



Security Export Control

Basic Policy

At present, ongoing efforts are being made by international initiatives, mainly through the United Nations, to reduce the threat of weapons of mass destruction. At the same time, however, tensions between the United States and China as well as between the United States and Iran and elsewhere in the world are intensifying. The international security environment is changing rapidly, and security export control initiatives on the part of companies are growing in importance.

Mitsubishi Chemical (MCC) produces and possesses numerous products and technologies that can be used for both civilian and military applications (“dual-use” goods), such as carbon fiber. The appropriate application of not only Japan’s Foreign Exchange and Foreign Trade Law, but also export-related U.S. laws and the similar laws of many other countries is necessary to prevent MCC’s broad-ranging products and technologies from reaching countries of concern, terrorist organizations or other improper destinations or recipients. Accordingly, we have, 1. designated officers responsible for security export control in Japan as part of efforts to maintain and enhance export management and 2. established security export policies to support Group companies in and outside Japan. Furthermore, 3. as part of efforts to respond to U.S. sanctions, we have established a policy on said sanctions and provided it to Group companies in and outside Japan.

In particular, we took steps in 2019 to respond to the tightening of various regulations, such as those on exports from Japan to South Korea and U.S. economic sanctions. Specifically, we quickly revised our screening criteria and, in line with the addition of export control items to MCC’s M&A Screening Guidelines, reinforced risk management within due diligence by preparing a manual of procedures for applying said guidelines. In addition, we built a network in each region to reinforce the export control functions of our regional headquarters.

Security Export Control System

MCC has established an export control system based on its Security Export Control Rules. The chief executive of this system is MCC’s president and chief executive officer, under whom are the supervisor of security export control, the Product Stewardship Department and the chief export control officers of exporting departments. Through this system, we work to prevent legal violations, including improper exports, whenever possible, using such means as strict, thorough export screening, notifications about legal changes, raising internal awareness about security export control and internal audits of exporting departments.

Mega-FTAs and Mega-EPAs

The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (TPP11) went into effect on December 30, 2018, followed by the EU-Japan Economic Partnership Agreement (EU-Japan EPA) on February 1, 2019. These agreements each address multilateral economic coordination between numerous countries. One advantage of the agreements is reduced import tariffs on trade with many countries. To take advantage of these reductions, enterprises must complete certificate of origin procedures. Previously, under bilateral trade agreements (such as that between Japan and Indonesia), to receive such certification, users had to submit the relevant documentation to the Japan Chamber of Commerce and Industry, which would then issue a certificate. Under the new agreements, however, users provide their own certification via a self-certification system. Accordingly, we designated the Product Stewardship Department to handle certification management. The department began considerations of certification procedures in fiscal 2018 and commenced internal screenings in April 2019. As of March 31, 2020, this system had been used for 136 cases, with savings on customs duties reaching approximately ¥1 billion.

Export Control Mechanisms

Security control comprises three steps: Item classification, customer screening and transaction verification. Each step is uniformly managed using a dedicated system so that the results can be used as part of an activity trail if needed.

Item classification is the process of determining whether the product or technology being exported or supplied is subject to legal restrictions (namely, listed as a restricted item). We implement a double-check process wherein, based on the latest restricted item lists, the exporting departments perform the initial check and the Product Stewardship Department grants final approval.

Customer screening entails using the export control system, which contains the latest risk information, to screen customers, including both customers in Japan who indirectly export and end-users at the item's final destination. This screening system is highly effective in preventing the circumvention of regulations through third-country exports and checking for customers of concern based on U.S. export laws. As with item classifications, a double-check process is applied to customer screenings.

For transaction verification, the exporting departments fill out a transaction verification form using the results of the item classification and customer screening as well as other information as needed. Based on this form, the export control system then automatically classifies the transaction by risk level and determines who will be responsible for granting final approval. In principle, the Product Stewardship Department grants final approval for items listed as restricted that are considered high-risk, such as carbon fiber.

In addition, in fiscal 2019 we created a new system for screening and approval under TPP11 and EU-Japan EPA. Screening is based on the security export control approval process, with a built-in double-check. The exporting departments first carry out origin certification for individual products and then refer items to the Product Stewardship Department for confirmation and final approval.

Training and Education

In fiscal 2019, MCC held 71 explanatory meetings targeting business domains, corporate function domains, plants and our R&D center, focusing mainly on export control related to the provision of technology. In addition, in light of the beginning of trade under the TPP11 and EU-Japan EPA, we held a total of nine orientations to provide an overview of relevant EPAs and FTAs and prepare to carry out origin certification.

Going forward, we will continue to carry out training and education that covers the basics of legal compliance while finding new ways to increase its effectiveness, such as introducing content important to the real-life practice of compliance and new educational tools.