

March 28, 2018
Mitsubishi Aluminum Co., Ltd.

Preventive Measures for the Misconduct at Mitsubishi Aluminum Co., Ltd.
(“MAC”)

We once again sincerely apologize for the difficulties we have caused to all concerned parties, including our customers and business partners, with respect to the misconduct at our company.

With respect to rewriting of data based on unofficial internal rules of MAC, which was discovered in November 2016 in connection with a quality audit of MAC conducted by Mitsubishi Materials Corporation (“MMC”), MAC immediately abolished the internal rules and had its all customers that had purchased the products subject to rewriting of data confirm safety of such products.

However, a special quality audit conducted by MMC from December 25, 2017 to January 28, 2018 led to the discovery of the fact that certain products that deviated from customer specifications (“Non-Conforming Products”) were shipped due to misconduct. This misconduct included rewriting of data entered in the Test Results Reports, inspection using inappropriate measuring methods and omission to perform some inspections.

Moreover, special audits by MMC and MAC from January 15 to 22, 2018 also discovered the fact that Tachibana Metal Mfg Co., Ltd. (“TKC”), a subsidiary of MAC, shipped Non-Conforming Products due to similar misconduct. This report sets forth a compilation of recurrence preventive measures based on the investigation report of outside counsels submitted to the Special Investigation Committee of MMC (“Investigation Report”) and the results of the internal investigations conducted by MAC and TKC.

Section 1 Root Causes of Misconduct at MAC

MAC had the members of its internal team formulating measures for quality related issues (note) analyze the root causes of the misconduct based on the Investigation Report and the results of the interviews with and questionnaires to MAC employees, and recognizes that the root causes of misconduct are as follows.

(Note: MAC’s internal team formulating measures for quality related issues consists of the President, executives for quality control, quality control divisions and relevant division general managers.)

1) Root causes relating to quality control framework and awareness of quality

- ① The awareness of compliance with contracts and specifications was reduced, and the employees were not thoroughly familiarized with necessary knowledge.
- ② A quality control framework covering the entire MAC Group, including the subsidiaries, was not yet established.
- ③ The human resources of the quality assurance divisions were insufficient.
- ④ There was a quality-related information system which allowed data to be entered manually in the Test Results Report.

2) Root causes relating to business operations

- ① MAC accepted orders beyond its process, inspection and production capabilities, and had the mindset of prioritizing to satisfy delivery dates.
- ② Interactions among divisions, such as sales, manufacturing, inspection, and products research and development, were insufficient.
- ③ A manpower shortage led to work being dependent on individual skills, human resources being fixed and information being personalized.
- ④ Visualization of work was insufficient.
- ⑤ There was a lack of confidence in effectiveness and confidentiality of a whistleblower hotline.

Section 2 Measures to Prevent Recurrence of Misconduct at MAC

In light of the abovementioned causes, MAC will implement the following recurrence preventive measures at MAC and also expand it to the entire MAC Group immediately.

1) Enhancement of front loading (corresponding to Section 1. 2) ① and ②)

- ① Endeavors to enhance its operations based on the front loading methodology under which when a new or continual order is received, various internal meeting bodies, etc. that consist of the products research and development, manufacturing, quality assurance and sales departments, comprehensively consider such factors as the process capability, inspection capability and production capability, and specifically identify the quality assurance capability to the relevant product, and the order is accepted only within such quality assurance capability.
- ② It is believed that the enhancement of the operations based on the front loading methodology will have the effect of activating the exchange of opinions and information among the manufacturing, sales, and products research and development departments through various internal meeting bodies, etc. at various operational

stages.

2) Enhancement of IT control (corresponding to Section 1. 1) ② and ④)

- ① Automatic collection of measured data
Establish a system that does not allow rewriting of measured data entered in the Test Results Reports
- ② Improvement of the Test Results Report issuance system
Establish a system that automatically issues Test Results Reports based on measured data and unify the items displayed in the Test Results Reports
- ③ Development of a database of delivery specifications
Develop a database of customer specifications and establish a system that enables the production-to-inspection system to always operate based on the latest customer specifications

3) Promotion of sharing of quality risk related information (corresponding to Section 1. 2) ②, ③ and ④)

- ① Ensure transparency of information relating to quality control at MAC, endeavor to share information, aim to ensure a high degree of freedom in information communication from lower-ranking employees to higher-ranking employees in the organization, and establish a rule on reporting serious quality risks
- ② Establish a system to share information on Non-Conforming Products data with people up to managers level
- ③ Establish the abovementioned framework that promote information sharing with MAC's Group companies as well

4) Enhancement of the framework and authority of the quality control departments (corresponding to Section 1. 1) ①, ② and ③ and 2) ① and ③)

- ① MAC newly established the Quality Supervisory Department that is responsible for the following functions in July 2017, and the department will be further enhanced going forward.
 - A) Formulate the plans on conducting quality audits in the MAC Group and conduct audits in collaboration with the Internal Audit Department
 - B) Improve quality audits through measures such as increasing the number of days and personnel for quality audits
 - C) Planning and formulating measures, etc. to enhance the quality assurance framework of the MAC Group
- ② Enhance the collaboration with the departments responsible for quality in MMC and

the MAC Group companies through information sharing in a closer manner

- ③ Enhance the independence of the Quality Assurance Department as follows
 - A) End the concurrent serving of manufacturing departments and Quality Assurance Department
 - B) Spin off the Quality Assurance Department from the Manufacturing Engineering Division as from April 2018
 - C) Fully grant the shipment authority to the Quality Assurance Department to ensure that no other departments may be involved in the judgment of whether products may be shipped
- ④ Increase the number of members of the quality control departments through measures such as transfers from other department within the company

5) Clarification of the responsibilities of the on-site managers and necessary knowledge that responsible personnel should have, and ensure that employees are familiarized with such responsibilities and information (corresponding to Section 1. 1) ③ and 2) ④)

Clarify the responsibilities born by on-site managers and the requirements for knowledge and skills that responsible personnel should have, and ensure that employees are familiarized with such responsibilities and information

6) Promotion of personnel rotation (corresponding to Section 1. 2) ③)

Prevent the operations from becoming a black box through personnel exchanges between departments, divisions and MAC Group companies and eliminate walls between divisions

7) Reform of the whistleblower system (corresponding to Section 1. 2) ⑤)

- ① Reform the whistleblower system through measures such as establishing MAC's own whistleblower hotline under the direct control of the President, separately from the whistleblower system established in the MMC Group, and placing a third party such as a law firm as a contact point
- ② Once such whistleblower system is introduced, it will be informed to the MAC Group companies.

8) Utilization of outside consultants (corresponding to Section 1. 1) ① and ③)

Retain an outside consultant to have it provide guidance and advice on the quality control, quality assurance and quality audit work

9) Reform of employees' awareness and corporate culture (corresponding to

Section 1. 1) ①)

Compliance education will be provided as follows as measures to ensure that quality is prioritized and the specifications and contracts are complied with in light of the misconduct at issue.

- A) Provide compliance education regarding quality control in general that includes the examples of how to respond to customers in connection with the misconduct
- B) Endeavor to raise the employees' awareness of quality by ensuring that such compliance education will give employees a realization that the securing of safety and trust and thorough compliance with contracts are essential

Section 3 Causes of Misconduct at TKC

Based on its internal investigation, the Investigation Report and the results of the interviews with and questionnaires to its employees, TKC recognizes that the causes of misconduct are as follows.

1) Root causes relating to quality control

- ① The awareness of compliance with customer specifications was reduced.
- ② The employees were not thoroughly familiarized with necessary knowledge.

2) Root causes relating to quality assurance system

- ① TKC was lagging behind in upgrading quality assurance related equipment.
- ② Personnel and human resources who can conduct testing were insufficient.
- ③ There was no department that specializes in production technologies.

3) Root causes relating to customer response

- ① The process capability was not sufficiently considered when accepting orders.
- ② The product inspection flow was defective in that it allowed the products that had not undergone inspection to be transferred to the shipping procedures.

4) Root causes relating to awareness

The long-lasting misconduct led employees to be dependent on the existing practices without careful consideration.

Section 4 Measures to Prevent Recurrence of Misconduct at TKC

In light of the abovementioned causes, TKC will implement the following recurrence preventive measures with support of MAC.

1) Enhancement of front loading (corresponding to Section 3. 1) ① and 3) ①)

- ① Prepare standard specifications per product (criteria of whether to accept the order) based on TKC's process capability (particularly inspection process capability)
- ② Design a process of determining whether to accept the order at the time of deviation from the standard specifications
- ③ Clarify the framework of relevant departments (e.g. sales, manufacturing, technology and quality assurance) as to the consideration of whether to accept the order
- ④ Clarify the decision-making authority in the process of determining whether to accept the order, and secure decision-making trails
- ⑤ Ensure that delivery specifications are executed and specifications and drawings are maintained and managed

2) Improvement of quality and technology and sharing of necessary knowledge (corresponding to Section 3. 1) ②)

Endeavor to enhance collaboration with MAC, improve the level of quality and technology and share necessary information

3) Enhancement of Human Resources Development Strategy (corresponding to Section 3. 2)② and ③)

Endeavors to enhance the personnel and human resources of the Quality Control Division and the Manufacturing Engineering Division with support of MAC

4) Development of work procedures and familiarization of employees therewith (corresponding to Section 3. 1) ① and ② and 4))

Familiarize employees with on-site work procedures and ensure they strictly follow such work procedures

5) Restructuring of the quality control framework (corresponding to Section 3. 2) ① and ③ and 3) ②)

- ① Spin off the quality assurance division from the current Quality Engineering Department of the Yoro Plant to enhance its authority
- ② Clarify the framework, roles, responsibilities, and authorities pertaining to quality control
- ③ Optimize the product inspection flow
- ④ Fully grant the shipment authority to the quality assurance division to ensure that no other departments may be involved in the judgment of whether products may be shipped
- ⑤ Familiarize employees with the revisions to specifications and standards, clarify the

responsibilities for implementing the revised manuals and revised specifications in the course of on-site work, and enhance the supervision over the implementation status

- ⑥ Formulate and implement an investment plan for necessary upgrading of equipment to maintain quality
- ⑦ Enhance collaboration with the departments responsible for quality in MAC and the MAC Group companies through information sharing in a closer manner
- ⑧ Retain an outside consultant to have it provide guidance and advice on the quality control, quality assurance and quality audit work
- ⑨ Consider a system without human involvement by automating the Test Results Report creation process to the extent possible
- ⑩ Consider centralized management of inspection data using a system

6) Enhancement of quality control education (corresponding to Section 3. 1) ① and ②, 2) ② and 4))

- ① Provide compliance training regarding quality control tailored to the roles, responsibilities and authorities of each level of officers and employees
- ② Conduct an awareness survey to confirm employees' awareness of quality during the training
- ③ Penetrate the importance of quality control, including compliance with specifications and contracts

7) Enhancement of quality risk management (corresponding to Section 3. 3) ① and ② and 4))

- ① Ensure transparency of information relating to quality control at TKC, endeavor to share information, aim to ensure a high degree of freedom in information communication from lower grade people to higher grade people in the organization and establish a rule on reporting serious quality risks
- ② Introduce MAC's system to promote information sharing on Non-Conforming Products data and have such information shared with people up to managers
- ⑤ Promote the use of MAC's whistleblower system

Section 5 Other

We take it very seriously that we have caused the difficulties to all concerned parties, including our customers and business partners, in connection with our recent misconduct, and have decided that the President will voluntarily relinquish 30% of his monthly remuneration for one month in March 2018, and so will the three Managing Director and Managing Executive Officers, for 20% of their respective monthly

remuneration, for one month in March 2018.

Similarly, TKC has decided that the President will voluntarily relinquish 30% of his monthly remuneration in March 2018, and so will the Managing Director and Yoro Plant General Manager, for 20% of their respective monthly remuneration, for one month in March 2018.

The MAC Group as a whole will steadily implement the abovementioned recurrence preventive measures going forward and strive to resolve the present matter at an early date and restore the trust.

END