Financial Results / Operating Environment

Q **What is your overall view of the Nippon Mining Holdings Group's performance in the fiscal year ended March 31, 2008? Furthermore, in light of the current operating environment, what management issues are you particularly focusing on?**

A **Market fluctuations more dramatic than anticipated produced tough business conditions. However, to achieve sustainable growth, we renewed our determination to build an operating structure that realizes steady earnings and growth irrespective of market volatility.**

In the fiscal year ended March 31, 2008, we grew revenues for the fifth straight year since establishing a holding company system, posting net sales of ¥4,339.5 billion. However, income before special items was unable to match the record-high we achieved in the previous fiscal year, declining 14.4%, to ¥192.0 billion. Net income declined 6.7% compared with the previous term, to ¥99.3 billion.

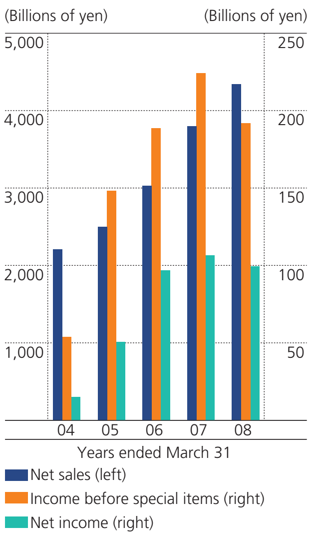
The Petroleum business saw higher-than-expected hikes in crude oil prices. Dubai crude began the fiscal year at around $64 per barrel, but by March 2008, it had passed $100 per barrel. The average price rose sharply year on year, from approximately $61 to around $77 per barrel. Since the Petroleum business was unable to fully pass on the resulting increases in raw material and energy costs, operating margins deteriorated.

In the Metals business, earnings decreased. In the fiscal year ended March 31, 2008, equity-method income associated with investments in overseas copper mines increased on record copper prices, which reached a record 403¢ per pound and an average price of 344¢ per pound, up significantly from 316¢ per pound in the previous fiscal year. However, that increase was counteracted by worsening copper smelting and refining margins due to unfavorable conditions for copper concentrates procurement that stemmed from the increased oligopolistic nature of the mining industry and tightening supply and demand.

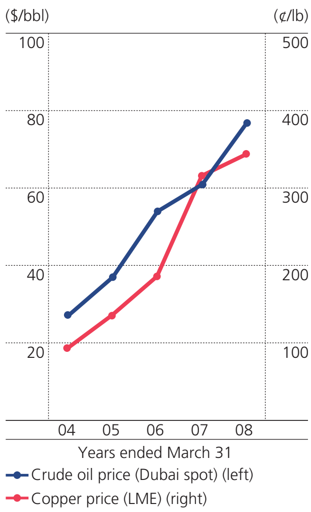
I expect resource and energy demand to remain firm, underpinned by such factors as economic growth in the BRIC countries. Consequently, I think crude oil and copper prices are likely to remain at high levels. However, the market situation in recent years has seen a dramatic change, which cannot be completely accounted for by conventional market wisdom. Nevertheless, I think it is fair to say that we are seeing a paradigm shift to an era of high prices and high volatility for resources and energy. Meanwhile, I believe inevitable developments include a growing sense of crisis about environmental issues, stricter environmental regulations and stepped-up resource nationalism in resource-producing countries.

The likely continuance of the tough and difficult-to-predict business conditions we faced in the fiscal year renewed our determination to build an operating structure that can realize steady earnings and sustainable growth irrespective of market volatility.

Financial results



Crude oil and Copper prices



Outline of Long-Term Vision towards Fiscal 2015

Q **Please tell us the aims and background to the Long-Term Vision towards Fiscal 2015, and provide an outline of this vision.**

A **In a rapidly changing operating environment, I think it is important that we clearly articulate the direction and the future profile of the Company Group from a longer-term perspective. Accordingly, we prepared growth strategies to become a highly profitable company that realizes consolidated income before special items of ¥250 billion or higher. The fundamental thinking behind the vision we have announced comprises three basic policies—building an optimal business portfolio, managing the Company Group with particular focus on CSR and environmental issues and promoting innovation.**

Through its three-year, rolling Medium-Term Management Plan, the Company Group has clarified its management policies and goals and formulated strategies and solutions designed to achieve the stated goals. However, given the paradigm shift in business conditions I mentioned earlier, I think we must clearly show the direction and future profile of the Company Group from a longer-term perspective.

In analyzing the business conditions and management direction, we broke down the Petroleum business and the Metals business into upstream, midstream and downstream business areas because both businesses have integrated operational structures spanning these business areas. Our upstream businesses focus on petroleum and copper resource development. Midstream businesses are centered on petroleum refining and marketing and copper smelting and refining. Downstream businesses include petrochemicals, electronic materials, and recycling and environmental services.

Upstream businesses are seeing a shift toward extremely large-scale investments, lengthening project lead times and increasingly high-risk, high-return scenarios. These trends necessitate long-term perspectives and prudent yet bold decision making. Among midstream businesses, domestic demand for petroleum products is waning and competition is becoming more intense, leading to structural downward pressure on profitability. In response, we will rigorously strengthen cost competitiveness. In downstream businesses, we want to increase revenue from the increasing business opportunities arising from ongoing developments in environmental and IT-related fields.

Mindful of these trends and imperatives, our Long-Term Vision sets its sights on the fiscal year ending March 31, 2016. It paints a picture of a highly profitable Company Group that generates income before special items of at least ¥250 billion and outlines the strategies that will steer us toward that goal. The three basic policies guiding those strategies are building an optimal business portfolio; managing the Company Group with particular focus on CSR and environmental issues; and promoting innovation. We will optimally exploit our advantages—a unique business portfolio based on the Petroleum business and the Metals business and the economies of scale that these operations afford.

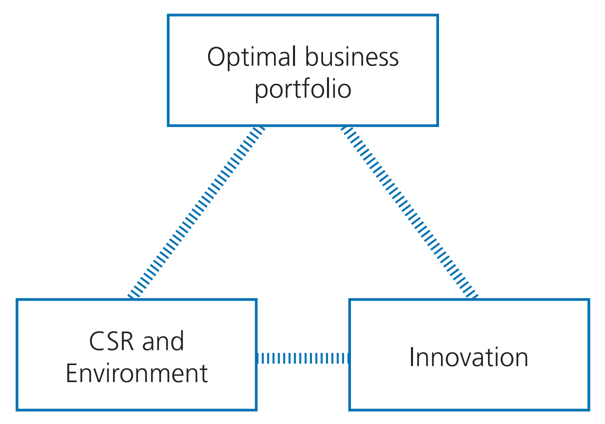
NIPPON MINING HOLDINGS GROUP "Long-Term Vision towards Fiscal 2015"

Outstanding Performance and Higher Corporate Value

Purpose

An outstanding global company with sustainable growth capabilities, stable profitability and a strong financial position

Basic Policy



Basic Strategy

Upstream	Aiming to realize a significant return on investment and stably procure resources, mainly in copper resource development
Midstream	Maintaining a fixed level of profits by drastically enhancing cost competitiveness
Downstream	Harnessing our competitive superiority, expand aggressively into areas where market expansion and higher value-added are anticipated
Independent operations, etc.	Develop titanium business as our third core business for the future Promote new businesses that offer synergies with our existing businesses

Profit Plan

		Fiscal year ended March 31, 2008 (Actual)	Fiscal year ending March 31, 2011 (Plan)	**Fiscal year ending March 31, 2016 (Vision)**
Targets	Income before special items (Billions of yen) Excluding inventory valuation (Billions of yen)	192.0 143.2	170.0	**¥250.0 bn or more**
	Net income (Billions of yen)	99.3	88.0	**¥130.0 bn or more**
	Shareholders' equity ratio (%)	30.3	33.5	**40% or more**
	D/E ratio (Times)	1.17	1.12	**1.0 or less**
	ROE（%）	15.2	11.0	**12% or more**
Key factors	Exchange rate	114	105	105
	Crude oil FOB* ($/bbl)	77.4	70.0	70.0
	Copper price (LME) (¢/lb)	344	270	200

* Dubai spot

Capital Expenditures and Investments

Trillion yen-scale capital expenditures and investments from the fiscal year ending March 31, 2009 to the fiscal year ending March 31, 2015 of which 790.0 billion yen, or approx. 80%, will be allocated to implement growth strategies

(Years ending March 31)	2009–2011 Plan	2009–2015 Vision
Investment for growth	3,700	7,900
Petroleum	1,400	3,000
Metals	1,700	4,000
Independent operations, etc.	600	900
Maintenance and others	1,400	2,300
Petroleum	900	1,500
Metals	500	800
Total	5,100	10,200
Depreciation and amortization	2,800	7,300

Dividend Policy

After achieving the financial targets, we will further increase returns to shareholders by raising the payout ratio, implementing a buyback, etc.

Building an Optimal Business Portfolio

Q **What specific strategies and preparations will you undertake to build an optimal business portfolio?**

A **Over the seven years up to and including the fiscal year ending March 31, 2015, we plan on carrying out capital expenditures and undertaking investments totaling around ¥1.0 trillion. Eighty percent of that amount will be used for strategic growth fields. Through this strategy, we aim to increase the proportion of profits derived from downstream businesses to more than half of overall income. Downstream businesses are attractive because they are relatively less affected by market fluctuations and offer the potential of market growth and a high level of value added.**

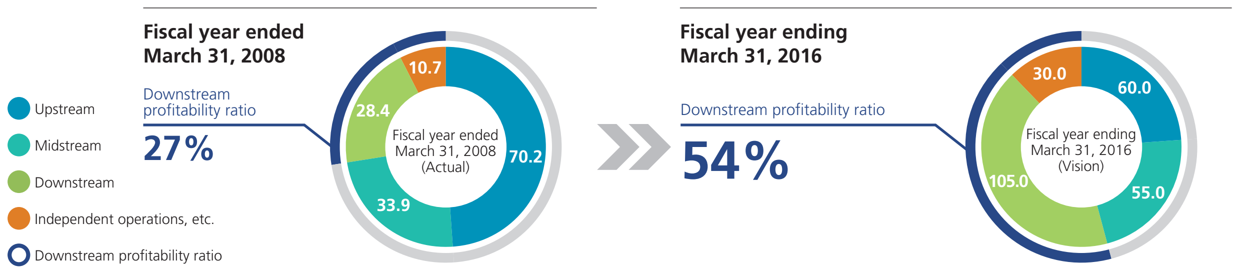
In the upstream area, the Company Group will advance copper resource development projects, which promise significant returns on investment and stable procurement. Currently, we are surveying and considering Caserones in Chile and Quechua in Peru with a view to developing copper deposits. Further, under our Long-Term Vision income before special items from upstream divisions in the fiscal year ending March 31, 2016 will decrease compared with that of the fiscal year ended March 31, 2008. However, the projected decrease assumes copper prices will be 200¢ per pound, lower than they were in the fiscal year ended March 31, 2008. Estimates based on a copper price of 300¢ per pound give an increase of between ¥60 billion and ¥70 billion.

In the midstream area, in petroleum refining, based on the growing price gap between heavy and light crudes, and structural changes in the demand for petroleum products, we are investigating building a new heavy oil cracking unit to substantially reduce crude oil procurement costs and provide a greater proportion of light-oil products. In copper smelting and refining, we will respond to worsening smelting margins by making further cost reductions at our existing copper smelters to secure stable earnings.

In the downstream area, in petrochemicals, we see tight supply and demand conditions persisting over the medium-to-long term for aromatic petrochemical products. We expect this to be driven by robust demand growth for synthetic fibers and resins. Based on this market view, we are aiming to grow earnings by steadily operating the newly completed petrochemical complex at the Kashima Oil Refinery. In the electronic materials of the Metals business, we will capitalize on our leading global market share in step with growing demand from the BRIC countries and the increasing use of IT and electronics in the automobile sector. We will also develop products that anticipate market demand for higher performance and quality. In the recycling and environmental services business, we are making steady progress in the HMC project*, which is due to be completed in March 2009.

Optimal business portfolio

(Billions of yen)



		Fiscal year ended March 31, 2008 (Actual)	Fiscal year ending March 31, 2016 (Vision)
Income before special items (excludes inventory valuation)		¥143.2 billion	¥250.0 bilion or more
Downstream profitability ratio (includes independent operations, etc.)		27%	54%
Key factors	Exchange rate	114¥/$	105¥/$
	Crude oil price (Dubai spot)	77.4$/bbl	70.0$/bbl
	Copper price (LME)	344¢/lb	200¢/lb

In addition, we want to develop the titanium business as a third core business alongside petroleum and metals. This business is centered on Toho Titanium Co., Ltd. which became a consolidated subsidiary of the Company Group from the fiscal year ending March 31, 2009. Also, based on the results of the pilot production of polysilicon for photovoltaic solar power generation systems we completed as a collaborative development with Chisso Corporation and Toho Titanium, we began preparation for commercial operations from July 2008.

To implement the kind of strategies outlined above, we plan on carrying out capital expenditures and undertaking inevestment totaling around ¥1.0 trillion over the seven years from the fiscal year ending March 31, 2009 to the fiscal year ending March 31, 2015. Of this amount, ¥790.0 billion, or almost 80%, will be used for strategic growth investments.

As a result, we intend to increase the proportion of earnings contributed by downstream operations (including independent operating companies), which promise market growth and a high level of value added, from 27% in the fiscal year ended March 31, 2008 to 54% in the fiscal year ending March 31, 2016.

* HMC project: Hitachi Metal Recycling Complex project (refer to page 22)

Long-Term Vision towards Fiscal 2015 / Medium-Term Management Plan 2008–2010

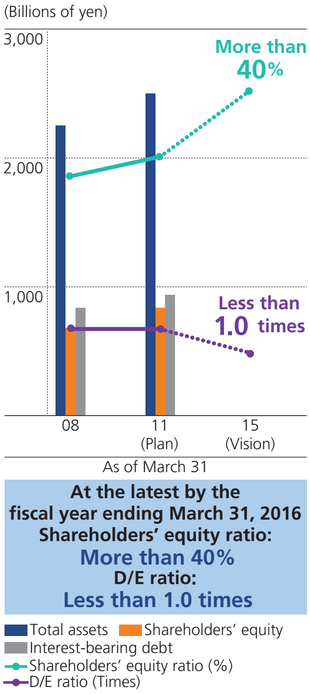
Q **What do you see as the key areas for reaching your target of income before special items totaling ¥250 billion or more?**

A **Maintaining a balance between strategic growth investment, and improving our financial position, we will steadily carry out the new Medium-Term Management Plan to cement foundations over the first three years of the Long-Term Vision.**

First, we will steadily implement our Medium-Term Management Plan 2008–2010, which is an action plan for the first three years of the Long-Term Vision. Disciplined management during this period of consolidating foundations is key. I often say that new investment only becomes possible through the steady accumulation of profits from our current businesses. During the period of the Medium-Term Management Plan 2008–2010, although we will increase capital expenditures and undertake investment to enable upfront investment, we will continue strengthening our financial position. However, interest-bearing debt will increase as a result of an increase in working capital requirements due to hikes in the prices of crude oil and copper and the up-front investments we plan to make over the next three years. Consequently, the steady progress we have made so far in improving our balance sheet is likely to come to a temporary standstill. However, our long-held target for the debt-to-equity ratio in the fiscal year ending March 31, 2011 is 1.0 times or less, and we intend to reach this level at the earliest possible time. We are also committed to achieving a shareholders' equity ratio of at least 40% as soon as possible.

Simultaneously pursuing investments in strategic growth areas and a stronger financial base might seem, to paraphrase a Japanese proverb, akin to chasing two hares at the same time. However, we are committed to maintaining this delicate balance while paving the way toward realization of our Long-Term Vision.

Financial condition



Dividend Policy

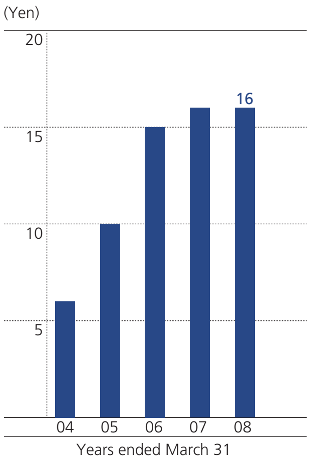
Q **Please outline your thinking in the area of dividend policy.**

A **Our basic policy is to pay stable dividends from a long-term perspective. Once we achieve the benchmarks we have set for improving our financial position, we want to further increase returns to shareholders.**

With regard to the cash dividends paid to shareholders, we take into account the Company Group's business results and conditions in our operating environment, while also striving to maintain stable dividends and strengthen our financial position through enhanced internal reserves. Our fundamental stance is to determine dividends based on a comprehensive view of the Company Group's situation, because we believe that taking a long-term view of operating result trends while implementing a stable level of dividends will benefit shareholders.

However, when we have achieved the financial targets set out in the Long-Term Vision, we intend to further increase returns to shareholders through higher dividends and such strategies as share buybacks. Furthermore, based on these policies, we have established ROE of 12% or higher as a management target for the fiscal year ending March 31, 2016 in addition to targets for the shareholders' equity ratio and debt-to-equity ratio. With a view to efficiently managing capital and assets and raising corporate value, we will incorporate benchmarks that our shareholders and other investors attach importance to and meet their expectations.

Cash dividends per share



*Cash dividends per share for the period ended March 31, 2006 included cash dividends of ¥3 per share to commemorate the 100th anniversary of the founding of the Company Group.

Best Disclosure Award from Tokyo Stock Exchange

Tokyo Stock Exchange Group, Inc. presented Nippon Mining Holdings Group with a Fiscal 2007 Best Disclosure Award in recognition of efforts to achieve timely, appropriate and equitable disclosure of information. Judges favorably evaluated the Company Group's detailed disclosure and explanations for business result analysis, management policies and risk information in financial result reports as well as the quality of documents at meetings with shareholders and presentations and efforts to provide information on the Company Group's web site.

Tokyo Stock Exchange Group, Atsushi Saito, president & CEO (left) and Mitsunori Takahagi president & CEO (right)