



December 16, 2020

To All Concerned Parties

Company name Mitsubishi Materials Corporation
Representative Naoki Ono, Chief Executive Officer
(Securities code: 5711, First Section, Tokyo Stock Exchange)
Contact for inquiries Yuji Omura, General Manager, Corporate
Communications Dept.
(Tel: +81-3-5252-5206)

**Notice Regarding Submission of
the Second Quarterly Securities Report for the Fiscal Year Ending March 31, 2021**

Mitsubishi Materials Company (the “Company”) received approval on the extension of the submission of the second quarterly securities report for the fiscal year ending March 31, 2021 with December 16, 2020, being the deadline as stated in the “Notice Regarding the Approval of Extension of Deadline for Submission of the Second Quarterly Securities Report for the Fiscal Year Ending March 31, 2021” announced on November 13, 2020. The Company hereby announces the submission of the above quarterly securities report to the Kanto Local Finance Bureau.

It is announced as follows regarding the results of investigations on the cases at Robertson’s Ready Mix (“RRM”), and others which became a reason to extend the deadline, and impacts on consolidated financial statements.

The Company extends its sincere apology for causing inconvenience and anxiety to its shareholders, investors and all relevant parties.

1. Outline

Regarding the transactions between (a) RRM in which the Company holds the equity interest through MCC Development Corporation (a consolidated subsidiary in which the Company holds 70% shares located in the US; hereinafter referred to as “MCCD”), RRM Properties, Ltd. and Robertson’s Transport, Ltd. (all of which are consolidated subsidiaries of the Company located in the US; hereinafter collectively referred to as “RRMs”) and (b) the companies in which some senior executives of RRM have jointly invested (the “Case”), the Company and MCCD cooperated to engage independent outside experts who have no interest in MCCD and RRM to undertake investigations into the facts of the Case, including interviews with the parties related to the Case, digital forensic investigations and detailed examinations of the relevant documents such as accounting data, and investigated the existence of inappropriate transactions other than the Case. The Company also conducted investigations on the existence of similar cases in the Company group. The details and an outline of the results of these investigations are as follows.

(1) Investigation of the Case

(i) Details of the investigation

The Company conducted investigations into the facts of the Case, such as the persons involved in the Case and details of the transactions, by interviews with RRM’s employees including RRM’s senior executives who were involved in the Case; investigation into past transaction records; and digital forensic investigations.

(ii) Results of the investigation

It was clarified that since 2014, conflict-of-interest acts have been conducted between RRM and 12 companies (the “12 Related Parties”) all or part of whose capital has been directly or indirectly invested by seven senior executives and one ex- senior executive of RRM (hereinafter collectively referred to as the “Investigation Subjects”). Transactions in which conflict-of-interest acts are confirmed to have been conducted can roughly be classified as follows:

- a. Transactions regarding fixed assets such as trucks, trailers, and other heavy machinery;
- b. Transactions regarding inventory (including parts such as aggregates (materials for ready-mixed concrete) and tires); and
- c. Transactions regarding services such as aggregate transportation, temporary worker dispatch, road cleaning, and waste concrete fracturing.

The total amount of consideration paid by RRM to the 12 Related Parties under these conflict-of-interest transactions is approximately USD 122 million. Under these transactions, it has been revealed that the 12 Related Parties overcharged RRM for the purchased products/services as compared with their market prices or as compared with purchase prices of similar products/services. The amount of their financial impact on RRM is USD 19.68 million; and their impact on the Company’s consolidated financial statements is minor, as detailed in 2. below.

(2) Verification of whether there were any inappropriate transactions other than the Case within RRM

(i) Details of the investigation

From among RRM’s customers other than the 12 Related Parties, the Company extracted suppliers and so on with a sharp increase in the amount of transactions during certain periods based on past transaction records. Then the Company investigated whether there were any inappropriate transactions by investigating past transaction records and by digital forensic investigations; further, the Company investigated whether there were any other inappropriate acts, by digital forensic investigations.

(ii) Results of the investigation

Twenty companies were extracted as suppliers with a sharp increase in the amount of transactions during certain periods. However, it was found that there were no suspicious transactions that could be financially material. Furthermore, no other inappropriate acts were identified.

(3) Verification of whether there were any similar cases within the Company group

(i) Details of the investigation

From among all of the Company’s consolidated subsidiaries, the Company selected 53 companies such as companies that rank high in sales and account for 95% of the Company’s consolidated sales, by deeming them as highly important companies in terms of the Company’s consolidated accounting. Then the Company extracted and investigated the subject companies based on the following criteria (the number in parentheses is the number of extracted companies):

- a. The Company individually conducted a written investigation of all the full-time directors and company auditors (collectively “Officers”) of subsidiaries within which the number of full-time Officers dispatched by the Company, or by companies that have been the Company’s subsidiaries for a sufficient period of time (15 years), is less than 1/4 of all full-time Officers (nine companies).
- b. From among the nine companies described in a. above, the Company conducted an investigation of its subsidiary (one company) regarding which the Company has not been able to conduct an on-site audit since FY 2018. Specifically, the Company investigated the data regarding the subsidiary’s transactions with companies such as those with which the subsidiary has large amounts of accounts receivable or accounts payable; further, the Company checked whether any of the Officers of the subsidiary have assumed the office of Officer of the customer of the subsidiary.

※ Although the on-site audit of the one company described in b. above was scheduled to be conducted in the previous fiscal year, it was postponed due to the spread of the COVID-19 infection.

(ii) Results of the investigation

No transaction that is suspected to be a conflict-of-interest act has been identified in any of the companies investigated as described in a. and b. above; further, no fact has been verified that any of the Officers of the subsidiary described in b. above have assumed the office of Officer of any of its important customers.

2. Financial Impact and Amendment to Summary of Financial Results for Previous Fiscal Year

The total amount of financial impact on RRM due to the Case is USD 19.68 million (impact related to fixed assets: USD 7.85 million; impact related to inventory: USD 5.84 million; and impact related to services: USD 5.98 million) being the prices paid by RRMs to 12 Related Parties that were found to have been overcharged. The overcharged amount was calculated by multiplying the amounts paid by RRMs to the 12 Related Parties by a certain rate (which was calculated by comparison of the purchase prices so paid with the market prices or the purchase prices of similar products).

MCCD will report the overcharged amount of fixed assets that were purchased by RRMs through transactions with the 12 Related Parties and recorded as assets at the end of its second quarter (including those purchased during the previous fiscal year) as expenses for the second quarter and amend the overcharged amount reported as manufacturing cost for the current fiscal year to be non-operating expenses. The amount of impact on MCCD’s financial statements due to this amendment will be as follows (“Δ” refers to negative impact):

Tangible fixed assets:	ΔUSD 5.4 million
Operating income:	+USD 2.7 million
Income before tax:	ΔUSD 5.4 million
	(of which, that for the past fiscal year: ΔUSD 4.3 million)
Net income:	ΔUSD 3.9 million
	(of which, that for the past fiscal year: ΔUSD 3.1 million)

The amount of impact on the Company’s financial statements due to these amendments is as follows: total assets will decrease by 576 million yen; operating income will increase by 298 million yen; ordinary income will decrease by 582 million yen; and net income for the period attributable to shareholders of the parent company will decrease by 293 million yen.

Since the amount of impact by amendments in the settlement of accounts for the previous and current fiscal years is minor and less important, we will not amend the summary of financial results, securities

report and quarterly report for the previous fiscal years, and the summary of financial results and quarterly report for the first quarter of the year ending March 2021.

3. Cause and Recurrence Prevention Measures

(1) Cause of incidence of the Case

The Company considers the cause of incidence of the Case as follows:

- (i) RRM was originally a so-called owner-managed company, and a company that grew by concentration of authority in the president and top-down management. Thus, since RRM became a wholly-owned subsidiary of MCCD in 2012, MCCD and RRM Development (MCCD's subsidiary incorporated for management of RRM, among others, and the Company's consolidated subsidiary, "RRMD") minimized involvement in RRM to maintain a climate that supported RRM's success up to that period. Thus, even though RRM was authorized to sanction capital investments, and certain amount limitations were imposed, comparative liberty was granted to daily business execution. As a result, the roles to check RRM's senior executives could not be performed.
- (ii) Even though there were opportunities to receive periodic reports on management conditions from RRM, the Company did not fully ascertain the realities within RRM.
- (iii) Within RRM, there was a climate of concentration of authority in senior executives and following the top person's instructions.
- (iv) There were no clear internal rules prohibiting a conflict-of-interest transaction, and the whistle-blowing system was not sufficient, either.

(2) RRM recurrence prevention measures

In consideration of 3. (1) above, RRM, MCCD and RRMD shall implement recurrence prevention measures below. The Company shall provide necessary support to that end.

· Enhancement of compliance system at RRM

Establish a management team at RRM and have it conduct an advance review of material matters sanctioned by senior executives, and this has already been implemented. The management team comprises members dispatched from MCCD Shareholders and MCCD.

Also, in order to prevent unfair transactions, RRM shall have a compliance officer ("CO") and necessary staff. CO shall be authorized to enhance processes including confirmation of Holding Concurrent Position and Transactions with Related Parties, and confirmation of status of new business partners and existing business partners, enhancement of internal control and preparation of necessary internal rules, implementation of compliance education, and investigation of whistle-blowing cases, and conduct a fraud audit, etc.

· Establishment of external contact window for reporting

Establish external contact window for reporting with attorneys-at-law being the contact window at RRM.

· Renovation and enhancement of management system at RRM

MCCD dispatched the CEO and CFO to RRM.

RRMs' management control shall be enhanced by MCCD Shareholders dispatching senior executives to RRMD and RRM in the future.

- Enhancement of MCCD and RRMD board of directors' effectiveness

MCCD and RRMD board of directors shall engage in revision of the frequency of holding a board of directors meeting, the matters for deliberation, and enhancement of conversations with executives at subsidiaries to better ascertain the management realities of their subsidiaries.

(3) Internal control enhancement measures

Cases similar to the Case are not recognized in subsidiaries other than RRM. However, internal control enhancement measures shall be implemented so that prevention and early discovery of wrongdoings by senior executives may be discovered early.

- Enhancement of internal control

Dispatch of several full-time Officers from the parent company or enhancement of supervisory functions of part-time officers dispatched from the parent company, obligating advance notification to the company regarding Holding Concurrent Position and the Related Parties Transaction to the Officers of the Company and subsidiaries, confirmation of the status of Holding Concurrent Position and the Related Parties Transactions thereof, introduction of a whistle-blowing system at overseas subsidiaries, and preparation of internal rules, etc. shall be implemented.

- Enrichment of measures for enhancement of Officers' awareness
- Enhancement of communications between management divisions of the parent company and subsidiaries
- Expansion of internal audit

4. Future Responses

The Company group will steadily implement formulated recurrence prevention measures and internal control enhancement measures, and engage in further enhancement of group governance.

The Company also announced today, the consolidated financial results for the six months ended September 30, 2020, whose announcement was postponed.

End