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Medium Term Management Plan for Fiscal 2007–2009
—And an initial look at the Long-Term Vision towards Fiscal 2015—

Nippon Mining Holdings, Inc. (hereinafter referred to as the “Company”, Head office: 2-chome Toranomon, Minato-ku, Tokyo; President: Mitsunori Takahagi) has formulated a new medium term management plan for the Company and its consolidated subsidiaries and affiliates (hereinafter referred to as the “Group”) for fiscal 2007 to 2009 (hereinafter referred to as the “Medium Term Plan”). This Medium Term Plan adds extra momentum to the Company's growth strategy and seeks to further improve the Company's financial base.

Medium Term Management Plan for Fiscal 2007–2009

1. Basic Policy
   1) Proactively implement growth strategy.
   2) Further strengthen financial base.
   3) Strengthen and expand high value-added businesses and further cost reduction.
2. Quantitative Targets
   1) In terms of profitability, achieve income before special items of 160.0 billion yen and net income of 90.0 billion yen for fiscal 2009, the final year of the Medium Term Plan.
   2) In terms of financial position, achieve the current target of a shareholders’ equity ratio of 40% or more and a debt to equity ratio of 1.0 or less by 2010. However, achieve the target of debt to equity ratio a year early, by the end of fiscal 2009.
   3) In terms of capital expenditure and investments, invest a three-year total of 435.0 billion yen, of which 70%, or 305.0 billion yen, will be allocated to implement a growth strategy for improving competitiveness, expanding capacity, fostering new businesses, research and development and other areas.

In addition to the Medium Term Plan, the Company is now looking at where it should stand beyond these three years, and has begun considering its Long-Term Vision towards Fiscal 2015 in accordance with the outline given below. The Company will be formulating a detailed vision for the future based on this outline.

Outline of Long-Term Vision towards Fiscal 2015

1) In terms of fundamental profitability for fiscal 2015, achieve consolidated income before special items of 250.0 billion yen or more.
2) Pursue an optimal business portfolio with a suitable risk-return balance to achieve this figure.
3) With regards to expanding existing businesses and looking for new business, strengthen research and development capabilities, promote M&As and alliances.
4) Make efforts in to enhance the infrastructure of management by securing and developing globally-oriented human resources, enhancing IT infrastructure, restructuring Group companies and responding to global environmental problems.
5) Clarify directions for businesses that offer limited Group synergies and low-profitability businesses.
6) In order to implement these measures, execute a trillion yen-scale capital expenditure and investments by fiscal 2014, including the period of the Medium Term Plan.

The following presents the outline of the Medium Term Plan.

1. Business Environment

Although "resource inflation", as represented by crude oil prices and copper prices, is now showing signs of cooling off, the energetic expansion of resources demand from the BRIC countries and certain geopolitical risks are expected to continue, indicating that resources and energy prices may remain high.

1) Petroleum
- Stronger demand for crude oil is expected to continue, and although prices will be lower than for fiscal 2006, they will remain at higher levels than in the past.
- Domestic demand for petroleum products will decrease in general, due to less demand for industrial heavy oil, and automobile fuels resulting from the growing use of energy-saving vehicles.
- Tight supply and demand for petrochemical products (particularly aromatic products) will continue due to stronger demand in developing countries in Asia.

2) Metals
- Although the price of copper will be lower than for fiscal 2006, it will be considerably higher than in the past due to stronger copper demand. Copper smelting margins will fall significantly due to a tight supply of ore and the oligopoly of major mining companies.
- The growing concern for the environment will spur needs in zero emission and recycling. This means that it will become crucial to secure new sources of raw materials for recycling.
- Demand for IT-related materials will expand due to diversifying social needs and factors such as the advance of IT in the automotive sector. However, competition in the components market will intensify even more in both costs and development.

2. Assumptions

An exchange rate of 115 yen to the U.S. dollar, a Dubai crude oil spot price of 50 dollars per barrel, and a copper price of 200 cents per pound have been assumed as a prerequisite for fiscal 2009, the final year of the Medium Term Plan
It has also been assumed that sales of paraxylene, copper, IT-related and other products will be higher than they were in fiscal 2006.

		FY2005 Actual	FY2006 Forecasts (A)	FY2009 Plan (B)	Differences (B) − (A)	References FY2007 (Plan)
Exchange rate (¥/$)		113	117	115	(2)	115
Petroleum	Dubai crude oil spot price ($/BBL)	53.5	60.8	50.0	(10.8)	50.0
	Fuel oil sales volume (million kl/year)	23.2	21.7	23.0	1.3	22.3
	Market price of paraxylene <ACP market base> ($/t)	903	1,102	980	(122)	980
	BTX sales volume (1,000 tons/year)	1,027	1,106	1,647	541	1,337
Resources & Metals	Copper price (¢/lb)	186	313	200	(113)	200
	PPC *1 Electrolytic copper sales volume (1,000 tons/year)	588	646	656	10	656
Electronic Materials	Electro-deposited copper foil sales volume (1,000 tons/month)	2.1	1.9	2.3	0.4	2.1
	Treated rolled copper foil sales volume (1,000 meters/month)	3.8	3.6	5.3	1.7	4.4
Metal Manufacturing	Product sales volume (1,000 tons/year)	40.9	42.2	49.1	6.9	41.6
	High performance products ratio (%)	43%	43%	47%	4%	45%

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

3. Earnings Plan

(billions of yen)

	FY2005 Actual	FY2006 Forecasts (A)	FY2009 Plan (B)	Differences (B) − (A)	References FY2007 (Estimate) *2
Net sales	3,026.3	3,800.0	3,640.0	(160.0)	3,478.0
Operating income	144.4	125.0	129.0	4.0	97.0
Income before special items	188.7	215.0	160.0	(55.0)	135.0
Petroleum (Japan Energy Group)	97.0	76.0	64.0	(12.0)	56.0
Metals (Nippon Mining & Metals Group)	82.8	131.5	90.0	(41.5)	73.0
Resources & metals	68.2	125.0	58.5	(66.5)	57.5
Electronic materials	9.6	(1.5)	18.5	20.0	8.0
Metal manufacturing	6.2	6.5	13.0	6.5	7.0
Metals group adjustments	(1.2)	1.5	−	(1.5)	0.5
Others	8.9	7.5	6.0	(1.5)	6.0
Net income	96.9	103.0	90.0	(13.0)	79.0
Ratio of income before special items to net sales (%)	6.2	5.7	4.4	(1.3)	3.9
Earnings per share (¥) *1	104.5	111.1	97.1	(14.0)	85.2

*1 Calculation based on the number of issued shares on at the end of December 2006 (926,950 thousand shares on a consolidated basis)

*2 Estimated figures for fiscal 2007 based on the following assumptions for fiscal 2009: an exchange rate of 115 yen to the U.S. dollar, crude oil price of 50 dollars per barrel and copper price of 200 cents per pound.

<Reference> Impact of fluctuations in copper price on income before special items in FY2009

(billions of yen)

Copper Price (¢/lb)	200	250	300
	Plan	Estimate	Estimate
Income before special items in FY2009	160.0	175.0	190.0

• Net sales

Net sales will come in at 3.64 trillion yen in fiscal 2009, 160.0 billion yen lower compared to fiscal 2006, due to factors such as the fall in product prices resulting from lower copper and crude oil prices.

• Income before special items

Although greater income is expected in fiscal 2009 compared to fiscal 2006 due to factors such as lower crude oil procurement costs, improved margins on petroleum products, the effects of increased production of petrochemical products and higher sales of IT-related products, declining copper prices and worsening copper smelting margin, income before special items is expected to fall by around 55.0 billion yen to 160.0 billion yen. However, using the same major assumptions (exchange rate, price of crude oil and price of copper) as for fiscal 2009, income will follow an upward trend throughout the Medium Term Plan period with an estimate of 135.0 billion yen for fiscal 2007. These projected figures for income before special items do not include inventory valuation gains or losses.

• Net Income

In fiscal 2009, net income is expected to be 90.0 billion yen, indicating a slight decline of 13.0 billion yen, according to decline in income before special items compared to fiscal 2006.

4. Cash Flows and Interest-Bearing Debt

(billions of yen)

	FY2005 (Actual)	FY2006 (Forecasts)	FY2007～FY2009 (Plan for three years)
①Cash flows from operating activities	24.3	32.0	415.5
②Cash flows from investing activities	(37.6)	(100.0)	(419.0)
Capital expenditure and investments	(66.5)	(138.0)	(435.0)
Sales or maturities of investments and collection of loans, etc.	29.0	38.0	16.0
③Dividends, etc.	(19.6)	(38.0)	(62.5)
(A) Free cash flows (①+②+③)	(32.9)	(106.0)	(66.0)
(B) Increase (decrease) in cash and cash equivalents	(1.4)	(6.0)	9.0
(C) Others *1	–	85.0	4.0
(A－B+C) Decrease (increase) in interest-bearing debt	(31.6)	(15.0)	(71.0)

*1 The forecast for fiscal 2006 includes proceeds of 67.7 billion yen from issuance of new shares.

The three year free cash flows are estimated at minus 66.0 billion yen after taking the earnings plan and capital expenditure and investments plan (described below) into consideration.

5. Consolidated Balance Sheet

(billions of yen)

	March 31, 2006 Actual	March 31, 2007 Forecasts (A)	March 31, 2010 Plan (B)	Differences (B－A)
Total assets	1,859.6	2,032.0	2,303.0	271.0
Interest-bearing debt *1	684.7	714.0	784.0	70.0
Shareholders' equity *2	467.5	620.5	827.5	207.0
Shareholders' equity ratio (%)	25.1	30.5	35.9	5.4
Shareholders' equity per share (Yen) *3	504	669	893	223
Debt / Equity ratio	1.46	1.15	0.95	(0.20)

*1 Changes in amounts differ from the reduction in interest-bearing debt shown in the summary of cash flows due to the effect of factors such as newly consolidated subsidiaries and translation adjustment.

*2 From fiscal 2006, shareholders' equity is consisted of shareholders' equity and valuation and translation adjustment in net assets (excluding minority interests).

*3 For the sake of comparison between fiscal years, calculations are based on the number of issued shares at the end of December 2006 (926,950 thousand shares on a consolidated basis).

Projected consolidated balance sheet figures for the end of fiscal 2009 is as follows:

• Shareholders' equity of 827.5 billion yen due to accumulations through the Medium Term Plan period (a projected increase of 207.0 billion yen over the end of fiscal 2006).

• Shareholders' equity of 35.9% (a projected improvement of 5.4 points over the end of fiscal 2006).

• Debt equity ratio of 0.95 (an improvement of 0.20 points).

6. Capital Expenditure and Investments and Key Issues

The Medium Term Plan seeks a balance between growth strategies and improving the Group's financial base, with a planned three-year total for capital expenditure and investments of 435.0 billion yen, of which 70%, or 305.0 billion yen, will be allocated towards expansion into growth area and enhancement of competitiveness in existing businesses. Key business issues that include these capital expenditure and investments are as follows:

1) Petroleum

• In terms of retail sales, the Company will continue to pursue total customer satisfaction at JOMO stations, and strengthen its competitiveness.

• In terms of refining, the Company will make efforts to respond to changes in the demand structure and aim to develop high value-added, internationally competitive refineries. As part of this, the Company will strengthen business tie-ups in various regions.

• In terms of petrochemicals, projects for capacity expansion of aromatics at the Kashima Refinery (currently under construction) will be fully implemented, as scheduled and commercial operation will start in January of next year. By the capacity expansion, the Company will position itself as a top tier producer of petrochemical products in Japan and Asia.

2) Metals

• Promote development of the Caserones (formerly Regalito) Copper Mine in Chile, which is currently undergoing an economic feasibility study. In addition, make efforts to acquire rights and interests in subsequent new mines, and validate of new technologies such as Nikko-chloride process and bio-leaching technology as soon as possible.

• Install new copper collection furnaces and facilities for Hydro-metallurgical process in the Hitachi Works, promote plans for the HMC (Hitachi Metal Recycle Complex), which recovers metals from raw recycling materials, and establish recycling and environmental services as a business.

• In terms of electronic materials and metal fabrication businesses, make efforts to raise earnings capacity and stabilize earnings, as well as rapidly providing newly developed products for competitive commercial use. Also make efforts in the selection and concentration of products.

3) Group Companies

• Support the growth strategies in affiliated public companies (Tatsuta Electric Wire and Cable Co., Ltd., Toho Titanium Co., Ltd. and Maruwn Corporation)

• Validate the production technology for polysilicon used in solar power generation currently being developed jointly between Toho Titanium Co., Ltd. and Chisso Corporation as soon as possible.

Major capital expenditure and investments are as follows:

(billions of yen)

	FY2007～FY2009 (Plan for three years)	FY2006 (Forecasts)
(1) Expansion into growth area	180.0	88.5

(Major projects)	Capacity expansion in petrochemicals	Strengthen production capacities of aromatic products
	Overseas copper mines	Promote the SX-EW projects, etc.
	Recycling and environmental services	Increase collection and processing of recycling raw materials Increase incinerating and detoxifying of industrial wastes
	Capacity expansion for sputtering targets and treated rolled copper foil	Strengthen production capacities for existing and new products
	Overseas expansion of precision processing and precision rolling business	Plating, connector parts, high performance stainless steel strip, etc.
	Alloy business	Corson alloys, alloy foils, etc.

	FY2007～FY2009 (Plan for three years)	FY2006 (Forecasts)
(2) Enhancement of competitiveness in existing businesses	125.0	21.5

(Major projects)	Oil retail sales competitiveness	Modification and new establishment of service stations, etc.
	Oil refineries competitiveness	Make "bottomless" refineries and expand for shipment capacities, etc.
	Electronic materials business competitiveness	Strengthen competitiveness of Shirogane Works and overseas affiliates

	FY2007～FY2009 (Plan for three years)	FY2006 (Forecasts)
(1)＋(2) Investments in line with the growth strategy	305.0	110.0
(3) Maintenance and others	130.0	28.0
(1)＋(2)＋(3) Total capital expenditure and investments	435.0	138.0

7. 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 (by Segment)

■Petroleum (Japan Energy Group)

＜Assessment of business environment＞

1. International crude oil demand and supply
   - Demand will continue to grow strong at a rate of around 2% per annum with a focus on the BRIC countries.
   - Supply will increase with crude oil prices remaining at high levels, but in general the tight supply and demand situation will continue.
2. Supply and demand for domestic products
   - Domestic demand will decrease, including a slight drop in demand for gasoline, while the structure for supply and demand will continue to lean towards gasoline and light distilled oil.
   - Although there will be an increase in supply and demand with a focus on East Asia, large-scale increases in capacity are not expected until 2010 meaning that exports will expand on the back of a strong overseas market.
   - Product prices can be expected to remain at current levels.
3. Supply and demand for petrochemical products
   - High price levels will continue due to strong polyester demand from Asia. However, supply and demand may be temporary and slightly loose due to the strengthening of overseas paraxylene production facilities.

＜Strategies and key issues＞

- Develop a business structure that balances the following three areas of the fuel oils business, the petrochemicals business and the petroleum resource development business.

1. Fuel oils business
   - Strengthen retail competitiveness by promoting CS (customer satisfaction) based management.
   - Enhance production systems in response to changes in the structure of demand (examine the viability of establishing a new heavy oil cracking unit, etc.)
   - Respond to more rigorous quality standards based on environmental problems (introduce use of ETBE, etc.)
2. Petrochemicals business
   - Ensure that development of the Kashima Aroma Project (full operation from January 2008) is in process.
   - Expand sales of industrial cleaning agents and other functional chemicals.
3. Resource development business
   - Execute mine exploration efforts peripheral to existing projects with the objective of maintaining or expanding current levels of deposit reserves.

■Metals (Resources and metals)

＜Assessment of business environment＞

1. Supply and demand for copper concentrate
   - Although the ore trading environment is expected to improve due to increased production and new mining developments in South America, North America and Australia, the overall trading environment is expected to remain harsh due to increased production of copper in locations such as China and India.
2. Supply and demand for refined copper and copper prices
   - Although a strong rise in copper demand is expected in China and other East Asian countries, the leaders of world copper consumption, high copper prices will spur an increased production of refined copper causing a surplus in supply.
   - Copper prices will remain at higher levels than in the past although the price of copper will fall following fiscal 2006.
3. Conditions in the recycling and environmental business
   - The needs to make efforts in zero emissions and clean recycling will rise even further due to growing environmental consciousness within society.

＜Strategies and key issues＞

- Shift to becoming an integrated smelter (handle complete process from mining through to smelting) through growth strategies based on efforts in strengthening and expanding existing smelting businesses and new mine developments.
- Establish a recycling and environmental business based on advanced technology emphasizing zero emissions and clean recycling.

1. Copper operations

(1) Improve and expand the existing copper smelting business by strengthening tie-ups with Pan Pacific Copper (PPC) and LS-Nikko Copper Inc.
- Promote the acquisition of copper concentrate and improvements in smelting margin.
- Increase PPC's presence in the East Asian market.
- Derive a synergetic effect on the production front, in areas such as technology exchange.

(2) Promote growth strategies based on expansions into new mine developments.
- Promote the Caserones (formerly Regalito) project.
- Promote mine development and expand mining rights and interests through Group exploration efforts.
- Make efforts in the early validation of Nikko-chloride process and bio-leaching technology.

2. Recycling and environmental business
- Establish a solid framework for acquiring raw materials.
- Promote the HMC (Hitachi Metal Recycle Complex) project.

■Electronic Materials

＜Assessment of business environment＞

1. IT-related market demand
   • Although the market is adjusting its footing, demand will continue to expand in the medium to long term.
   • Demand for digital applications, mobile phones and other applications will expand.
   • There will be progress in use of electronics in automobiles.
2. Demand for major products
   • Although demand will expand, the trend in intensified competition and lower prices of finished products will continue to grow.

＜Strategies and key issues＞

‣ Pursue a first-vendor strategy and bolster competitiveness

1. Electro-deposited and treated rolled copper foil business
   • Electro-deposited copper foil: Expand profitability by differentiating products in terms of quality with a focus on high value-added markets.
   • Treated rolled copper foil business: Expand sales of strategic products; demand from automotive industries, etc.
2. Sputtering targets businesses
   • ITO targets for FPD: Implement measures to increase earnings as competition intensifies (improve margins, reduce inventory, improve yields etc. to reduce costs, etc.).
   • Semiconductor target: Firmly maintain first vendor position by maintaining or expanding market share, increasing productivity and promoting development of next-generation targets.
   • Magnetic target: Expand sales to vertical magnetic recording media.
3. Compound semiconductors business
   • Promote the commercialization of new materials.
4. Strengthen and promote new businesses
   • Launch MAQINAS ® (dual-layer plated substrate for COF (chip on film)) as soon as possible.
   • Engage in new technology development in promising growth areas that have the potential to become pillars of next-generation activities.

■**Metal Manufacturing**

＜Assessment of business environment＞

1. IT-related market demand
   - Demand will undergo some adjustments in the short term, but stable growth will continue into the medium to long term backed by the continuous shift towards greater use of advanced electronics.
   - In particular, demand for automobile related high-performance materials and high-performance electronic components would expand due to the increased use of electronic control etc.
   - The shift towards more compact, higher-performance components will continue under environmental strategies and resource saving measures.

2. Demand for major products
   - Although demand will expand, intensified competition and lower prices for finished products will put pressure on lowering prices and increase demands for high-performance products.
   - The market will experience increased demands for small lots and quick delivery.

＜Strategies and key issues＞

‣ Transition to a balanced, stable earnings position and scale expansion of businesses

1. Precision rolling business
   - Establish titanium copper materials as new core profitable product.
   - Strengthen product lineup in automotive components.
   - Review of sales functions and expand sales network.
2. Precision processing business/surface treatment business
   - Expand sales of high performance plating products for automotive components.
   - Expand capacity of Hitachi Works for the surface treatment business and promote expansion of product facilities located in China.
   - Expand integrated production (plate, press and assembly) for connectors.
   - Promote expansion of the LCD screen components (backlight electrode) business