

The foundation of our value creation

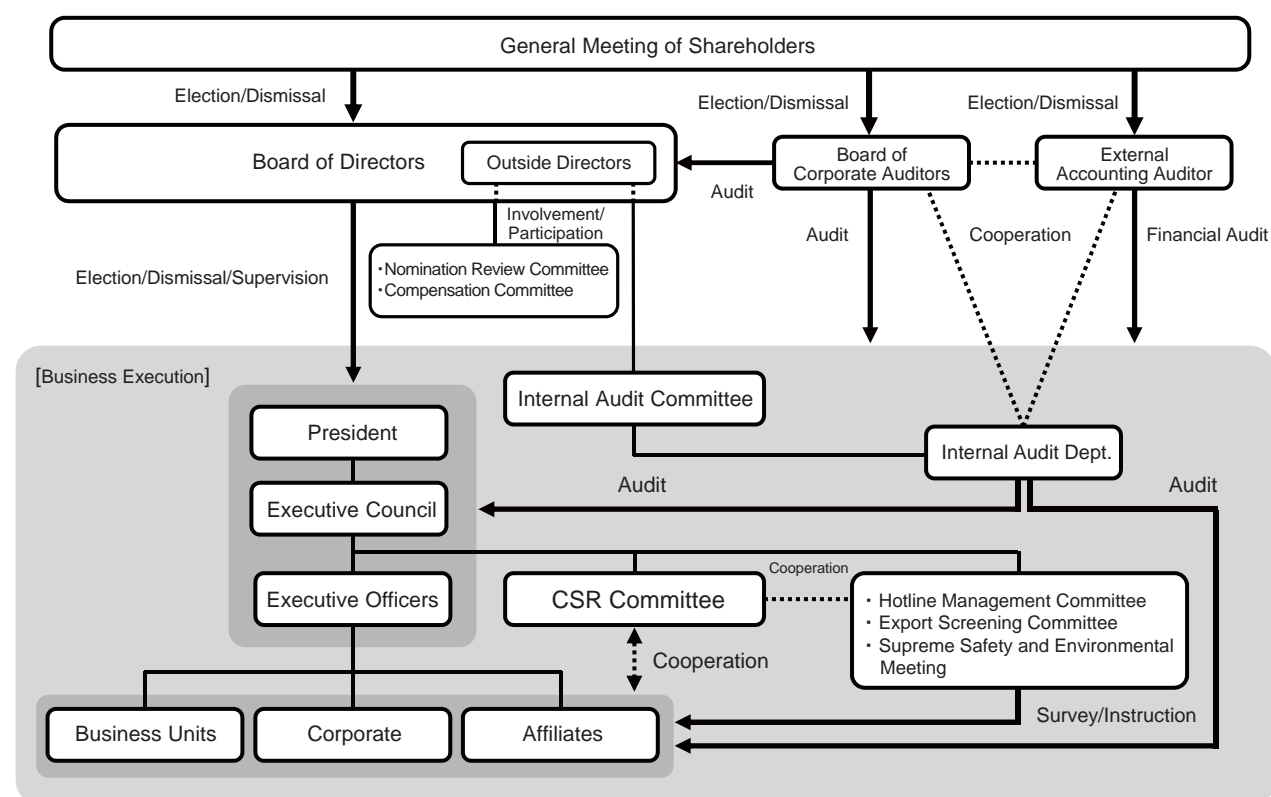
Mitsui Kinzoku recognizes that “corporate governance is a mechanism for ensuring transparent and fair decision-making that proceeds in a prompt and decisive manner, taking into account the standpoints of all stakeholders, including shareholders, customers, employees, and local communities.”

Corporate governance, which is considered one of the most important issues in business management, is about establishing a management organization and mechanism and taking necessary measures to achieve the management philosophy. Corporate governance is the foundation for sustaining the long-term value creation of Mitsui Kinzoku Group.

Corporate Governance System

Mitsui Kinzoku's Board of Directors is comprised of Executive Directors and Outside Directors. This board conducts appropriate and accurate supervision of the business execution performed by the individual Executive Directors. In addition, Corporate Auditors attend the Board of Directors and audit the decision-making process of the board and the performance of duties by the Directors.

Corporate Governance System of Mitsui Kinzoku



Directors and Board of Directors

The Directors supervise the execution of business operations. Important issues are shared in advance among the Directors and discussed deliberately at the meetings of the Board of Directors. In order to make swift decisions and to strengthen the supervision function of the board, the decision-making processes on certain items are entrusted to Executive Officers and their performances are monitored by the board. The term for the board as stated in our articles of incorporation was changed from two years to one year at the general meeting of shareholders held on June 27, 2019. This

change was made in order to clarify the management responsibility and to strengthen corporate governance by increasing the opportunities to ascertain shareholders' confidence in directors.

Executive Officers

The President and Representative Director not only assumes executive management responsibilities, but also executive responsibilities for business operations of Mitsui Kinzoku Group. The Representative Directors and Directors concurrently serve as Senior Executive Officers for Mitsui Kinzoku.

Board of Corporate Auditors and External Accounting Auditor

Corporate Auditors perform audits on the execution performed by the Directors in accordance with the auditing plan determined by the Board of Corporate Auditors. Corporate Auditors strengthen its cooperation with Accounting Auditors by receiving accounting audit plans and audit results, as well as exchanging opinions regularly.

The Corporate Governance Guidelines defining our fundamental principles regarding corporate governance is available on our website.

https://www.mitsui-kinzoku.co.jp/wp-content/uploads/cgguideline_e.pdf

Internal Audit Committee and Internal Audit Dept.

In order to strengthen our internal control function, Mitsui Kinzoku has an Internal Audit Committee chaired by an Outside Director, which reports directly to the board. Internal auditing is also performed by our Internal Audit Department. The Department is equipped with personnel with specialized knowledge to perform audits regarding Mitsui Kinzoku Group's compliance with laws and regulations, as well as the operating situation of the internal control system.

The Internal Audit Committee evaluates the results of the internal audits and confirms the situation on corrective measures of issues pointed out as concern.

Organization Structure

The structure of each organization is as follows;

(As of the end of June 2019 - Number of female directors: 0; Number of female auditors: 1)

Name	Position	Board of Directors	Board of Corporate Auditors	Nomination Review Committee	Compensation Committee	Executive Council	Internal Audit Committee
Keiji Nishida	President and Representative Director	◎ (94%)		○	○	◎	
Takeshi Nou	Representative Director, Managing Director	○ (100%)				○	○
Isshi Hisaoka	Director	○ (100%)				○	
Takashi Oshima	Director	○ (100%)		○	○	○	
Morio Matsunaga	Outside Director	○ (100%)		○	◎		○
Masaharu Miura	Outside Director	○ (100%)*1		◎	○		◎
Akira Yoshida	Corporate Auditor		○ (100%)				
Takashi Kadowaki	Corporate Auditor		◎ (100%)				
Toru Ishida	Outside Corporate Auditor		○ (80%)				
Keiko Takegawa	Outside Corporate Auditor		○ (-%)*2				

◎ = Chairperson ○ = Member of Committee

() = Attendance rate in FY2018 *1 Attendance rate as Auditor *2 Not listed since being newly appointed

※ Auditors attend at the board meetings.

※ Outside Auditors attend at the Nomination Review Committee and Compensation Committee in the role of advisers.

※ The Internal Audit Committee includes the general manager of Internal Audit Dept. as a member and Corporate and Outside Corporate Auditors as observers.

Election of Outside Directors

We take note of ensuring the independence of the supervision and auditing functions from our company and incorporating the perspectives of diverse stakeholders.

Name	Position	Reasons for the Nomination
Morio Matsunaga	Outside Director	Mr. Matsunaga has specialized knowledge of engineering and experience of organizational management as a university professor and the president of a national university corporation. the Company judges that by utilizing his wealth of experience he can further contribute to the strengthening of the Group's management oversight and supervisory functions.
Masaharu Miura	Outside Director	Mr. Miura has a wealth of knowledge and experience in legal circles as a public prosecutor and a lawyer. the Company judges that by utilizing his wealth of experience he can further contribute to the strengthening of the Group's management oversight and supervisory functions
Toru Ishida	Outside Corporate Auditor	Mr. Ishida has held key positions in which he has contributed to development of commerce and industry over the years. He served as Director-General, the Industrial Science and Technology Policy and Environment Bureau, METI and Commissioner, Agency for Natural Resources and Energy, METI and currently serves as President, The Japan Chamber of Commerce and Industry and President, The Tokyo Chamber of Commerce and Industry. The Company judges he can reflect his experience and specialized knowledge in auditing of the Company and believes he is a suitable person for the position of Corporate Auditor.
Keiko Takegawa	Outside Corporate Auditor	Ms. Takegawa served as Director, Public Relations Office and Director General, Gender Equality Bureau at the Cabinet Office and has a wealth of knowledge and experience through her engagement in formulation and implementation of policies such as promotion of women's participation and advancement. Although she has never been directly involved in management of a company, the Company judges that she can utilize her wealth of experience in auditing of the Company and believes she is a suitable person for the position of Corporate Auditor.

(as of June 30, 2019)



Masaharu Miura Outside Director
Isshi Hisaoka Director
Keiji Nishida President and Representative Director
Takeshi Nou Representative Director and Managing Director
Takashi Oshima Director
Morio Matsunaga Outside Director



Akira Yoshida
Corporate Auditor



Takashi Kadowaki
Corporate Auditor



Toru Ishida
Outside Corporate Auditor



Keiko Takegawa
Outside Corporate Auditor

* The profile of Directors and Auditors is listed on pages 88-89.

Election Policy of Directors and Auditors

Mitsui Kinzoku establishes a Nomination Review Committee as an optional organization. The Nomination Review Committee reviews candidates to serve as directors or auditors by their capabilities, knowledge and personalities. Based on the result of the review, those who are deemed capable of satisfactorily fulfilling the responsibilities are named as candidates for nomination by the board.

Compensation Policy of Directors and Auditors

(1) Criteria for determining the amounts of compensation
 The Compensation Committee establish and abolish the standards for determining the amount of compensation for the Directors as well as discusses and decides on the amount of basic compensation and performance-based compensation provided to each Director, which is entrusted by the resolution of the board within the scope decided at the Annual General Meeting of Shareholders. Auditors' compensation will be determined by the conference of Auditors, and the total volume of Auditors' compensation would be within the limit approved at the Annual General Meeting of Shareholders.

(2) Composition of Compensation

Compensation for Directors consists of base compensation and performance-linked compensation. Base compensation is calculated based on the base compensation for the President and by applying the ratio according to the title, taking into consideration the Company's performance, the general level in Japan, and other factors comprehensively. Performance-linked compensation is calculated by using consolidated ordinary income as the performance indicator and is determined (calculated by addition and subtraction) by the evaluation corresponding to the performance of the business for which the Director is responsible. Outside Directors and Auditors who are uninvolved in business execution do not receive performance-linked compensation. The payment ratio of the compensation provided to the

Directors (excluding Outside Directors) has been determined, by way of how the system is designed, as being 60% in basic compensation and 40% in performance-based compensation. However, this is variable in accordance with the performance of the company.

Internal control system

A summary of the decisions made at the meetings of the Board of Directors, regarding the business structure for the appropriate business operation of Mitsui Kinzoku Group in compliance with laws and regulations and the corporate ethics, is available on our website.

<https://www.mitsui-kinzoku.co.jp/en/toushi/management/governance/>

Effectiveness Assessment of the Board of Directors

We assess the effectiveness of the Board of Directors by having a third party conduct hearing with the Directors/Auditors and analyzing the results of the hearings. In FY2018, in addition to addressing the issues pointed out previously, our response was evaluated with respect to the Corporate Governance Code revised in June 2018.

Our initiatives were evaluated to contribute toward enabling vigorous discussions at the meetings of the Board of Directors, such as in increasing the transparency of discussions in the Compensation Committee and in improving the operating procedure of the Board of Directors. Meanwhile, it was identified to improve the ongoing issues regarding the appropriate formulation and supervision of a chief executive officer succession plan and the lack of female executives. We were also notified of new problem in specifying the standards for exercising voting rights in cross-shareholdings. Details of the evaluation results were shared the meeting of the Board of Directors. The Board of Directors will discuss issues that were identified in the effectiveness assessment in order to further improve the functions of the Board.

Total Compensation Paid to Directors and Auditors

Classification	Total Compensation (Million Yen)	Total amount of Compensation by type (Million Yen)		Number
		Base compensation	Performance-linked compensation	
Director (excluding Outside Director)	174	153	21	4
Corporate Auditor (excluding Outside Corporate Auditor)	51	51	-	3
Outside Director/Outside Corporate Auditor	57	57	-	5

Note 1. The 80th regular general meeting of shareholders held on June 29, 2005 decided on the maximum compensation for the Board of Directors as being 60 million yen per month (however, this does not include the salaries of non-director staff on the board).

Note 2. The 80th regular general meeting of shareholders held on June 29, 2005 decided on the maximum compensation for Auditors as being 15 million yen per month.

Note 3. At the meeting of the Board of Directors held on April 22, 2014, it was decided that the Director bonus system will be abolished, and that the Directors' compensation will be calculated by adding to the basic compensation a performance-based compensation that is linked to the business performance, but within the scope of the maximum compensation amount that has already been approved at the 80th regular general shareholders meeting held on June 29, 2005 (however, Outside Directors will only be provided with basic compensation, with no performance-based compensations added). The amount of compensation received by the directors is determined by the Compensation Committee that is chaired by an Outside Director, with committee members including the President, the Director in charge of human resources, and an Outside Auditor in attendance as an adviser.