



Fiscal Year 2017

Business Segment IR Meeting

Mitsubishi Corporation

Metals Group



Group Management Participants

Executive Vice President, Group CEO, Metals Group

Kanji Nishiura

Senior Vice President, Division COO, Steel Business Div.

Kotaro Tsukamoto

Agenda

- 0 . Group Organizational Structure
- 1 . Business Environment
- 2 . Midterm Corporate Strategy 2018
- 3 . Overview of Steel Business
- 4 . "Evolution and Challenges"

0. Group Organizational Structure

(As of December 2017)

Metals Group CEO Office

Keiichi Shiobara
General Manager

Group CEO, Metals Group

Kanji Nishiura
Executive Vice President

Metals Group Administration Dept.

Satoshi Iwai
General Manager

Steel Business Div.

Kotaro Tsukamoto
Senior Vice President
Division COO

- Metal One Corporation

Mineral Resources Trading Div.

Isao Kano
Senior Vice President, (co)Division COO
Chairman & CEO,
Mitsubishi Corporation RtM
International Pte. Ltd.

- RtM International
- RtM Japan
- Triland Metals Ltd.

Mineral Resources Investment Div.

Norikazu Tanaka
Senior Vice President
Division COO

- | | |
|----------------------|---------------------------------|
| <Copper> | <Thermal Coal> |
| • Escondida | • Clermont |
| • Los Pelambres | • Ulan |
| • Antamina | • Hunter Valley Operations |
| • Anglo American Sur | • Warkworth |
| • Quellaveco | <Aluminum> |
| <Coking Coal> | • Mozal S.A. |
| • BMA | • Boyne |
| <Iron Ore> | <Stainless Steel Raw Materials> |
| • IOC | • Hernic |
| • CMP | <Uranium> |
| | • AREVA Mongol |
| | • JCU |
| | • Kintyre |

1. Business Environment

External environment

- Strong recovery of the global economy
- Escalation of geopolitical risk
- Structural changes driven by technological innovation including AI/IoT
- Possibility of sudden economic distortions

External environment peculiar to the Metals Group

- Worsening of mining conditions (quality deterioration, water, electricity, environment)
- Climate change

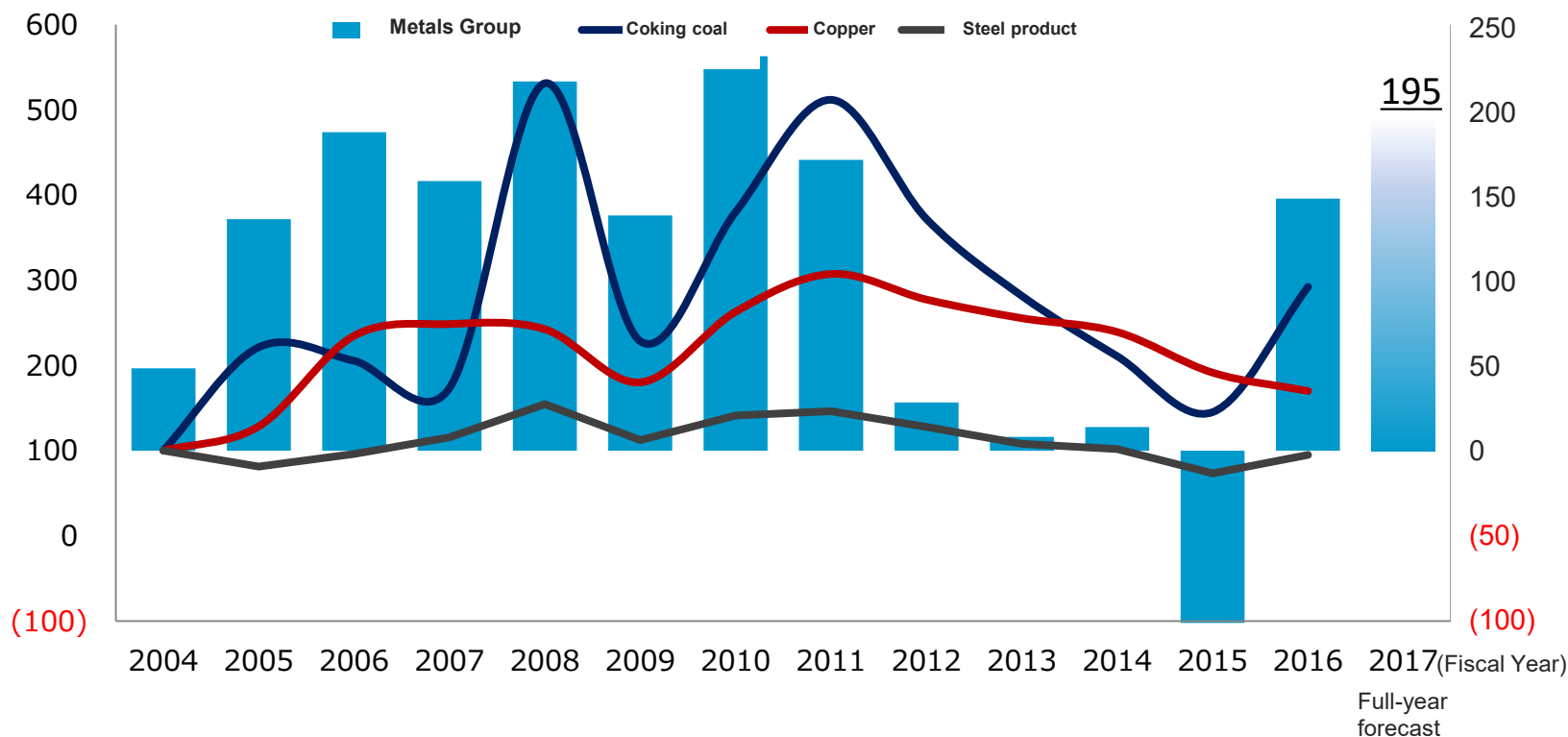
Internal environment peculiar to the Metals Group

- Impact on earnings by volatility of mineral resources price

Steel product/ Mineral resources price and Metals Group earnings 2004-2017

(mineral resources price:
Index Year 2004=100)

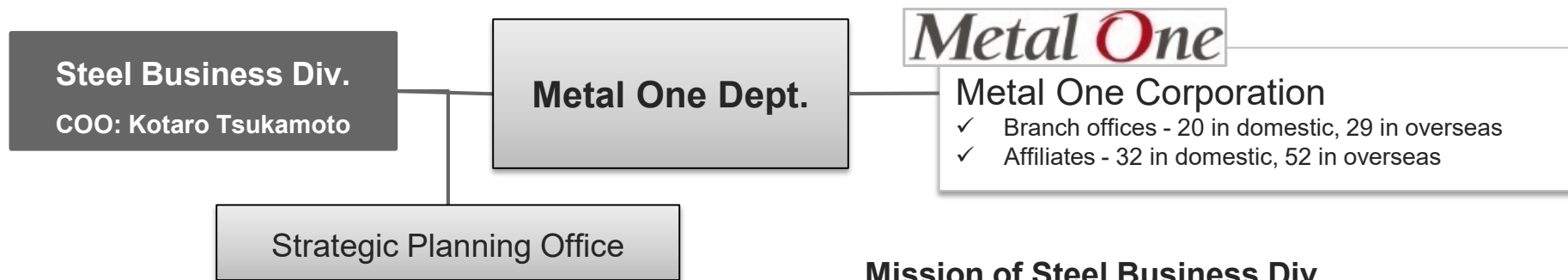
(Metals Group earnings
Bil. JPY)



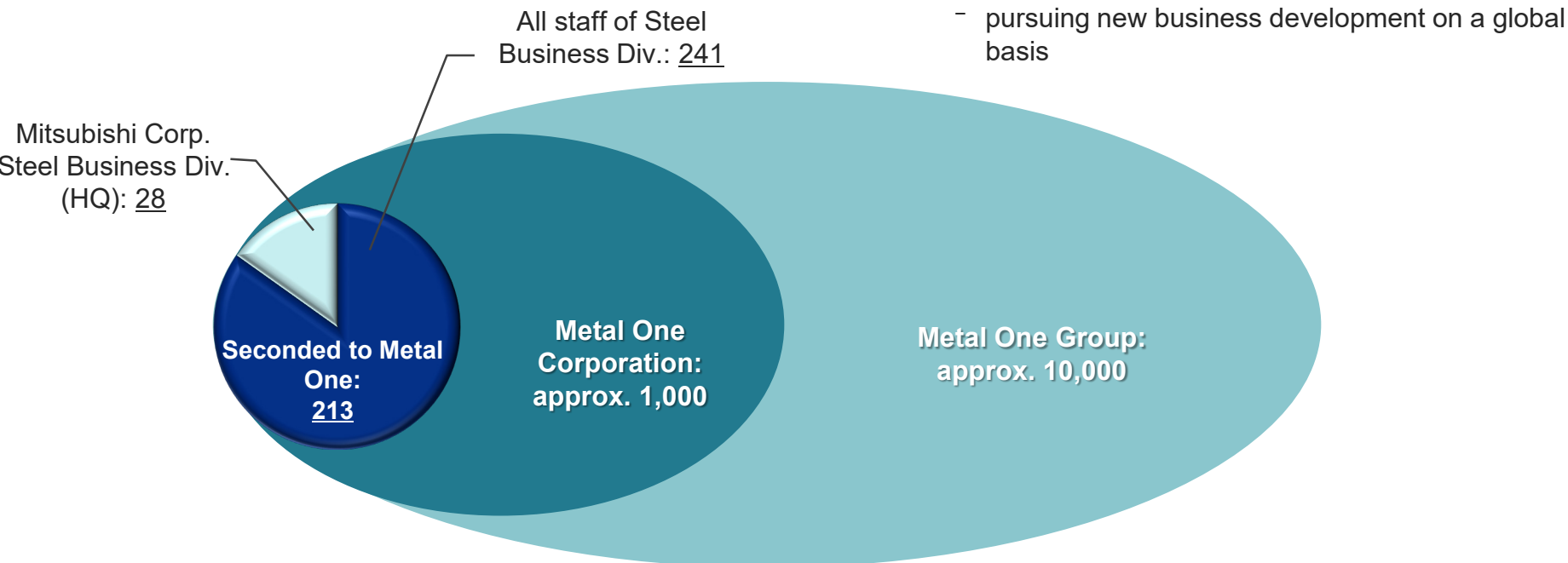
2. Midterm Corporate Strategy 2018

Field	Policy	Progress Note: Blue text indicates completed activities
Market-related sector	<ul style="list-style-type: none"> Concentrate management resources on copper and coking coal Improve portfolio resilience by assets reshuffling Further improve our earning power across assets 	<ul style="list-style-type: none"> Improved portfolio resilience by assets reshuffling <ul style="list-style-type: none"> Withdrew from nickel project in Indonesia (Weda Bay) Reached agreements to sell Australian thermal coal businesses (HVO, Warkworth) Continuous cost reduction and productivity improvement <ul style="list-style-type: none"> Reduced overall costs in the mineral resources business by around 40 billion JPY in FY2016
Business-related sector	<ul style="list-style-type: none"> Strengthen each business as a stable source of profit Capture demand primarily and expand business in growing markets 	<p><u>Steel products</u></p> <ul style="list-style-type: none"> Reorganized domestic operations while strengthening overseas processing facilities and sales network <ul style="list-style-type: none"> Acquired Cargill's Flat rolled steel processing and distribution business in the United States <p><u>Mineral resources trading</u></p> <ul style="list-style-type: none"> Diversified and expanded products sourcing by leveraging MC's operating assets <ul style="list-style-type: none"> Conducted holistic review of RtM business at fifth year since its establishment, and drafting mid to long term growth strategy
Overall	<ul style="list-style-type: none"> Anticipate market changes due to technological innovation etc, and build structures that can accommodate new changes 	<ul style="list-style-type: none"> Consideration and implementation of measures targeting the utilization of digital technologies and the spread of electric vehicles <ul style="list-style-type: none"> Established a specialized incubation-oriented organization within the Group Dispatched personnel to the Silicon Valley Branch Considering the possibility of application in areas ranging from upstream mining businesses to downstream metals distribution and processing

3. Overview of Steel Business : ① Organizational Structure



Staff of Steel Business Div. (As of Nov. 2017)



Mission of Steel Business Div.

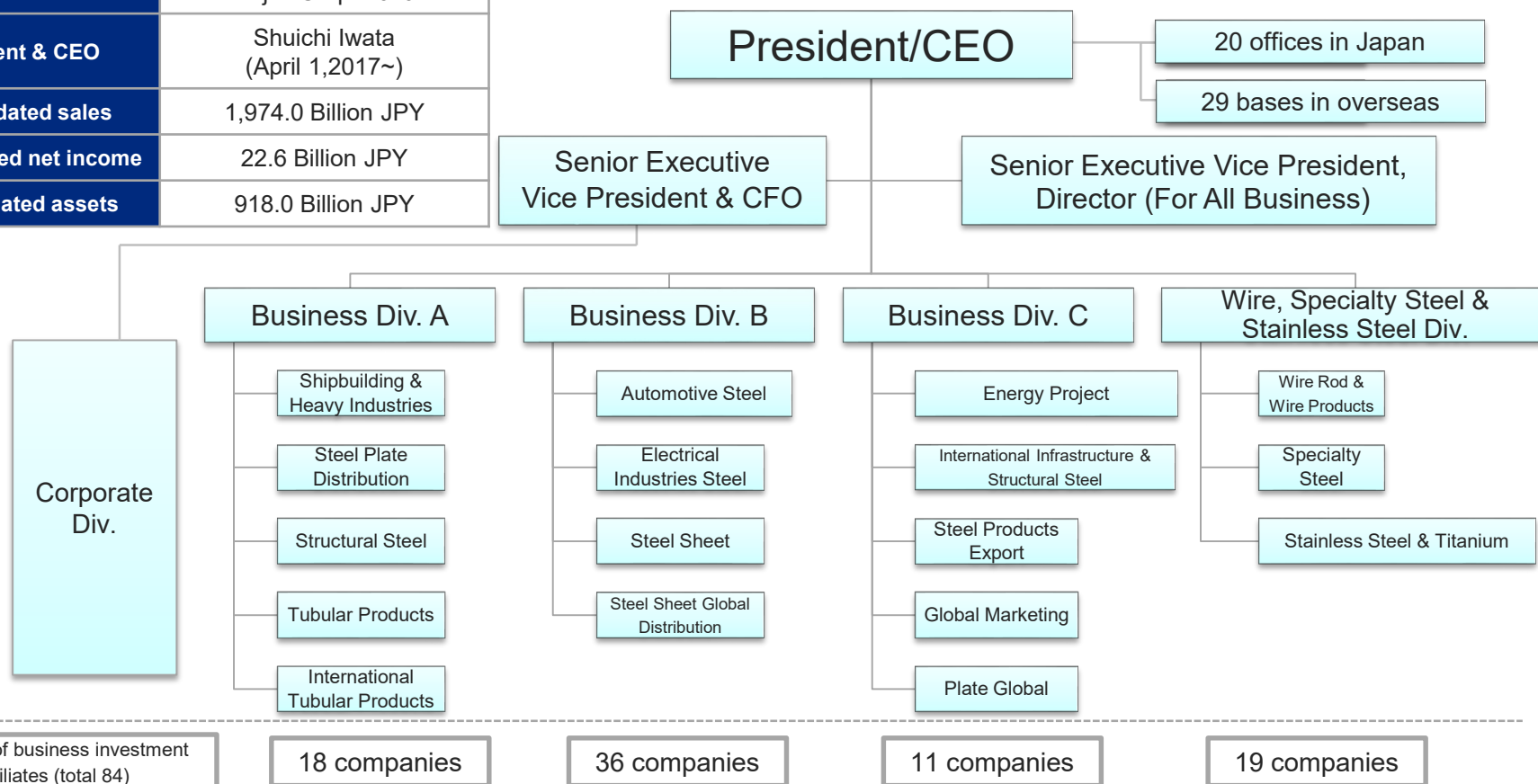
- Based on a holistic viewpoint of the entire steel-related industry, to maximize business value by:
 - increasing earnings through management of Metal One businesses
 - pursuing new business development on a global basis

3. Overview of Steel Business : ② Outline of Metal One

Company Profile (As of March 31, 2017)

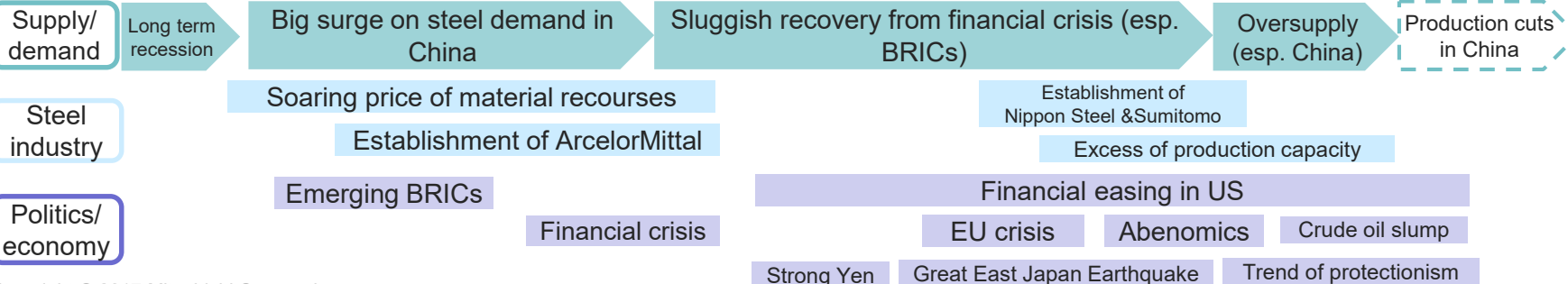
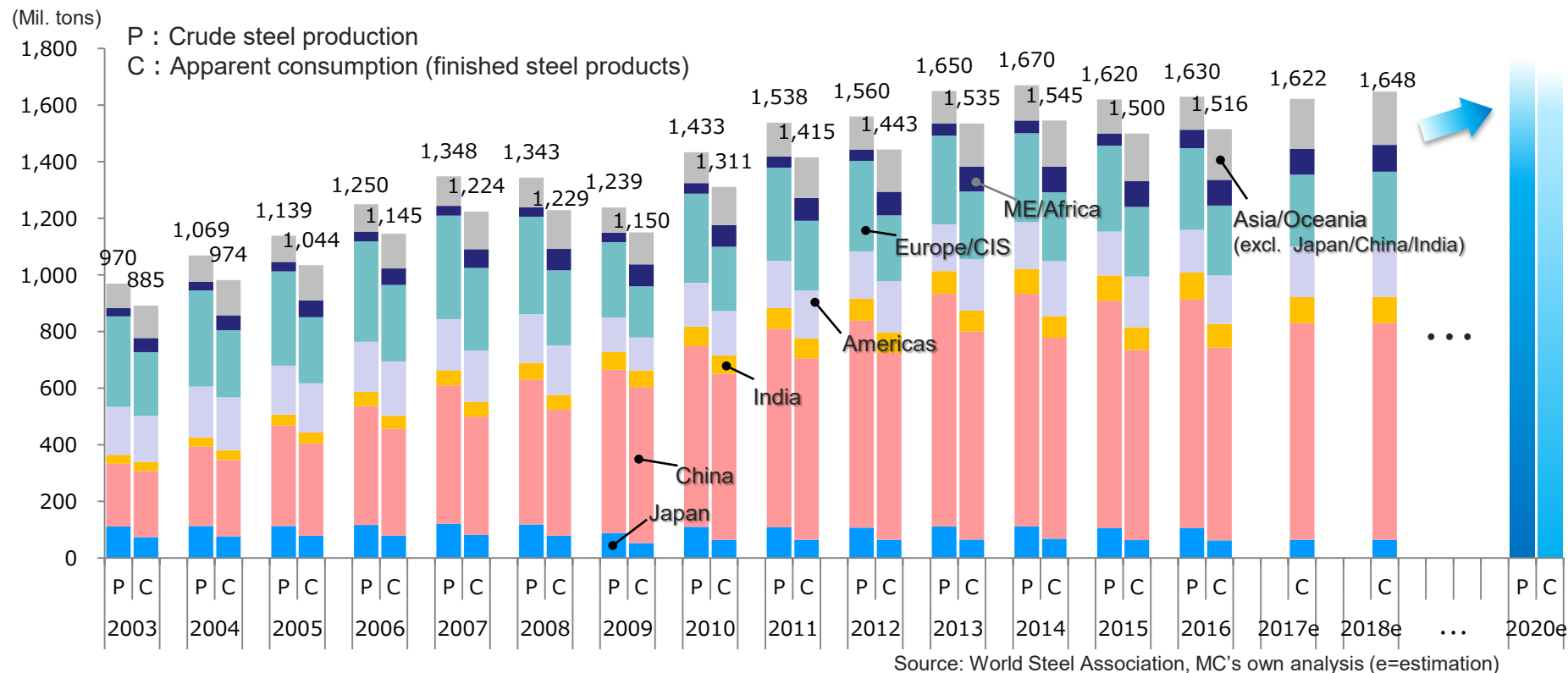
Headquarters	Marunouchi, Tokyo
Established	January 2003
Capitalization (Incl. capital reserve)	150 Billion JPY
Shareholders	Mitsubishi Corp. 60%, Sojitz Corp. 40%
President & CEO	Shuichi Iwata (April 1, 2017~)
Consolidated sales	1,974.0 Billion JPY
Consolidated net income	22.6 Billion JPY
Consolidated assets	918.0 Billion JPY

Metal One



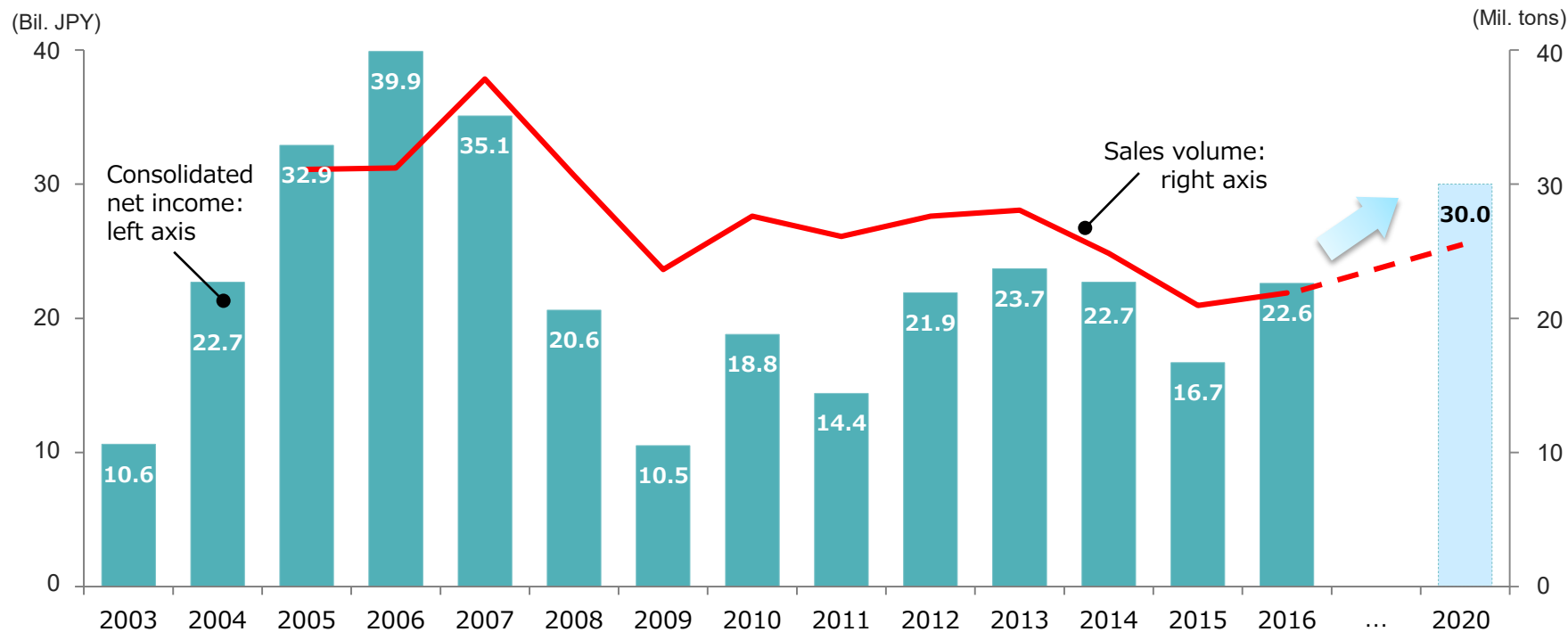
3. Overview of Steel Business : ③ Business Environment

Actual and forecast of crude steel production / apparent consumption



3. Overview of Steel Business : ④ History of Metal One

Consolidated net income, business environment, and company policy of Metal One



2003-2005

- PMI
- Growth Strategies
- BPI

2006-2008

- Value chain Strategy
- Pursuing Value One
- Group management strategies

2009-2011

- Value model development
- Co-creating group management

2012-2014

- Promoting group management
- Fully utilizing human resources and assets
- Restructuring to strengthen our domestic operations
- Strategic approach to overseas business

2015-2016

- Back to basic
- Enhance core competence
- Challenge towards innovative change
- Empower human resources
- Reshape Solid management fundamentals

2017-2018

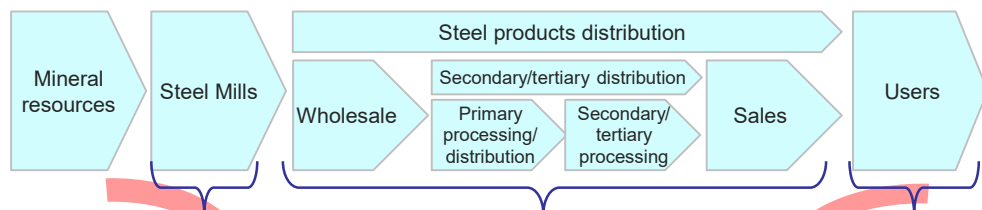
- Business model transformation
- Focus on growth
- One solid Business platform

Metal One
Midterm
Business Plan
- Policies

4. “Evolution and Challenges” :

1) Changes in the Business Environment of Steel Business Div. and Tasks to win

Changes in the Business Environment and Profit Pool



M&A + globalization

- ✓ JFE established (2002)
- ✓ ArcelorMittal established (2006)
- ✓ Nippon Steel & Sumitomo Metal established (2013)
- ✓ Merger of Thyssen/Tata in Europe (2017)

Added value

Processing (C/C)	Commoditization of processing, emergence of cost centers
Sales (1) information (e-commerce)	200 Mil. tons Chinese e-commerce market, use of futures/CRU (US index)
Sales (2) distribution	Emergence of companies from other industries (such as Amazon, Uber)
Sales (3) financing	Entry of companies from other industries with low interest rates (such as PayPal)

M&A + innovation of technology

- ✓ Shift toward EVs
- ✓ Nissan/Renault/Mitsubishi Motors alliance
- ✓ Emergence of Uber and other ride-sharing companies
- ✓ Innovation with AI/IoT

Leading-edge evolution of business model needed to survive
“Quantum Leap”

Tasks to Win

Understanding market and customer needs

Providing functions and add values

Competitive costs

Advanced technologies/
Business model changes

Concentration of management resources on growing segment

- ✓ Changes of business environment – Innovation technology, M&A, and intensifying competition in the market
- ✓ Location of profit/function/added value - Shifted to upstream & downstream
- ✓ Less need for intermediate distribution

4. “Evolution and Challenges” :

2) Division Strategies, Mid to Long Term challenges, and Quantitative Targets

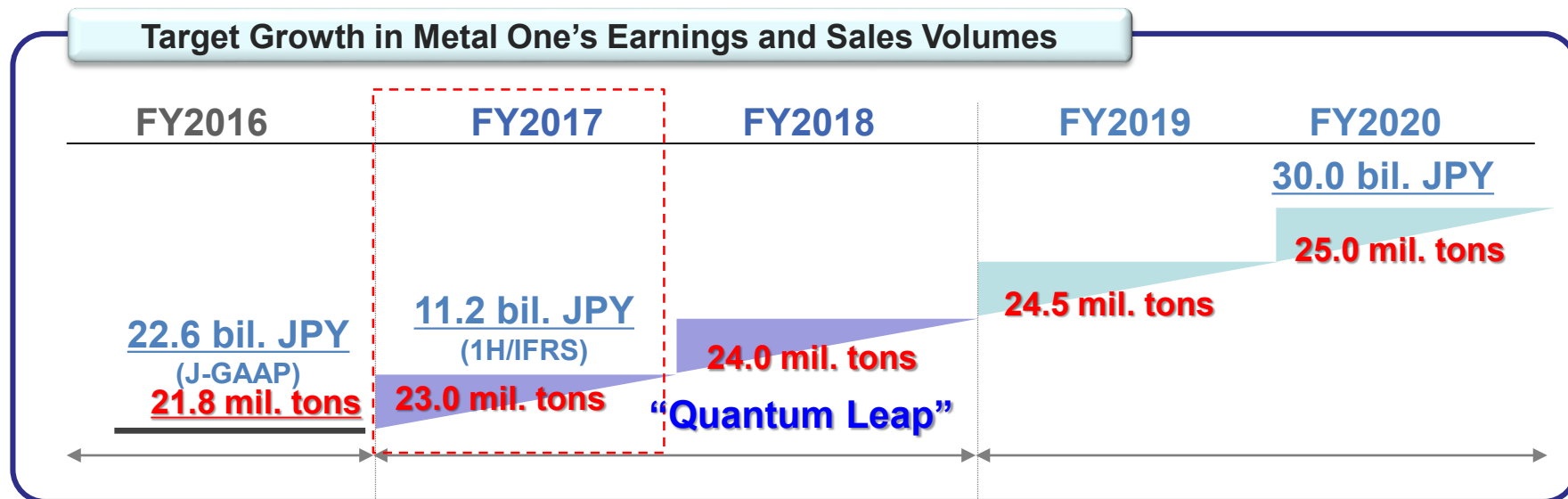
Division strategies

To make sure Metal One keep generating earnings of more than JPY 30bill on FY 2020 and later, strengthen & differentiate Metal One’s function and maximize corporate value through proactive measures by Steel Business Division and through resources seconded to Metal One

Mid to long term challenges

Business viability	Long-term viability of division’s business model
Talent management	Development of management professionals through the career of proactive management and execution of business

FY2017 theme “Evolution and Challenges”



4. “Evolution and Challenges” :

3) Tasks and Measures Related to the Future Growth of the Metal One Group

Management Tasks	Detailed Measures
Business model transformation	<ul style="list-style-type: none"> ✓ Enhance service level and processing capabilities in existing business ✓ Reorganize logistics ✓ Utilize digital technologies ✓ Reorganize domestic sales network, improve operational efficiency by introducing automation & reducing manpower with AI/IoT
Focus on growth	<ul style="list-style-type: none"> ✓ Concentrate management resources on strategic segments: strategic business sectors and strategic regions <ul style="list-style-type: none"> ● Strategic business sectors: Automotive Steel, Steel Sheet and Plate, Global Marketing, Wire Products, Specialty Steel + “NEO” (Companywide Business Development & Incubation office) ● Strategic regions: <ul style="list-style-type: none"> ➢ Strategic regions (Japan, US, Mexico, Thailand and India) ➢ Growth prospective regions (China, Indonesia and Vietnam) ➢ Frontier regions (Brazil and sub-Sahara) ✓ Reduce the number of group companies to approx. 80 companies (FY2018)
One solid business platform	<ul style="list-style-type: none"> ✓ Strengthen the corporate infrastructure of Metal One: Utilizing solid business platform ✓ Improvement and enhance transparency of cost structure on a consolidated basis ✓ Review the structure of administrative and other corporate divisions: Adopt a lean corporate division structure (i.e. sharing or concentrating the functional department) on a consolidated basis

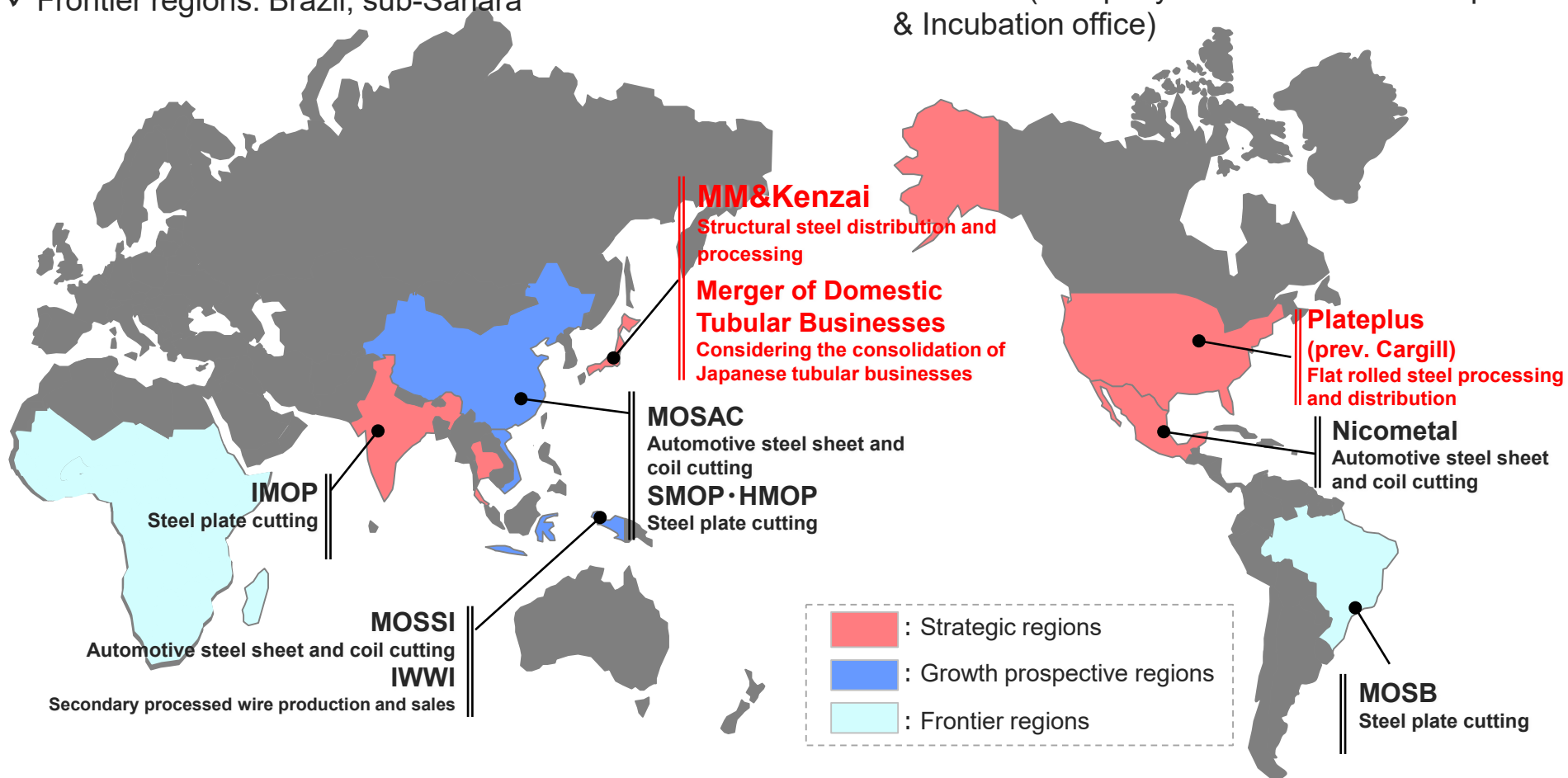
4. “Evolution and Challenges” : Growth Strategy – Growth in Global Markets

Strategic Regions

- ✓ Strategic regions: Japan, US, Mexico, Thailand, India
- ✓ Growth prospective regions: China, Indonesia, Vietnam
- ✓ Frontier regions: Brazil, sub-Saharan

Strategic Business Sectors

- ✓ Automotive Steel, Steel Sheet and Plate, Global Marketing, Wire Products, Specialty Steel, + “NEO” (Companywide Business Development & Incubation office)



4. “Evolution and Challenges” : Growth Strategy—Case Study 1

Acquired a US Hot-Rolled-Steel Sheet Processing Business from Cargill

New company name

Plateplus, Inc.

Business description

Flat rolled steel processing and distribution in the United States

Background for establishment

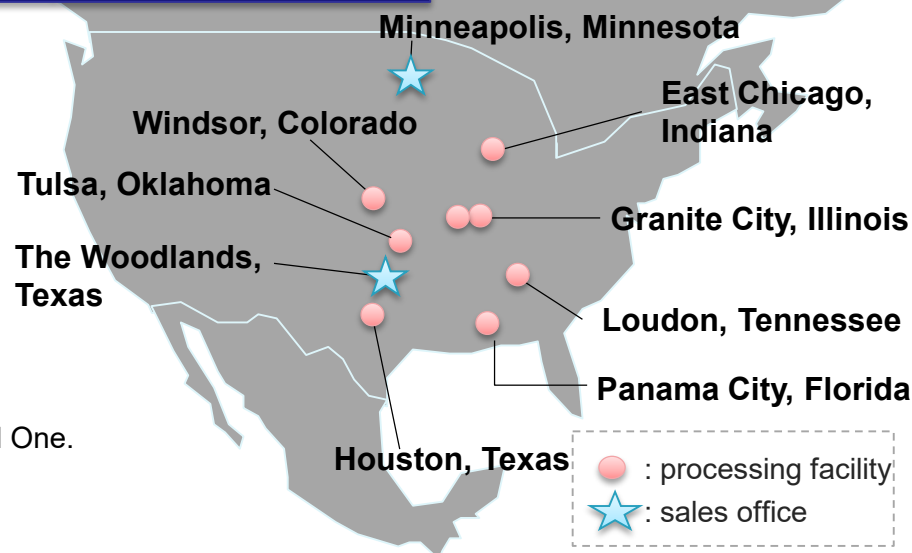
- Metal One is targeting the US market as strategic region
- Currently it has extensive business and capabilities in steel distributing industry such as its affiliate Coilplus (a flat rolled steel processor and distributor which serves mainly automotive and electrical appliance-related industries)
- Cargill is one of the world’s largest grain producers and is also involved in the business of processing hot-rolled steel sheet.
- This acquisition will enable Metal One to expand its business and elevate its presence in the US market as it targets emerging opportunities in energy and infrastructure markets.

Overview of Plateplus’s Business

Business:	Distribution and processing of flat rolled steel products
Location:	8 factories and 2 sales offices (including Houston, Texas, USA)
Employees:	Approx. 230
Processing capacity:	Approx. 1 mil. ton/year

Note: Metal One has taken over the business from Cargill through Plateplus, Inc., - a wholly owned subsidiary of Metal One.

Plateplus’s Locations in the US



4. “Evolution and Challenges” : Growth Strategy—Case Study 2

Structural steel Business (Japan): Establishment of MM & Kenzai Corporation

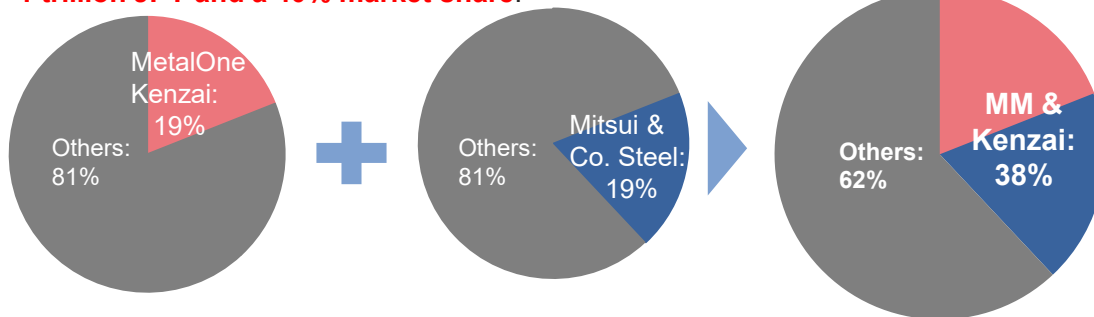
Business description

- ✓ Sales, processing, and inventory of structural steel
- ✓ Various types of construction business
- ✓ Sales, import, and export of pig iron and steel scrap

Background for establishment

- ✓ In order to provide customers with higher-value-added functions and services, aimed to combine the domestic steel construction materials and steelmaking materials businesses of the Mitsui & Co. Group and the Metal One Group. Intend to undertake bold and leading-edge initiatives going beyond the boundaries of the corporate group to firm up the position in the mature Japanese construction materials market.
- ✓ Combining the two companies will ensure a robust platform with annual sales of **around 1 trillion JPY and a 40% market share.**

Share of the construction materials market



Steel Pipe Business (Japan): Merger of the Domestic Steel Pipe Businesses of the Sumitomo Corp. Group and the Metal One Group

Current status

- ✓ On July 10, 2017, two companies reached the basic agreement about commencement of study of merging the domestic steel pipe businesses of the 2 companies and their group companies

Objectives of the merger

Few overlaps in target industries and customers with complementary relationship



Leverage processing functions in all over Japan and enhance sales capabilities



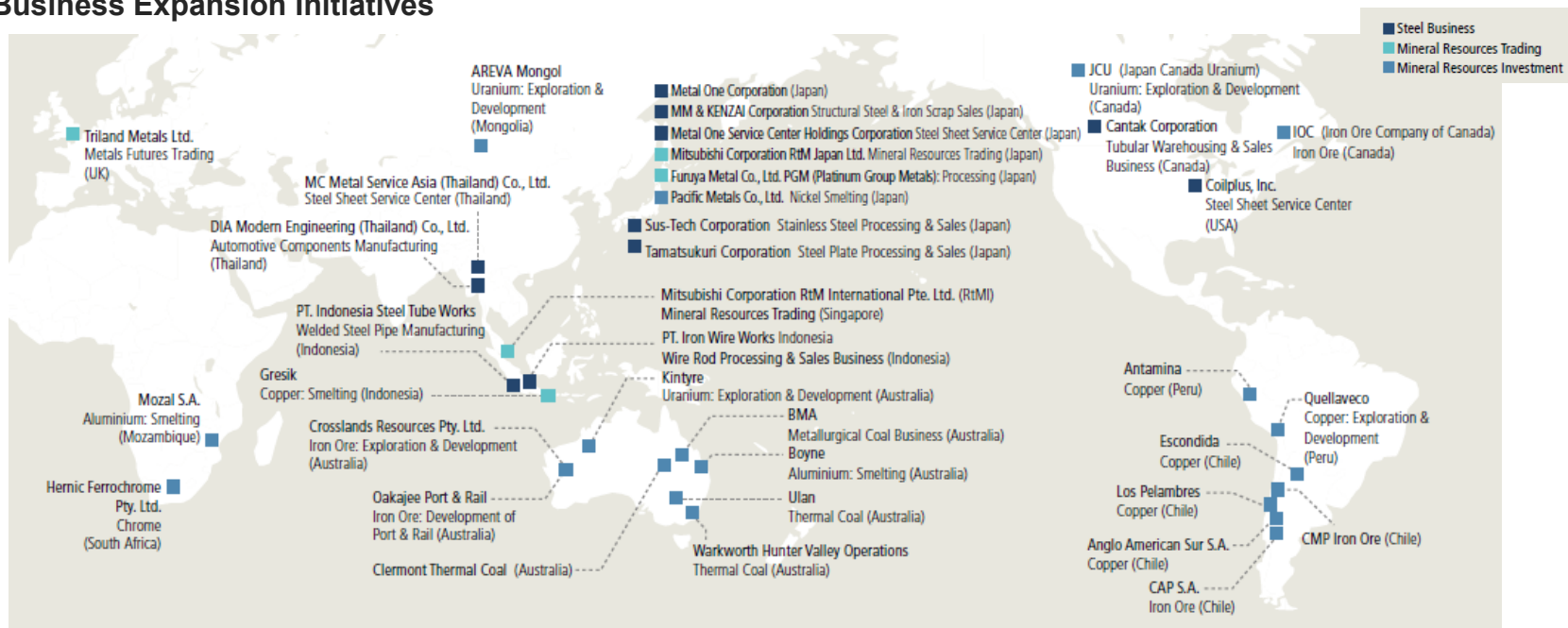
Optimize the cost structure by consolidating overlapping offices and operations



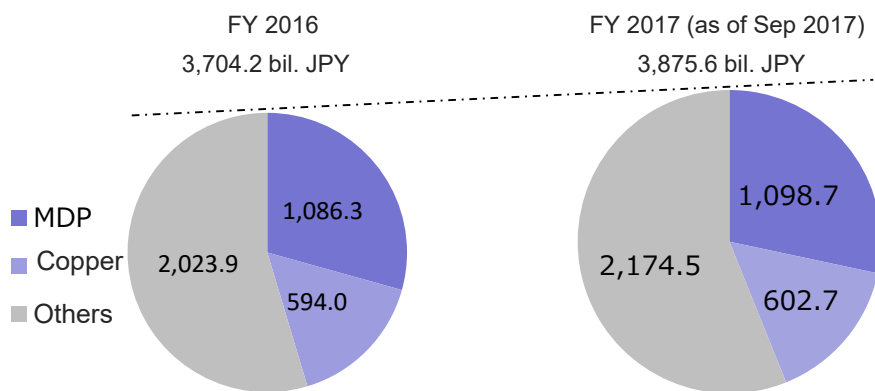
Through the merger, achieve a steel pipe distribution and processing business with a business on the order of **200 bil. JPY in annual sales**

Appendix : Metals Group Data

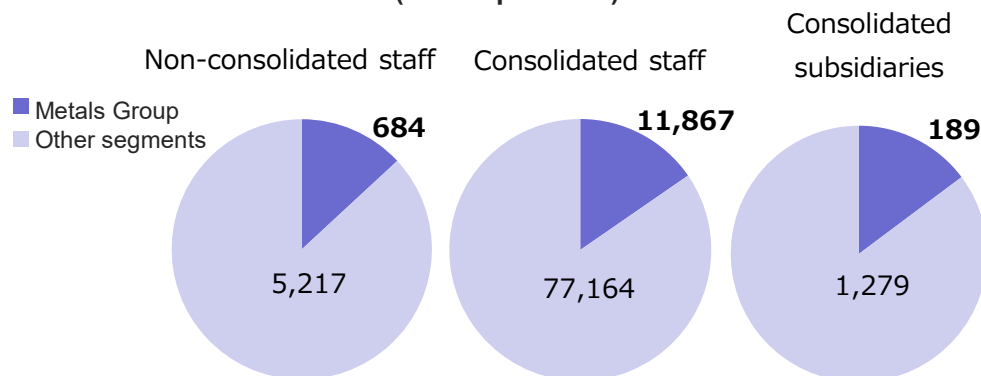
Main Business Expansion Initiatives



Segment Assets



Number of staff / consolidated subsidiaries (as of April 2017)



Net income 147.9 bil. JPY (full-year)

106.7 bil. JPY (1st half)