines            2) ITO Target: Stable procurement of Indium, passing increased cost of raw materials on to end-products, and flexible capacity expansion in each base with demand increase.            3) Target for semiconductors: Maintain existing product shares, develop next-generation product, reduce costs, and pursue “first vender” strategy.</p> <p><u>2. Production and R&amp;D system</u>            1) Production: Expand stable supply system, increase profitability by lowering costs, and put higher priority on environmental measures.            2) R&amp;D: Promote development and mass production of strategic products for the next generation and foster business for the generation after that.</p> <p><u>3. Improve earnings of electrodeposited copper foil business</u>            1) Japan: Enhance profitability by further expanding thin foil business, and strengthen function of a development base for entire group.            2) The Philippines: Strengthen earnings base through promotion of thin foil and special foil.            3) The United States: Improve productivity by securing customer loyalty and stable exports for the Asian market, expanding sales of high-value-added foils and cost reduction.            4) Germany: Secure customer loyalty and stable exports for the Asian market, establish an efficient production base for thick foils, and construct an efficient production system.</p> <p><u>4. Make proactive capital investments in new business</u>            Develop Maqinus (two layer plating board for COF (chip on film) business to profitable level, as well as semiconductor-related surface treatment business.</p>

Metal Fabrication (Nikko Metal Manufacturing Group)

<p>Assessment of the business environments</p>	<p>1) Long-term, steady growth will continue for the IT industry.                  2) The automotive industry will see stable growth, and the development of advanced electronics will expand the market for high-performance materials.                  3) The Chinese market will continue to grow.                  4) There will be increased demand for small-volume, short-notice deliveries.                  5) Business opportunities for high-precision processing will expand.</p>
<p>Basic strategies</p>	<p>Expansion of business scale with quality                  1) Proactive expansion into the automotive field in addition to the electronics field                  2) The expansion of precision products business and horizontal development in China                  (rolling mill, plate, press, molding process, fusing of the core technologies of the group company, development of global networking)</p>
<p>Key issues</p>	<p><u>1. High-precision rolling business</u>                  Increase high value-added products and promote automotive field business at Kurami, and develop business for Chinese market in Suzhou.                  1) Strengthen alloy foil business                  2) Expand automotive business by developing materials for high-grade connectors                  3) Strengthen production base in Chinese market                  4) Enhance system for small-volume, short-notice deliveries                  5) Promote strengthening of technological development system for new products</p> <p><u>2. High-precision processing business</u>                  Expansion of new business                  1) Expand automotive electrical equipment business for gold-plated materials and connectors, and develop horizontally within China                  2) Establish magnesium alloy molding business in South Korea and develop horizontally within China                  3) Develop business in China for electron gun components for cathode-ray tubes                  4) Develop business in South Korea and China for LCD TV components (backlight electrode)</p> <p><u>3. Coil center</u>                  Strengthen competitive edge by improving abilities in production of small quantities under rapid delivery terms</p>