

» Corporate Governance

Basic Approach

We have established a corporate philosophy, vision, values and code of conduct that apply to the entire MMC Group, and make every effort to further the sustainable development of the society and maximize the corporate value through fair business activities. We recognize that for this purpose, it is vital that we engage in efficient and transparent management, and have long implemented a range of measures aimed at enhancing our corporate governance.

Decision-Making and Executive Framework

All important matters relating to our business are overseen and determined by the Board of Directors, which currently consists of nine Directors in total, six inside and three outside. As well as having the ideal size to enable us to make decisions quickly, we feel that this is the right composition in terms of management objectivity and transparency.

Outside Directors also oversee the execution of duties by directors to ensure validity from an objective standpoint, and offer a wide range of perspectives on company management based on their own specialist knowledge and experience in different areas to our own executives.

Matters to be resolved by the Board of Directors are first reviewed and discussed in detail by our Corporate Strategy Committee, which is made up of President, Executive Vice Presidents, Managing Directors, and Senior Executive Officers, in order to make the decision-making process more efficient and effective.

We have also adopted an executive officer system and an in-house company system in order to operate more flexibly and appropriately as an integrated business entity involved in Cement, Metals, Advanced Materials & Tools, Electronic Materials & Components.

Matters Resolved by the Board of Directors

With the aim of ensuring swift and appropriate decision making and execution of duties, the Board of Directors makes important executive decisions including exclusive prerogatives of the Board of Directors as required by laws and regulations, the standards for which are clearly stated in the Board of Directors Rules. The determination and execution of business affairs not decided by the Board of Directors is delegated to the Corporate Strategy Committee, appointed directors, or the heads of each business division or corporate department in accordance with internal regulations on decision-making authority. The Board of Directors also receives summarized reports on and exercises supervision over business affairs determined by the Corporate Strategy Committee.

Nomination of Candidates for Director and Selection of Managing Titled Executive Officers

Mitsubishi Materials is an integrated business entity involved in Cement, Metals, Advanced Materials & Tools, Electronic Materials & Components, and our basic approach to the structure of the Board of Directors, which fulfills the roles of deciding on important matters and exercising supervision over management, is to ensure that it comprises a diverse range of human resources with different expert knowledge, experience, and other qualities. In light of this approach, we endeavor to nominate and select individuals of exceptional insight and character as candidate directors and titled executive officers, regardless of attributes such as gender or nationality.

In nominating candidate directors to be in charge of business affairs and selecting titled executive officers, we select individuals who are familiar with company management in general and with the businesses and operations of Mitsubishi Materials. After discussions with related officers as needed, the president makes a selection after a comprehensive accounting of various factors including career, past performances and expert knowledge. Finally, appointments or selections are made following deliberation by the Board of Directors.

Candidates for outside director should be individuals who will supervise the appropriateness of company directors in the execution of their duties from an independent and objective standpoint, and should be able to provide a diverse range of values and advice based on expert knowledge, extensive experience, and broad, advanced insight that differs from those of directors who have advanced internally. These candidates are selected by the president with reference to standards for determining independence, and are nominated after deliberation by the Board of Directors.

Committee for Nomination and Compensation

On June 22, 2018, the Company established the “Committee for Nomination and Compensation” for which the majority of members being outside directors in order to ensure the transparency and objectivity of the Board of Directors’ decisions regarding the appointment and dismissal of directors and officers as well as their compensation.

◆ 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.

◆ 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

Committee for Monitoring of Measures to Enhance Governance

To prevent the reoccurrence of deliveries of products, etc. that deviated from the customer standards or internal company specifications as a result of the Company’s consolidated subsidiaries improperly rewriting inspection data, the formulation, disclosure, and sequential implementation of preventive measures and group governance framework enhancement measures (collectively, the “Measures”), which include quality control, are being undertaken by the relevant subsidiaries where data falsification took place and by the Company, respectively.

In addition, on May 10, 2018 the Company established the “Committee for Monitoring of Measures to Enhance Governance” comprised of outside directors of MMC and outside experts with the objectives of monitoring the status of main enhancement and other measures progress, achievements, and administration from a more independent position than management as well as providing necessary advice and proposals on related issues to the Board of Directors.

◆ Composition of the Committee

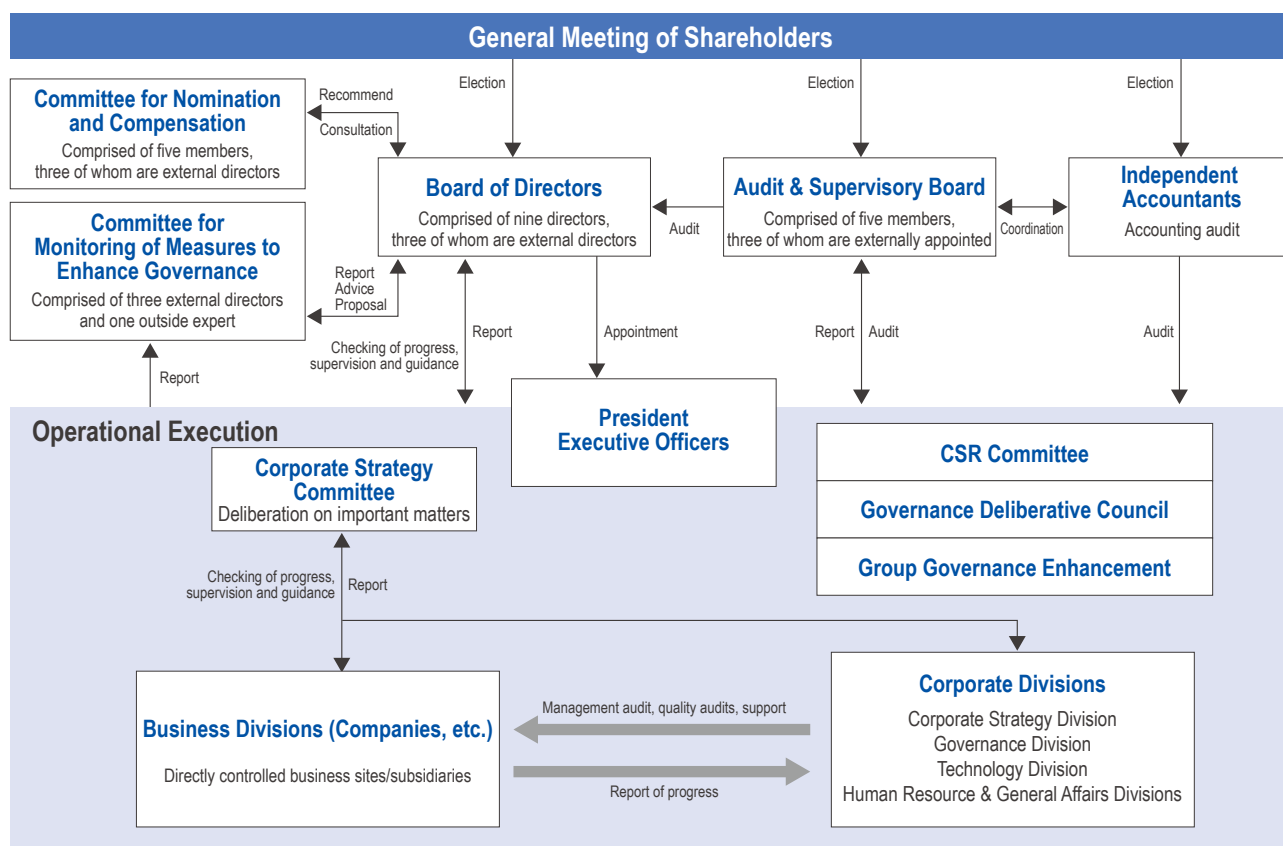
- (a) All members of the Committee will be outside directors or outside experts.
- (b) The chairperson of the Committee will be one of the outside directors appointed by the committee members through consultation.

◆ Responsibility

- (a) Confirmation of the appropriateness regarding the investigation into the facts and cause analysis of the quality issues and the preventive measures.
- (b) Confirmation and supervision of the progress of the Measures and the preventive measures of the quality issues occurred within the MMC group
- (c) Reporting of the results of (a) and (b)

On April 1, 2018, the Company newly established the “Group Governance Enhancement and Promotion Division” as a cross-sectional organization to steadily implement and confirm the status of the main prevention measures and main enhancement and other measures; the “Governance Deliberative Council” as a body that deliberates on business divisions’ governance-related policies and plans (including main enhancement measures) for the fiscal year; and the “Governance Division (which oversees the Safety & Environment Dept., CSR Dept., Quality Management Dept., and Internal Audit Dept.)”, which is tasked with governance-related administrative and support functions.

■ Overview of the corporate governance system (As of July 31, 2018)



Policy Regarding the Determination of Remuneration

<Directors and titled Executive Officers>

We make it a basic policy to appropriately link the remuneration for Directors and titled Executive Officers to corporate performance as well as individual performance. Drawing on the advice of external experts, steps have been taken to design a system that is highly objective. Remuneration is paid in accordance with internal rules and regulations approved by the Board of Directors and is comprised of a basic fixed component as well as a bonus that is linked to performance.

The amount of the basic remuneration is determined in accordance with the title and individual performance of each director or officer. A portion of basic remuneration is paid in a fixed monthly amount as stock-based remuneration (not paid to outside directors) and used for purchasing the company's shares through the company's director shareholding association. The Company's shares acquired based on the remuneration cannot be sold at least during each director's term of office. This aims to link the remuneration to medium and long term corporate performance.

Secondly, the amount of the bonuses, as remuneration linked to short-term corporate performance, is determined after the end of the fiscal year using the net income attributable to owners of parent and consolidated ordinary income for that year as indicators, and taking into consideration individual performance. The bonuses can be reduced or removed entirely depending on factors such as business conditions and the amount of the dividends for the fiscal year.

Due to the role fulfilled by outside directors in supervising the appropriateness of directors in the execution of their duties from an outside, independent, and objective standpoint, their remuneration comprises only a fixed amount, which is determined in light of individual circumstances based on internal regulations approved by the Board of Directors.

<Audit & Supervisory Board Members>

The remuneration for Audit & Supervisory Board Members is set at an appropriate level based on discussions among them and is not linked to corporate performance in light of the fact that they assume the responsibility for auditing the execution of duties by Directors as an independent body entrusted by shareholders.

Evaluation of the Effectiveness of the Board of Director

Respective directors and respective auditors regularly evaluate the role, composition, management method, etc. of the Board of Directors, based on which the effectiveness is analyzed and evaluated at the meeting of the Board of Directors.

It has been confirmed that the effectiveness of the Company's Board of Directors has been secured in the fiscal 2018 analysis and evaluation, with the Company's Board of Directors as the target, where exchange of opinions was made on the following three points as the matters to be discussed continuously:

- Balance between the composition of the Board of Directors and their attributes (expertise, experience, etc.)
- Contents and length of time of the deliberation and explanation at the meeting of the Board of Directors
- Contents of the materials for the meeting of the Board of Directors

We will keep making continuous efforts for further improvement of the effectiveness.

■ Directors and Audit & Supervisory Board Members' remuneration (fiscal 2018)

Position	Total Amount of Remuneration (Millions of yen)	Remuneration by Type (Millions of yen)		Number of Executives (persons) ¹⁾
		Basic ⁴⁾	Bonus ⁵⁾	
Directors (of which Outside Directors)	455 ²⁾ (56)	374 (56)	80	10 (4)
Audit & Supervisory Board Members (of which Outside Audit & Supervisory Board Members)	124 ³⁾ (52)	124 (52)	—	6 (3)

Note 1: The number of Directors/Audit & Supervisory Board Members includes one Director and one Audit & Supervisory Board Member whose terms ended during the fiscal 2018. There are nine Directors and five Audit & Supervisory Board Members as of the end of the fiscal 2018.

Note 2: It was resolved at the 91st Ordinary General Meeting of Shareholders held on June 29, 2016 that the amount of remuneration to the Directors should not exceed ¥49 million per month (excluding salaries as employees for Directors who also serve as employees), including remuneration not exceeding ¥6 million for Outside Directors.

Note 3: It was resolved at the 82nd Ordinary General Meeting of Shareholders held on June 28, 2007 that the amount of remuneration to Audit & Supervisory Board Members should not exceed ¥17 million per month.

Note 4: Of the basic remuneration for Directors, the stock-based remuneration is ¥28 million.

Note 5: It was resolved at the 81st Ordinary General Meeting of Shareholders held on June 29, 2006 that the amount of the bonuses for Directors other than Outside Directors should not exceed ¥170 million per annum.

Auditing Framework

Operational and financial audits are overseen by the Audit & Supervisory Board, which consists of five members in total; three standing members (including one outside member) and two non-standing members (both outside auditors). We regard this to be a valid composition in the interests of auditing the adequate performance of duties by the directors. We have also determined that this is a suitable number of outside Audit & Supervisory Board members based on compliance with the conditions stipulated by law as well as with the total number of members and roles they perform.

Enhancement of the Effectiveness of Audits by Audit & Supervisory Board Members

MMC's Audit & Supervisory Board has reported to the Board of Directors that it will work to supervise the implementation and operation status of MMC Group's governance framework enhancement measures, and implement the following measures for improving the effectiveness of audits by Audit & Supervisory Board Members, and that MMC will make the necessary response to such efforts.

- The personnel working in the Audit & Supervisory Board Member Assistance Dept.—who support the duties of MMC's Audit & Supervisory Board Members will serve concurrently as part-time audit & supervisory board members at major subsidiaries with full-time audit & supervisory board members, whereby coordination between MMC's Audit & Supervisory Board Members and the standing audit & supervisory board members of subsidiaries will be improved.
- The subsidiaries that only have part-time audit & supervisory board members will be requested to submit monthly activity status reports by such part-time audit & supervisory board members, and MMC's Audit & Supervisory Board will work to obtain and act on the information in a timely manner.
- MMC's Standing Audit & Supervisory Board Members will newly establish a new consultation contact method liaising directly with the Standing Audit & Supervisory Board Members, in addition to the current whistleblower hotline.
- Cooperation with the Internal Audit Dept. of the Governance Division, which conducts internal audits, will be strengthened, including the expansion of the scope of joint audits.

Internal Audit

We conduct internal audits in order to check that our operations, including those at group companies, are being run effectively and efficiently, and to verify the reliability of the financial reporting, the maintenance and effective use of assets, the status of risk management activities, and the compliance with legislation, internal regulations, and other applicable standards.

We begin our basic internal auditing procedure by conducting a "Paper Questionnaire" across all facilities (business divisions and subsidiaries of Mitsubishi Materials). The Paper Questionnaire consists of a comprehensive range of questions on the subject of laws, regulations, and control procedures that are of particular relevance to the group. We revise the Paper Questionnaire annually to reflect the latest legislation, and include supporting evidence for the questions and details of remedial measures to enable facilities to rectify issues themselves and use Paper Questionnaire as a manual. To encourage facilities to rectify issues themselves, we also carry out "Comprehensive Internal Audits" at selected facilities based on the risk-based approach to the results of the Paper Questionnaire.

Starting from fiscal 2019, the five-to-six-year cycle of the Comprehensive Internal Audits has been revised to a two-year cycle for an increased frequency of audits. Moreover, the audit contents will be improved taking into consideration collaboration with other departments in the Governance Division and use of external resources.

In addition to Comprehensive Internal Audits, we conduct specific "Theme Audits" in order to focus auditing activities on such areas as compliance with important legislation. Combining these auditing techniques, we follow up on the found flaws in every six months if they have been duly corrected in an effort to make the audits more effective and enhance the corporate value of the group as a whole.

We also make every effort to improve our group-wide internal auditing framework by sharing information through measures such as holding semiannual meetings with group companies that have their own internal auditing organizations, and also by planning joint audits with our subsidiaries on the companies affiliated with them.

Mentioning about our cooperation with Audit & Supervisory Board Members and directors, we are required to submit reports to the Board of Directors twice a year, covering subjects such as progress of the internal audits and the auditing plans for the following year. Meanwhile, we are required to submit monthly reports to the Audit & Supervisory Board Members outlining the results of the assessments carried out on the establishment and the implementation of internal controls in relation to internal audits and financial reporting. From fiscal 2018, we will conduct joint audits with the Audit & Supervisory Board at some facilities in an effort to streamline the auditing and to share auditing information.

Internal Control

Since the establishment of the Internal Control System Management Committee in January 2006, we have taken steps such as developing a set of basic principles for improving the Group's internal control systems, and ensuring compliance with the requirements to introduce internal control evaluation and disclosure systems in relation to financial reporting, in an effort to ensure compliance with the Companies Act, the Financial Instruments and Exchange Act, and other relevant legislation, and to establish the optimal internal control systems for both Mitsubishi Materials and the Mitsubishi Materials Group companies.

Evaluations conducted during fiscal 2018 found our internal control systems in relation to financial reporting to be sufficient and effective, with no material weaknesses identified. The results were then submitted in June 2018 in the form of an Internal Control Report with the unqualified opinion of an auditing firm.

■ Main performance data

Organizational structure	Company with Audit & Supervisory Board
Chairman of the Board of Directors	Chairman
Number of directors prescribed in the Articles of Incorporation	Not more than 10
Term of office of a director prescribed in the Articles of Incorporation	1 year
Number of directors	9
Number of outside directors (of whom designated as independent officers)	3 (3)
Percentage of female executives (directors, Audit & Supervisory Board members)	7.1% (1 out of 14)
Voluntary committee corresponding to a nominating or compensation committee	Yes * Committee for Nomination and Compensation was established on June 22, 2018
Number of Audit & Supervisory Board members prescribed in the Articles of Incorporation	Not more than 5
Number of Audit & Supervisory Board members	5
Number of outside Audit & Supervisory Board members (of whom designated as independent officers)	3 (3)

* Detailed information on corporate governance is given in the Company's Corporate Governance Report (available in Japanese only).
<http://www.mmc.co.jp/corporate/ja/company/governance.html>

Toward the Enhancement of Group Governance

The Company formulated and began to implement the measures (the “Measures”) sequentially, to enhance the Group governance framework including quality control as a measure to respond to the quality issues that occurred in our Group. The Governance Division will swiftly and surely promote the Measures.

Roles of the Governance Division

The Governance Division, established as of April 1, 2018 as part of the Measures, consists of the Company's departments related to safety, health, compliance, environment and quality. The Governance Division works on risk reduction and problem prevention as a promotor to enhance the management and support of governance-related matters in the entire Group.

Moreover, in the new system, the corporate division will positively manage and support the subsidiaries of the Mitsubishi Materials Group, although it had mainly been respective business divisions that were responsible for their management and support.

● Meeting of the Governance Deliberative Council started

The first meeting of the Governance Deliberative Council was held in April 2018. Each business division develops an annual plan of the measures related to the governance of the facilities and subsidiaries, and the council discusses the plan. We have started a mechanism, in which the governance-related measures are managed and promoted in the entire Group by confirming the progress of the above plans at the Corporate Strategy Committee, etc. In order to make the Measures more effective, we will strengthen the collaboration with corporate divisions, business divisions and management divisions of respective companies, positively provide support.

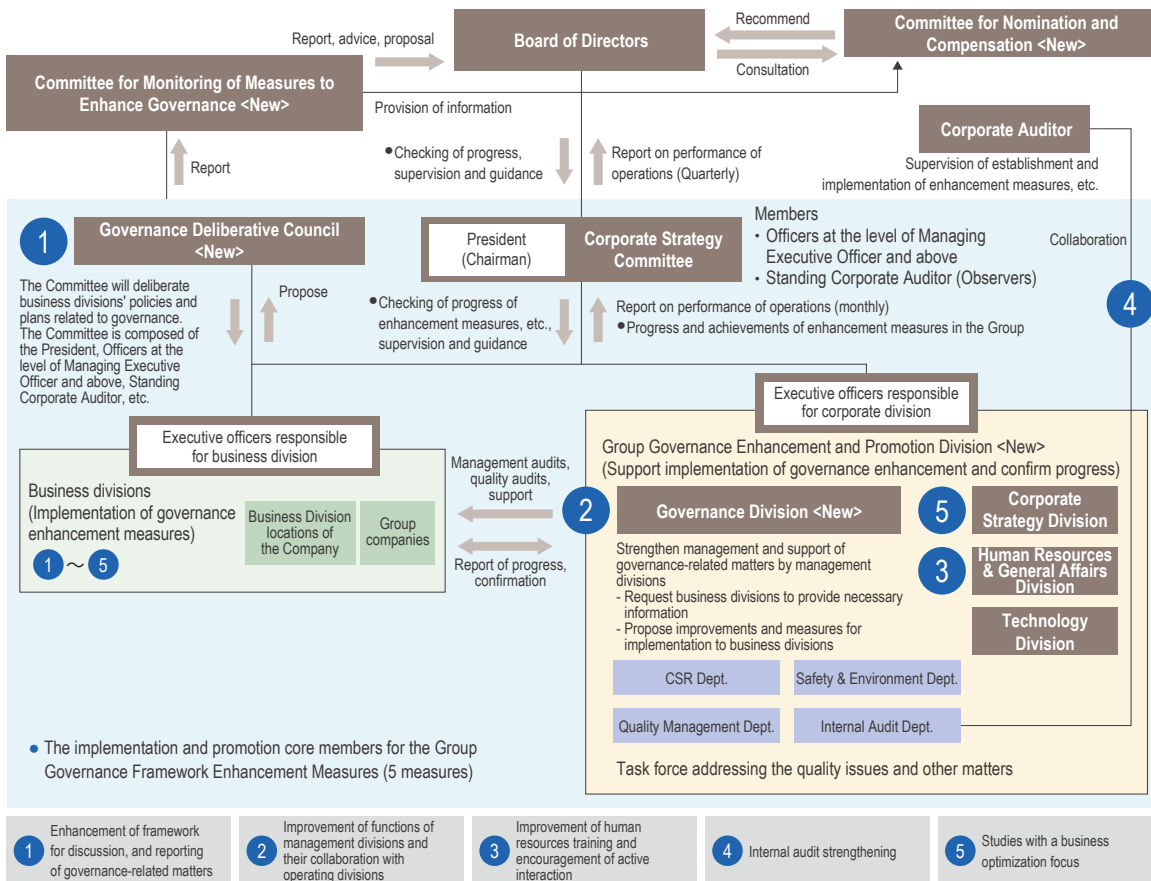
● Steady implementation of the Measures by the Group Governance Enhancement and Promotion Division

On April 1, 2018, the Company newly established the “Group Governance Enhancement and Promotion Division,” as a cross-sectional organization to manage the implementation and progress of the Measures, operated mainly by the Governance Division.

We aim at the long-term improvement of our corporate value by swiftly and surely implementing the Measures with further enhanced sense of crisis and in a more timely manner and working to regain the trust of customers and other stakeholders.

Makoto Shibata, Director & Managing Executive Officer

■ Promotion framework for governance framework enhancement



■ Group governance enhancement and promotion division organizational chart



■ Governance division organizational chart



Enhancement of the Governance Framework

◆ 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.

◆ Measures

① Enhancement of Framework for Discussion, Reporting and Follow-up of Governance-Related Matters

The Governance Deliberative Council, which was newly established in April 2018, have been held and the policy for addressing matters relating to the governance of the entire Group, the annual plan and the status of the actions taken were discussed and shared. The measures decided at the meeting will be carried out on a group-wide basis.

In addition, the reporting system of the Company and its subsidiaries will be restructured and the Group's safety and health, CSR, environment, compliance, quality and other matters relating to governance will be monitored regularly by the Board of Directors and the Corporate Strategy Committee of the Company.

In addition, on May 10, 2018 the Company established the "Committee for Monitoring of Measures to Enhance Governance" comprised of outside directors of MMC and outside experts with the objectives of monitoring the status of main enhancement and other measures progress, achievements, and administration from a more independent position than management as well as providing necessary advice and proposals on related issues to the Board of Directors.

② Improvement of Functions of Management Divisions and its Collaboration with Operating Divisions

In order to improve administrative divisions' control and support functions for governance-related matters, the Company reorganized its structure as of April 1, 2018 and launched the Governance Division (comprising the CSR Dept., Safety & Environment Dept., Quality Management Dept. and Internal Audit Dept.)

In addition, the Company will specify departments and persons responsible for the promotion of governance-related matters in each department within operating divisions, each business establishment, and each subsidiary, with the aim of facilitating communication of information and to enhance the promotion framework.

On April 1, 2018, the Company newly established the "Group Governance Enhancement and Promotion Division" as a cross-sectional organization to steadily implement and confirm the status of the main prevention measures and main enhancement and other measures.

③ Improvement of Human Resources Training and Encouragement of Active Interaction

The Company will expand training regarding governance-related matters provided to the Group's management and other employees. In addition to promoting human resources interactions in the Group and endeavoring to deepen communication, the Company plans to provide human resources training throughout the Group.

Since January, 2018, there were total of four education sessions for Executive Officers of the Company, Presidents of its subsidiaries and other management executives of the Group in matters to strengthen the governance framework, legal liability of directors and other related matters, resulting in 290 persons in total attending the sessions.

④ Internal Audit Strengthening

With respect to the Company's internal audits of business establishments and subsidiaries, the frequency and content of audits will be enhanced through cooperation with each department within the Governance Division. The Company will also strengthen cooperation with the Corporate Auditor such as joint audits, etc.

⑤ Studies with a Business Optimization Focus

When considering the Group's business optimization, whether the governance framework can sufficiently function is also one of the important decision-making criteria. On that basis, we will seek to achieve an appropriate business portfolio and management framework that match the Group's governance capabilities.

Implementation schedule (As of the end of June 2018)

Name of measure	Outline of measure	Implementation schedule		
		FY2019		Subsequent fiscal year
		First half	Second half	
As of June 30				
 Tasks already implemented Tasks being Tasks to be implemented				
1 Enhancement of framework for discussion, and reporting of governance related matters	<ul style="list-style-type: none"> ◆ Formulation of annual plan regarding governance enhancement ◆ Restructuring of the Group's internal reporting framework regarding initiatives on governance-related matters ◆ Redesign of matters to be reported and discussed at meetings of Corporate Strategy Committee and Board of Directors including in-house companies and subsidiaries 	Establishment of Governance Division Establishment of provisions on the reporting framework/content Formulation of annual plan Investigation and analysis of corporate management at subsidiaries Consideration of outline of the Group Governance Policy (GGP) Enhancement measures of governance of subsidiaries		Continued operation and monitoring
		Design and development of PDCA cycle for risk management (including development of the Group Risk Management Policy (GRP)) Promoting implementation of risk reduction measures across the entire Group and management of progress Introduction of Group risk management		Introduction of GRP to subsidiaries, evaluation and improvement after introduction
		Holding of Group Governance Deliberative Council and monitoring Apr. Deliberative Council (done) May Progress Announcement (done) Aug. Progress Announcement (done) Sep. Monitoring Announcement Nov. Progress Announcement Feb. Progress Announcement Feb. Deliberative Council (Progress report at Corporate Strategy Committee meeting each month)		Continued operation and monitoring
3 Improvement of human resources training and encouragement of active interaction	<ul style="list-style-type: none"> ◆ Training on governance-related matters for executives of each Group company ◆ Familiarizing of reporting system for risk management and risk information ◆ Encouragement of active interaction of human resources between departments, between parent company and subsidiaries and within subsidiaries ◆ Human resources training throughout the Group ◆ Transformation of Corporate Culture - Organization with good and healthy communication where employee can be unrestricted communication - 	Implementation of management executives training Implementation of explanations and training on governance of each Group company and risk management <Improvement of the contents of related training/Expansion of training targets> Development of risk management awareness/Solving of the problems in the organization the executive is responsible for <Dialogue with President, compliance workshop (for managers)> Continued implementation of investigation regarding corporate culture and compliance awareness ◆May Investigation (done) ◆Aug. Investigation ◆Nov. Investigation ◆Feb. Investigation Consideration of human resources measures to encourage active interaction (In conjunction with consideration of outline of GGP) Introduction and implementation of human resources measures to encourage active interaction (In conjunction with introduction of governance of subsidiaries) Formulation and implementation of Group-wide human resources development plans		Continued implementation of investigation regarding corporate culture and compliance awareness
		Workplace activation and compliance awareness enhancement <Dialogue with Managing Executive Officers, expansion of small group activities> Consideration of additional measures based on the results of awareness investigation Result monitoring of additional measures and consideration of further additional measures		Continued implementation of various measures
		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)
		Joint audits with Corporate Auditor Implementation of joint audits with Corporate Auditor		
5 Studies with a business optimization focus	<ul style="list-style-type: none"> ◆ Consideration of business portfolio incorporating governance perspective 	Examination in conjunction with measures (1) and (4)		

» Compliance

We take a broader view of compliance, incorporating elements such as corporate ethics and social norms, as well as legal compliance, and are sincerely determined to live up to our stakeholders' expectations. In an effort to strengthen the whole Group's compliance system, we have been implementing a variety of measures, such as training in Japan and abroad, thereby steadily heightening the compliance awareness of each and every Group employee. We will work to further improve awareness by drawing lessons from the series of quality issues.

Effectively Implementing Compliance

Further Reinforcing our Compliance Framework

We have established a Compliance Panel, as a subdivision under our CSR Committee, in order to actively reinforce our groupwide compliance framework. Specifically, we are working to strengthen a framework capable of identifying compliance-related issues or problems within the Group, including the series of quality issues, as quickly as possible, and exploring precautionary and preventive measures in consultation with related departments. We are also further developing and improving group-wide educational and training exercises in an effort to encourage each and every employee to have compliance awareness as his or her own personal issue.

Extending CSR Education to All Group Employees

As a member of the Mitsubishi Group, we uphold the "Three Principles" that underpin the Mitsubishi Group's management philosophy, whilst also carrying out our business activities in accordance with the Mitsubishi Materials Group's corporate philosophy system. To promote these philosophies and establish genuine compliance awareness, we consider it important to remain flexible, and to continue to adapt our activities and initiatives in line with changes in our business and the surrounding environment, rather than clinging to established practices.

Domestic CSR Education

We have in place a framework that enables every employee at every domestic group company to undergo CSR (Compliance) training once a year. To achieve that, we have been training instructors to handle CSR training, including at group companies, since 2012. We will continue to train human resources to serve as instructors. We will aim for education and training in which the instructors, as the driving force behind CSR activities at individual facilities and group companies, communicate the employees directly about subjects such as our corporate philosophy system and compliance in an easy-to-understand way and will deploy it throughout the Group. We will also be putting external instructors to effective use, thereby reforming and strengthening compliance awareness.

Overseas CSR Education

As for our training abroad, we are creating and developing training contents based on the specific conditions of each area. In recent years, we are concentrating particularly on training in Asia, where we have located numerous manufacturing and sales facilities. In fiscal 2018, with our regional management companies we worked in China, Thailand and Laos to organize training courses (compliance and risk management). We take advantage of educational opportunities such as preliminary training for employees assigned overseas and global human resource training courses to provide training in CSR-related issues such as conflict minerals, human rights in emerging countries (child labor, forced labor), competition law in related countries, and overseas anticorruption measures, in order to develop the human resources we need to expand our operations on a global scale. Similar to our education in Japan, we will be putting external instructors to effective use.

■ Education and Training Program Attendance during Fiscal 2018 (including 69 Group companies)*

Education/Training Program	Attendance
CSR education at domestic facilities, branches and group companies	18,766
CSR training at headquarters	1,073
CSR education at overseas group companies	105
Position-specific training	680
Other training (risk management training, etc.)	134
Total	20,758

Using Educational Tools to Raise CSR Awareness

To ensure that our corporate philosophy system takes root among all Group companies, we have created booklets, cards for carrying around and a collection of case studies related to compliance. We also make case study files and training materials compiled by the CSR Department available via the intranet, so that CSR Supervisors can use them as and when necessary for purposes such as promoting CSR and educational activities in their respective departments. Materials such as these are designed so that the contents are easy to understand and practical, incorporating feedback from outside experts, as well as examples of both internal and external compliance incidents.

Corporate Ethics Month

Here at the Mitsubishi Materials Group, we have designated October as Corporate Ethics Month every year since 2006, in order to encourage individual divisions and group companies to implement their own unique activities. We engage in a wide range of activities aimed at raising compliance awareness, including posting messages from the President on the company intranet, and sending out compliance-related messages from top management at individual facilities and group companies.

In-House Reporting System

We established an Internal Contact Office in December 2002 as a consultation service to deal with reports and inquiries from employees working for Mitsubishi Materials and other group companies. We also set up an external reporting system in April 2006, as an outsourced service operated by an independent law firm. We continue to raise levels of awareness by issuing all employees with information cards, and continue to provide employees with information on subjects such as the availability and significance of our internal reporting system, procedure for filing internal reports, and whistleblower protection measures, through channels such as our group newsletter and CSR education and training activities.

■ Numbers of reports and inquiries received through the in-house reporting system (FY)

2014	2015	2016	2017	2018
22	24	33	38	41

Intellectual Property Management

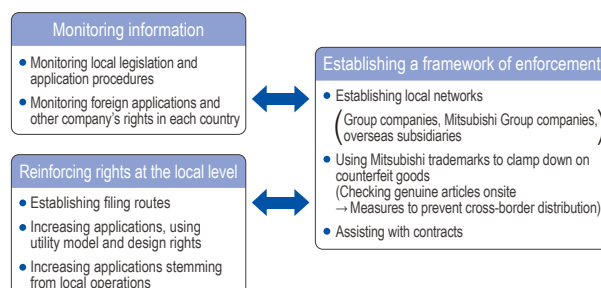
We always respect third party intellectual property rights, whilst at the same time making sure that we adequately protect and reinforce our own rights. We have introduced and are implementing a tool to create and analyze IP Landscape to better incorporate big data analytics on patents into business and development strategies. Based on the analysis data, we will focus on filing applications and establishing rights in line with our business strategies and the R&D strategies that support them, as we continue to build a powerful array of intellectual property rights. We organize a range of in-house educational programs on an ongoing basis, in an effort to improve understanding of how to establish and use intellectual property and deal with the Company's intellectual property risks through confirmation and advice regarding internal agreements related to intellectual property, such as non-disclosure and joint development agreements. Programs include position-specific training for employees from new recruits through to material level, training geared towards obtaining intellectual property qualifications, and optional training.

We also provide and release the knowledge gained from these activities, the issues faced, support tools and in-house seminars to group companies, in an effort to minimize risks associated with intellectual property and maximize the value of our operations throughout the group.

Reinforcing Intellectual Property Management in China and Southeast Asia

We have continued to develop a framework that will enable us to gather accurate information and adequately protect our rights, through cooperation with Mitsubishi Materials Group companies, Mitsubishi Group companies, overseas subsidiaries, and other overseas affiliated facilities. In China and Southeast Asia, we are developing systems for filing applications such as use of the Patent Prosecution Highway, or PPH, and stepping up efforts to tackle counterfeit products originating in China. In India meanwhile, we are ascertaining intellectual property-oriented information through our patent attorneys and local patent and intellectual property offices and working to enhance measures to protect our intellectual property.

■ Support in emerging countries



» Risk Management

Risk Management Activities

Basic Perspective

We conduct risk management activities aimed at controlling factors that could exert a negative impact on our business performance and providing steady support for sound business operations throughout the Mitsubishi Materials Group. To assure achievement of these goals, we adhere conscientiously to the following three basic policies:

Basic Risk Management Policies and Objectives

- | | |
|--|--|
| 1. Responding to high priority risks: | Prioritizing risks and implementing measures accordingly |
| 2. Identifying unrecognized risks: | Using risk management records to establish a comprehensive overview of all risks |
| 3. Sharing information concerning risks: | Disclosing the details of Companywide risks to all concerned parties |

Implementation Structure

Entities responsible for risk management in the corporate divisions, business divisions, factories, branches and Group companies formulate risk management plans according to Group risk management policies/plans approved by the CSR Committee. Upon receiving approval from the Governance Deliberative Council, they develop and deploy action plans in conjunction with the CSR Dept.

Each division identifies all risks at the beginning of each fiscal year, implements measures to minimize them throughout the year and conducts evaluations of their performance at year-end to determine areas for improvement in the coming term. Information on the activities is shared with the administrative and corporate divisions, and their progress is regularly monitored by the Committee for Monitoring of Measures to Enhance Governance comprising outside directors of MMC and outside experts, Corporate Strategy Committee, Board of Directors and internal audits, with a rigorous PDCA cycle applied overall.

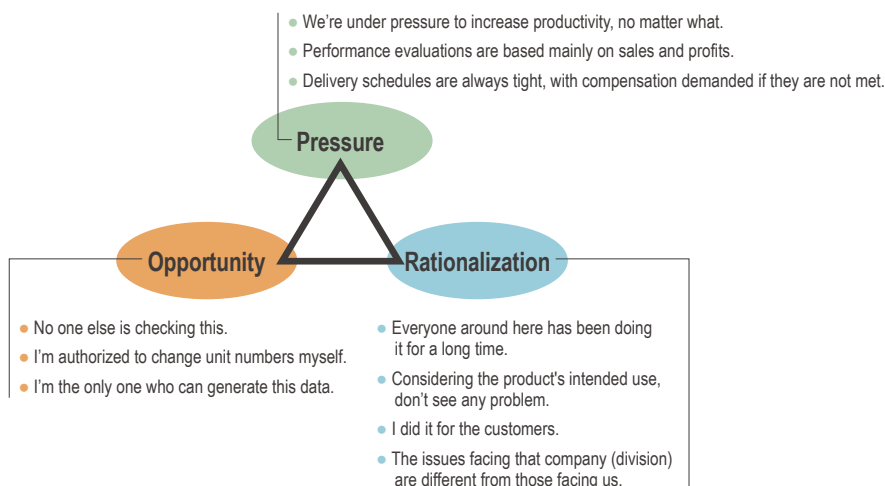
In the area of employee education, meanwhile, we hold training and consulting meetings led by CSR Dept. staff or outside consultants in Japan and overseas as part of efforts to enhance risk awareness and strengthen our Group-wide risk control capabilities.

Comprehensive Identification of Critical Risks

The corporate divisions take the lead in identifying the critical corporate risks which are common throughout the Group in addition to the inherent risks to business segments identified by individual businesses.

To ensure absolute protection against critical risks at a time when these are diversifying and intensifying, the Group has instituted a system for comprehensive risk identification from various perspectives, with a particular focus on risks involving fraud as seen from the three viewpoints of “opportunity,” “pressure” and “rationalization.” Making use of the well-known “fraud triangle” theory for factor analysis of fraud.

■ The fraud triangle



Risk Management Activities at Overseas Facilities

To improve the risk management function at the Group's overseas bases, we conducted group training for the Asia region (China, Thailand, Laos) in fiscal 2018. We placed special emphasis on increasing risk sensitivity and had a total of 80 participants from 19 companies.



Training in Thailand

Crisis Management Activities

We are striving to strengthen our crisis management systems to facilitate fast, accurate responsiveness to emergency situations, including natural disasters, accidents, terrorist activities and pandemic events. Besides formulating crisis management measures, we institute business continuity plans for all our consolidated subsidiaries in Japan and overseas with the aim of minimizing the impact on customers of any crisis that might occur through swift restoration and continuation of operations.

We are also developing systems for obtaining information and expert advice from external consulting firms on the latest trends in crisis management around the world. We distribute regional editions of safety manuals that consider risks unique to individual countries and regions, and moreover, conduct security checks for particularly high-risk countries and regions.

In addition to crisis management measures implemented so far in preparation for natural disasters, accidents, terrorist activities and pandemics, we intend to formulate systems to manage other critical risks we have identified in the course of our risk management activities.

BCM (business continuity management) Initiatives

To minimize the impact of natural disasters and other crises on management, all Group companies in Japan and overseas are steadily putting together and developing business continuity plans (BCP) to ensure business continuity as well as swift recovery. Moreover, starting from fiscal 2019, we are going beyond just recovery at the plants to begin initiatives for ensuring business continuity management that involves entire supply chains.

Introducing a Crisis Management System

The Group has decided to introduce a crisis management system from January 2019 to swiftly and effectively check the safety of employees as well as for any damage to the plants during an actual or impending crisis. The information is shared among management executives to help them take appropriate initial action. The system not only has functions for checking safety and business location damage, but gives all relevant staff timely access to disaster, safety, and other risk information.

Information Security

We regard information security as one of our top priorities in terms of CSR management, and consider personal information in particular to be one of our most important information assets. That is why we make every effort to minimize the risk of information being leaked, lost or damaged.

The focus of our information security activities is on improving information infrastructure, taking into account business continuity in the event of a large-scale disaster, and on reinforcing technical measures and implementing new management systems, with support from the Information Security Panel, a subdivision of our CSR Committee.

In terms of technical measures, we are working to improve protective measures to avoid damage as a result of attacks targeting known vulnerabilities, while also implementing risk mitigation measures against new threats such as targeted attacks, by expanding multi-layer protection and detecting damage early on.

Infections from computer viruses such as ransomware have seen an uptick in recent years. To deal with this threat, we have promoted increased vigilance at Mitsubishi Materials and all group companies, and introduced a system to forcibly apply software patches and updates to address vulnerabilities, even at overseas group companies.

On the management side, we are making every effort to maintain and enhance security levels through repeated implementation of the PDCA cycle in areas such as performance evaluations and employee education.

Moving forward, we will continue to examine and implement a range of technical measures against rapidly advancing security threats at the appropriate level and in a comprehensive and efficient fashion.