

Status of Handling Non-Conforming Products at our Company

Diamet Corporation (President Mutsumi Yasutake; paid-in capital of 4,750 million yen) (“we”, “our” or the “Company”) has discovered certain misconducts, including the rewriting of inspection record data, resulting in a portion of the products manufactured and sold by the Company not being in compliance with customer specifications (the “Non-Conforming Products”) (the “Incident”). We would like to report today on the progress that has been made to date in addressing these issues.

At the outset, we deeply apologize for any inconvenience caused to our customers and related parties as a result of these issues. The Company is determined to strengthen the quality control function in order to prevent recurrence of the issues.

1. Background

On January 24, 2018, the whistleblower hotline of Mitsubishi Materials Corporation (“MMC”) received a notice that indicated a possibility of incorrect recording of inspection data at the Company. MMC made an investigation in the form of hearings from concerned parties of the Company. As a result, MMC discovered the Company’s delivery of Non-Conforming Products including sintered machinery parts for automobiles. Then, MMC’s special audit has been conducted from January 30 for a detailed investigation.

After the discovery of the Incident, we have been working to verify the facts related to this matter as well as starting to explain this matter to customers.

2. Details of the Incident

A. Overview of Misconduct

During the review period of one year and one month from January 1, 2017 to January 31, 2018, there were mainly the following conducts with regard to the products that were delivered from the main plant in Niigata prefecture:

- The Company delivered the products even though the inspection data, including the measurements of the products, did not fall within the range of customer specifications.
- The Company rewrote the inspection data as if it had fallen within the customer specifications and delivered the products even though the inspection data, including the measurements of the products, did not fall within the range of customer specifications.
- The Company delivered the products without a part of the required inspection.

B. Status of Explanation

We are currently contacting our customers and confirming the safety of the products with cooperation from customers.

As of February 7, 2018, the progress is set forth below.

Number of Customers to whom we delivered Non-Conforming Products 73

Number of Customers to whom we finished explaining 48

C. Amount of Products Delivered and Sales during Relevant Period

Total amount of the Company's products delivered and sales during the relevant period: 19,460t; 23.7 billion yen

Amount of potentially Non-Conforming Products and sales during the relevant period: 6,459t; 7.3 billion yen

3. Current Response

We promptly suspended delivery of Non-Conforming Products and conducted a fact finding to identify any Non-Conforming Products. We have begun to give explanations to our customers.

4. Policy for Handling the Issues Going Forward

We will continue to handle the Incident by conducting measures such as further safety evaluation while explaining the situation to the customers and obtaining cooperation from the customers. If we cannot confirm the safety of the products, or in other similar situations, we will promptly deal with the situation in an appropriate manner.

Currently, MMC's Special Investigation Committee is conducting investigation of facts such as the background and root cause of the Incident. We will take the results of such investigation into account and will promptly implement remedial measures to prevent recurrence of the issues.

End

Direct any questions to:

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