

» Responsible Procurement of Raw Materials

Purpose of activities	Activities during fiscal 2018	Self-assessment	Targets/plans for activities from fiscal 2019 onwards
<ul style="list-style-type: none"> Operating CSR Procurement Guidelines for the Procurement & Logistics Division 	<ul style="list-style-type: none"> Keep working on trying to collect self-check survey answers from suppliers through both online and offline systems Reviewed and assessed a total of 294 suppliers (203 existing suppliers and 91 new suppliers) 	B	<ul style="list-style-type: none"> Increasing supplier self-check sheet recovery rate (51% → 70% or more) Thoroughly carry out recovery of the self-check sheet
<ul style="list-style-type: none"> Dealing with the issue of conflict minerals 	<ul style="list-style-type: none"> Continued to operate our conflict mineral management system / Underwent third-party audits and renewed annual certification for gold (LBMA) and tin (RMI), Starting operations with regard to silver (LBMA's Responsible Silver Guidance) 	A	<ul style="list-style-type: none"> Annually renewing certifications for gold (LBMA) and tin (RMI) through continuous management of operations and by third-party audits Starting operations with regard to silver (LBMA) Subsequently, managing operating continuously and accepting third-party audits
	<ul style="list-style-type: none"> Concerning tungsten, continued initiatives in line with our policy on the use of conflict-free minerals We renewed our certification after an audit of conflict mineral non-use in December 2017 (Japan New Metals Co., Ltd.) 	A	<ul style="list-style-type: none"> Continue with initiatives in line with our policy on the use of conflict-free minerals and undergo an audit in 2020

Self-assessment grades A: Target achieved B: Target mostly achieved C: Target not achieved

Basic Approach

As a comprehensive materials manufacturer, we work in partnership with wide range of suppliers throughout the value chain, in an effort to improve added value and promote global procurement with an emphasis on stable product supplies and more competitive products.

Stable procurement is important in terms of reducing opportunity loss and maintaining consistent operations. We therefore aim to build close relationships with all of our suppliers, ensuring that all transactions are fair, avoid corruption, comply with the law and take into account issues such as human rights.

Operating CSR Procurement Guidelines for the Procurement & Logistics Division

In an effort to reinforce our organizational capabilities with regard to CSR priorities throughout the global supply chain, we have informed suppliers of the CSR Procurement Guidelines for the Procurement & Logistics Division and incorporated the guidelines into basic agreements.

The guidelines apply to all raw materials (excepting those for copper, cement and aluminum products) and equipment, and consist of a Basic Procurement Policy, which sets out the division's responsibilities, and our CSR Procurement Standards, with which we require our suppliers to comply.

To ensure effectiveness, since April 2016 we have been screening and evaluating the performance of both existing and new suppliers in accordance with new standards, including evaluation criteria like preventing child labor, forced labor and unreasonably cheap labor, and avoiding negative environmental impact, in addition to conventional requirements such a quality, cost and delivery. Before carrying out screening and evaluations, we ask suppliers to conduct and report on their own evaluations using our Supplier Self-Check Sheet, and engage in dialogue regarding improvements as necessary.

CSR Procurement Guidelines for the Procurement & Logistics Division

[Basic Procurement Policy]

1. Open door/fair trade

The Procurement & Logistics Division opens its doors wide for all suppliers. We decide on suppliers based on fair assessments of quality, price, delivery time, management base and so forth, predicated on mutual trust for the sake of mutual prosperity. We conduct no unfair dealings.

2. Compliance with legislation and corporate ethics

The Division complies with legislation in Japan and abroad. We also do not act in ways that go against corporate ethics.

3. Safety and Health, environmental preservation and measures to combat global warming

The Division holds safety and health, environmental preservation and measures to combat global warming as priority tasks.

4. Respect for human rights

The Division respects the fundamental human rights of all persons involved.

5. Information security

The Division maintains as strictly confidential information obtained from the suppliers.

[CSR Procurement Standards]

1. Respect for human rights

To respect basic human rights, to not discriminate with regard to employment or treatment, and to not deal in child labor, forced labor or unfair low-wage labor.

2. Compliance with legislation and corporate ethics

To comply with legislation in Japan and abroad and to not act in ways that go against corporate ethics, including the provision or acceptance of inappropriate benefits and dealing with anti-social individuals or groups.

3. Safety and Health

To work to ensure and improve safety and health, such as by preventing occupational accidents.

4. Environmental preservation

To abide by legal environmental standards and to strive to preserve the environment, such as by disposing of industrial waste in an environmentally sound manner.

5. Information security

To establish an information management system, to implement measures to prevent the leakage of confidential information and to take special care to strictly manage obtained personal information.

6. Ensuring product quality and safety

To ensure the quality and safety required for the products.

Copper Product Raw Material Procurement Initiatives

We procure copper concentrate, a raw material for copper products, primarily from the overseas mines in which we invest, and while this places us in the position of a non-operator not directly involved in mine management, as a member of the International Council on Mining & Metals (ICMM) and a company engaged in global procurement activities, we hope to fulfill our sustainable development responsibilities.

If we have interests in a mine over and above a certain scale, we assign members of staff and go out of our way to engage in dialog with indigenous people and members of the local community, through advisory committees for example.

Moreover, our Metals Company requires the mining companies to comply with CSR loan and investment standards (if we are investing) and CSR procurement standards. We also check that those standards are followed, for example through regular questionnaire surveys, and if deemed necessary, we seek to understand and improve the situation. We include environmental preservation and respect for human rights as important matters to consider in our business processes as we manage our global supply chain.

Metals Company: Outline of CSR Procurement Standards

[Continual improvement of environmental performance]

- Introduce and implement environmental management systems focusing on continual improvement.
- Reduce negative environmental impact from mine development and operation.
- Take into account protected natural areas and protect biodiversity.
- Consult with stakeholders regarding environmental issues.

[Continual improvement of occupational safety and health]

- Introduce safety and health management systems focusing on continual improvement.
- Protect employees and contractors from occupational accidents. Implement disease prevention measures including local communities.

[Protection of basic human rights]

- Prevent forced and child labor.
- Eliminate harassment and discrimination.
- Avoid forced resettlement, or provide compensation.
- Protect indigenous people.
- Manage and record complaints and disputes with stakeholders.
- Eliminate any involvement, either direct or indirect, with militia or other armed groups in areas of conflict where there are concerns regarding human rights violations.

Metals Company: Outline of CSR Investment Standards

[Protection of basic human rights]

Protect the basic human rights of people impacted by our business operations. Consult with stakeholders regarding local community issues. Eliminate any involvement, either direct or indirect, with militia or other armed groups in areas of conflict where there are concerns regarding human rights violations.

[Mining and protected areas]

Identify and evaluate impact on cultural and natural heritage, and risks to biodiversity at every stage of our business. Develop and implement mitigation measures.

[Mining and indigenous people]

Understand and respect the society, economy, environment, culture and rights of indigenous people. Conduct social impact assessments with regard to indigenous people and provide appropriate compensation.

[Relationship with the local community]

Verify if there are any disputes or lawsuits with the local community. Engage in consultation and dialogue to explain business plans.

[Environmental preservation]

Conduct environmental impact assessments (EIA) and obtain appropriate permits. Set out specific policies to reduce the environmental impact of mine development and operation.

[Mineral resources and economic development]

Contribute to sustainable economic development at the regional and national level.

Environmental Impact Assessment for Zafranal Project (Peru)

Mitsubishi Materials Corporation joined Zafranal copper mine development project in Peru with Canadian mining company Teck Resources Limited and its subsidiary. Now the feasibility study is being carried out.

Compania Minera Zafranal S.A.C. (CMZ) operates the project. Mitsubishi Materials Corporation (MMC) has 20% share of the project and assigns personnel at the subsidiary established in Peru. MMC communicates closely with CMZ and works together in order to progress the project.

CMZ prizes the cultures, values, traditions and historical heritages of local communities, and has been establishing transparent and sincere long-term partnership with them. CMZ is having dialogues with local communities and additional stakeholders, and also conducting individual briefing, responding their inquiries. CMZ has been building public trust with taking in local opinions and needs through these activities.

In preparation for the legal process of the Environmental Impact Assessment, CMZ is consulting with local communities, and undertaking environmental and social baseline studies in the project and related infrastructure areas.

Cement Product Raw Material Procurement Initiatives

Limestone is the principal raw material used in cement production. MMC procures the limestone for use in its cement plants from three Group-owned limestone mines in Japan and two overseas mines (in the United States and Vietnam). It seeks to build relationships of trust with the local communities in which it conducts limestone mining and transportation by implementing various exchange and cooperation activities, while also endeavoring to minimize noise and preserve the habitats of rare species.

Aluminum Product Raw Material Procurement Initiatives

In the Aluminum business, we have been recycling used aluminum cans for re-use as can materials for many years, and as a rolled aluminum manufacturer, MMC Group company, Mitsubishi Aluminum Co., Ltd. strives to engage in fair trade based on mutual trust with suppliers in the procurement of raw materials and other materials.

We also actively promote initiatives to fulfill or corporate social responsibility in terms of legal compliance, respect for human rights and preservation of the global environment through mutual cooperation with key suppliers both overseas and domestically.

Initiatives in Response to Conflict Mineral Issues

The United States' Dodd-Frank Wall Street Reform and Consumer Protection Act requires all companies listed in the US to disclose whether their products contain "conflict minerals," defined as gold, tin, tantalum and tungsten, along with details of reasonable survey on producing countries and the survey results, in an effort to prevent minerals mined in the Democratic Republic of Congo (DRC) or its neighboring countries from being used to fund the activities of armed groups responsible for human rights violations and other acts of violence.

Because the Company's smelting and refining operations employ three of these minerals—gold, tin and tungsten—we are reinforcing initiatives in this area. We began by formulating a Companywide policy on conflict minerals and publishing it on our Website in 2013.

Initiatives with Respect to Gold and Tin

The Metals Company has pledged its support for a campaign to ensure a transparent flow of funds related to mineral resources, as promoted by the Extractive Industries Transparency Initiative (EITI)*¹ since June 2011.

In August 2013, we obtained certification of our use of conflict-free minerals in our gold products from the London Bullion Market Association (LBMA)*² and have had this certification renewed every year since. Since February 2014, moreover, we have also received annual certification of our use of conflict-free tin from RMAP(former CFS program) of Responsible Minerals Initiative (RMI)*³, former CFSI).

Initiatives with Respect to Tungsten

Japan New Metals Co., Ltd., a Group company whose operations include tungsten smelting and refining, began efforts at an early stage to acquire independent certification of its use of conflict-free minerals for supply to smelters and refineries in China. We formulated a Conflict Mineral Management Policy in April 2014 and acquired RMAP certification for tungsten in December of that year.

*1 Extractive Industries Transparency Initiative (EITI):

The EITI is a global framework established to improve the transparency of financial flows from extractive industries engaging in the development of oil, gas and mineral resources to the governments of resource-producing countries. Its aim is to prevent corruption and conflicts, and thus to promote responsible resources development that can facilitate growth and help to reduce poverty.

*2 London Bullion Market Association (LBMA):

The LBMA implements and oversees compliance with quality requirements for gold and silver bullion circulated in the market.

*3 Responsible Minerals Initiative (RMI)

<http://www.responsiblemineralsinitiative.org/>

Electronics Industry Citizenship Coalition (EICC) was renamed Responsible Business Alliance (RBA) and CFSI was renamed Responsible Minerals Initiative (RMI), Conflict-Free Smelter (CFS) program was renamed Responsible Minerals Assurance Process (RMAP) on October 2017.

>> Product Quality and Safety

Quality Issues Occurred in Our Group

As we announced in November 2017 and February 2018, it was discovered that certain products manufactured and sold by five MMC subsidiaries in the past had been shipped in conditions that deviated from customer standards or internal company specifications due to misconduct, including the rewriting of inspection records data. An issue related to quality control methods in copper slag aggregate manufacture at our Naoshima Smelter & Refinery was also occurred, leading to revocation of JIS certification of the product in June of 2018.

We implemented measures to prevent recurrences at the five subsidiaries and Naoshima Smelter & Refinery.

We also conducted a thorough analysis of the root causes and backgrounds of these issues, and derived the following themes for the entire Group.

1. 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

2. Recognition of Group Governance Issues

1. Communication

- Harmful effects of the vertically-segmented organizations
- Insufficient control over subsidiaries
- Insufficient sharing and communication of information regarding governance-related matters

2. Compliance Framework and Awareness

- Compliance awareness is insufficient at each level; necessary knowledge has not been acquired
- Awareness of our responsibilities as an organization and business is shallow
- Insufficient capacity to discover misconducts, take initiatives to resolve issues, and make timely reports

3. Resource Allocation

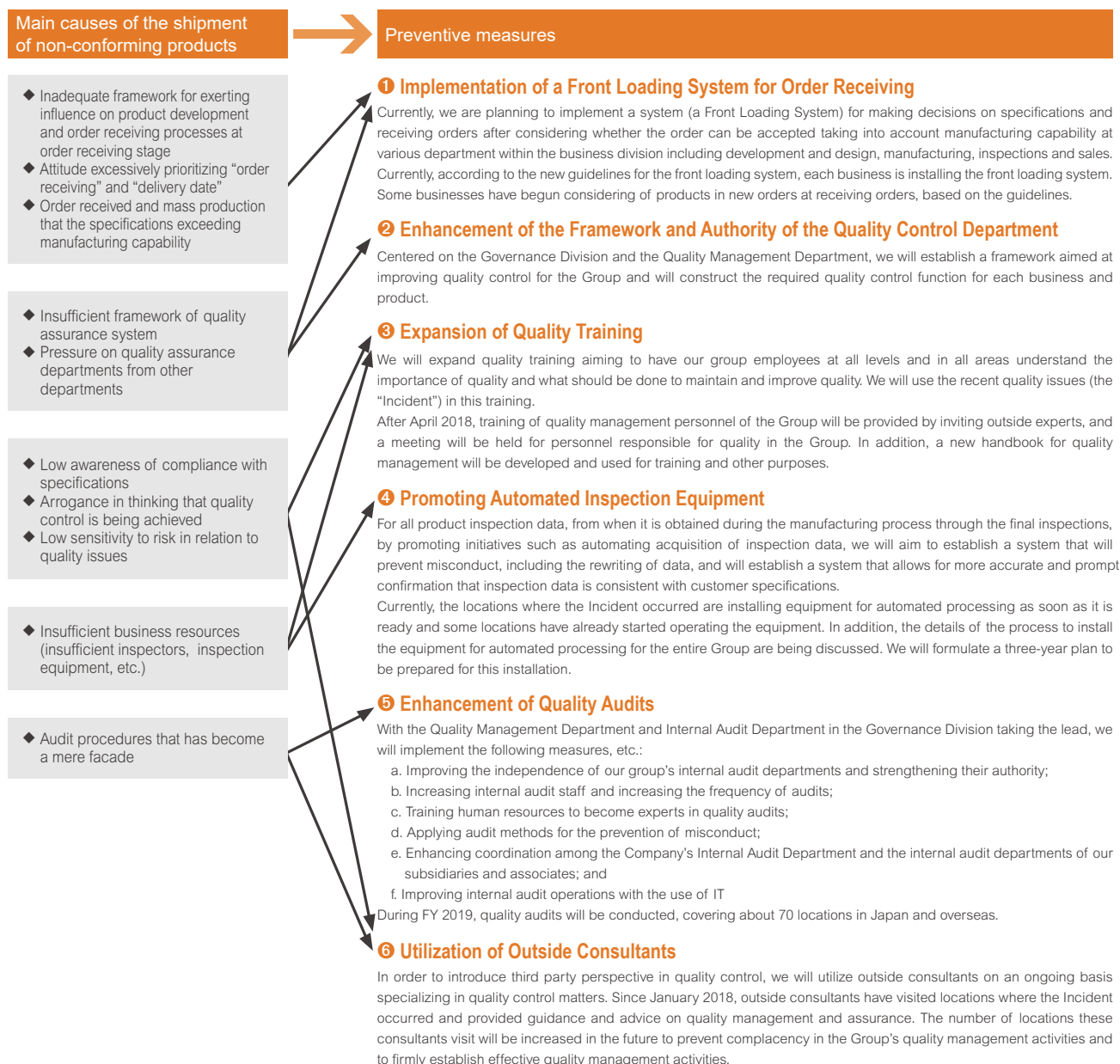
- Insufficient process capabilities that are adequate for received orders or insufficient inspection and quality assurance framework
- Unsuitable resource allocation due to priority on earnings, postponement of necessary capital investment, etc.

Based on this awareness of the issues concerned, we formulated “Restructuring Measures of the Governance Framework for Quality Control in the MMC Group” and “MMC Group Governance Framework Enhancement Measures” and initiated their implementation.

We intend to proceed with these measures with a stronger sense of crisis at an accelerated speed to prevent recurrence of the problems and restore trust in our Group.

Restructuring of the Governance Framework for Quality Control in Our Group

To realize the quality policy of the Mitsubishi Material Group of “manufacturing and providing the first class quality products that meet customers’ requirements and that guarantee their satisfaction,” we have formulated and implemented measures against the causes of the shipment of non-conforming products to prevent a recurrence of quality issues.



Progress of Recurrence Prevention at the Subsidiaries where the Quality Issues Occurred

The MMC’s five consolidated subsidiaries, where the recent quality issues occurred, are respectively implementing the measures to prevent a recurrence of the issues as their top priority. At the same time, they are also implementing the group governance framework enhancement measures which include quality control. The progress of the measures at the above companies is reported in the Implementation Schedule on the page on the right.

Implementation schedule (As of the end of June 2018)

As of June 30

Tasks already implemented

Tasks being

Tasks to be implemented

Name of measure	Outline of measure	Implementation schedule			
		FY 2018	FY2019		Subsequent fiscal year
			First half	Second half	
1 Implementation of a front loading system (FLS) for order receiving	◆ 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			
2 Enhancement of the framework and authority of the quality control department	◆ Confirmation that independence of quality assurance function in each business organization is ensured ◆ Confirmation of area of responsibility and status of fulfillment at quality assurance department in each business organization	Investigation ◆ Confirmation 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 ◆ Strengthening of system and equipment for inspection before shipment ◆ Review of quality assurance standards and construct quality control system ◆ Strengthening of the quality and quantity of human resources for Quality Assurance Department	◆ Rotation		
3 Expansion of quality training	◆ 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 ◆ Skill support training for leaders of workplace			
4 Promoting automated inspection equipment	◆ 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	◆ Improvement and enhancement the function of the Company's enterprise system ◆ Introduction of the inspection equipment for automated ◆ Automated uploading to the Company's enterprise system ◆ Introduction of the latest technology for measurement and automated Continuation ◆ Improvement of issuance system for certificate of analysis ◆ Compilation of database for product specification ◆ Automated collecting of inspection data			
5 Enhancement 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		
6 Utilization of outside consultants	◆ 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 preventive measures for quality issues at 5 affected companies				

Quality Control and Companywide Quality Activities

Quality Control and Assurance Systems

The Group revised its Basic Regulations on Quality as a way to strengthen its governance system for quality management. Under the regulation, we reconfirmed the "Group Quality Policy" with the aim to provide first-class products that are satisfactory to our customers, and established the "Guidelines on Quality Management" to complement this. We will reestablish our quality assurance system, from the stages of design and development to those of production, shipping and sales, for all organizations involved in the quality improvement of products and services offered by the Group.

As such, we created a Quality Committee composed of quality liaison staff from eight departments, including the Governance Division's Quality Management Department and each company. In this way, we are making concentrated efforts to strengthen our governance system. The Quality Committee receives reports on quality activities in each company, including Group companies, reviews and shares information as well as work to prevent occurrences of quality issues. With the exception of the cases announced starting November 2017, no cases corresponding to quality crises as determined by our Basic Regulations on Quality have occurred in the Group or its companies in fiscal 2018.

The quality management system (QMS) based on ISO 9001 continues to be the foundation for our quality management and quality assurance work. We are regularly holding internal auditor courses, aimed at training ISO 9001 internal auditors, in the Kanto and Kansai regions as well as at individual plants.

Companywide Quality Meetings

The Quality Management Department conducts quality audits at all plants over the course of two years. For key locations, in the years when no audits are conducted there, quality meetings are held instead. There, the staff checks and discusses the quality control situation of each location as well as what measures can be taken to strengthen quality control governance. They then look into how to expand good practices to other plants, carrying out detailed support of quality control activities.

Other activities include providing information on revisions affecting quality management systems including ISO 9001, and the latest chemical legislation. The Quality Management Group also organizes seminars and internal auditor training upon request via quality meetings, in an effort to support quality management system improvement activities at facilities.

Quality Improvement Activities at Overseas Manufacturing Facilities

Our Advanced Materials & Tools Company has 12 overseas manufacturing facilities, which manufacture high quality products in conjunction with our domestic facilities. To accommodate production expansion at overseas facilities, we have continued efforts to dispatch technical instructors from domestic facilities and accept trainees in Japan to provide instruction on equipment maintenance, production technologies, inspection criteria and so on. Thanks to initiatives pursued over many years, today national employees have taken in the lead in quality improvement activities, including improvement meetings and revisions to quality management systems, and their motivation to learn new technologies has become the driving force behind quality improvements.

At the Electronic Materials & Components Company, we expanded to Southeast Asia early on with our Electronic Components business and made strides transferring production overseas. Today, we maintain for manufacturing sites in Southeast Asia for this business alone in the form of three subsidiaries and one subcontracting company, and have worked closely with the domestic ceramics plant as the "mother plant" to develop production systems.

With the shift of most production capacity overseas, quality improvement activities at overseas manufacturing sites have become increasingly important. In particular, we promote information sharing between plants to reduce the number of customer complaints on product quality, and in the interest of raising the quality control levels at overseas manufacturing sites to equal or exceed those at domestic sites, we regularly hold quality control manager meetings to gather overseas and domestic quality control managers and personnel responsible for practical work at local sites. By sharing quality improvement-focused initiatives and issues being tackled at each plant and discussing solutions at these meetings raises awareness and improves the skills of national staff overseas.

Quality Control throughout the Supply Chain (Jewelry-related business)

As part of our MJC jewelry brand, we carefully control the quality of all items throughout the supply chain, from manufacturing raw materials through to processing and distributing finished goods, in order to provide customers with reliable products at reasonable prices.

As well as addressing the issue of conflict diamonds based on the Kimberley Process*, we have created an original MJC Jewelry Quality Rule Book, covering matters such as compliance with the Washington Convention (CITES), metal allergy measures and traceability, and continue to raise awareness amongst our main supplies (approx. 120 companies.) We also organize quality meetings in both Tokyo and Kofu as part of our activities aimed at improving trust and reliability throughout the supply chain.

* Introduced in Japan in January 2013, the Kimberley Process is an international certification scheme designed to combat illegal trade in rough diamonds, used to fund conflict. As well as preventing member countries (81) from importing or exporting stones that do not have a certificate of origin, it also enables consumers to ask for proof that the products they are purchasing from retailers do not contain conflict diamonds.



Jewelry Quality Rule Book

Product Safety

As a manufacturer, we are committed to providing our customers with safe, high quality products. We therefore implement a range of quality and safety initiatives, as a precautionary approach and to ensure compliance with the law and other applicable regulations. We have also developed a set of regulations for the control of hazardous chemical substances contained in our products. As well as ensuring that we do not release any products containing hazardous substances to customers, including via group companies, we are committed to disclosing product information when deemed necessary.

Impact Assessments at the Development and Prototype Stages

We carry out a review during R&D at four key stages, when exploring areas of R&D, conducting R&D and trial production, conducting mass production trials, and commercializing products. We repeatedly confirm and meticulously examine all of our products from the very beginning, including checking for the use of hazardous chemical substances, guaranteeing that products meet customers' requirements and ensuring legal compliance, always taking into consideration the safety of products and processes as we engage in development works.

Controls on Chemical Substances Contained in our Products

We have formulated a set of regulations for the control of hazardous chemical substances contained in our products, and continue to reinforce management and ensure legal compliance in relation to chemical substances contained in our products. We successfully completed registration of 13 substances covered under REACH regulations*1 by September 2017, and intend to continue with the registration procedure in the future. We are also working to establish systems to ensure compliance with chemical substance-related legislation and regulations in markets such as South Korea and Taiwan, as well as to collect information and develop further systems to maintain compliance in other countries in the future.

We submitted our 2017 notification for substances covered under the revised Chemical Substances Control Law*2 in June 2018.

*1 REACH (Registration, Evaluation, Authorization and Restriction of Chemicals): EU regulation that governs the registration, evaluation, authorization and restriction of chemical substances manufactured within or imported into the EU.

*2 Revised Chemical Substances Control Law: Act on the Partial Revision of the Act on the Evaluation of Chemical Substances and Regulation of Their Manufacture, etc.

Providing Safety Information

Providing safety information on our own products is vitally important, to ensure product safety further along the supply chain. We therefore attach Safety Data Sheet (SDS) to Mitsubishi Materials products so as to effectively disclose and convey information on chemical substances.

Ensuring Safety in Transit

We make every effort to guarantee safety when transporting products that require additional safety measures in transit, such as sulfuric acid. Specific measures include ① avoiding contact with other substances, ② using protective equipment when loading and unloading products, ③ preventing leaks or dispersal from containers, and ④ providing drivers with SDS clearly outlining measures in the event of an accident.