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Nippon Mining Holdings, Inc.

Medium Term Management Plan for Fiscal 2006 - 2008

Nippon Mining Holdings, Inc. (hereinafter referred to as the “Company”, Head office: 2-chome Toranomon, Minato-ku, Tokyo; President: Yasuyuki Shimizu) has formulated a new medium term management plan of the Company and its consolidated subsidiaries and affiliates (hereinafter referred to as the “Group”) for fiscal 2006 to 2008 (hereinafter referred to as the “Medium Term Plan”).

Since the formation of the Company in September 2002, the Group has been implementing its own agenda, with a focus on making its existing businesses more competitive, undertaking structural reform, and improving and strengthening its financial base. Having benefited from favorable changes in the business environment such as paradigm shifts associated with resources, materials, and energy as well as from an improvement in earnings power, the Group was able to address pending management issues with a reasonable level of success, and thus announced last fiscal year that it would make a shift in its basic policy towards a growth-oriented policy with strategies focusing on future business expansion and long-term business objectives as well as a further strengthening of its financial base.

In recognition of its position in this newly defined business environment, the Group has formulated a Medium Term Plan to commit itself to further reinforcing its business base and pursuing future growth with the above basic policy as a cornerstone.

<Summary of the Medium Term Plan>

<Basic Policy>

1) Develop a distinctive growth strategy and proactively implement it
2} Demonstrate sustainable growth by steadily achieving growth targets for each year to secure consolidated income before special items of 160 billion yen (excluding the effects of inventory valuation gains or losses) for fiscal 2008, the final year of the Medium Term Plan
3) Further reinforce shareholders’ equity to become a bluechip company in terms of strong financial structure, with grade “A” corporate bond ratings

<Quantitative Targets>

1) In terms of profitability, to maintain a range of 130 to 160 billion yen in income before special items, and 75 to 90 billion yen in net income for each year of the Plan (excluding the effects of inventory valuation gains or losses)

2) In terms of financial position, to achieve the following targets at the end of the final fiscal year (fiscal 2008):
   - Equity ratio of 33.5% (up 8.2% compared to forecast at the end of fiscal 2005)
   - Debt to equity ratio of 1.05 (representing an improvement of 0.49 points compared to the forecast at the end of fiscal 2005)
3) In terms of capital expenditure, to invest a three-year total of 350 billion yen, of which 70%, or 245 billion yen, will be allocated to projects to implement a growth strategy and to make existing businesses more competitive

Through successfully achieving the earnings plan and making solid investments in line with its growth strategy, the Group further aims to achieve 200 billion yen of income before special items in fiscal 2010.

The following is the outline of the Medium Term Plan.

1. Assumptions

The following are the assumptions for the period of the Medium Term Plan

		FY2004 Result	FY2005 Forecast	FY2006 Plan	FY2007 Plan	FY2008 Plan
Exchange rate (Yen/US$)		108	113	110	110	110
Petroleum	Crude oil (US$/bbl) <Dubai spot price>	36.6	53.5	53.0	50.0	50.0
	Fuel oil sales volume (million kl/year)	22.8	23.1	22.0	22.2	22.8
Resources and non-ferrous metals	Copper price (cent/lb)	136	185	190	170	150
	PPC* Copper sales volume (thousand tons/year)	607	590	628	668	668
Electronic materials	Electro-deposited copper foil sales volume (thousand tons/month)	2.4	2.1	2.0	2.0	2.0
	Treated rolled copper foil sales volume (thousand kilometer/month)	3.4	3.8	4.8	6.0	6.6
	ITO (indium-tin-oxide) target sales volume (tons/month)	19.7	26.0	38.4	46.1	50.9
Metal fabrication	Product sales volume (thousand tons/year)	45	41	45	47	50
	Ratio of high-function materials	30%	43%	45%	48%	50%

* PPC: Pan Pacific Copper Co., Ltd. (66% owned by Nippon Mining & Metals and 34% owned by Mitsui Mining & Smelting)

2. Earnings Plan

The Plan is based on the above-mentioned assumptions:

<Net sales>

Net sales will trend around 3.1 trillion yen from 2006 to 2008 due to the increase in sales volume of the electronic materials and metal fabrication segments, which will be nearly offset by an appreciation of the yen and falling metal prices.

<Income before special items>

Although income before special items for the period of the Medium Term Plan appear to be less than that of fiscal 2005–which reflected the effect of special items including valuation gains for petroleum and other inventories (58 billion yen)–income will show an upward trend given the expected return from growth-oriented investments, increased sales of growing product lines, and efforts to develop high value-added products. Income before special items for the final year (fiscal 2008) is estimated to be 160 billion yen.

<Net income>

As the Group has already realized and reported all major extraordinary losses in past fiscal years, the net income for the period of the Medium Term Plan will show an upward trend reflecting the same trend in income before special items for the Medium Term Plan period. Consequently, the net income for the final year of the Plan (fiscal 2008) is estimated to be 90 billion yen, which is comparable with the net income for fiscal 2005.

(in billions of yen)

		FY2005 Forecast (announced on March 29, 2006)	FY2005 Forecast (after reclassification)*	FY2006 Plan	FY2007 Plan	FY2008 Plan	Difference between FY2008 Plan and FY2005 Forecast (after reclassification)
Net sales		3,030.0	3,030.0	3,105.0	3,085.0	3,100.0	(○)70.0
Operating income		141.0	141.0	90.0	115.5	136.0	(×)5.0
Income before special items		184.0	184.0	130.0	145.0	160.0	(×)24.0
Break-down by segment	Petroleum (Japan Energy Group)	96.0	94.0	47.0	61.0	79.0	(×)15.0
	Non-ferrous metals (Nippon Mining & Metals Group)	84.5	81.5	76.5	77.5	75.0	(×)6.5
	Resources and Non-ferrous Metals Company	68.5	66.5	61.0	55.0	44.0	(×)22.5
	Electronic Materials Company	9.5	9.5	7.0	12.0	17.5	(○)8.0
	Metal Fabrication Company	6.5	6.5	7.0	10.5	13.5	(○)7.0
	Adjustment within Nippon Mining & Metals Group	—	(1.0)	1.5	0	0	(○)1.0
	Other (independently operating and functional support companies)	3.5	8.5	6.5	6.5	6.0	(×)2.5
Net income		93.0	93.0	75.0	80.0	90.0	(×)3.0

* Figures in the FY2005 Forecast are adjusted assuming that the segment reclassification that is actually planned in and after fiscal 2006 was already effective in fiscal 2005.

Ratio of income before special items to net sales (%)	6.1	4.2	4.7	5.2	(×)0.9
Earnings per share (yen/share)*	109.9	88.6	94.4	106.3	(×)3.6

* For the sake of comparison between the fiscal years, the average number of shares for interim fiscal 2005 (847,047 thousand shares on a consolidated basis) is used for the calculation.

(For reference only)

Comparison between FY2005 Forecast and FY2004 Result

The operating results for fiscal 2005 are expected to show an increase in both sales and profit compared to the previous fiscal year due mainly to rises in the price of resources and materials.

(in billions of yen)

	FY2005 Forecast (announced on March 29, 2006)	FY2004 Result	Difference
Net sales	3,030.0	2,502.5	527.5
Operating income	141.0	125.6	15.4
Income before special items	184.0	148.1	35.9
Net income	93.0	50.6	42.4

3. Cash flows and reduction of interest-bearing debt

Having incorporated the above-mentioned earnings plan, capital investment plan, and a securities investment/loan program, etc (to be mentioned later), free cash flows and reduction of interest-bearing debt for the three years will result in a positive 7.5 billion yen and 25 billion yen, respectively.

(in billions of yen)

	FY2004 Result	FY2005 Forecast	FY2006 – 2008 Plans Total
1) Cash flows from operating activities	45.4	5.0	381.0
2) Cash flows from investing activities	(15.2)	(41.5)	(321.5)
Capital investment and securities investment/loans	(70.5)	(68.5)	(350.0)
Recovery of securities investments /loans, etc.	55.3	27.0	28.5
3) Dividends, etc.	(7.5)	(19.5)	(52.0)
(A) Free cash flows [(1)+(2)+(3)]	22.7	(56.0)	7.5
(B) Increase/Decrease in cash and cash equivalents	(8.6)	(3.5)	4.0
(C) Other*	91.9	―	21.5
Reduction of interest-bearing debt (A-B+C)	123.2	(52.5)	25.0

* The figure for the “Other” category in FY2004 results includes proceeds of 74.8 billion yen from the sale of treasury stock.

4. Consolidated Balance Sheet

At the end of the final fiscal year of the Medium Term Plan (fiscal 2008):

- The balance of shareholders’ equity will amount to 659 billion yen (an increase of 202 billion yen compared to forecast at the end of fiscal 2005) due to the accumulation of retained earnings for the period of the Medium Term Plan.
- Equity ratio will be 33.5% (up 8.2% compared to forecast at the end of fiscal 2005)
- Debt to equity ratio will be 1.05 (representing an improvement of 0.49 points compared to forecast at the end of fiscal 2005)

(in billions of yen)

	FY2004 (as of March 31, 2005) Result	FY2005 (as of March 31, 2006) Forecast (A)	FY2008 (as of March 31, 2009) Plan (B)	Difference (B-A)	
Total assets	1,580.1	1,818.0	1969.0	+151.0	
Interest-bearing debt	643.8	705.0	693.0	-12.0	(Note)
Shareholders’ equity	353.4	457.0	659.0	+202.0	
Equity ratio (%)	22.4	25.2	33.5	○8.2%	
Shareholders’ equity per share (yen)*	417	540	778	○238	
Debt to equity ratio (times)	1.82	1.54	1.05	○0.49	

* For the sake of comparison between the fiscal years, the average number of shares for interim fiscal 2005 (847,075 thousand shares on consolidated basis) is used for the calculation.

(Note) Discrepancies in the amounts shown in the summary of cash flows above is due to the effect of newly consolidated subsidiaries.

5. Capital Investment and Securities Investment/Loan

Implement investments of approximately 350 billion yen, focusing on projects in line with the growth strategy. Approximately 70% of the total investment, or 245 billion yen, will go to new projects in line with the growth strategy, and projects for making existing businesses more competitive

The following are the major investment areas:

① Projects for reinforcing aroma product lines in the Petroleum segment and for acquiring rights and interests of Regalito Copper Mine in Chile in the Non-ferrous Metals segment

② Capital contribution to Hibi Kyodo Smelting Co., Ltd. as well as capital investment in its smelter as a result of integrating copper production into Pan Pacific Copper Co., Ltd.

③ Projects for strengthening the competitiveness of oil refineries and for business expansion of copper smelting, environmental recycling, and electronic material products

(in billions of yen)

	FY2006 – 2008 Plans Total	FY2005 Forecast
1) Investments in line with the growth strategy	140.0	15.5
Major projects - Production capacity increase for petrochemical products - Investment in overseas copper projects - Environmental recycling business - New electronic material products - Production capacity increase for electronic material products and development of high value-added products - Development of high-precision processing and rolling business overseas - Strengthening of alloy business		
(2) Strengthening competitiveness of existing businesses	105.0	14.4
Major projects - Sales capability enhancement through investments in service stations - Strengthening the competitiveness of oil refineries (aiming for “bottomless” refinery) - Strengthening of the copper smelting business - Integration of the copper smelting function		
(3) Investing for environmental maintenance and conservation, etc.	105.0	38.6
Total	350.0	68.5

6. Assessment of business environment, strategies, and key issues for core businesses

As shown in the attachment.

Attachment:
Assessment of Business Environment, Strategies, and Key Issues for Core Businesses

◎Petroleum Business

<Assessment of business environment>

1. International crude oil demand and supply

Increased demand from China and the U.S. and a slight chance of significant capacity increases by oil-producing countries will lead to a continued tight supply and demand situation and crude oil prices staying on a high plateau.

2. Supply and demand for domestic products

- Demand for gasoline will fall slightly, and demand for middle distillates will also trend downward.
- Domestic demand and supply will more or less be balanced due to exports to China and other countries, and disparities in product quality.

3. Petrochemical market

Demand for aromatic products will continue to be strong, reflecting strong economic growth in the Asian region.

<Strategies and key issues>

1. Make refineries more highly functional and value added

- Strengthen heavy oil processing facilities to enable production with economical crude oil input and a “bottomless” refining process
- Promote the Aroma project at Kashima Refinery

2. Cope with the decrease in procurement volume from Fuji Oil Company, Ltd.

Arrange for an increase in in-house production capacity and external sourcing

3. Address environmental (compliance) issues

- Blending biodiesel fuel into gasoline
- Kyoto Protocol requirements

(such as involvement in emission trading and participation in the CDM business)

◎Resources and Non-ferrous Metals Business

＜Assessment of business environment＞

1. Supply and demand for copper concentrate

Though smelters continue to increase capacity, supply will become short again because of oligopoly by major mining companies and a decrease in new mine development, resulting in unfavorable trading conditions.

2. Supply and demand for refined copper and its price

Though global consumption driven by China and other eastern Asian countries will continue to grow, new entrants in the smelting business will increase production and cause excess supply. However, there is limited room for price declines due to solid demand, low inventory levels, and inflows of long-term investment funds.

3. Business climate

A gradual decrease in domestic demand, yen appreciation, and a lowering of tariffs together with the above factors will create an even more severe situation for domestic smelters.

＜Strategies and key issues＞

1. Strengthen and expand the existing copper smelting business
- Establish integrated copper operations at PPC (Pan Pacific Copper)
- Complete capacity expansion plans at Saganoseki, Hitachi (450,000 tons/year) and Tamano (260,000 tons/year)
- Develop export markets for products such as electrolytic copper and sulfuric acid, and improving their margins

2. Promote the overseas copper resource business and the hydro-metallurgical process
- Promote the SX-EW project (Regalito project)
- Successfully participate in promising copper concentrate projects by working jointly with LS-Nikko Copper, Inc.
- Promote mine development with through Group exploration efforts
- Reinforce the relationship with Codelco S.A. (Chile)

3. Strengthen and expand the environmental recycling business
- Pursue more efficiency and more capacity in industrial waste treatment facilities
- Achieve the stable collection of copper and precious metals scrap and enhance the capability to receive and dispose of this scrap
- Promote technology differentiation and diversification

◎Electronic Materials Business

<Assessment of business environment>

1. IT-related market demand

- The inventory adjustment of end-user products such as digital consumer electronics and mobile telephones has run its course.
- Although occasional short-term adjustments will occur in the future, stable expansion of demand can be expected in the medium to long term perspective due to a further evolving of automotive electronics and the emergence of BRICs.

2. Demand for major products

- Demand for treated rolled copper foil and target materials will remain at a high level.
- Compound semiconductor materials will recover from a stagnant demand situation and will see solid growth of demand in the future.

3. Trends in metal prices

Rising prices of materials such as copper and indium and a time lag until material price increases are reflected in product prices will erode profitability.

<Strategies and key issues>

1. Improve profitability in the electrodeposited copper foil business

- Establish an efficient production, sales and development system following the closure of a US plant
- Shift to higher margin products, improving productivity, and improving profitability through cost reductions

2. Improve profitability of growing product lines in existing businesses

- Secure a position as a first vendor of treated rolled copper foil and target materials by making a timely investment in capacity expansion

3. Reinforce and promote new businesses

- Launch Maqinus (two layer plating board for COF (chip on film)) business as originally planned
- Develop the surface treatment material business
- Develop new technology in promising growth areas, which could become the Company’s next core business

◎Metal Fabrication Business

＜Assessment of business environment＞

1. Long-term steady growth is expected for IT and automotive related demand because of more sophisticated electronics technology.

2. The Chinese market will continue to grow.

3. The shrinkage of the CRT-based television market will accelerate.

4. Requirements for small-volume, short lead-time deliveries will become even more demanding.

＜Strategies and key issues＞

Expansion of business with an emphasis on profitability

(1) Precision processing business
- Expanding surface treatment business
- Expand integrated production (plate, press, and assembly) for connectors
- Expand the magnesium alloy molding business
- Develop the LCD monitor component (backlight electrode) business

(2) Precision rolling business
- Expand the materials business for high-grade connectors
- Expand the materials business for automotive components
- Expand sales of treated rolled copper foil through developing highly functional products and exploring new applications