

Metals Group



back row
from left

Mitsuyuki Takada
Division COO,
Steel Business Division

Iwao Toide
Division COO,
Ferrous Raw Materials Division

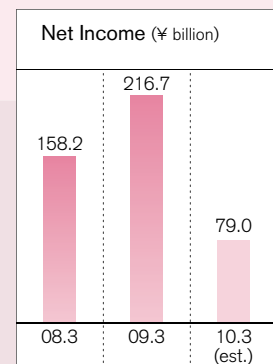
front : **Jun Kinukawa**
Executive Vice President,
Group CEO, Metals Group

Kenji Tani
Senior Vice President,
Division COO,
Non-Ferrous Metals Division
(Concurrently)
General Manager, Non-Ferrous Metals
Marketing and Risk Management Unit



Organizational Structure

- Metals Group CEO Office
- Metals Group Controller Office
- Steel Business Division
- Ferrous Raw Materials Division
- Non-Ferrous Metals Division



Group CEO's Message

Fiscal Year Ended March 31, 2009 Performance

The Metals Group is developing a variety of businesses on both the investment and trading sides in the sectors of steel products, ferrous raw materials and non-ferrous metals. One of the main strengths of the business group is that the investment and trading businesses function much like the two axles of a car.

Our major investment subsidiaries include Mitsubishi Development Pty Ltd (MDP), which invests in metal and mineral resource projects in Australia, notably coal, and also manages the production and marketing of these resources. Our upstream asset portfolio also includes production interests in copper mines in Chile and Peru. On the trading side, our principal businesses include Metal One Corporation, an MC subsidiary engaged in the sale and marketing of steel products, and Mitsubishi Corporation Unimetals Ltd., an MC subsidiary involved in trading non-ferrous metal ores and finished products.

The business group recorded consolidated net income of ¥216.7 billion in the fiscal year ended March 31, 2009, a year-on-year increase of ¥58.4 billion and a new record high. The major factor in this performance was a substantial increase in earnings at

MDP as the result of higher coal prices. This offset the combined effects of write-downs on shares, a decline in dividend income due to lower non-ferrous metals prices, and a fall in earnings at Metal One caused by the economic downturn.

The onset of the global financial crisis in the fall of 2008 caused a slump in many commodity prices worldwide, and we expect these conditions to persist for a while. On the other hand, we see underlying demand remaining firm for metals resources and related products based mainly on steady growth in raw steel output and vehicle production, which will be supported by economic growth in China, India and other developing countries over the medium and long term. We plan to invest in working interests in resources on an ongoing basis so that we can build a stable base of supply to respond to growth in demand for metals resources over the longer term. In the fiscal year ended March 31, 2009, MDP acquired an interest in the Kintyre Uranium Project in Western Australia in partnership with Cameco Corporation of Canada. Also in Australia, BMA, in which MDP owns a 50% stake, acquired a 100% interest in Saraji East, an undeveloped coking coal project. Elsewhere, we purchased a 33.4% equity stake in

Strand Minerals (Indonesia) Pte Ltd, which owns 90% of the Indonesian mining firm PT Weda Bay Nickel.

Fiscal Year Ending March 31, 2010 Outlook and INNOVATION 2009

As discussed above, while we expect the global slump in commodity prices due to the financial crisis and other factors to persist in the short term, over the medium and long term we believe that demand conditions for metals resources and related products are likely to recover steadily.

MC has positioned the fiscal year ending March 31, 2010 as a year for implementing urgent measures to address the changing business environment. In line with this, we plan to carefully review our portfolio of existing assets and consider whether to institute any replacements, with a strong emphasis on maintaining a healthy balance sheet. At the same time, however, we will continue to focus on our basic management policies, including strengthening our presence in the metals resources field and the strategic trading field, and reinforcing the consolidated management base.

Our immediate focus will be on bringing to fruition the various world-class resource projects that we have acquired in recent years in coal, iron ore, uranium, nickel and other resources. We also

plan to keep an eye out for good strategic investment opportunities so that we can continue to expand MC's portfolio of blue-chip production assets. In marketing and trading operations, we will focus on employing advanced trading strategies and on upgrading credit controls and other risk management functions.

We expect MDP to report lower profits in the fiscal year ending March 31, 2010 due to lower coal prices. Combined with the impact of declines in other commodity prices, we expect the business group's consolidated net income to fall to ¥79.0 billion, which would represent a year-on-year decline of ¥137.7 billion.



Jun Kinukawa
Executive Vice President,
Group CEO, Metals Group

Contributing to Our World Through Business

MOZAL and HERNIC Projects

The MC Group's Mozal S.A.R.L. (MOZAL) and Heric Ferrochrome (Pty) Ltd. (HERNIC) projects in Africa are attracting attention not only in terms of expectations for business growth, but also for their strong social contribution.

Based in Maputo, the capital of Mozambique, MOZAL is one of the world's largest aluminum smelter projects. MC owns a 25% equity interest in this project. MOZAL has increased production volume since operations began in 2000, and along with it created more jobs for locals, helping drive the reconstruction of Mozambique. Indeed, today MOZAL generates around 20% of the country's GDP. Through Mozal Community Development Trust (MCDT), a non-profit organization established by the shareholders of MOZAL, this project gives back to the community by supporting small businesses, helping build social infrastructure and providing assistance for educational, public health and environmental, sports and cultural initiatives.

Meanwhile, HERNIC, based on the outskirts of Johannesburg, the Republic of South Africa, extracts chromium ore from which it produces and sells ferrochrome. MC is using its 51%

controlling interest in HERNIC to pursue resource development and the smelting business. HERNIC and MC work together to provide assistance to primary schools, as well as to support an HIV/AIDS education program, offer occupational training, fund a scholarship program and foster the regional economy.



HERNIC has devised a Vegetable Garden Plan program, whereby it provides instruction and support for creating vegetable gardens in school grounds.

Metals Group



Steel Business Division

- Steel Products Business Unit
- Steel Investment and Business Development Unit
- Components Business Development Unit

Harnessing the collective capabilities of MC and working together with key subsidiary Metal One, a joint venture created in 2003 with the former Nissho Iwai Corporation (now Sojitz Corporation) that is the industry's largest trading firm specializing in steel products, the Steel Business Division is constructing and developing a global value chain for steel products. In the upstream sector of this value chain, the division is taking capital stakes in steel businesses in places such as Brazil and Chile as part of efforts to deepen ties with steelmakers. In the downstream sector, MC is developing operations for pressed steel auto parts in Thailand and Australia. Within the mid-stream steel distribution sector, the emphasis is on rationalizing and reinforcing the steel product distribution value chain through the operations of Metal One, a core contributor to divisional earnings. At the same time, MC is looking to develop the business by strengthening relations with key industries and by quickly anticipating market needs.

Metal One recorded consolidated net income of slightly over ¥20.0 billion in the fiscal year ended March 31, 2009, which was down from the previous fiscal year. Although rising resource prices and tight supplies of steel products pushed up prices of steel products during the first half of the year, steel product demand fell sharply in the second half due to the global economic downturn.

While market prices for steel products have fallen steeply since the fall of 2008 in tandem with the global economic downturn, prices are projected to firm over the medium and long term due to robust growth in demand from the BRICs and other developing nations. Metal One has both short-term and medium- and long-term strategies in place to meet the

challenges of this fast-changing business environment.

Under the short-term strategy, Metal One views the fiscal year ending March 31, 2010 as a year of enduring a highly volatile business environment through strict management of risks and costs, combined with operational reforms. Over the medium and long term, Metal One plans to undertake further reorganization and rationalization of Japanese steel distribution operations. The company plans to expand steel product processing bases to meet increasing demand for steel products in the Americas, China, India and other markets. It will also develop fields that are a source of new demand such as the renewable energy sector.

Metal One took several steps to start executing this global development strategy in the fiscal year ended March 31, 2009. In China, a joint venture began supplying melt-cut and processed steel plates to local construction machinery manufacturers. Metal One also established a local subsidiary, Metal One Corporation India Pvt. Ltd., in India, with headquarters in New Delhi and branch offices in Mumbai, Chennai and Kolkata. Steel frame fabrication operations also commenced in Vietnam. Metal One plans to continue pursuing this value chain-oriented strategy by seeking to develop new operations and construct new business models in each of these markets, all of which have excellent growth potential.



Employees of Metal One volunteer each year to take part in environmental activities such as tree planting and cleaning up coastlines or urban areas.

Ferrous Raw Materials Division

- Ferrous Raw Materials Sales and Marketing Business Unit
- Thermal Coal Business Unit
- Iron Ore Business Unit
- Stainless and Specialty Steel Raw Materials Business Unit
- MDP Unit

This division is focusing efforts on reinforcing the business through investments in upstream resources as well as in downstream marketing operations.

The investment business provides the major pillar of sustained earnings growth for the division. MC's coking coal business in Australia owned through subsidiary MDP boasts the largest output in the world; plans call for further expansion in the future. MC also has substantial investments across a wide range of businesses, including the production of stainless steel raw materials and iron ore, as well as the production of coal and uranium for use as fuel for electricity generation. In particular, MC is expanding productive capacity at several projects in anticipation of future growth in global demand. These include ferrochrome production by Herculite Ferrochrome (Pty) Ltd. in South Africa and iron ore projects in Chile through Compañía Minera Huasco S.A. (CMH) and in Canada through Iron Ore Company of Canada (IOC).

In marketing operations, the division trades coking coal, thermal coal and iron ore as well as materials for production of stainless and specialty steels on a global basis.

Global demand for ferrous raw materials and fuel for power generation has declined since the fall of 2008 in line with the deterioration in the real economy. Growth in underlying demand in emerging economies remains firm, however, especially in Asia, and a projected recovery in demand over the medium to long term is expected to help drive global growth. Based on this projected demand trend, the division is focused on ensuring future stable supply capacity for materials and fuels, and strategic business development activities are ongoing.

Development is under way at the Clermont thermal coal mine in Australia ahead of the first planned shipments in 2010. Elsewhere in Australia, MC has also invested in a joint venture with local producer Murchison Metals Ltd. to develop an iron ore deposit at Jack Hills along with rail and port infrastructure for this major project.

In July 2008, in partnership with Canadian mining company Cameco, MC acquired an interest through MDP in the Kintyre uranium mine in Western Australia from Rio Tinto. In September 2008, BMA acquired a 100% interest in a large untapped deposit of high-grade coking coal at Saraji East (MC has a 50% stake in BMA through MDP). Situated to the east of and adjacent to the existing BMA coal mine at Saraji, this large deposit possesses major potential.

In February 2009, MC purchased a 33.4% equity stake in Singapore-based Strand Minerals from ERAMET S.A. of France. Strand Minerals owns 90% of PT Weda Bay Nickel, which is the project development and exploration company for the Weda Bay Nickel Project on the island of Halmahera in Indonesia. MC has undertaken to share the costs with ERAMET for assessing project feasibility for making investment decisions concerning future development.



The Kintyre uranium mine will provide Japan and other countries with a reliable supply of fuel for nuclear power stations at low cost. Nuclear power is gaining fresh popularity as a potential source of energy with minimal greenhouse gas emissions.

Non-Ferrous Metals Division

- Base Metals Business Unit
- Aluminium Business Unit
- Bullion & Global Commodity Futures Business Unit
- Non-Ferrous Metals Marketing and Risk Management Unit
- Non-Ferrous Metals Business Development Unit
- TOT Project Unit

Based on the three pillars of upstream resource interests, the metals trading business and futures trading operations, the Non-Ferrous Metals Division is working to expand MC's global business in non-ferrous metals, mainly copper, aluminum and precious metals such as gold, silver and platinum. In the upstream sector, MC aims to expand earnings by acquiring prime production assets. In metals trading, MC is working to develop the earnings base by strengthening sales functions for non-ferrous metals (both unrefined ores and finished products). In futures trading, MC is continuing to reinforce capabilities for trading futures and other derivatives.

MC possesses the largest equity interests in copper and aluminum production of any Japanese company. In copper, operational funding difficulties since the onset of the global financial crisis that was precipitated by the collapse of Lehman Brothers in September 2008 have forced many copper mining firms to revise plans to develop new mines or expand production at working mines. This has resulted in an excessive contraction in production that potentially threatens the ability to supply the projected growth in future demand. A similar situation exists in aluminum, where the financial crisis has led to steep falls in the price of the metal, creating harsh business conditions for aluminum smelters worldwide. MC owns interests in copper mines in Chile and Peru in South America—Escondida, Los Pelambres, and Antamina—that have another 20–50 years of extractable reserves. MC's business portfolio also contains blue-chip aluminum smelting assets—MOZAL and BOYNE—located in

Mozambique in Africa, and Australia, respectively. In short, MC retains sufficient resources to maintain stable supplies in the event of a projected increase in demand over the medium and long term.

In trading of non-ferrous metal ores and finished products, the division continues to strengthen cooperation between its three offices in Tokyo, London and New York as part of efforts to reinforce and upgrade non-ferrous metals-related trading capacity in spot, futures and other derivatives markets. Going forward, MC plans to provide more sophisticated services to meet the increasingly diverse trading needs of customers.

In the futures trading business, the three MC subsidiaries of Triland Metals Ltd., Triland USA Inc. and Mitsubishi Corporation Futures & Securities Ltd. operate respectively on the leading commodity futures exchanges of the London Metal Exchange (LME), the New York Mercantile Exchange (NYMEX) and the Tokyo Commodity Exchange (TOCOM). The division continues to develop its global futures trading organization. Based on a wealth of trading experience and related expertise, the division is working to expand the revenue base and upgrade the functions of each futures trading subsidiary by applying advanced risk management techniques.

MC subsidiary Kinsho Corporation, which is a core part of trading operations in non-ferrous metal ores and finished products, changed its name to Mitsubishi Corporation Unimetals on April 1, 2009. The name change is aimed at reinforcing the sense of belonging to the MC Group as part of a policy of targeting further growth in this aspect of the business.



The largest copper mine in the world, the Escondida mine in Chile produces over 1 million tons of copper each year and has reserves for at least another 50 years of operation.