

# Corporate Governance Report

Last Update: June 21, 2019

Mitsubishi Materials Corporation

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The corporate governance of Mitsubishi Materials Corporation (the “Company”) is described below.

## I. Basic Approach to Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

### 1. Basic Approach

We have established a corporate philosophy, vision, values and code of conduct that apply to the entire Mitsubishi Materials Group, and make best effort to further the sustainable development of the company 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. We will endeavor to further improve the corporate governance through implementation of each principle thereof, in adherence with the purpose of the establishment of the corporate governance code.

### [Reasons for Non-compliance with the Principles of the Corporate Governance Code]

We have implemented all provisions of each principle of the corporate governance code.

### [Disclosure Based on the Principles of the Corporate Governance Code] **Updated**

[Principle 1-4: Strategic share holdings]

(1) Policy regarding strategic holdings of listed shares

Mitsubishi Materials Group is an integrated business entity involved in Advanced Products, Metalworking Solutions, Metals, Cement and other businesses, and we have established business partnerships and trade relations in many fields. We will acquire and hold shares in the form of strategic share holdings if we deem it would contribute to the enhancement of corporate value, based on a comprehensive review of the necessity of maintaining and strengthening such

business partnerships and trade relations, as well as our business strategy from a medium- to long-term perspective

Further, in consideration of the above-mentioned various factors and trends in equity markets, we will reduce the strategic holding of shares whose continued holding is deemed to lack meaningfulness, such as where the importance of the business partnership and trade relations with the relevant issuing company have faded due to a change in the business environment surrounding Mitsubishi Materials Group.

## (2) Results of the Board of Directors' evaluation of strategic share holdings

After specific and careful examination at meetings of the Board of Directors about the importance of all listed shares held by the Company in the form of strategic share holdings for business partnerships and trade relations, as well as our business strategy, we conduct examinations and evaluations as to the appropriateness of such holdings based on a comprehensive review of factors such as whether the benefit and risks associated with the holding are commensurate with the capital cost.

As a result, a certain level of importance in terms of the business partnerships and trade relations, as well as our business strategy, has been recognized as to all of such listed shares, and it was confirmed that such holdings would contribute to the medium- to long-term enhancement of the corporate value of Mitsubishi Materials Group. Further, it turned out that the total of the profits to be gained from transactions and dividend yield would exceed the capital cost as to all strategic share holdings.

As to some shareholdings that are not commensurate with the capital cost, we will continuously review the appropriateness of such shareholdings in light of their importance for business partnerships and trade relations, as well as our business strategy.

## (3) Principles for exercise of voting rights as to strategic share holdings

In exercising the voting rights of any of shares held in the form of strategic share holdings, we will comprehensively consider whether or not the proposal would lead to enhancement of medium- to long-term corporate value and the impact on our business, fully respecting the issuing company's management policy, etc., without making a decision only as a matter of form based on any uniform standard. We may vote against a proposal that is considered not to lead to enhancement of the medium- to long-term corporate value of the issuing company or to have a significant negative impact on our business.

### [Principle 1-7: Transactions between related parties]

With respect to competitive transactions by Directors/Executive Officers and conflict-of-interest transactions between the Company and Directors/Executive Officers, we will conduct advance deliberations and make reports on the actual results of approved transactions (if any) at meetings

of the Board of Directors, in accordance with the provisions of laws and regulations and the Board of Directors Rules. Further, any transaction between the Company and any major shareholder over a certain amount shall be deliberated at a meeting of the Board of Directors in advance, in accordance with the provisions of the Board of Directors Rules.

[Principle 2-6: Fulfillment of function as corporate pension funds owner]

The Company has been developing the asset mix of pension funds based on the risk and return at different times, in order to ensure the payment of pensions in the future. Pension Committee, comprised of the Executive Officer in charge of Finance & Accounting (General Manager, Corporate Strategy Div.) and the Executive Officer in charge of Human Resources (General Manager, Human Resources & General Affairs Div.) or the Executive Officers' Meeting members as well as the personnel with knowledge and experience of fund management and human resource system planning, conduct periodic monitoring as to the investment status of the pension funds, and consider the review of the asset mix, and then the Executive Officers' Meeting determines the same after deliberation. In order to perform appropriate fund management, we conduct comprehensive evaluation and monitoring as to the institution entrusted with the investment by means of the combination of a quantitative evaluation and qualitative evaluation.

[Principle 3-1: Fulfillment of information disclosure]

(1) Management philosophy, management strategy and management plan

(a) Management philosophy

Based on Mitsubishi Materials Group's Corporate Philosophy "For People, Society and the Earth," our Vision is "We will become the leading business group committed to creating a sustainable world through materials innovation, with the use of our unique and distinctive technologies, for People, Society and the Earth."

In order to realize such Corporate Philosophy and Vision, Mitsubishi Materials Group believes that "Values" should be respected and the "Code of Conduct" should be complied with as a rule, both of which are established.

For details, please refer to our website.

<http://www.mmc.co.jp/corporate/ja/company/policy.html>

(b) Management strategy and management plan

In May 2017, we revised our Long-term Management Policy for the next 10 years and also established the Medium-term Management Strategy (fiscal 2018-2020).

<Long-term Management Policy>

In an effort to realize our Vision, we have put in place Medium- to Long-term Targets (the Company in the future) and the Group-wide Policy as the Long-term Management Policy as

follows:

Medium- to Long-term Targets (the Company in the future)

- Leading company in domestic and overseas key markets
- Achieving high profitability and efficiency
- Achieving growth that exceeds the market growth rate

Group-wide Policy

- Optimization of business portfolio
- Comprehensive efforts to increase business competitiveness
- Creation of new products and businesses

<Medium-term Management Strategy>

In the Medium-term Management Strategy for fiscal 2018 to 2020, we promote the Group-wide Policy set forth in the Long-term Management Policy, as well as specific measures under the following four key strategies:

- Achieving growth through innovation
- Creating value by building a recycling-oriented society
- Increasing the Company's market presence through investment for growth
- Increasing efficiency through continuous improvement

For details, please refer to our website.

<http://www.mmc.co.jp/corporate/ja/company/strategy.html>

(2) Basic approach to and policy on corporate governance

Please refer to "I.1. Basic Approach" in this Report.

(3) Remuneration for Directors and Executive Officers

Please refer to "II.1. Remuneration for Directors and Executive Officers," "Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods" of this Report.

(4) Nomination of Candidates for Director and the Election and Dismissal of Executive Officers

Mitsubishi Materials is an integrated business entity involved in Advanced Products, Metalworking Solutions, Metals, Cement and other businesses, and our basic approach to the structure of the Board of Directors, which fulfills the roles of determining 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, the Nomination Committee endeavors to nominate and select individuals of exceptional insight and character as candidate directors, regardless of attributes such as gender or nationality. Candidates for Outside Director should be individuals who will supervise the appropriateness of Directors and Executive Officers 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

regarding the management of the Company based on expert knowledge, extensive experience, and broad, advanced insight that differs from those of Directors who have advanced internally, or possess expert knowledge, extensive experience, and broad, advanced insight in relation to finance and accounting, financial affairs, legal matters, administrative affairs, or science and technology, etc. These candidates are nominated by the Nomination Committee with reference to standards for determining independence.

Conversely, proposals are made to the General Meeting of Shareholders concerning the dismissal of Directors for those deemed to not satisfy the abovementioned policy for nomination as determined by the Nomination Committee.

Further, persons well-versed in company management and the business activities of the Company shall be elected as Executive Officers responsible for the execution of business tasks, regardless of individual attributes concerning gender and nationality, etc. Following reviews by the Nomination Committee, said candidates for Executive Officer shall be elected based on a comprehensive review into the candidate's biography, achievements, specialist knowledge, and other capabilities by the Board of Directors.

Conversely, Executive Officers deemed to not satisfy the requirements of this selection policy shall be dismissed on the decision of the Board of Directors following a review by the Nomination Committee.

#### (5) Explanations of individual election, dismissal, and nomination

In case of the nomination of candidates for Directors and the election or dismissal of Directors, Executive Officers, the reason for each election, dismissal or nomination is disclosed on the Company's website.

<http://www.mmc.co.jp/corporate/ja/company/governance.html>

Further, the reason for the nomination of each of the candidates for Directors is described in the Notice of the General Meeting of Shareholders as well.

[Supplementary Principle 4-1-1: Matters to be resolved at the meetings of the Board of Directors, Etc.]

The Board of Directors shall determine matters which may have a serious impact on the management of the Group, such as the basic policy of the Company's management - in accordance with the provisions of laws and regulations, the Articles of Incorporation and the Board of Directors Rules - in order to achieve the sustainable development of the Group and maximize corporate value, and the standards for such determination are clearly set forth in the Board of Directors Rules. The determination and execution of matters for the Company's operations, etc. not determined by the Board of Directors are entrusted to the Executive Officers and are determined by the Executive Officers' Meeting, General Managers of each Business Division or Corporate Division, etc., in accordance with the Company's internal regulations

concerning decision-making authority. Further, the execution of the Company's operations, etc. determined by the Executive Officers' Meeting, etc. shall be reported to and supervised by the Board of Directors.

[Principle 4-9: Standards for determining independence and qualifications of Independent Outside Directors]

The Company shall nominate individuals who fulfill the requirements for Outside Directors under the Companies Act and the standards for independence established by the relevant financial instruments exchange as Independent Outside Directors.

[Supplementary Principle 4-11-1: Perspective on the balance, diversity and scale of knowledge, experience and ability of the Board of Directors as a whole]

The Company is an integrated business entity involved in Advanced Products, Metalworking Solutions, Metals, Cement and other businesses, and we have a plan to ensure the balance as well as the diversity of knowledge, experience and ability of the Board of Directors as a whole by constituting the Board of Directors with Directors (other than Outside Directors) who have considerable knowledge and experience, as well as a high level of specialist capabilities, in the management of each Business/Corporate Division, and several Outside Directors who are well-informed about company management or have expert knowledge and extensive experience, as well as broad and advanced insight, in relation to finance and accounting, financial affairs, legal matters, administrative affairs, science and technology, etc.

It is provided for in its Articles of Incorporation that the Company shall have not more than 15 Directors, as the Company believes that such scale is appropriate for swift decision-making and efficient management while ensuring the above-mentioned balance, etc.

[Supplementary Principle 4-11-2: Status of concurrent post of Directors at other listed companies]

The important positions of other organizations concurrently assumed by each Director are disclosed in the Business Report and the Notice of the General Meeting of Shareholders every year.

[Supplementary Principle 4-11-3: Analysis and evaluation of the effectiveness of the Board of Directors]

The Board of Directors evaluates the role, composition, management method, etc. of the Board of Directors on an annual basis, based on which the effectiveness of such is analyzed and evaluated at meetings of the Board of Directors.

The method applied to evaluate the effectiveness of the Board of Directors in fiscal 2019, and a summary of the results of such are outlined below.

1. Method of analysis/evaluation

Answers to a questionnaire distributed to the nine Directors and five Audit & Supervisory Board Members in January 2019 were retrieved.

Based on the results of this questionnaire, a review of the effectiveness of the Board of Directors was conducted at a meeting of the Board of Directors held in February 2019, with a resolution

reached on evaluations of the effectiveness of the Board of Directors in fiscal 2019 at a meeting of the Board of Directors held in March 2019.

Further, in consideration of efforts to enhance the Group governance system, including in relation to quality control, this questionnaire was implemented with additional questions referencing the views of external organizations.

## 2. Fiscal 2019 questionnaire items

The core questionnaire items are as follows.

### (1) Effectiveness of management monitoring

- Matters pertaining to the enhancement of Group governance systems, including quality control, and other compliance-related issues, etc.

### (2) Matters considered particularly important for improving corporate value

- Matters pertaining to advisory committees, strategic share holdings and management strategies, etc.

### (3) Monitoring of issues in consideration of evaluations of the effectiveness of the Board of Directors for fiscal 2018

- Matters pertaining to the composition of the Board of Directors, the frequency of meetings, proposals and discussion materials, etc.

## 3. Summary of fiscal 2019 evaluation results

As a result of deliberations by the Board of Directors, the Board of Directors was able to verify that it achieved a sufficient level of effectiveness for fiscal 2019.

### (1) Effectiveness of management monitoring

While the view was raised that there was a sufficient level of discussion by the Committee for Monitoring of Measures to Enhance Governance in relation to measures to enhance Group governance system, including quality control, some opinions were raised that there was further room for improvement with regard to the means of provision and content of information provided to the Board of Directors from this Committee, and in terms of the time allotted for discussion by the Board of Directors.

In view of this feedback, the Board of Directors will look to taking further steps to improve the effectiveness of management monitoring measures.

### (2) Matters considered particularly important for improving corporate value

The feedback provided showed that while proper reports on the cost of capital, the setting of appropriate indicators, and strategy decisions were being provided to the Board of Directors, there was room for further improvement in relation to the frequency, method and content of reports concerning the progress of the Medium-term Management Strategy, and the response to such, and of strategies concerning business portfolio reviews, etc.

In view of this feedback, the Board of Directors will review the appropriate means of supervising strategies in relation to the Medium-term Management Strategy and reviews of the business portfolio, etc.

### 3) Monitoring of issues in consideration of evaluations of the effectiveness of the Board of Directors for fiscal 2018

With regard to proposals that should be put before the Board of Directors for debate, responses showed that there was room to review the standards set for discussions based on the importance of proposed matters, and that there was further room for improvement in terms of preparing materials that focus on key matters up for discussion.

In view of this feedback, the Board of Directors will review appropriate items for discussion by the Board of Directors, and the form in which materials should take in order to facilitate smoother discussion.

Looking ahead, the Board of Directors will keep making continuous efforts toward further effectiveness improvements, including in relation to the above matters.

[Supplementary Principle 4-14-2: Policy on training for Directors]

We will provide Directors with the opportunity for training by outside experts as necessary so that they can acquire the knowledge to carry out their functions and duties (including legal responsibilities) at the time of and after their assumption of office. We will provide Outside Directors with the opportunity to obtain a deeper understanding of Mitsubishi Materials Group's business, finance, organization, etc. Any costs and expenses for the foregoing shall be borne by the Company.

[Principle 5-1: Policy on constructive communication with shareholders]

(1) Framework for promotion

As the Company considers IR activities as important management issues, we appoint the Executive Officer in charge of Finance & Accounting (General Manager, Corporate Strategy Div.) who overseas IR matters and actively promotes communication with shareholders and investors, which is initiated by the Chief Executive Officer and the Executive Officer in charge of Finance & Accounting. Further, in order to ensure the effectiveness of communication and information disclosure, we have set up IR Dept. within the Finance & Accounting Dept. and also have a place for information exchange, on a regular basis, with the Corporate Strategy Dept. and the Legal Dept. and other departments that are relevant to IR activities.

(2) Policy on communication; achievements

In order to achieve the continuous improvement of corporate value over the medium- to long-term through constructive communication with shareholders and investors, the Company readily responds to requests from domestic and foreign institutional investors for individual meetings, and also promotes various approaches through discussions, etc. by the members of the management, including the Chief Executive Officer.

The concrete contents of our approaches through dialogue by the members of the management, including the Chief Executive Officer, are as follows:

- A. Investor conference for analysts and institutional investors (Chief Executive Officer, Executive Officer in charge of Finance & Accounting)
- B. Overseas individual IR (Chief Executive Officer, Executive Officer in charge of Finance & Accounting, etc.)
- C. Attending investment conferences for foreign institutional investors (Executive Officer in charge of Finance & Accounting, etc.)
- D. Business explanatory meetings (Company Presidents and other persons responsible for Business Divisions)
- E. Small meetings with domestic institutional investors (Chief Executive Officer, Company Presidents and other persons responsible for Business Divisions, Executive Officer in charge of Finance & Accounting, etc.)



F. Factory tour (Person responsible of each business location, etc.)

G. Explanatory meetings for individual investors (General Manager, IR Dept., etc.)

(3) Feedback on management

We have established a system of regularly reporting opinions and management issues raised by our shareholders and investors in our daily IR activities to the company's Chief Executive Officer and relevant member of the management. We have also built a structure of adequately applying opinions and management issues raised by our shareholders and investors to our medium-term management strategies and other measures through the participation of the IR section in the process of formulating such strategies and measures.

(4) Management of insider information

We conduct discussions with shareholders and investors, after establishing internal regulations for the management of insider information, appropriately managing insider information and promoting timely disclosure based on our Corporate Philosophy, etc. In addition, the Company prevents insider trading in advance by calling employees' attention to insider trading on a periodic basis and also, for example, providing in-house education as necessary.

## 2. Capital Structure

Percentage of Foreign Shareholders	From 20% to less than 30%
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### [Status of Major Shareholders] **Updated**

Name / Company Name	Number of Shares Owned	Percentage (%)
Japan Trustee Services Bank, Ltd. (Trust account)	8,912,600	6.81
The Master Trust Bank of Japan, Ltd. (Trust account)	8,328,800	6.36
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	5,230,700	3.99
Meiji Yasuda Life Insurance Company	3,101,893	2.37
NORTHERN TRUST CO. (AVFC) RE U.S TAX EXEMPTED PENSION FUNDS	2,857,800	2.18
Japan Trustee Services Bank, Ltd. (Trust account 5)	2,562,300	1.96
MUFG Bank, Ltd.	2,095,430	1.60
JP MORGAN CHASE BANK 385151	1,937,862	1.48
NORTHERN TRUST CO. (AVFC) SUB A/C NON TREATY	1,921,192	1.47
Mitsubishi Heavy Industries, Ltd.	1,900,058	1.45

Controlling Shareholder (except for Parent Company)	_____
Parent Company	None

The status of major shareholders is based on the information as of March 31, 2019.

The above-mentioned “Percentage” was calculated after deducting treasury shares (536,170 shares).

In the Statement of Large-Volume Holdings submitted to the Director-General of the Kanto Finance Bureau by Sumitomo Mitsui Trust Asset Management Co., Ltd. on December 20, 2018, it is stated that Sumitomo Mitsui Trust Asset Management Co., Ltd. and its Joint Holder held the Company’s shares as follows, respectively, as of December 14, 2018. However, as it is not possible for the Company to confirm the number of shares substantially held by such shareholders as of March 31, 2019, the above-mentioned status of major shareholders is set out based on the number of shares held by each shareholder registered in the shareholder registry.

Sumitomo Mitsui Trust Asset Management Co., Ltd. - Number of shares held: 4,801,100 shares; Percentage of shares held to the total number of issued shares: 3.65%

Nikko Asset Management Co., Ltd. - Number of shares held: 1,840,100 shares; Percentage of shares held to the total number of issued shares: 1.40%

Total - Number of shares held: 6,641,200 shares; Percentage of shares held to the total number of issued shares: 5.05%

In the Statement of Large-Volume Holdings (Statement of Changes) submitted to the Director-General of the Kanto Finance Bureau by BlackRock Japan Co., Ltd. on March 22, 2019, it is stated that BlackRock Japan Co., Ltd. and its Joint Holders held the Company’s shares as follows, respectively, as of March 15, 2019. However, as it is not possible for the Company to confirm the number of shares substantially held by each shareholder as of March 31, 2019, the above-mentioned status of major shareholders is set out based on the number of shares held by each shareholder registered in the shareholder registry.

BlackRock Japan Co., Ltd. - Number of shares held: 1,880,400 shares; Percentage of shares held to the total number of issued shares: 1.43%

BlackRock Fund Managers Limited - Number of shares held: 175,673 shares; Percentage of shares held to the total number of issued shares: 0.13%

BlackRock Luxembourg S.A. - Number of shares held: 146,800 shares; Percentage of shares held to the total number of issued shares: 0.11%

BlackRock Life Limited - Number of shares held: 173,000 shares; Percentage of shares held to the total number of issued shares: 0.13%

BlackRock Asset Management Ireland Limited - Number of shares held: 512,318 shares; Percentage of shares held to the total number of issued shares: 0.39%

BlackRock Fund Advisors - Number of shares held: 1,645,600 shares; Percentage of shares held

to the total number of issued shares: 1.25%

BlackRock Institutional Trust Company, N.A. - Number of shares held: 1,781,137 shares;

Percentage of shares held to the total number of issued shares: 1.35%

BlackRock Investment Management (UK) Limited - Number of shares held: 409,513 shares;

Percentage of shares held to the total number of issued shares: 0.31%

Total - Number of shares held: 6,724,441 shares; Percentage of shares held to the total number of issued shares: 5.11%

In the Statement of Large-Volume Holdings (Statement of Changes) submitted to the Director-General of the Kanto Finance Bureau by Silchester International Investors LLP on May 10, 2019, it is stated that Silchester International Investors LLP held the Company's shares as follows as of May 9, 2019. However, as it is not possible for the Company to confirm the number of shares substantially held as of March 31, 2019, the above-mentioned status of major shareholders is set out based on the number of shares held by each shareholder registered in the shareholder registry.

Silchester International Investors LLP - Number of shares held: 12,353,000 shares; Percentage of shares held to the total number of issued shares: 9.39%

### 3. Corporate Attributes

Listed Stock Market and Market Section	First Section, Tokyo Stock Exchange
Fiscal Year-End	March
Type of Business	Nonferrous Metals
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1000
Net sales (consolidated) as of the End of the Previous Fiscal Year	More than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 100 to less than 300

### 4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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### 5. Other Special Circumstances which may have Material Impact on Corporate Governance

Updated

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## II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

### 1. Organizational Composition and Operation

Organization Form	Company with a Nomination Committee
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#### [Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation <span>Updated</span>	15 persons
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board of Directors	Chairman (except for the case where the person concurrently serves as Chief Executive Officer)
Number of Directors <span>Updated</span>	11 persons

#### [Outside Directors]

Number of Outside Directors <span>Updated</span>	6 persons
Number of Independent Directors <span>Updated</span>	6 persons

#### Outside Directors' Relationship with the Company (1) Updated

Name	Attribute	Relationship with the Company*											
		a	b	c	d	e	f	g	h	i	j	k	
Mariko Tokuno	From another company												
Hiroshi Watanabe	From another company												
Hikaru Sugi	From another company								△				
Hiroshi Sato	From another company								△				
Naoto Kasai	Lawyer												
Tatsuo Wakabayashi	From another company								○				

\* Categories for "Relationship with the Company"

\* "○" when the Director presently falls or has recently fallen under the category;

"△" when the Director fell under the category in the past

\* "●" when a close relative of the Director presently falls or has recently fallen under the category;

"▲" when a close relative of the Director fell under the category in the past

a. Executive of the Company or its subsidiaries

b. Non-executive Director or executive of the parent company of the Company

c. Executive of a fellow subsidiary company of the Company

d. A party whose major client or supplier is the Company or an executive thereof

e. Major client or supplier of the Company or an executive thereof

f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides remuneration as a Director

- g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the Director himself/herself only)
- i. Executive of a company, between which and the Company Outside Directors are mutually appointed (the Director himself/herself only)
- j. Executive of a company or organization that receives a donation from the Company (the Director himself/herself only)
- k. Others

Outside Directors' Relationship with the Company (2) Updated

Name	Membership of Committees	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Mariko Tokuno	Nomination/ Remuneration	○	<p>&lt;Concurrent post&gt;</p> <p>Outside Director, Happinet Corporation</p> <p>Outside Director, Yamato Holdings Co., Ltd.</p> <p>Ms. Tokuno was designated as Independent Director of the Company.</p>	<p>As Ms. Tokuno has insight into corporate strategy and general management from a global perspective gained through her extensive experience as a manager of the Japanese operations of leading international firms, she is qualified to be an Outside Director.</p> <p>The Company designated her as Independent Director because she does not violate any of the independency standards established by Tokyo Stock Exchange, Inc. and we considered that she had sufficient independence and therefore was unlikely to have conflicts of interest with general shareholders.</p>
Hiroshi Watanabe	Audit	○	<p>&lt;Concurrent post&gt;</p> <p>President, Institute for International Monetary Affairs</p> <p>Mr. Watanabe was designated as</p>	<p>As Mr. Watanabe has knowledge of domestic and overseas finance, economics and other general aspects of management gained through his experience in key positions</p>

			Independent Director of the Company.	at the Ministry of Finance and government-affiliated financial institutions, he is qualified to be an Outside Director. The Company designated him as Independent Director because he does not violate any of the independency standards established by Tokyo Stock Exchange, Inc. and we considered that he had sufficient independence and therefore was unlikely to have conflicts of interest with general shareholders.
Hikaru Sugi	Nomination/ Remuneration	○	<p>He came from Denso Corporation (he resigned from the office of Executive Vice President of such company in June 2014) and the Company has a business relationship with Denso Corporation related to such activities as the sale of copper cathodes. However, the value of the transactions amounts to less than 1% of our consolidated net sales.</p> <p>Mr. Sugi was designated as Independent Director of the Company.</p>	<p>As he has extensive technical knowledge in development, design and manufacturing processes, and also has insight into corporate strategy from a global perspective and overall management through his experience as a manager of a manufacturer that develops its business all over the world, he is qualified to be an Outside Director.</p> <p>The Company designated him as Independent Director because he does not violate any of the independency standards established by Tokyo Stock Exchange, Inc. and we considered that he had sufficient independence and therefore was unlikely to have conflicts of interest with general shareholders.</p>

Hiroshi Sato	Audit	○	<p>He came from Mitsubishi Steel MFG. Co., Ltd. (he resigned from the office of Managing Director of such company in June 2017) and the Company has a business relationship with Mitsubishi Steel MFG. Co., Ltd. related to such activities as the purchase of raw materials. However, the value of the transactions amounts to less than 1% of our consolidated net sales.</p> <p>Mr. Sato was designated as Independent Director of the Company.</p>	<p>As he has insight in finance, accounting and other aspects of corporate management from his experience as a corporate auditor at a financial institution and in management at a manufacturer, and has taken part in overall audit of Mitsubishi Materials Group as an Outside Audit &amp; Supervisory Board Member since June 2017, he is qualified to be an Outside Director.</p> <p>The Company designated him as Independent Director because he does not violate any of the independency standards established by Tokyo Stock Exchange, Inc. and we considered that he had sufficient independence and therefore was unlikely to have conflicts of interest with general shareholders.</p>
Naoto Kasai	Audit	○	<p>&lt;Concurrent post&gt; Representative Lawyer, Kasai Sogo Law Office</p> <p>Mr. Kasai was designated as Independent Director of the Company.</p>	<p>As he has long experience of working as a lawyer and broad perspectives supported by his broad knowledge of the law, and has taken part in overall audit of Mitsubishi Materials Group as an Outside Audit &amp; Supervisory Board Member since June 2014, he is qualified to be an Outside Director.</p> <p>The Company designated him as Independent Director</p>

				because he does not violate any of the independency standards established by Tokyo Stock Exchange, Inc. and we considered that he had sufficient independence and therefore was unlikely to have conflicts of interest with general shareholders.
Tatsuo Wakabayashi	Nomination/ Remuneration	○	<p>&lt;Concurrent post&gt; Chairman, Mitsubishi UFJ Trust and Banking Corporation</p> <p>He serves as a managing executive at Mitsubishi UFJ Trust and Banking Corporation (MUTB) (Chairman) and the Company has a business relationship with MUTB related to such activities as entrustment of the Company's pension funds. However, the value of the transactions amounts to less than 2% of our consolidated net sales. Moreover, the Company has no business relationship with MUTB relating to the borrowing of funds.</p> <p>Mr. Wakabayashi was designated as Independent Director of the Company.</p>	<p>As he has insight in finance, accounting and other aspects of corporate management from his experience as a manager of a financial institution, and has taken part in overall audit of Mitsubishi Materials Group as an Outside Audit &amp; Supervisory Board Member since June 2018, he is qualified to be an Outside Director.</p> <p>The Company designated him as Independent Director because he does not violate any of the independency standards established by Tokyo Stock Exchange, Inc. and we considered that he had sufficient independence and therefore was unlikely to have conflicts of interest with general shareholders.</p>



## [Committees]

Committee's Composition and Attributes of Chairperson Updated

	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Chairperson
Nomination Committee	5	0	2	3	Outside Director
Remuneration Committee	5	0	2	3	Outside Director
Audit Committee	5	3	2	3	Outside Director

## [Executive Officers]

Number of Executive Officers Updated 10 persons

Status of Additional Duties Updated

Name	Representative Authority	Additional Duties as Director			Additional Duties as Employee
			Nomination Committee Member	Remuneration Committee Member	
Naoki Ono	Yes	Yes	Yes	Yes	No
Osamu Iida	Yes	No	No	No	No
Yasunobu Suzuki	No	No	No	No	No
Kazuhiro Kishi	No	No	No	No	No
Makoto Shibata	No	Yes	No	No	No
Shinichi Nakamura	No	No	No	No	No
Yoshikazu Yasui	No	No	No	No	No
Susumu Sasaki	No	No	No	No	No
Tetsuro Sakai	No	No	No	No	No
Shogo Yamaguchi	No	No	No	No	No

## [Auditing Structure]

Appointment of Directors and/or Employees to Support the Audit Committee Updated Appointed

Matters Related to the Independence of Such Directors and/or Employees from Executive Officers Updated

- The Audit Committee may give instructions to the department in charge of internal audits if doing so is required to carry out its job description.
- The head of the department in charge of internal audits and the employees to support the Audit Committee shall give preference to the instructions of the Audit Committee if there is an inconsistency between the instructions given by the Audit Committee and those given by the

Executive Officer with respect to the duties of the Audit Committee.

- The head of the department in charge of internal audits shall obtain the approval of the Audit Committee with respect to the reallocation of any employee to support the Audit Committee and shall discuss with the Audit Committee about personnel performance evaluation.

Cooperation among Audit Committee, Accounting Auditor and Internal Audit Department **Updated**

In addition to conducting joint audits with the department responsible for internal audits after conferring on the audit plans for both at the beginning of the term, the Audit Committee engages in audits in close cooperation with the department responsible for internal audits, receiving reports from said department on audit results on a regular basis, sharing this information, and receiving reports on the status of the execution of duties from the department responsible for internal control, etc.

Further, the Audit Committee regularly receives reports from Accounting Auditor on audit results, shares this information, and engages in audits in close cooperation with said Accounting Auditor after conferring on the audit plans for both with Accounting Auditor.

#### **[Independent Directors]**

Number of Independent Directors	6 persons
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Matters relating to Independent Directors

The Company designates all of the Outside Directors who satisfy the requirements for Independent Directors as Independent Directors.

#### **[Incentives]**

Incentive Policies for Directors and/or Executive Officers	Performance-linked Remuneration
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Supplementary Explanation **Updated**

Bonuses and stock-based remuneration are paid as remuneration linked to corporate performance. For details, please refer to “II.1. Remuneration for Directors and Executive Officers,” “Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods” of this Report.

Recipients of Stock Options	
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Supplementary Explanation

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[Remuneration for Directors and Executive Officers]

Disclosure of Individual Directors' Remuneration	No Individual Disclosure
Disclosure of Individual Executive Officers' Remuneration <span>Updated</span>	No Individual Disclosure

Supplementary Explanation Updated

The total amount of remuneration for 12 Directors (four of whom are Outside Directors) was 413 million yen for fiscal 2019 and the breakdown thereof is as follows:

1. Fixed remuneration: 318 million yen (56 million yen of which was paid to Outside Directors)
2. Performance-linked remuneration: 94 million yen (only for Full-time Directors)

(Note) The above includes three Directors who resigned during fiscal 2019. Further, "fixed remuneration" includes stock-based remuneration of 28 million yen. As the Company changed to a Company with a Nomination Committee following the approval for said proposal at the 94th Ordinary General Meeting of Shareholders held on June 21, 2019, no remuneration, etc. was provided to Executive Officers for fiscal 2019.

Policy on Determining Remuneration Amounts and Calculation Methods Updated

Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

As of June 2019 we made it a basic policy to appropriately link the remuneration for Directors and titled Operating 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 was highly objective. Remuneration was comprised of a basic fixed component as well as a bonus that was linked to performance. Further, the maximum monthly amount of the basic remuneration to Director remuneration was set at 49 million yen (6 million yen for Outside Directors), with the maximum annual bonus amount for the same was set at 170 million yen based on the resolution passed by the General Meeting of Shareholders.

The amount of the basic remuneration was determined in accordance with the title and individual performance of each Director or Operating Officer. A portion of basic remuneration was 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 could not be sold at least during each director's and operating officer's term of office. This aimed 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, was 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 important indicators tied to the evaluation of corporate value, and taking into consideration individual performance. Although no target metrics were set concerning bonuses for the fiscal year as a formula tied to performance in relation to net income attributable to owners of parent and consolidated ordinary income was already applied, 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 comprised only a fixed amount, which is determined in light of individual circumstances based on internal regulations approved by the Board of Directors.

While these basic policies were determined by the Board of Directors, on June 22, 2018, the Company established the “Committee for Nomination and Compensation” as a consultative body to the Board of Directors in order to ensure the transparency and objectivity of the Board of Directors’ decisions regarding the election and dismissal of Directors and Operating Officers, as well as their remuneration. The Committee for Nomination and Compensation met six times in fiscal 2019 to review the Directors and Operating Officers remuneration system and standards, etc. based on this basic policy.

Further, with the Company changing to a Company with a Nomination Committee following the approval for said proposal at the 94th Ordinary General Meeting of Shareholders held June 21, 2019, the policy concerning the determination of remuneration for Directors and Executive Officers, and individual remuneration decisions will be made by the Remuneration Committee. The Remuneration Committee has determined Director and Executive Officer remuneration from July 2019 in accordance with the abovementioned policy. Looking ahead, the Remuneration Committee will deliberate on the ideal format for Directors and Executive Officers remuneration to take, appropriate standards for remuneration and policies for determining Directors remuneration with a view to applying such findings from the fiscal year starting April 1, 2020.

#### **[Supporting System for Outside Directors] Updated**

The Secretariat of the Board of Directors and the secretariat of each Committee assist Outside Directors by providing explanations and information, etc. as necessary through coordination with each other. As for the Audit Committee, an organization that was set up within the departments responsible for internal audits to assist with the duties of the Audit Committee supports the Members of the Audit Committee.

Further, in order to contribute to appropriate opinions and decisions as Outside Directors, materials concerning matters to be discussed at a meeting of the Board of Directors are distributed in advance and prior explanations are given as necessary when a meeting of the Board of Directors is held.

**[Retired Representative Director Presidents holding advisory positions]**

Information on retired Representative Director Presidents holding advisory positions

Name	Job title/ position	Responsibilities	Employment terms (Full/part time, with/without remuneration, etc.)	Date when former role as President ended	Term
Yumi Akimoto	Honorary Executive Councillor	External activities as officers, etc. of industry organization/ public institution	Part-time Without remuneration	June 29, 2000	Undetermined
Akira Nishikawa	Honorary Executive Councillor	External activities as officers, etc. of industry organization/ public institution	Part-time Without remuneration	June 29, 2004	Undetermined
Akihiko Ide	Honorary Executive Councillor	External activities as officers, etc. of industry organization/ public institution	Part-time Without remuneration	June 29, 2010	Undetermined
Hiroshi Yao	Executive Advisor	External activities as officers, etc. of industry organization/ public institution Fostering and providing instructions to management executive candidate	Full-time With remuneration	March 31, 2015	Maximum age is provided.

Number of retired Presidents holding advisory positions

4 persons

Others

1. Neither Honorary Executive Councillor nor Executive Advisor is involved in the decision making of the Company.
2. In the above column "Date when former role as President ended," the date on which he resigned from the office of President of the Company is stated.

## 2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System) Updated

### - Overview of Corporate Governance

#### (Board of Directors)

The Board of Directors determines matters which may have a serious impact on the management of the Group, such as the basic policy of the Company's management - in accordance with the provisions of laws and regulations, the articles of incorporation and the Board of Directors Rules - in order to achieve the sustainable development of the Group and maximize corporate value. Further, the Board of Directors monitors the performance of business tasks by Directors and Executive Officers, and works to ensure shareholder value over the mid- to long-term.

The Board of Directors is comprised of 11 Directors (including six Outside Directors), and the Chairman of the Board of Directors is performed by the Chairman of the Company.

In fiscal 2019, the meetings were held 17 times (Directors' rate of attendance: Mr. Akira Takeuchi 100%; Mr. Naoki Ono 100%; Mr. Makoto Shibata 100%; Mr. Hiroshi Kubota 100%; Mr. Soichi Fukui 100%; Ms. Mariko Tokuno 100%; Mr. Hiroshi Watanabe 100%; Mr. Hikaru Sugi 100%; Mr. Hiroshi Sato 100%; Mr. Naoto Kasai 94%; Mr. Tatsuo Wakabayashi 100% (As the Company changed to a Company with a Nomination Committee following the approval for said proposal at the 94th Ordinary General Meeting of Shareholders held on June 21, 2019, the rate of attendance of Mr. Hiroshi Sato, Mr. Naoto Kasai and Mr. Tatsuo Wakabayashi indicates the attendance rate as an Audit & Supervisory Board Member)).

#### (Nomination Committee)

The Nomination Committee determines the content of proposals, etc. concerning the election and dismissal of Directors to be submitted to General Meetings of Shareholders. In addition to this, the Nomination Committee reviews and responds to inquiries from the Board of Directors concerning the election and dismissal, etc. of Executive Officers.

The Nomination Committee is comprised of five Directors (including three Outside Directors), and the Chairman of the Nomination Committee is performed by an Outside Director.

#### (Audit Committee)

The Audit Committee audits the legality and validity of duties performed by Directors and Executive Officers, either via internal audits conducted by the department in charge of internal audits, or directly by the Audit Committee member selected by the Audit committee.

The Audit Committee is comprised of five Directors (including three Outside Directors), and the Chairman of the Audit Committee is performed by an Outside Director.

The Audit Committee also elects three Full time Member of the Audit Committee in order to improve the effectiveness of audits conducted by the Audit Committee.

(Remuneration Committee)

The Remuneration Committee sets policies for determining individual remuneration received by Directors and Executive Officers, and determines the individual remuneration received by Directors and Executive Officers based on these policies.

The Remuneration Committee is comprised of five Directors (including three Outside Directors), and the Chairman of the Remuneration Committee is performed by an Outside Director.

(Executive Officer)

Executive Officers perform business tasks according to the segregation of duties set, based on the transfer of authority from the Board of Directors.

The Company has 10 Executive Officers, of which the Chief Executive Officer Naoki Ono, and the Executive Vice President and Executive Officer Osamu Iida, are elected as Representative Executive Officers upon the decision of the Board of Directors.

(Executive Officers' Meeting)

Following the transfer of authority from the Board of Directors, Executive Officers' Meetings review and determine important matters concerning the management of the entire Group.

Executive Officers' Meetings are attended by all 10 Executive Officers, and the Chairman of the Executive Officers' Meeting is performed by the Chief Executive Officer.

(Committee for Monitoring of Measures to Enhance Governance)

The Committee for Monitoring of Measures to Enhance Governance monitors the status of "the Restructuring Measures of the Governance Framework for Quality Control in the Mitsubishi Materials Group" and "Mitsubishi Materials Group Governance Framework Enhancement Measures" from a more independent position than management, as well as providing necessary advice and proposals on related issues to the Board of Directors.

The Committee for Monitoring of Measures to Enhance Governance is comprised of three Outside Directors and one outside expert, and is headed up by an Outside Director.

In fiscal 2019, the meetings were held six times (Members' rate of attendance: Ms. Mariko Tokuno 100%; Mr. Hiroshi Watanabe 100%; Mr. Hikaru Sugi 100%; Mr. Kazuaki Takenaka 100%). At the meetings of the Committee, mainly the status of said measures was reviewed and problems were pointed out among other things. Further, in addition to the holding of the meetings of the Committee, each Member visited business sites of the Company and our subsidiaries 10 times to confirm the steady implementation of said measures.

- Status of audits, internal audits and accounting audits by the Audit Committee

(Status of audits performed by the Audit Committee)

In addition to attending meetings of the Executive Officers Committee and other important

meetings, members of the Audit Committee conduct interviews with Directors, Executive Officers, departments in charge of internal audits and other departments in charge of internal control concerning progress on the execution of their duties, and view important approval documentation, etc. Select members of the Audit Committee investigate the state of business and assets at the Company headquarters and important business sites according to the audit standards and audit plans, etc. of the Audit Committee as established by the Audit Committee, and conduct visiting audits of subsidiaries, etc. as needed, as well as forming a framework for conducting audits of the state of the execution of duties by Directors and Executive Officers.

Additionally, the Audit Committee holds regular meetings with Corporate Auditors at major Group companies as part of efforts to enhance coordination of audit systems in line with Group management measures in place.

An organization has been set up within departments responsible for internal audits to assist the Audit Committee in its duties concerning such audits performed by members of the Audit Committee.

Mr. Hiroshi Sato, Full-time Member of the Audit Committee, worked at The Mitsubishi Bank, Ltd. (currently MUFG Bank, Ltd.) from 1980 to June 2011 (including the period as a Standing Audit & Supervisory Board Member) and has extensive experience at a financial institution and insight into general management. Further, Mr. Hiroshi Kubota, Full-time Member of the Audit Committee, after joining Mitsubishi Mining & Cement Co., Ltd. in 1981, worked in departments related to finance and accounting and was involved mainly in the account closing procedures and preparation of financial statements, etc.

#### (Status of internal audits)

The Internal Audit Dept., which is consisted of the General Manager and other 23 employees as of June 21, 2019, responsible for conducting internal audits works on the instructions of the Chief Executive Officer in cooperation with the Audit Committee to investigate whether internal control systems are configured and applied in an appropriate manner, and audit the effectiveness and efficiency of company operations across the Group, the credibility of financial reports, the state of asset preservation and use, the risk management status, and the state of compliance with laws and regulations, and internal rules and standards, based on internal audit plans approved by the Chief Executive Officer and the Audit Committee.

Further, in addition to conducting joint audits with the department responsible for internal audits after conferring on the audit plans for both at the beginning of the term, the Audit Committee engages in audits in close cooperation with the department responsible for internal audits, receiving reports from said department on audit results on a regular basis, sharing this information, and receiving reports on the status of the execution of duties from the department responsible for internal control, etc.

Additionally, the Audit Committee regularly receives reports from independent accountants on audit results, shares this information, and engages in audits in close cooperation with said



independent auditors after conferring on the audit plans for both with independent auditors.

(Status of accounting audits)

(1) Composition of assistants for audit work

Mr. Tetsuzo Hamajima (continuous audit for three years), Mr. Yoshiaki Uesaka (continuous audit for five years), and Mr. Koichiro Takano (continuous audit for six years), three Certified Public Accountants belonging to KPMG AZSA LLC (all of whom are Designated Limited Liability Partners and Engagement Partners), performed the audit work. The assistant team for audit work consisted of eight Certified Public Accountants and 25 other persons.

(2) Policy and reason for selection of auditing firm

Based on the standards for evaluation and selection of Accounting Auditor established by the Audit Committee, it comprehensively evaluates the audit plans, quality control system, independence, expertise and remuneration, etc. of Accounting Auditor after obtaining materials from Executive Officers, related departments in the Company and Accounting Auditor and receiving reports necessary for determination.

(3) Policy on dismissal or non-reappointment

Except in cases of dismissal of the Accounting Auditor by the Audit Committee as stipulated in Article 340 of the Companies Act, the Audit Committee shall as a general rule decide on an agenda item regarding the decision not to reappoint or to dismiss the Accounting Auditor in the event it is recognized that it is difficult for the Accounting Auditor to execute its duties appropriately. Based on this decision, the Board of Directors shall propose this at the General Meeting of Shareholders.

(4) Evaluation of the Accounting Auditor by the Audit Committee

The Audit Committee shall determine said reappointment of the Accounting Auditor after careful examination based on the above-mentioned standards for evaluation and selection of the Accounting Auditor.

- Content and outline of the Limited Liability Agreement with Outside Directors

Provisions of the Articles of Incorporation allow the Company to execute with Directors (excluding those who are Executive Directors, etc.) agreements limiting liability for damages in accordance with Article 427, Paragraph 1 of the Companies Act. In accordance with the provisions, the Company has concluded Limited Liability Agreements with all of the Non-executive Directors. The outline of the agreements is as follows:

With respect to liability as described in Article 423, Paragraph 1 of the Companies Act, if Directors (excluding those who are Executive Directors, etc.) perform their duties in good faith and without

gross negligence, the Directors shall be liable to the Company for damages only to the extent of minimum liability as set out in Article 425, Paragraph 1 of the Companies Act. The Company shall indemnify the Directors for damages in excess of the amount of the liability.

### **3. Reasons for Adoption of Current Corporate Governance System** **Updated**

The Company changed to a Company with a Nomination Committee following the approval for said proposal at the 94th Ordinary General Meeting of Shareholders held June 21, 2019. With the change, we will accelerate business execution and decision making with the transfer of authority to Executive Officers, while strengthening the Board of Directors' management supervisory functions and improving the management transparency and fairness. Further, Outside Directors play a role in supervising the appropriateness of Directors and Executive Officers in the execution of their duties from an objective standpoint and in providing a diverse range of values regarding the management of the Company based on expert knowledge and through experience that differs from that of officers who advanced internally.

### III. Implementation of Measures for Shareholders and Other Stakeholders

#### 1. Measures to Vitalize the General Meeting of Shareholders and Smooth Exercise of Voting Rights Updated

	Supplementary Explanations
Early Notification of General Meeting of Shareholders	The Company sends convocation notices of General Meetings of Shareholders before the deadline designated by law. Please note that on May 31, 2019, the Company sent the convocation notice for the 94th Ordinary General Meeting of Shareholders held on June 21, 2019.
Scheduling General Meeting of Shareholders Avoiding the Peak Day	A General Meeting of Shareholders was held on June 21, 2019.
Allowing Electronic Exercise of Voting Rights	Since the 80th Ordinary General Meeting of Shareholders held on June 29, 2005, the Company has had in place a system to exercise voting rights by electromagnetic means (Internet). Further, since the 82nd Ordinary General Meeting of Shareholders held on June 28, 2007, the Company has been participating in the Electronic Voting Platform for Institutional Investors operated by ICJ, Inc.
Participation in Electronic Voting Platform	Since the 82nd Ordinary General Meeting of Shareholders held on June 28, 2007, the Company has been participating in the Electronic Voting Platform for Institutional Investors operated by ICJ, Inc.
Providing Convocation Notice in English	We are endeavoring to make disclosure to overseas/foreign investors by placing information on our English website, the Timely Disclosure network (TDnet) operated by Tokyo Stock Exchange, Inc. or the Electronic Voting Platform for Institutional Investors operated by ICJ, Inc.
Other	We have been posting convocation notices on our website since the 78th Ordinary General Meeting of Shareholders held on June 27, 2003. The convocation notice for the 94th Ordinary General Meeting of Shareholders held on June 21, 2019 was posted on our website prior to sending it out.

## 2. IR Activities Updated

	Supplementary Explanations	Whether or not any explanation was provided by the representative
Preparation and Publication of Disclosure Policy	Our IR policy is posted on our website.	
Regular Explanatory Meetings for Individual Investors	The Company holds company information sessions for individual investors all over Japan on a periodic basis with the General Manager, IR Dept., etc. as explainers.	No
Regular Investor Conferences for Analysts and Institutional Investors	The Company holds a telephone conference and IR conference for analysts and institutional investors with the Chief Executive Officer, the Executive Officer in charge of Finance & Accounting (General Manager, Corporate Strategy Div.), etc. as explainers, after the full-year financial results and the 2nd quarter financial results and holds a telephone conference with the Executive Officer in charge of Finance & Accounting, etc. as explainers after the 1st and the 3rd quarter financial results. Further, the Company holds explanatory meetings for individual business from time to time.	Yes
Regular Explanatory Meetings for Foreign Investors	The Company holds explanatory meetings regarding management conditions and each business for foreign investors on a periodic basis with the Chief Executive Officer, the Executive Officer in charge of Finance & Accounting, etc. as explainers.	Yes
Posting of IR Materials on Website	On our website, we post summaries of financial results, annual reports, materials for investor conference for analysts and institutional investors, materials for company information sessions for individual investors, reports (materials for results briefing sent to shareholders), securities reports and integrated reports, as well as timely disclosure materials required by the listing rules of stock exchanges, etc.	

Establishment of Department and/or Executive Officer in Charge of IR	The Company has appointed the Executive Officer in charge of Finance & Accounting who supervises IR matters, and also established an IR Dept. within the Finance & Accounting Dept., Corporate Strategy Div. and designated the full-time staff members.	
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### 3. Measures to Ensure Due Respect for Stakeholders Updated

	Supplementary Explanations
Stipulation of Internal Regulations for Respecting the Position of Stakeholders	They are set forth in our Corporate Philosophy, CSR Direction, etc. Our CSR Direction, etc. are available on our website.
Implementation of Environmental Activities, CSR Activities etc.	In 2005, the Company established the CSR Committee and also established the CSR Office (currently the CSR Dept., Governance Div.) as a specialized section thereof. Further, we designate a CSR Managing Director, CSR Director and CSR Manager in each department of the Company and its subsidiaries, and all of the companies in Mitsubishi Materials Group are working on ensuring the complete implementation of risk management and compliance initiatives. In addition, we have formed an Environmental Management Panel as the subordinate organization of the CSR Committee to work on environmental preservation, etc. As for the activities concerning the above, we publish Integrated Reports, CSR Data Books, etc. and disclose them on our website.
Development of Policies on Information Provision to Stakeholders	They are set forth in our Corporate Philosophy, CSR Direction, etc. Our CSR Direction, etc. are available on our website.

#### IV. Matters Related to the Internal Control System

##### 1. Basic Approach to Internal Control System and the Progress of System Development

###### Updated

We recognize that in order to attain our business purpose, management plan, etc., the establishment of appropriate internal control systems is the key task of the Company. With such recognition, we have been promoting improvements to our internal control systems by developing the following structures based on the Companies Act and the Regulation for Enforcement of the Companies Act, through the establishment and operation of internal regulations, etc. We will review said systems as necessary, and will make every effort to operate them more effectively.

1. Systems to ensure the execution of duties by Executive Officers and employees in conformity with laws and the Articles of Incorporation

(1) The Company shall determine the Corporate Philosophy, etc. as the supreme common rule of Mitsubishi Materials Group, and also shall put in place internal regulations to establish a compliance system.

(2) The Company shall determine through the Board of Directors, the Executive Officers' Meeting and other committees, etc. the details for the execution of duties by the Executive Officers and employees in accordance with laws, the Articles of Incorporation and internal regulations, etc. In addition, the legal department and the related departments shall carry out the preliminary review of specific significant matters.

(3) The Company shall appoint an Officer from among its Executive Officers to oversee matters relating to compliance and establish a committee related to CSR (corporate social responsibility) and a department responsible for compliance, and shall also enforce cross-divisional compliance promotion activities (including internal education) for the whole Company based on the policies, plans, etc. to be established for each fiscal year.

(4) The Company shall establish a reporting desk to deal with particulars related to problems that may arise over compliance.

(5) The Company shall enforce periodical auditing concerning the state of compliance in each department by the department in charge of internal audits.

(6) In accordance with our Corporate Philosophy, etc., the Company shall establish internal structures to ensure appropriate actions under its policy of resolutely rejecting any involvement whatsoever with anti-social forces.

2. Systems for preservation and management of information related to the execution of duties of Executive Officers

The Company shall properly preserve and manage the minutes of the Executive Officers' Meeting and other significant information, based on laws, the Articles of Incorporation and internal

regulations, etc.

### 3. Regulations and other systems concerning risk management

(1) The Company shall deliberate carefully on significant matters through the Board of Directors, the Executive Officers' Meeting and other decision-making bodies based on laws, the Articles of Incorporation, internal regulations, etc. In addition, the Company shall carry out the preliminary review of significant matters through legal and other related departments based on the internal regulations and others in order to identify risks and prevent risk elicitation and manifestation.

(2) The Company shall determine the internal regulations, policies and plans, etc. related to general risk management. In addition, the Company shall appoint an Officer from among its Executive Officers to oversee matters relating to risk management and establish a committee related to CSR and a department responsible for risk management and shall enforce cross-divisional risk management promotion activities for the whole Company.

(3) The Company shall determine various internal regulations and others and enforce suitable management concerning individual risks, including financial transaction risk, credit transaction risk and information leakage risk.

(4) The Company shall enforce suitable management based on the laws and ordinances concerning work-related accidents.

(5) The Company shall build a communication system with the aim of preventing damage from accidents on a massive scale, natural disasters or terrorism, and establish an organization to respond to such events.

(6) The Company shall enforce periodical auditing concerning the state of risk management in each division by the division in charge of internal audits.

### 4. Systems to ensure efficient execution of duties by Executive Officers

(1) The Company has chosen to be a Company with a Nomination Committee among the governance systems under the Companies Act and will accelerate decision making with the appropriate transfer of authority to Executive Officers with respect to decisions on matters concerning the execution of duties. The Company will establish the rules for official authority and decision making based on the areas of responsibility of each Executive Officer and internal regulations.

(2) The Company shall determine the management plan, allocate suitable management resources and authority among the divisions controlled by each Executive Officer to achieve the plan, and require those divisions to formulate their own specific plans. In addition, the Executive Officers shall suitably verify the progress state of the plan of each division and take appropriate measures when necessary.

(3) The department in charge of internal audits shall conduct periodic auditing concerning the efficiency of the execution of duties of the Executive Officers and each division.

5. Systems to ensure appropriate operations by the corporate group comprising the Company and its subsidiaries

(1) The Company shall aim to establish corporate ethics and build a Group compliance and risk management system (including an internal education system) through the promotion of activities and behaviors, etc. toward compliance and risk management by the Group, including subsidiaries, based on the Corporate Philosophy, etc. and internal regulations, etc. that are applied consistently throughout the Group.

(2) Concerning each subsidiary, the Company shall aim to improve the soundness and efficiency of management of the subsidiary, and by extension the whole Group, by determining a response liaison department within the Company. The concerned department shall consult and exchange information with the subsidiary concerning specific significant matters.

(3) The Company shall establish various regulations related to internal controls concerning financial reporting. The Company shall also establish assessment mechanisms for those internal controls and build a system to ensure the accuracy of the Group's financial reports.

(4) In addition to the above-mentioned (1), (2) and (3), the Company shall enforce periodic auditing concerning compliance, risk management and the efficiency of management of subsidiaries by the department in charge of internal audits of the Company.

6. Matters concerning Directors and employees assigned to assist the Audit Committee, matters concerning the independence of such Directors and employees from Executive Officers, and matters concerning ensuring the effectiveness of instructions provided by the Audit Committee to such Directors and employees

(1) The Company shall establish a department to assist with the operations of the Audit Committee within the department in charge of internal audits. Further, the Company shall assign necessary personnel as employees to assist with the operations of the Audit Committee within such department.

(2) The Audit Committee may give instructions to the department in charge of internal audits when necessary for the performance of duties.

(3) The head of the department in charge of internal audits and the employees assigned to assist with the duties of the Audit Committee shall give preference to the instructions of the Audit Committee if there is an inconsistency between the instructions given by the Audit Committee and those given by the Executive Officer with respect to the operations of the Audit Committee.

(4) The head of the department in charge of internal audits shall obtain the approval of the Audit Committee with respect to the reallocation of any employee who is assigned to assist with the operations of the Audit Committee and shall discuss with the Audit Committee about personnel performance evaluation.



7. Systems for reporting to the Audit Committee and for ensuring that people making reports shall not experience disadvantageous treatment as a result of this reporting

(1) The Directors (excluding those who are Members of the Audit Committee), Executive Officers and employees shall swiftly report appropriate information to the Audit Committee in accordance with the method stipulated in laws and the internal regulations of the Company, in the case where there is considerable damage to the Company's operations in areas for which they are responsible or the possibility of significant impact on the Company. In addition, the same shall apply in the event that the Audit Committee requests a report about business operations.

(2) In the event of a report by a Director, Executive Officer, Audit & Supervisory Board Member or employee, etc. of the Company or its subsidiary to the reporting desk on a compliance-related problem, the department in charge of the reporting desk shall in principle report the content of such report to the Full-time Member of the Audit Committee.

(3) The department in charge of internal audits of the Company shall report to the Audit Committee important items heard from Directors, Executive Officers, Audit & Supervisory Board Members and employees, etc. of the Company and its subsidiaries, as well as important items from audit results. As for the matters determined to be necessary for the operations of the Audit Committee, the department in charge of such matters shall make a periodic report.

(4) The Company and its subsidiaries shall ensure that the people reporting to the Audit Committee (including people reporting indirectly through others) would not be treated unfavorably because of such reporting by including provisions to such effect in the internal regulations, etc.

8. Matters concerning policies related to the handling of expenses or obligations incurred during the execution of duties by the Members of the Audit Committee

Any Member of the Audit Committee may request the Company in advance to pay expenses, etc. deemed to be necessary for the execution of its duties. Further, any Member of the Audit Committee may request the Company after the fact to reimburse any expense paid out on an emergency or temporary basis. The Company shall pay expenses necessary for the execution of duties of the Members of the Audit Committee upon request by any of such Members.

9. Other systems to ensure effective auditing by the Audit Committee

(1) The Audit Committee shall exchange opinions with the Executive Officers, including the Chief Executive Officer, the department in charge of internal audits and other departments necessary for the execution of duties of the Audit Committee, as well as the Accounting Auditor, etc., periodically and when deemed necessary.

(2) The Full-time Members of the Audit Committee shall be provided with the opportunity to attend the Executive Officers' Meeting and other significant meetings of the Company, and the Company shall establish systems to enable each Member of the Audit Committee to review, through the

internal information system, the materials and minutes of any significant meetings related to the execution of business duties.

## **2. Basic Approach to Eliminating Anti-Social Forces**

### **(1) Basic approach to eliminating anti-social forces**

In the Company's Corporate Philosophy, etc., it is stated that the Company will not have any relationship with anti-social forces and will take a firm stance against any illegal or unreasonable demand. Further, the same policy is stated in the above-mentioned outline for the development of internal control systems as well.

### **(2) Status of development of systems toward eliminating anti-social forces**

The Company has determined the Executive Officers in charge of the elimination of anti-social forces and the department in charge of handling such matters, and has also established a company-wide organizational structure by designating the person responsible and the persons in charge of such matters at each business location and subsidiaries. In terms of concrete measures, the Company has established response manuals and has been working to make such measures widely known by providing education in its internal training, etc. In addition, the Company has been working with the competent police station and related entities and also endeavors to collect information by exchanging information with other companies on a periodic basis.

## V. Other

### 1. Adoption of Takeover Defense Measures

Adoption of Takeover Defense Measures Updated	Not Adopted
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Supplementary Explanation Updated

At the 91st Ordinary General Meeting of Shareholders held on June 29, 2016, the Company received the approval of the shareholders on the “the Countermeasures to Large-Scale Acquisition of the Company’s Shares (Takeover Defense Measures).”

At the meeting held on April 25, 2019, the Board of Directors passed a resolution not to renew and to abolish said Takeover Defense Measures at the close of the 94th Ordinary General Meeting of Shareholders held on June 21, 2019. Therefore, the effective period of such measures expired upon the close of such Ordinary General Meeting of Shareholders.

### 2. Other Matters Concerning to Corporate Governance System

#### 1. Fundamental policies for timely disclosure

We shall contribute to the optimization of securities trading and shall ultimately maintain our social trust in the securities markets, by establishing internal regulations based on our Corporate Philosophy, etc. to ensure the timely implementation of disclosure and prevent insider trading and by other means.

#### 2. Response procedures concerning timely disclosure

The Company designated the General Manager, Legal Dept. as the person responsible for the management of internal information and has him/her handle matters concerning timely disclosure, and perform timely disclosure in accordance with the following response procedures.

##### (1) Collection of information

If any of the officers and employees of the Company and its consolidated subsidiaries come to know any important information concerning the Company, they shall immediately report such fact to the person responsible for the management of internal information. Further, as for the matters to be discussed at the Board of Directors meetings, etc., detailed information on such matters shall be input in the “Legal Filing System” controlled by the Legal Dept., Corporate Strategy Div.

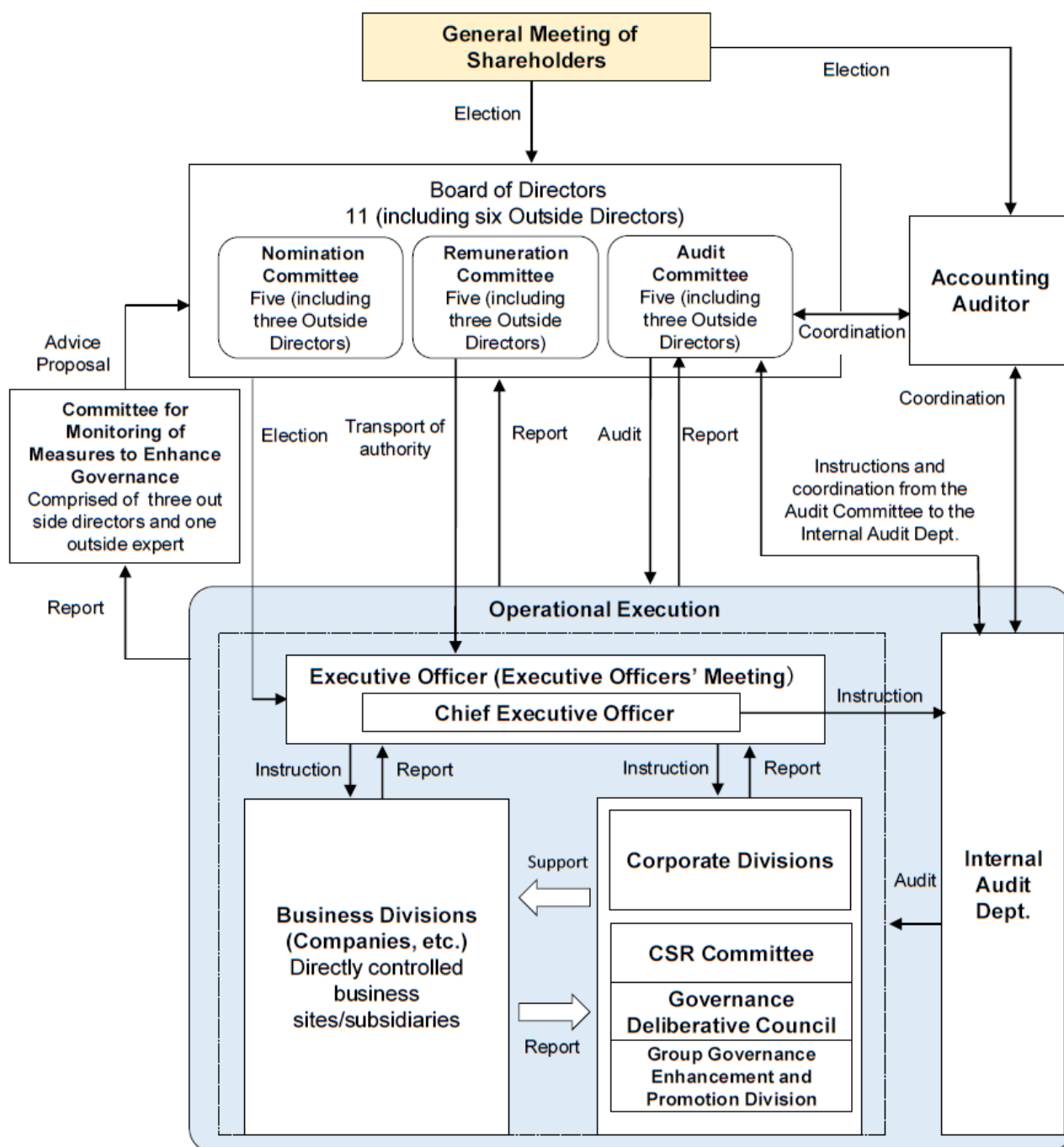
##### (2) Determination on information

Any collected corporate information shall be considered to determine whether or not any timely disclosure should be made by Legal Dept., Corporate Strategy Div. through consultation with Finance & Accounting Dept. of the same division and the Corporate Communications Dept., General Affairs Dept., Human Resources & General Affairs Div. and other related departments. The person responsible for the management of internal information shall make the determination on whether or not any timely disclosure should be made while complying with the relevant provisions determined by the stock exchanges.

(3) Implementation of disclosure

Under the instructions of the person responsible for the management of internal information, appropriate and timely disclosure of information shall be made by Legal Dept., Corporate Strategy Div.

## (Mitsubishi Materials Corporation – Overview of Corporate Governance System)



(Mitsubishi Materials Corporation - Summary of Internal Structures for Timely Disclosure)

