

Supply chain management

Responsibility for our supply chain

Mitsui Kinzoku Group operates our business activities together with suppliers and customers globally. Therefore, we have to understand the impact of our Group's business in the whole value chain beyond national borders.

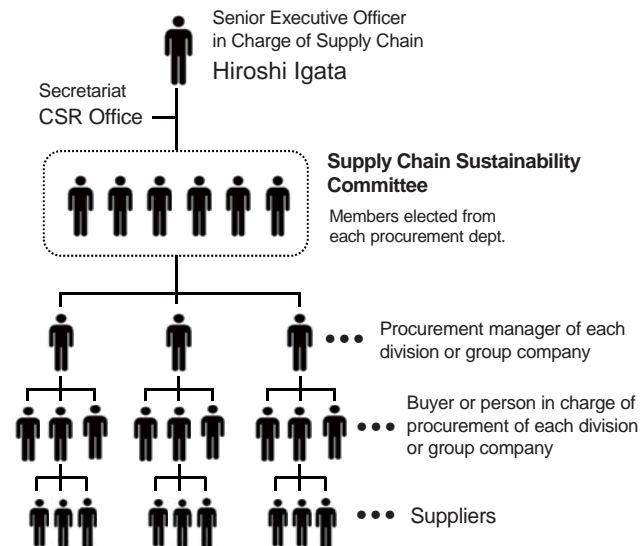
In particular, negative social and environmental impact by our Group's supply chain may pose a risk for the business of Mitsui Kinzoku Group. We will fulfill our responsibilities by implementing initiatives for sustainability in the supply chain according to the requests from our stakeholders including our customers.

The Mitsui Kinzoku Group Procurement Policy

Mitsui Kinzoku Group respects the globally recognized codes and guidance, such as the United Nations Global Compact. We will fulfill our social responsibilities in human rights and labor, health & safety, ethics, and on the environment, based on ensuring legal compliance throughout our procurement activities. Mitsui Kinzoku group's procurement policy has been established as our basic commitment. The policy consists of the basic procurement policy and the Mitsui Kinzoku procurement guidelines that gives specific instructions for executing the basic procurement policy. Detailed items in the guidelines follow the objectives of the RBA* Code of Conduct.

Supply chain management system

The supply chain management system is formulated as follows: The senior executive officer in charge of supply chain is appointed as chief person responsible for our procurement. The Supply Chain Committee of the Group has organized under the chief person, which consists of the representatives of each department.



Supply chain structure

The structure of supply chain can be specified as follows:

- Mineral extraction from mines
- Procurement and smelting of mine-derived materials
- Procurement of waste-derived recycle materials from recycling agents and smelting of procured materials
- Procurement and processing of materials and parts

* In FY2018, no major change was made in the structure.

Supplier due diligence

In order to respond to risks in our supply chain, Mitsui Kinzoku Group promotes supplier due diligence by requesting suppliers to implement our procurement policy and assessing their implementation status.

Medium-and long-term target (by FY2020)

Rate of implementation of a Self-Assessment Questionnaire (SAQ) to the critical suppliers 100%

[Performance in FY2018]

- Formulated the procurement policy (The basic procurement policy and the procurement guidelines)
- Established the supply chain management system
- Informed the persons affiliated with procurement within our Group about the procurement policy: more than 300 participants
- Selected critical suppliers at each site
- Explained/informed about the procurement policy: 4,570 suppliers
- Received the signed agreement form to the procurement policy from the critical suppliers at each site: 588 suppliers
- Held briefing sessions for the critical suppliers and obtained their agreement with the procurement policy: 134 suppliers
- Conducted the trial SAQ to critical suppliers: 76 suppliers
- Conducted interviews with the selected C-ranked suppliers (evaluated high risk): 2 suppliers

[Plan for FY2019]

- Conduct SAQ to all of the critical suppliers
- Assess SAQ and feedback
- Conduct interviews with C-ranked suppliers and take necessary corrective actions

※ RBA=The Responsible Business Alliance

In order to execute our procurement policy, Mitsui Kinzoku Group informs the persons affiliated with procurement operations within our Group as well as our suppliers about the procurement policy and requests to perform it in their business.

We also identified suppliers at each site who would have a particular major impact on our Group's business. These suppliers were identified from the following perspectives: those who have the top 80% of our procurement amount, those who supply irreplaceable products or strategic parts, and those who manufacture their products at areas with high CSR risks. Toward these critical suppliers identified at each site, we ask to agree with our procurement policy, either through submission of a signed agreement form or at a briefing session.

We will conduct SAQs on due diligence regarding human rights (see page 41) to our Group and SAQs for suppliers in order to check and evaluate the status of executing our procurement policy. In FY2018, we created a supplier SAQ in accordance with the objectives of the RBA Code of Conduct (human rights and labor,

health & safety, environment, and ethics), and conducted a trial by asking 76 suppliers to participate in this questionnaire.

In particular, among the suppliers with a C-rank (high risk), we selected two companies which could have a major impact on our business. We visited and conducted interviews with these suppliers on the actual situation. We explained the objectives of the SAQ in detail and requested improvements of deducted items. After re-evaluation, the two suppliers are B-ranked (medium risk) or better, no critical risks were discovered.



Suppliers meeting in China (Mitsui Kinzoku ACT Corporation)

Responsible minerals sourcing

Mitsui Kinzoku Group promotes responsible minerals sourcing. As a company in the minerals supply chain, we are aware of the possibility that risks in the supply chain related to minerals sourcing could affect the business of our Group.

With regards to addressing the issue of conflict minerals, we support the initiatives of the industry's standards and have defined the "Mitsui Kinzoku Group Conflict Minerals Policy". The policy prohibits the use of conflict minerals (gold, tin, tantalum, and tungsten) that are sourced from the Democratic Republic of the Congo (DRC) and the adjoining 9 countries and that benefit armed groups who violate human rights and use violence. We conduct due diligence and respond to requirements from customers in accordance with the Dodd-Frank Act of the United States. Furthermore, along with the heightened global interest in responsible minerals procurement, relevant risks are expanding. The scope of target risks is expanding to environment and human rights issue, target areas are widening to CAHRAs* and other minerals such as cobalt and silver are included as target minerals. Mitsui Kinzoku Group is addressing such emerging demands by working in close partnership with industry groups and other organizations.

Especially, our smelting businesses of tantalum, gold, and silver have been certificated by third party as a conformant smelter every year.

With regards to the tantalum smelting business, based on the RMAP* by the RMI*, we have been receiving third party audits every year since 2011 and have been acquiring RMAP Conformant status. We are also a member of ITSCI*, a program for achieving due diligence in the tantalum mineral supply chain and engaging with our suppliers.

In the smelting business of gold or silver, we defined the "Gold and Silver Supply Chain Policy" and are performing initiatives in accordance with the LBMA*'s guidance that is based on the OECD Guidance. The risk investigation and assessment are conducted to the target suppliers selected according to the LBMA's guidance. We check the origin of mineral sourcing and the transportation route every year. An independent third party certifies that all of the processed gold and silver in our plants have been sourced from areas that are not associated in any way with the conflict zones. The results of this audit are reported to the LBMA. The report of guarantee issued by the auditing company, and the report submitted to LBMA, are disclosed on our website. For business activities other than smelting, we participate in the Responsible minerals Trade Working Group by JEITA (Japan Electronics and Information Technology Industries Association), and cooperate and engage with downstream companies in the supply chain, as well as global initiatives such as RMI through JEITA.

* CAHRAs: Conflict Affected and High-Risk Areas
 * RMI: Responsible Minerals Initiative
 * RMAP: Responsible Minerals Assurance Process
 * ITSCI: International Tin Supply Chain Initiative
 * LBMA: The London Bullion Market Association