

Risk management

Mitsui Kinzoku Group is strengthening its response to risks related to business that could threaten the continuation of its operations and corporate survival. In order to identify risks and eliminate or minimize their impact, we are working to improve the Group's risk management and operate it effectively.

Risk management system

Mitsui Kinzoku Group has built its risk management system based on its Risk Management Rules. We have appointed the Director*¹ in charge of the General Affairs Department as the person with the highest responsibility for risk management. We have also designated a department in charge of risk and crisis management at the Head Office to serve as the Secretariat and identified departments in charge of each risk category, under which relevant units and sites are positioned.

Our Risk Management Rules define risks that we need to respond to. We manage our risk control status through yearly PDCA activities implemented over a three-year operation cycle aligned with the periods of the Mid-term Plan.

More specifically, we conduct a triennial risk survey for all sites and review and evaluate risks to create a risk map and plan countermeasures. Every year, we implement the countermeasures and review their progress and then update the risk map based on the current status. The effect of these activities and management systems are reviewed once a year and as needed by the Board of Directors.

In FY2023, we conducted a rolling survey of risks by risk category according to the plan, and identified and evaluated risks using the risk map. We also reviewed the status and effect of risk reduction activities, in which we observed the expansion of risk reduction activities at each site. These results were compiled into a risk management report, which was then submitted to the Board of Directors through the Director in charge of the General Affairs Department.

* 1 As the person with the highest responsibility for risk management, a Director who is in a position independent of the Directors who are Audit & Supervisory Committee Members has been appointed.

Risk management cycle

First and second years of the Mid-term Plan

- ① Check the status of risk control at each site based on the risk map managed at the Head Office
- ② Update the risk map, incorporating the check results as needed (rolling)

Last year of the Mid-term Plan (FY2024)

Conduct a risk survey for all sites for the next Mid-term Plan.

- ③ Each sector/site returns its response to the survey
- ④ Analyze risk control status at each site based on the response
- ⑤ Incorporate the aggregate results into the risk map, formulate a new plan, and incorporate it into the next Mid-term Plan



Disaster response workshops for officers.

Extracted risk categories/classifications

Risks that are highly urgent when they become apparent

- Large-scale epidemic of infectious diseases
- Large-scale natural disasters
- Information security

Financial risks

- Market fluctuations
- Exchange rate fluctuations
- Fund procurement
- Pension asset management

Risk in each segment

- Engineered Materials Segment
(Decrease or stagnation in product market share)
- Metal Segment
(Market and exchange rate fluctuations, operational problems)
- Automotive Parts & Components Segment
(deterioration in market conditions)

Cross-Segment Risks

- Product quality
- Alliances with third parties
- Country risk
- Shortage of labor force

ESG risks that may affect business results*²

- Environment
- Social
- Governance

* 2 We have incorporated nine environmental, social, and governance risks from our materiality (P.17) into risks related to business as ESG risks that could affect our business performance.

Emergency response

To protect assets and make efforts for early recovery and business continuity while placing the highest priority on saving lives, Mitsui Kinzoku Group has set out Basic Policy for Emergency Response. Moreover, we have built a system for possible emergencies and conduct business continuity management (BCM), under which we implement the PDCA cycle each fiscal year.

Each sector creates business continuity manuals, including an incident management plan (IMP) for incident response and business continuity plan (BCP) for supply continuity and resumption of production. In the event of an emergency, we will take appropriate measures based on the business continuity manuals to prevent the situation from spreading and causing secondary accidents. To make these plans more effective, we roll out simulation training to our major sites in a phased manner.

In FY2023, a disaster response workshop was held for nine officers, including Directors. Assuming the occurrence of a major earthquake in the Tokyo metropolitan area, the participants confirmed the actions of the group-wide disaster response headquarters headed by the Representative Director, and conducted verification of the IMP and the BCP, including alternative strategies in the event that product shipments were suspended for several months. We will revise the plans to address the issues identified through the verification.

Respect for Human Rights

In order to continue to exist, a business enterprise must be committed to respecting human rights. Based on this recognition, Mitsui Kinzoku Group addresses this issue according to its Human Rights Policy in reference to the UN Guiding Principles on Business and Human Rights.

We have identified stakeholders that are highly likely to be affected by the business activities of Mitsui Kinzoku Group and its supply chains and the associated human rights risks, and formulated the Human Rights Standards as specific guidelines for implementing measures to address the risks identified.

Human Rights Policy and Human Rights Standards

Mitsui Kinzoku Group approaches human rights issues based on our Human Rights Policy. We assess human rights risks associated with the Group's business activities, and define the Group's employees, supply chains and local communities involved in the mining business as stakeholders that can be particularly affected by our business activities and a high-priority target to address. Also, we have specified 11 categories of human rights risk factors unique to or characteristic of the Group, including forced labor and child labor. In order to mitigate these risks, we formulated the Human Rights Standards as guidelines for conducting human rights due diligence (human rights DD). We conduct the human rights DD to confirm that each site is implementing the standards.

Management system

The President and Representative Director, who chairs the CSR Committee, is appointed as the person responsible for human right issues related to Mitsui Kinzoku Group as a whole. The overall structure for enforcing the Human Rights Policy and Human Rights Standards has been built by forming the Human Rights Subcommittee under the CSR Committee and creating the PDCA cycle format to implement human rights actions. Each site and group company appoints their person responsible for promoting the proper practice of the Human Rights Policy and the Human Rights Standards, conducting human rights DD, and monitoring the progress of improvements at each organization. The progress of implementation of the Group's action plans and issues found are reported by the Human Rights Subcommittee to the Board of Directors annually and on an as-needed basis.

Human rights due diligence

Since we identified target sites in the Mitsui Kinzoku Group, we have been conducting human rights DD for all employees including non-regular and indirect employees utilizing our self-assessment questionnaire (SAQ). We have completed the process at 46 sites (81%) of the target 57 sites within and outside Japan by FY2023.

In FY2023, we revised the SAQ taking account of issues found in the past, and conducted human rights DD at two major sites overseas. As a result, we found no major risks, and no direct forced labor or child labor. For the human rights issues that were identified, we provided feedback and implemented corrective measures. In FY2024 we will put the plan into practice and conduct human rights DD for outside Japan.

Human rights issues identified through human rights DD and corrective measures taken

- Elimination of internal rules imposing restrictions on retirement (overseas site)
- Expansion of the target groups for in-house human rights training (overseas site)

[Human Rights Policy] [Human Rights Standards]
<https://www.mitsui-kinzoku.com/en/csr/society/humanrights/>

[Supply chain management] Pages 80-82

[Mining business] Pages 83-85

Respect for human rights of foreign-national employees

Regarding the human rights of foreign-national employees, in FY2023, the Human Rights Subcommittee surveyed sites in Japan to investigate their use of the Technical Intern Training Program (TITP), for which human rights issues have been pointed out. As a result of the survey, there were sites that are using or have used the TITP, and we asked a third-party expert for its opinion on how to deal with human rights issues. First, we conducted individual interviews with foreign technical interns, and held interviews with relevant stakeholders regarding the recruitment process for technical interns. For the human rights issues identified through these engagements, we discussed specific corrective actions with the third-party expert and confirmed the corrective action process.

Our Group participates in the private-public cooperation platform comprised of business enterprises, industry groups, and related government agencies for promoting a responsible approach toward the recruitment and employment of foreign nationals, and is working to enhance stakeholder engagement. We are organizing the corrective actions taken on human rights issues and the insight gained through engagement. And in FY2024, we will implement corrective actions in accordance with the defined process. We will also establish the detailed rules concerning the employment of foreign-nationals in our Group.

We have established a grievance mechanism to deal with issues related to human rights of internal and external stakeholders. For details, please refer to the descriptions on "Internal and external whistle-blowing system" in the Compliance section (P. 64).

Human rights training

We are conducting human rights training for all employees of our Group in order to ensure proper understanding and awareness of the Human Rights Policy and Standards as well as human rights. In FY2023, in conjunction with conducting human rights DD, we provided human rights training for 171 employees at the target sites.

Since some issues were identified in terms of the effectiveness of the current training, we revised the contents of the human rights training for all employees in FY2023. We will roll out the revised training within the Group in FY2024 onward.

Labor relations

Mitsui Kinzoku Group respects freedom of association and collective bargaining. Mitsui Kinzoku and major affiliates in Japan have a respective labor unions under the Mitsui Mining & Smelting Workers Union. Based on the union shop agreement, all general employees become members of the labor unions. About 80% of the other consolidated affiliates in Japan have labor unions. Labor unions are organized in 12 of the overseas consolidated companies. Labor-management council meetings and labor-management roundtables are held regularly to provide a forum for communication with workers. No strikes or lockouts lasting more than a week occurred in FY2023.

	Sites in Japan	Overseas	Total
Employees covered by collective bargaining agreements	4,587	3,331	7,918
Total employees	6,764	6,524	13,288
Coverage rate	67.8%	51.1%	59.6%

* Information on labor unions at several sites is unavailable due to legal requirements.

Compliance

We understand that compliance is not limited to observing laws and regulations, but also includes observing social norms, corporate ethics, common sense and morals, and other matters expected by society even if they are not explicitly stated.

Compliance management system

Mitsui Kinzoku Group identifies Senior General Manager of Corporate Planning & Control Sector as the person with the highest responsibility for compliance. The Legal Dept., the division in charge of compliance, plays a central role in enhancing compliance among officers and employees.

In addition, we have also formed an Internal Audit Committee, which is chaired by the Director in charge of the Internal Audit Dept. and is composed of the head of the Internal Audit Dept., General Managers of each sector's Administration Department, heads of the relevant department in Corporate Unit, and the head of the Internal Audit Office of Mitsui Kinzoku (Shanghai) Management Co., Ltd. The Committee approves the policy and plan for the internal audits conducted by the Internal Audit Dept., receives a report of audit results, and evaluates the results. The Internal Audit Dept. conducts audits of the status of compliance and reports the audit results to the Board of Directors for sharing with Board members.

In addition to the members mentioned above, Directors who are Audit & Supervisory Committee members, and Outside Directors who are not Audit & Supervisory Committee members attend Internal Audit Committee meetings as observers to ensure that the Audit & Supervisory Committee properly monitors the Internal Audit Committee.

(1) Understanding and sharing Code of Conduct

We understand that compliance is not limited to observing laws and regulations, but also includes observing social norms, corporate ethics, common sense and morals, and other matters expected by society even if they are not explicitly stated.

We have established the Code of Conduct as a set of values and a code of conduct to be shared by all officers and employees. We have translated it into local languages and distributed it to all sites.

(2) Global rollout of Compliance Guidebook

We are gradually rolling out the Compliance Guidebook to overseas sites. After we have assessed the compliance-related risks in each country and region in which we operate and considering the possible impacts of such risks on our business activities, we are starting the rollout in Asia with priority, and plan to expand to other regions. The Compliance Guidebook, which explains the key actions, has been translated into local languages in cooperation with local staff to reflect the unique risks assumed from local business practices and cultural backgrounds. We are gradually rolling it out to overseas sites. The rollout, which started in 2016, has now advanced to 12 countries and regions: Japan, China, Taiwan, Thailand, India, Malaysia, Vietnam, Indonesia, Morocco, France, Peru, and Mexico.

The rollout in Indonesia, the latest location, was completed in FY2022, marking the end of the first phase of the compliance promotion initiative in Asia.

In FY2023, we started the rollout to other regions including Morocco, France, Peru and Mexico.

(3) Compliance survey

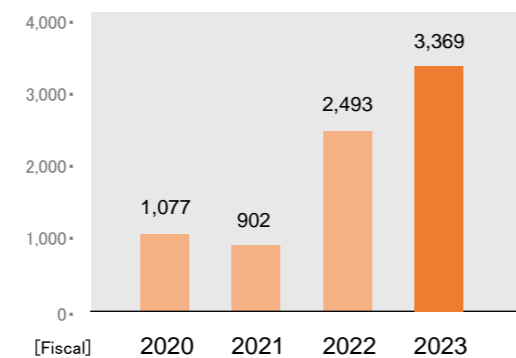
(survey results on the right page)

To assess the level of employees' understanding of the Code of Conduct and the effects of compliance initiatives, we have conducted a compliance survey every two years since FY2017 for employees of Mitsui Kinzoku and its consolidated subsidiaries in Japan. In FY2023, we conducted a survey of 7,000 employees on three items: recognition of compliance, penetration of the Code of Conduct, and reliability of the internal whistle-blowing system, Mitsui Kinzoku Hotline (MHL). Compared with the two most recent surveys, the degree of penetration of the Code of Conduct deteriorated slightly, while the other two items—degree of recognition of compliance and the reliability of MHL—showed improvement. In particular, the reliability of MHL has significantly improved due to the establishment of external contact points. We will work to improve the degree of penetration of the Code of Conduct through training and other measures.

Compliance training

Mitsui Kinzoku Group runs an array of training programs for executives and employees to ensure compliance. In FY2023, a total of 3,369 people attended compliance training programs.

Changes in number of compliance training recipients

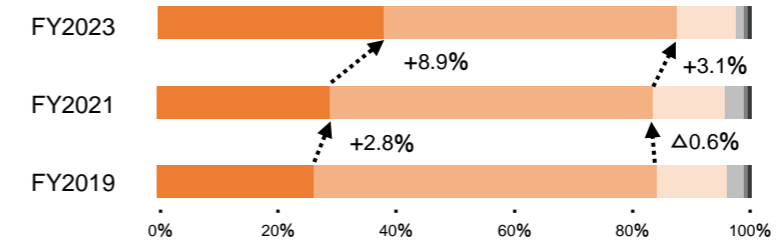


Note: The number of training programs included in the count was increased in FY2021

Survey results

Recognition of compliance

Q. Do you know the term "compliance"?



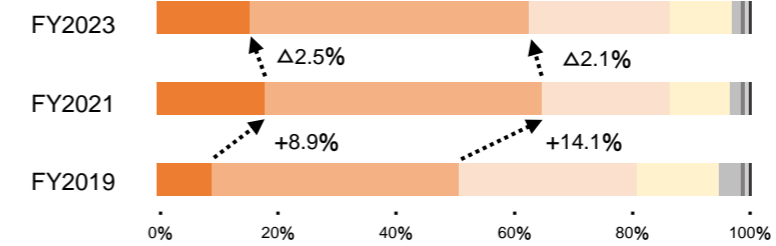
FY2023 survey results

- 87% of respondents answered "I know it in detail" or "I know it to some extent."
- The percentage of respondents who answered "I know it in detail" increased significantly from the previous survey.

I know it in detail.
I know it to some extent, but not in detail.
I can imagine what it means, but don't know it as knowledge.
I have heard of it, but don't know what it means.
I don't know at all.
Unknown

Penetration of the Code of Conduct

Q. To what extent are you aware of the Mitsui Kinzoku Group Code of Conduct in your daily life?



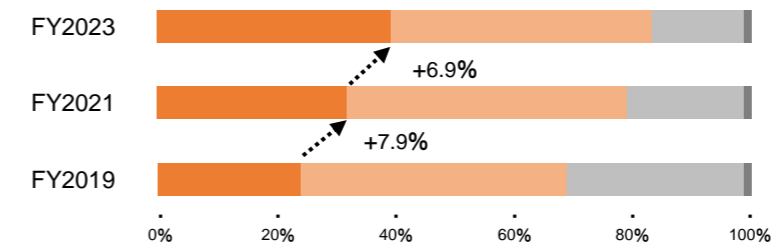
FY2023 survey results

- 63% of respondents answered "always aware" or "somewhat aware."
- The total of "always aware" and "somewhat aware" slightly decreased from the previous survey.

Always aware
Somewhat aware
Can't say either way
Not very aware
Not at all aware
Didn't know it existed
Unknown

Reliability of the whistleblowing system (MHL)

Q. Do you think you will use MHL if you see or hear of any act that violates compliance?



FY2023 survey results

- 39% of respondents answered "I think I will use it."
- MHL's reliability has significantly improved due to the establishment of external contact points, etc.

I think I will use it.
Not sure if I will use it or not.
I don't think I will use it.
Unknown

(1) The Code of Conduct / compliance training

We regularly conduct training sessions to explain overall compliance based on the Code of Conduct. At our sites in Japan, we incorporate compliance training in the grade-based training programs, including new employee training, and in the executive management training for directors and auditors of all affiliates. To date, 985 participants have received compliance training.

At overseas sites, we conduct compliance training for national staff. In FY2023, we held the Code of Conduct/compliance training in Peru and Vietnam, with a total of 234 participants.

(2) Theme-based seminars

In addition to training for individual compliance issues related to safety and quality, we also provide seminars on various topics as needed, with the topics selected primarily by the Legal dept. in consideration of compliance risks specific to each site and local social conditions.

In FY2023, the Legal Dept. hosted seminars on topics such as: trade secret management, the Antimonopoly Act, the Subcontract Act, disguised contracting, and the Foreign Exchange and Foreign Trade Act (Foreign Exchange Act, security export control). These seminars were attended by a total of 2,150 participants.

(3) MLP-based training

Some of the programs described in (1) and (2) above were provided under the MLP learning management system, and 1,413 participants have received MLP-based training.

Theme	Format	Participants
Trade secrets management	Face-to-face/MLP	1,644
Antimonopoly Act / Subcontract Act	Face-to-face/MLP	280
Disguised contracting	MLP	144
Security export control	MLP	82
Total		2,150

Internal and external whistle-blowing system

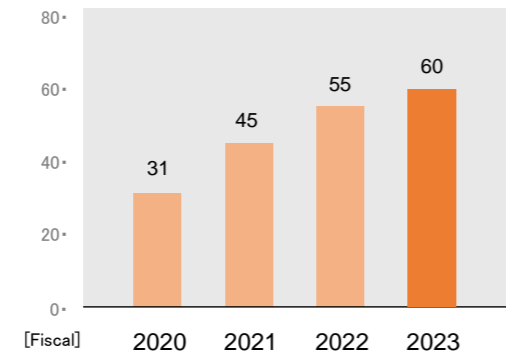
We have established a whistle-blowing system for both internal and external stakeholders. The system covers concerns about violations of laws/regulations and internal rules related to unfair competition, bribery/corruption, and occupational health and safety, as well as social and environmental risks, including but not limited to human rights, in our business activities and workplaces.

In order to thoroughly protect whistleblowers, the system ensures anonymity and strictly prohibits any disadvantageous treatment of whistleblowers and witnesses to testify to the facts. The details of the whistle-blowing are shared promptly with the Audit & Supervisory Committee, and reported to the Board of Directors on a regular basis.

We have established the Mitsui Kinzoku Hotline (MHL) for all officers and employees of the Group as internal and third-party (law firm) contact points. We have also set up a Chinese language hotline at a Chinese law firm in Beijing for our sites in China. We disseminate information on the contact points to officers and employees through compliance training and the Compliance Guidebook. In FY2020, we made the whistle-blowing system a multi-line system, and in May 2023, we outsourced an internal multilingual contact point to a third party to increase user convenience. Furthermore, female staff have been assigned to the response team to receive whistle-blowing reports, to make it easier for women and native speakers of foreign languages to report incidents.

As a result of these activities, the whistle-blowing system has gained increased recognition and reliability within the Group in recent years, and the number of reports has steadily increased over the past several years.

The number of reports to the Mitsui Kinzoku Hotline



We have set up “Compliance Consultation Desk” specialized for compliance and “Environmental and Social Risks Consultation Desk” on our corporate website for external stakeholders to report concerns at any time.

Initiatives to prevent anti-competitive practices and bribery/corruption

To prevent bribery and other forms of corruption, in parallel with the global rollout of the Compliance Guidebook, we have facilitated each of our sites to conclude an anti-bribery/corruption agreements with suppliers. Under the leadership of the Supply Chain Committee, the procurement departments at domestic and overseas sites have asked their suppliers to sign transaction agreements containing CSR provisions (respect for the Group’s Code of Conduct), or procurement policy agreement forms (Supply Chain Management, p. 80). The anti-bribery/corruption agreement contains more detailed conditions aimed at preventing bribery/corruption (e.g. prohibition of kickbacks, obligation to report identified violations, and cancellation of the contract in case of a violation). We have been promoting the conclusion of this agreement, especially in Asia. The following table shows the number of suppliers with which we have concluded anti-bribery/corruption agreements in each country/region.

Country/region	No. of suppliers (End of FY2022)	No. of suppliers (End of FY2023)	Increase
Thailand	297	370	73
China	353	353	—
Taiwan	143	143	—
Malaysia	36	36	—
Vietnam	51	66	15
Indonesia	101	101	—
India	0	98	98
Peru	0	30	30
Morocco	0	47	47
Mexico	0	53	53
Total	981	1,297	316

Initiatives for economic security

In response to the recent social movement toward economic security, Mitsui Kinzoku Group is implementing measures to address the issue, mainly in terms of trade secret management and export control.

(1) Trade secret management

Mitsui Kinzoku Group established Information Management Rules, Detailed Trade Secret Management Rules, and other related regulations in 2017. We have established and are operating a trade secret management system to protect our customer information, technical information and business know-how.

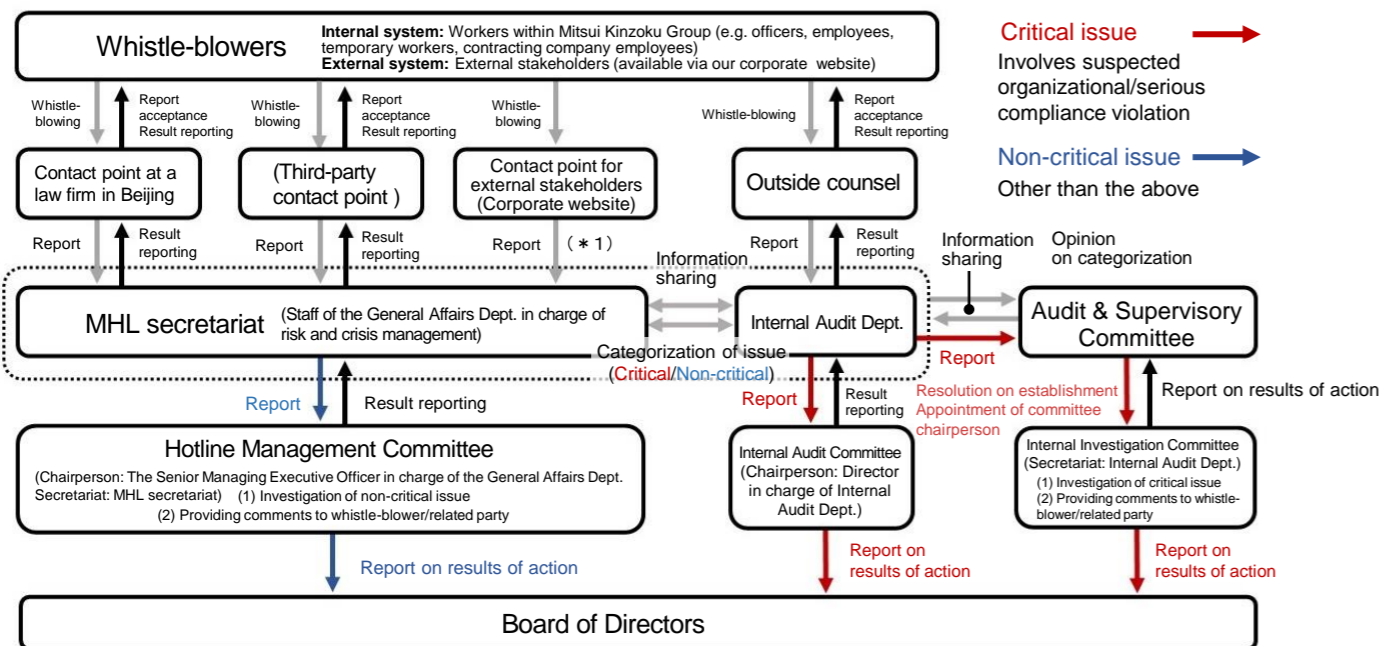
Specifically, at each of the Group sites, various activities are being implemented under the supervision of its head. Such activities include: identification of trade secrets, thorough indication of such secrets, trade secret management using ICT tools and setting of access rights, recording of data access and download history, provision of education and training on a regular and ongoing basis, and the conclusion of confidentiality agreements/pledges with officers, employees and business partners.

Since FY2022, we have conducted audits of the operation status of information management systems. On-site audits are scheduled to be conducted at our domestic and overseas sites in FY2024.

(2) Export control (security export control)

Mitsui Kinzoku has established the Product Export Control Rules, which are internal rules for export control, in accordance with the Foreign Exchange and Foreign Trade Act (Foreign Exchange Act), and has registered the Rules with the Ministry of Economy, Trade and Industry (METI) as its export control compliance program (CP). We have since formed the Export Screening Committee, chaired by the Representative Director. Reporting to the Committee, the persons in charge of sales, technology/engineering, and administration are assigned at each business division to implement the acceptance/rejection assessments and user check programs. Every year, the secretariat (Legal Dept.) audits the compliance status, and the results are reported to the METI.

Mitsui Kinzoku Group internal and external whistle-blowing system (MHL : Mitsui Kinzoku Hotline)



*1. For reports made to the corporate website, report acceptance and result reporting is performed by the MHL Secretariat (third-party contact point).

In the future, we will promote the conclusion of anti-bribery agreements in other countries and regions, including Europe and the United States.

We periodically conduct legal audits on each site, both on-site and in writing. The audits check for violations, review the compliance situation, and confirm the effectiveness of measures to prevent anti-competitive practices and bribery/corruption as described in the Code of Conduct. In Peru, we have obtained ISO37001 certification, an international standard for anti-bribery management systems.

We have received no legal action for anti-competitive practices or bribery/corruption in FY2023. We have also identified no cases where an employee has been subject to disciplinary action, including termination of employment, for engaging in anti-competitive practices or bribery/corruption of public officials.

In FY2023, Mitsui Kinzoku made no monetary or other forms of donation defined by the Political Funds Control Act to individual politicians, political parties, or political groups.