



MMC recognizes that prompt recovery of trust from each of the stakeholders, including the shareholders, customers and the society, through steady implementation of the Measures is critical to the maintenance of MMC's corporate value. Moreover, MMC considers that consistent implementation of the various measures under the mid-term management strategy (for the period between fiscal year 2017 and fiscal year 2019) is necessary to enhance MMC's sustainable corporate value.

MMC will enhance its corporate governance framework by establishing these committees, and will strive to maintain and enhance MMC group's sustainable corporate value.

## 1. Establishment of the Committee for Monitoring of Measures to Enhance Governance

### (1) Purpose of Establishment

To supervise the progress of the Measures from a position independent from the company's executive body.

### (2) Composition of the Committee

(a) All members of the Committee will be outside directors or outside experts.

(b) The chairperson of the Committee will be one of the outside directors appointed by the committee members through consultation.

(c) The initial members of the Committee are as follows:

Mariko Tokuno (outside director)

Hiroshi Watanabe (outside director)

Kazuaki Takenaka (Executive Vice President, Japan Management Association (*Nihon Noritsu Kyokai*))

### (3) Responsibility

The Committee will be responsible for the following:

(a) Confirmation and supervision of the progress of the Measures.

(b) Reporting of the results of (a) above to the Board of Directors, and advising on and proposing measures to address any issues, taking into account such results, to the Board of Directors.

### (4) Date of Establishment

May 10, 2018 (today)

## 2. Establishment of the Committee for Nomination and Compensation

### (1) Purpose of Establishment

To ensure transparency and objectivity of the Board of Directors' decisions regarding the appointment and dismissal of MMC's directors and executive officers as well as their compensation.

### (2) Composition of the Committee

- (a) The members of the Committee will not exceed five and will be appointed from directors other than the Chairman and the President by resolution of the Board of Directors. More than half of the members will be outside directors.
- (b) The chairperson will be selected from committee members who are outside directors by resolution of the Board of Directors.
- (c) The initial members and chairperson of the Committee are expected to be as follows on the condition that they will be elected as directors in the 93rd Annual General Meeting of Shareholders.

Members	Five, being Mariko Tokuno (outside director), Hiroshi Watanabe (outside director), Hikaru Sugi (outside director), Naoki Ono (Director, Executive Vice President, General Manager, Corporate Strategy Div.), Yasunobu Suzuki (Director, Senior Managing Executive Officer, President, Metals Company)
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Chairperson	Mariko Tokuno
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### (3) Matters to be Discussed

The Committee will recommend to the Board of Directors the following matters:

- (a) Policy and criteria regarding appointment and dismissal of directors and executive officers; selection of each candidate
- (b) Plans regarding successors of managerial positions, including the President
- (c) Structure and standard regarding Director's and officer's compensation
- (d) Any matters ancillary to the above

#### (4) Date of Establishment

June 22, 2018 (date of the Annual General Meeting of Shareholders)

### 3. Framework to Promote Implementation of the Measures after the Establishment of the Committees

By establishing the Committees described in 1. and 2. above, MMC has formulated the following new framework to promote implementation of the Measures.

#### (1) Internal Promotion Framework

As of April 1, 2018, MMC established the Group Governance Enhancement and Promotion Division as a cross-sectional organization to steadily carry out and confirm the progress of implementation of the Measures, and the said Promotion Division is promoting implementation of the Measures by coordinating closely with the business divisions. In addition, as a deliberative body to discuss annual policies and plans of business divisions regarding governance, including the Measures, MMC established the Governance Deliberative Council as of April 1, 2018.

In addition, the Group Governance Enhancement and Promotion Division and business divisions will report to the Corporate Strategy Committee and the Board of Directors about the status of business executions, and the Corporate Strategy Committee and the Board of Directors will provide appropriate supervision and guidance.

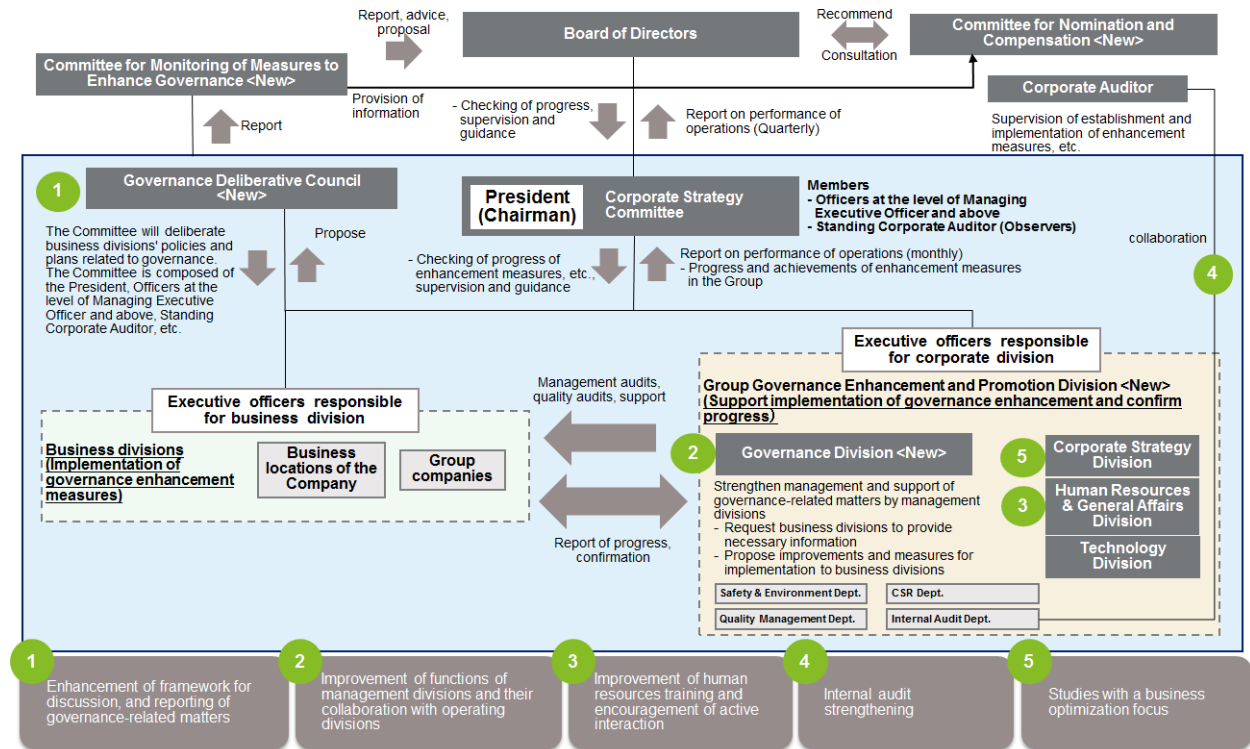
#### (2) Monitoring Framework

The Committee for Monitoring of Measures to Enhance Governance will confirm and supervise the progress of implementation of the Measures and report the results to the Board of Directors, and will advise on and propose measures to address issues to the Board of Directors. In addition, the said Committee will monitor the performance and achievement of inside directors with respect to the Measures.

The Committee for Nomination and Compensation will recommend to the Board of Directors the policy and criteria regarding appointment and dismissal of directors and executive officers, list of candidates, plans regarding successors of managerial positions, director's and officer's compensation structure and standard, and other matters, by taking into account information necessary to decide on the appointment and dismissal of directors obtained from the Committee for Monitoring of Measures to Enhance Governance. The said Committee will, as an important organization to enhance MMC's corporate governance framework, responsibly play an important role in the determination

of the appointment and dismissal of directors and officers and their compensation structure, and will contribute to the assurance of its transparency and objectivity.

(Reference) Flow Chart of MMC Group Governance Framework Enhancement Measures



END

# Overview of the Matters of Non-Conforming Products

Company name	Products	Number of customers	Details
Mitsubishi Cable Industries, Ltd.	Sealing parts	218	Rewriting of inspection records data, non-inspection, etc.
	MEXCEL®	5	Rewriting of inspection records data, etc.
Mitsubishi Shindoh Co.,Ltd.	Brass strips and copper strips	30	Rewriting of inspection records data, etc.
Mitsubishi Aluminum Co., Ltd.	Rolled products	8	Rewriting of inspection records data, inadequate testing method, etc.
	Extruded products	114	Rewriting of inspection records data, inadequate testing method, etc.
Tachibana Metal Manufacturing Co.,Ltd.	Extruded products	339	Rewriting of inspection records data, inadequate testing method, etc.
Diamet Corporation	Sintering machinery parts, etc.	113	Rewriting of inspection records data, non-inspection, etc.
	<b>Total</b>	<b>762 *</b>	

\* Excluding overlap between subsidiaries

# Preventive measures of the Matters of Non-Conforming Products

## Main causes of the shipment of non-conforming products

- ◆ Inadequate framework for exerting influence on product development and order receiving processes at order receiving stage
- ◆ Attitude excessively prioritizing "order receiving" and "delivery date"
- ◆ Order received and mass production that the specifications exceeding manufacturing capability
- ◆ Insufficient framework of quality assurance system
- ◆ Pressure on quality assurance departments from other departments
- ◆ Low awareness of compliance with specifications
- ◆ Arrogance in thinking that quality control is being achieved
- ◆ Low sensitivity to risk in relation to quality issues
- ◆ Insufficient business resources (insufficient inspectors, inspection equipment, etc.)
- ◆ Audit procedures that has become a mere facade

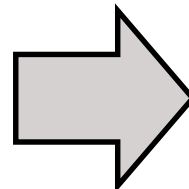
## Preventive measures

(Restructuring Measures of the Governance Framework for Quality Control in the Group)

- 1) Implementation of a front loading system for order receiving
- 2) Enhancement of the framework and authority of the quality control department
- 3) Expansion of quality training
- 4) Promoting automated inspection equipment
- 5) Enhancement of quality audits
- 6) Utilization of outside consultants

## Final report from Special Investigation Committee

In terms of results, given the fact that the Company failed to discover and remediate the misconduct earlier, measures based on the understanding that transforming the corporate culture and strengthening governance is necessary, has to be stated that timeliness of required reactions was insufficient in some ways.



**Need to work on recurrence prevention by enhancement of the group governance, etc. including quality control with further enhanced sense of crisis and in a more timely manner**

# Group Governance Framework Enhancement Measures

1

Enhancement of framework for discussion, and reporting of governance-related matters

- ◆ We will implement a framework for reducing risks and preventing problem occurrences  
⇒ In April 2018, we have deliberated and shared policies, plans, etc. on governance-related matters through the “Governance Deliberative Council”

2

Improvement of functions of management divisions and their collaboration with operating divisions

- ◆ Launch of Governance Division on April 1, 2018  
We have established the Governance Division to improve administrative division’s control and support functions for governance-related matters

3

Improvement of human resources training and encouragement of active interaction

- ◆ We will expand educations regarding governance-related matters
- ◆ In addition to promoting human resources interactions in the Group, and endeavoring to deepen communication, we will provide human resources training throughout the Group by developing the knowledge and experience in various divisions

4

Internal audit strengthening

- ◆ The frequency and content of audits will be enhanced through cooperation with each department within the Governance Division.

5

Studies with a business optimization focus

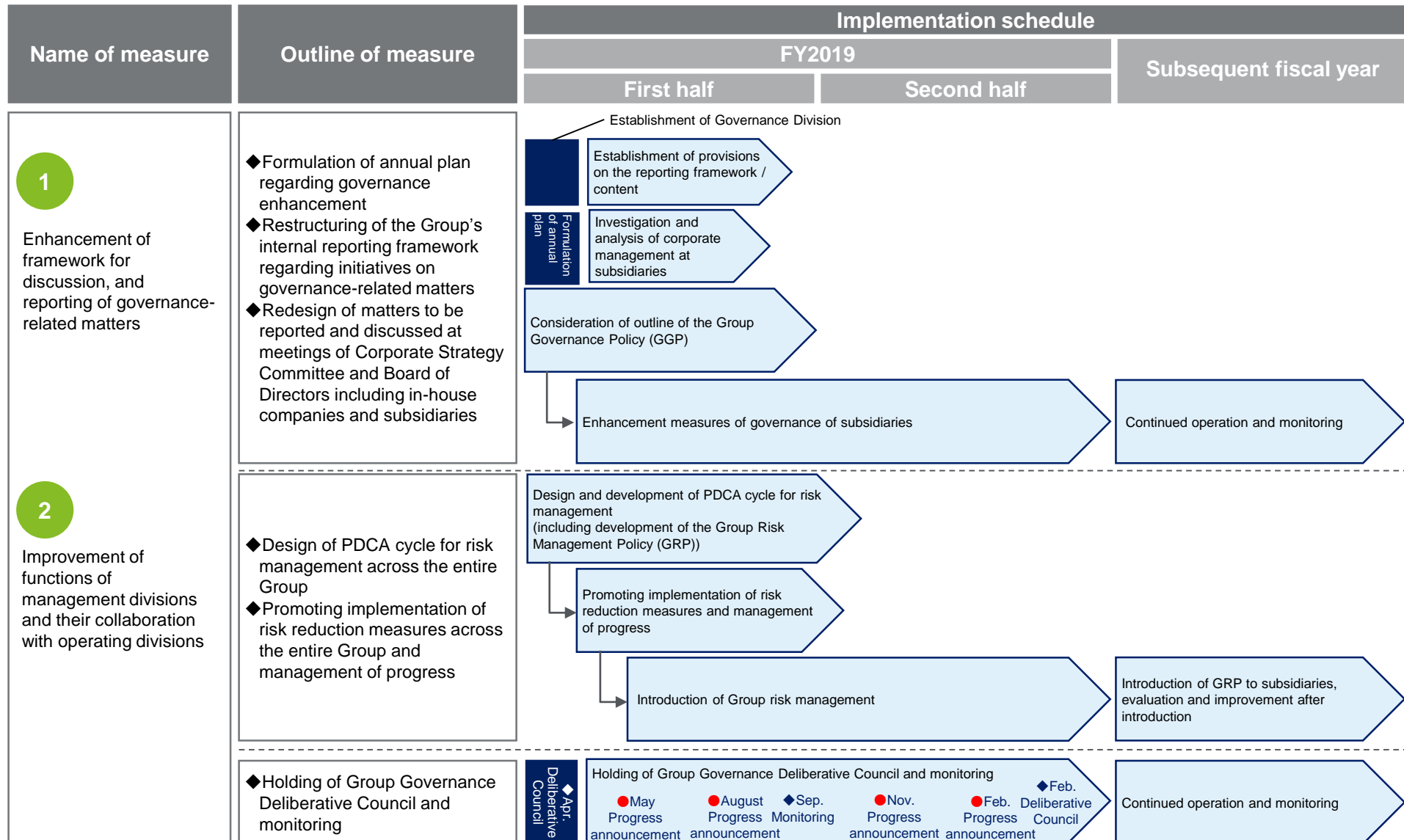
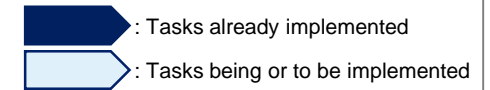
- ◆ Effectiveness of the governance is one of the important decision-making criteria when considering business portfolio
- ◆ We will seek to achieve an appropriate balance so that the Group’s governance capabilities match the business domains

\* We plan to announce the progress of Group Governance Framework Enhancement Measures through opportunities such as Investor Conference.



# Group Governance Framework Enhancement Measures

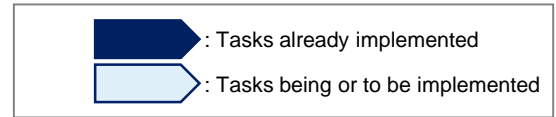
## Group Governance Framework Enhancement Measures (1/4)



(Progress report at Corporate Strategy Committee meeting each month)

# Group Governance Framework Enhancement Measures

## Group Governance Framework Enhancement Measures (2/4)



Name of measure	Outline of measure	Implementation schedule			
		FY2019		Subsequent fiscal year	
		First half	Second half		
<p><b>3</b></p> <p>Improvement of human resources training and encouragement of active interaction</p>	<p>Implementation of management executives training</p> <ul style="list-style-type: none"> <li>◆ Training on governance-related matters for executives of each Group company</li> <li>◆ Familiarizing of reporting system for risk management and risk information</li> </ul>	<p>Implementation of explanations and training on governance of subsidiaries and risk management - Leadership meetings by top of management -</p>	<p>Implementation of training on quality control</p>	<p>Continued implementation of investigation regarding corporate culture and compliance awareness ◆ May Investigation    ◆ Jul. Investigation    ◆ Oct. Investigation    ◆ Jan. Investigation</p>	<p>Continued implementation of investigation of organizational culture and compliance awareness</p>
	<ul style="list-style-type: none"> <li>◆ Encouragement of active interaction of human resources between departments, between parent company and subsidiaries and within subsidiaries</li> <li>◆ Human resources training throughout the Group</li> </ul>	<p>Consideration of human resources measures to encourage active interaction (In conjunction with consideration of outline of GGP)</p>	<p>Introduction and implementation of human resources measures to encourage active interaction (In conjunction with introduction of governance of subsidiaries)</p>	<p>Formulation and implementation of Group-wide human resources development plans</p>	
	<ul style="list-style-type: none"> <li>◆ Transformation of Corporate Culture - Organization with good and healthy communication where employee can be unrestricted communication -</li> </ul>	<p>Communication in small group activities (compliance and workplace activation)</p>	<p>Transformation of awareness among managers through leadership meetings (compliance training and creation of workplace with good communication)</p>	<p>Continued implementation of various measures</p>	

# Group Governance Framework Enhancement Measures

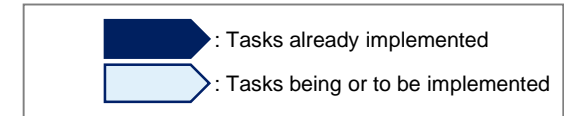
## Group Governance Framework Enhancement Measures (3/4)

- Aiming to Be a Organization with Good and Healthy Communication where Employee Can Be Unrestricted Communication -

Target	Name of measure	FY2019		Description and Remarks	
		First half	Second half		
Top level of management -	Leadership meetings (to be held continuously)	President	<ul style="list-style-type: none"> <li>◆ Meetings with the presidents of the group companies and general managers of the locations of the Company by the President</li> <li>◆ Grouping persons from different business divisions to eliminate the sectionalism mindset</li> </ul>	<ul style="list-style-type: none"> <li>- Transformation of leadership mindset (foster the sense of a risk management)                             <ol style="list-style-type: none"> <li>1) Report on the backgrounds, progress of implementation and policies of respond for the Matters of Non-Conforming Products</li> <li>2) Educate the importance of responsibility of the top of management</li> <li>3) Explain the meaning of restructuring the governance system</li> <li>4) Discuss of important issues and solutions regarding governance at each company or location</li> <li>5) Have management play the role of instructors to deepen their understanding</li> </ol> </li> <li>- Foster the sense of a mindset that management and managers listen to the voices at workplace and respond sincerely</li> <li>- Enhance the support for expansion from the presidents at the Group companies and general managers at locations (Dispatch a facilitator as required)</li> </ul>	
		Presidents of the group companies			<ul style="list-style-type: none"> <li>◆ Expansion from the presidents of the Group companies to the management executives at each company (General managers and higher class + presidents of indirectly owned subsidiaries)</li> <li>◆ Expansion from executive officers at each company to general managers and then employees</li> <li>◆ Expansion from president of indirectly owned subsidiaries to managers at each company and then employees</li> </ul>
		General manager of each location			<ul style="list-style-type: none"> <li>◆ Expansion from general managers of locations to managers and then employees</li> </ul>
All manager levels	Dialogues from executive vice president and managing executive officer	<ul style="list-style-type: none"> <li>◆ Endeavoring to deepen communication through lectures, direct dialogues and workshops provided to managers of subsidiaries and each locations</li> </ul>		<ul style="list-style-type: none"> <li>- Close the gap between the head office and workplace through direct communication</li> <li>- Report on the backgrounds, progress of implementation and policies of respond for the Matters of Non-Conforming Products to foster the senses of ownership and crisis, aiming to transform of awareness among managers</li> </ul>	
	Compliance workshop	<ul style="list-style-type: none"> <li>◆ Group training provided by a specialized agency (outside resources)</li> <li>◆ Workshop that uses the Matters of Non-Conforming Products in the Group as a case study</li> <li>◆ Targets are managers level in business locations</li> </ul>			<ul style="list-style-type: none"> <li>- Create a sense of ownership based on the recognition of the current situation of their own organization and ask how they would like it to change</li> <li>- Repeatedly convey the Matters of Non-Conforming Products in the Group as a case study to prevent weathering</li> </ul>
Front line	Implementation of small group activities	<ul style="list-style-type: none"> <li>◆ Implement autonomous and continuous workshops using small group activities</li> <li>◆ Foster the sense of a compliance mindset</li> <li>◆ Improve communication in and between workplaces</li> </ul>		<ul style="list-style-type: none"> <li>- Enhance support by dispatching inside or outside facilitators as required</li> </ul>	

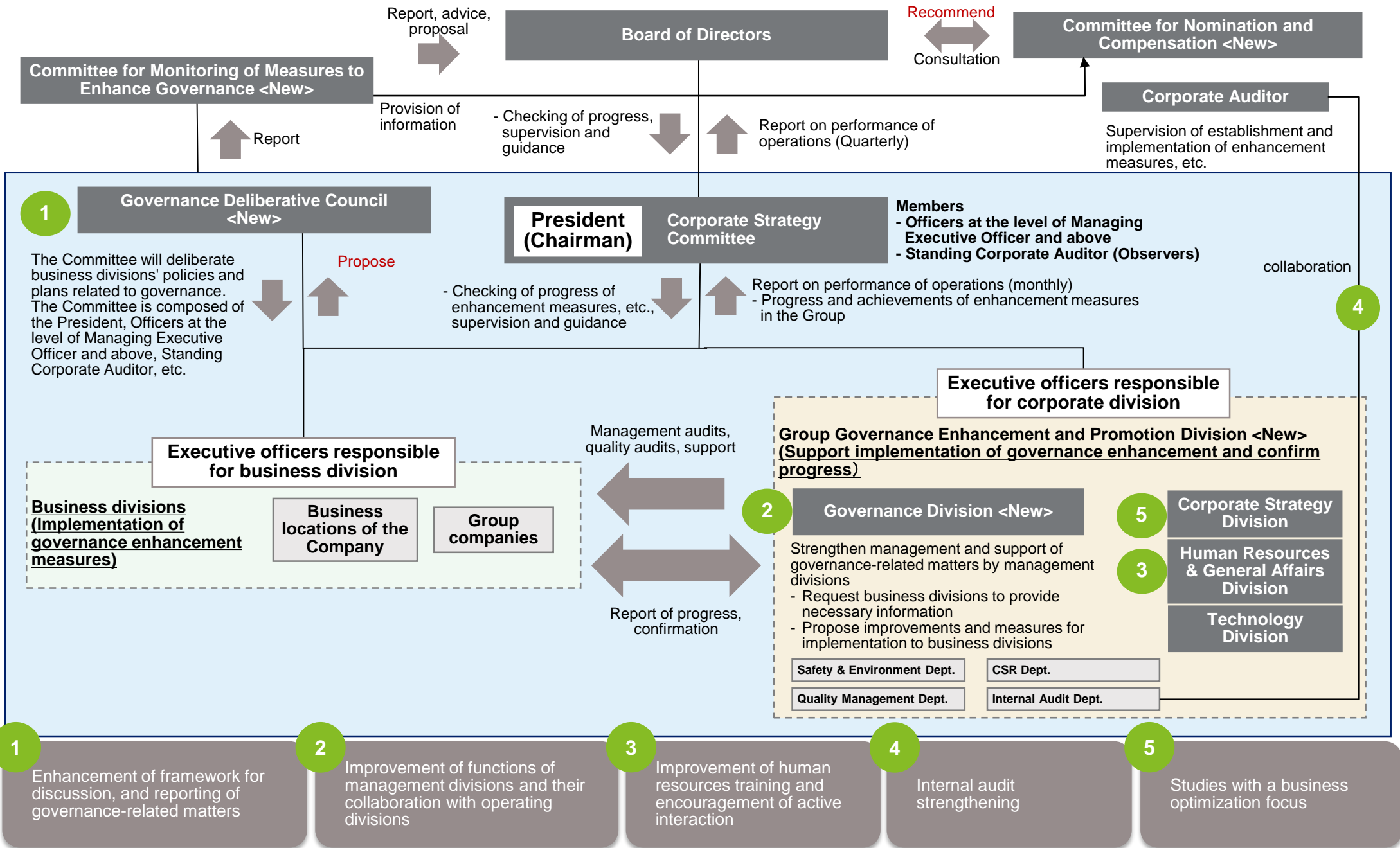
# Group Governance Framework Enhancement Measures

## Group Governance Framework Enhancement Measures (4/4)



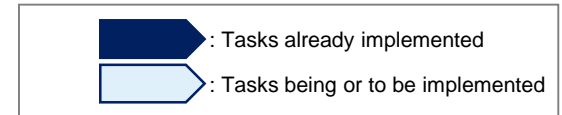
Name of measure	Outline of measure	Implementation schedule		
		FY2019		Subsequent fiscal year
		First half	Second half	
<b>4</b> Internal audit strengthening	<ul style="list-style-type: none"> <li>◆ Implementation of management audits</li> <li>◆ Implementation of quality audits (70-80 locations / year and 2 year cycle)</li> </ul>	Development of framework for audited locations, themes and procedures Examination of audit themes, bases and procedures Trial audits	Implementation of management and quality audits Formulation of audit plan for next fiscal year	Implementation of management and quality audits (continued)
	<ul style="list-style-type: none"> <li>◆ Joint audits with Corporate Auditor</li> </ul>		Implementation of joint audits with Corporate Auditor	
<b>5</b> Studies with a business optimization focus	<ul style="list-style-type: none"> <li>◆ Consideration of business portfolio incorporating governance perspective</li> </ul>	Examination in conjunction with measures (1) and (4)		

# Promotion Framework for Governance Framework Enhancement



# Preventive measures of the Matters of Non-Conforming Products

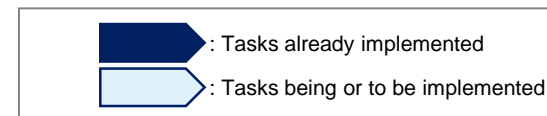
## Preventive measures of the Matters of Non-Conforming Products (1/3)



Name of measures	Outline of measures	Implementation schedule			
		FY 2018	FY2019		Subsequent fiscal year
			First half	Second half	
<b>1) Implementation of a front loading system (FLS) for order receiving</b>  We will implement a system (FLS) for making decisions on specifications and receiving orders after considering whether the order can be accepted taking into account manufacturing capability at each department in the business division.	◆ Establishment and wide dissemination of guidelines ◆ Confirmation of operation status	Establishment and wide dissemination of FLS guidelines	- Review of FLS guidelines	- Confirmation (during quality audits) and periodic review of FLS operation status	
	◆ Primary preventive measures for quality issues at 5 affected companies	- Strengthening DR when making quotations - Accumulation of technical data	- Establish a structure to deliberate from the design development stage	- Reconsideration of order receiving determination process and improvement of operation	
<b>2) Enhancement of the framework and authority of the quality control department</b>  Centered on the Governance Division and the Quality Management Department, we will establish a framework aimed at improving quality control for the Group and will construct the required quality control function for each business and product.	◆ Confirmation that independence of quality assurance function in each business organization is ensured ◆ Confirmation of area of responsibility and status of fulfilment at quality assurance department in each business organization	Investigation	- Confirmation - Formulation of improvement measures	- Confirmation of operation status during quality audits - Review of framework / authority and training	
	◆ Primary preventive measures for quality issues at 5 affected companies	- Change of organization of quality assurance departments - Increase in quality assurance-related human resources - Formulate the policy of quality control	- Enhancement of the independence of quality assurance department and ensuring the authority of shipment	- Review of quality assurance standards and construct quality control system	
		- Strengthening of system and equipment for inspection before shipment	- Strengthening of the quality and quantity of human resources for Quality Assurance Department		- Rotation

# Preventive measures of the Matters of Non-Conforming Products

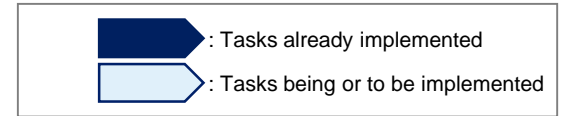
## Preventive measures of the Matters of Non-Conforming Products (2/3)



Name of measure	Outline of measures	Implementation schedule			
		FY 2018	FY2019		Subsequent fiscal year
			First half	Second half	
<b>3) Expansion of quality training</b>  We will have all our employees understand the importance of quality and what should be done to maintain and improve quality. We will establish a practical training system corresponding to each group company's business.	◆ Provision of quality training to relevant employees at locations in Japan and overseas	- Training preparation	- Training provision	- Follow-up and review of training content	
	◆ Primary preventive measures for quality issues at 5 affected companies	- Compliance training - Education using materials based on this matter		- Leadership meetings for managers	
<b>4) Promoting automated inspection equipment</b>  By promoting initiatives such as automated acquisition of inspection data and uploading inspection data into manufacturing control systems, we will aim to prevent misconduct, including the rewriting of data.	◆ Promotion of automated inspection equipment (3 years)	- Collection and collation of data	- Confirmation of progress in promoting automated inspection equipment - Sharing information and applying within the Group		
	◆ Primary preventive measures for quality issues at 5 affected companies	- Introduction of the inspection equipment for automated - Automated uploading to the Company's enterprise system		Continuation	
		- Introduction of the latest technology for measurement and automated	- Improvement of issuance system for certificate of analysis		- Compilation of database for product specification - Automated collecting of inspection data

# Preventive measures of the Matters of Non-Conforming Products

## Preventive measures of the Matters of Non-Conforming Products (3/3)



Name of measure	Outline of measure	Implementation schedule			
		FY 2018	FY2019		From next fiscal year
			First half	Second half	
<b>5) Enhancement of quality audits</b> We will aim to establish more robust quality audits by measures such as improving the independence of our Group's internal audit departments and strengthening their authority and increasing the frequency of quality audits.	◆ Review of checklist for quality audits	- Establishment	- Review as necessary after establishment		
	◆ Implementation of quality audits of all affected locations requiring quality audits	- Planning and preparation	- Implementation of quality audits		
<b>6) Utilization of outside consultants</b> In order to introduce a third-party perspective on quality control, we will utilize outside consultants specializing in quality control on an ongoing basis.	◆ Implementation of quality consultant guidance meetings	- Implementation of quality consultant guidance meetings for each location - Confirmation of status of improvement and progress at each company, sharing of information and applying within the Group			
	◆ Primary measures to prevent a recurrence of quality issues at 5 affected companies				