



December 19, 2017

To: All

Company Mitsubishi Materials Corporation
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(Securities Code: 5711 on the First Section of the Tokyo Stock Exchange)
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Progress on Addressing Non-Conforming Products at MMC Subsidiaries ②

Mitsubishi Materials Corporation (“MMC”) sincerely apologizes for the difficulties that we have caused to all concerned parties, including our customers and shareholders, in connection with Mitsubishi Cable Industries, Ltd.’s (“MCI”) and Mitsubishi Shindoh Co., Ltd.’s (“MSC”) delivery of products that deviated from customer or internal specifications and other issues due to misconduct, including the rewriting of data (“Non-Conforming Products”). MCI and MSC are consolidated subsidiaries of MMC.

We last reported the status of our progress on December 1, 2017. We prepared today’s report because we identified additional issues relating to MCI’s Non-Conforming Products. In addition, we are reporting on the results of an emergency quality compliance review of all MMC plants and subsidiaries (excluding subsidiaries that have already disclosed quality issues).

1. Addressing Non-Conforming Products at MCI

1) Rectangular Magnet Wires (MCI Product Name: “Mexcel”)

On December 12, 2017, we received a report concerning the rewriting of data with respect to MCI’s Mexcel products. We therefore reviewed internal data for Mexcel products shipped during a one year period, from December 1, 2016 to November 30, 2017. Based on this review, we identified 43 lots (constituting approximately 1% of total sales of ¥784 million for Mexcel products during the applicable period) of potential products that may have had data rewritten with respect to the thickness of coating and other data, and 5 customers that received such products. MCI has notified all identified customers and, with their cooperation, is evaluating the safety of the affected products.

We confirmed that there have been no non-conforming Mexcel products shipped on or after December 13, 2017.

In addition, as part of the review discussed above, we learned that, although not covered under the agreements with customers, we needed to confirm certain testing methodologies for Mexcel products with customers. We will also confirm this with customers.

2) Seal Products

MCI is notifying the 229 customers identified as of November 23 to which MCI may have shipped Non-Conforming Products. With the cooperation of customers, we are evaluating the safety of the affected products.

However, we learned on November 25 that there may be additional customers who received Non-Conforming Products due to insufficient testing of certain products (“Partial Non-Testing”). For this reason, we are reviewing all seal products (approximately 21,400 items) shipped during the verification period (April 1, 2015 to September 30, 2017) and the customers to whom such products were shipped (462 customers, including the previously mentioned 229 customers) to confirm the details of the Partial Non-Testing issue and identifying Non-Conforming Products and the customers who received such products.

As of December 18, we have completed our review of approximately 90% of all items. We identified approximately 230 customers to which MCI may have shipped Non-Conforming Products due to Partial Non-Testing and, with the cooperation of those customers, we are evaluating the safety of the affected products. We aim to complete our review by the end of December.

The customers identified as of November 23 to which MCI may have shipped Non-Conforming Products and the customers to which MCI may have shipped Non-Conforming Products due to Partial Non-Testing partially overlap.

We have confirmed that no non-conforming seal products have been shipped on or after November 27.

To address these issues at MCI in a timely manner, MMC group employees and external staff (approximately 80 people in total) have been detailed to MCI’s Minoshima Works to assist in this matter.

2. Safety Confirmation at MSC

MSC has already notified all MSC customers that may have been shipped Non-Conforming Products during the one year period of October 18, 2016 through October 17, 2017 due to the rewriting of data and other issues. With the cooperation of our customers, we are evaluating the safety of the affected products.

As of December 18, 2017, MSC’s progress in evaluating the safety of affected products is set forth below.

Product	Number of Customers	A	B	C	D
Brass-strip and copper-strip products	29	6	11	0	12

(Note) The above categories, reflecting the status of MSC’s progress in evaluating the safety of affected products, are as follows:

- A. The customer has completed its confirmation that there are no safety concerns.
- B. The customer has determined that there are no immediate safety concerns, but is conducting further review.
- C. MSC has communicated to the customer its decision that, from a technical perspective, there is a high probability that safety of the affected products can be assumed.
- D. MSC has provided notification that Non-Conforming Products may have been delivered to the customer.

3. Results of Emergency Review on Quality Compliance

As an emergency quality compliance review, we distributed a written survey and established an emergency internal whistle-blower hotline. The results of the emergency review are as follows.

1) Written Survey

We provided a written survey to all of MMC’s plants and subsidiaries (excluding subsidiaries that have already disclosed quality issues), concerning any quality compliance issues arising over the past two years, through November 2, 2017. Through this survey, we identified 11 cases of additional quality compliance issues (8 cases at MMC plants and 3 cases at its subsidiaries).

The 11 cases included delays and failures to comply with procedures on amending manufacturing steps, and the use of incorrect measuring and analyzing methods. All affected customers have confirmed that there were no problems with quality with respect to the products relating to these 11 cases.

2) Reports to MMC’s Internal Whistleblower Hotline

In addition to our standard internal whistleblower hotline for employees, in order to enhance the effectiveness of our review by collecting information from a wide-range of employees, we established an internal whistleblower hotline, that was fully devoted to quality concerns for a limited period (open from November 6, 2017 through December 5, 2017). One report was made to this hotline. Although we cannot

disclose the details of the report (in order to protect the reporting employee), we confirmed that the report was based on a general misunderstanding of internal measuring procedures, and that there were no issues with the quality of the final product.

4. Policy for Handling the Issues Going Forward

In order to complete our identification of Non-Conforming Products and affected customers, and to confirm product safety in a timely manner, MMC will continue to guide and supervise MCI and MSC and provide any necessary cooperation and support.

5. Outlook on Financial Results

The impact of this matter on MMC's financial results is currently unknown. We plan to make a separate announcement when the extent of the impact is known.

END

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