Management

Corporate Governance and Internal Controls

We are making efforts to enhance our corporate governance framework and develop and improve our internal controls on a global Group basis, to make Mitsui a company that is trusted by society. We recognize that ensuring thorough compliance with respect to internal controls is a particularly important issue.

Corporate Governance and Internal Controls: Systems and Implementation

Corporate Governance Framework

Mitsui has chosen to base its corporate governance framework on a corporate auditor system, headed by the Board of Corporate Auditors. To achieve effective corporate governance for shareholders and other stakeholders, the Company has established and maintains the following governing bodies:

1. The Board of Directors is Mitsui’s ultimate decision-making body for business execution and oversight. To ensure that those functions are fulfilled, Mitsui appoints no more than the number of directors necessary to enable effective deliberations. Mitsui has also established the Governance Committee, Nomination Committee, and Remuneration Committee as advisory bodies to the Board of Directors, with external directors and external corporate auditors serving as members of these committees.

2. The Board of Corporate Auditors audits the execution of the duties of the Board of Directors as an independent body and reports to shareholders. In pursuit of this objective, the corporate auditors carry out multifaceted, effective auditing activities, such as attending important internal meetings and auditing various types of reports, and develop necessary measures in a timely manner.

To ensure transparency and accountability, key requirements of corporate governance, Mitsui is endeavoring to strengthen management oversight and supervision, taking into account the perspectives of external directors and external corporate auditors. At the same time, the Company is developing its internal control framework with respect to information disclosure, and, based on the general rules of fair disclosure, executives and employees are responsible for ensuring accountability. Furthermore, to separate the functions of business execution and oversight, Mitsui has broadly transferred the authority for business execution to the Company’s executive officers, with the Board of Directors responsible for overseeing the execution of business by the executive officers. The Chief Operating Officers of the Company’s 14 Head Office business units and three overseas regional business units also serve concurrently as executive officers, supporting a dynamic approach to business execution across the consolidated Group.

At the time of the General Meeting of Shareholders in June 2010, there were 13 directors, four of whom were external directors. We have six corporate auditors, two full-time and four external, and we have established a Corporate Auditor Division as a framework to provide added support to the corporate auditors in the execution of their duties. Corporate auditors attend the meetings of the Board of Directors and other important in-house meetings, overseeing procedures and resolutions, and visit offices in and outside Japan and important subsidiaries and associated companies.

Business Execution and Internal Control System

We have adopted the internal control framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) of the United States, and are developing and improving our internal control system. With respect to compliance, we have given particular attention to ensuring that all employees, including those in subsidiaries and associated companies, thoroughly understand and practice the basic principle that “no compliance = no work = no company.”

At the core of our internal control system, the Internal Control Committee, chaired by the president, establishes basic internal control policy and carries out company-wide internal control evaluations and improvements. The Compliance Committee, Disclosure Committee, and SOA Sec. 404 Committee all operate under the Internal Control Committee.

Furthermore, to respond to the increasingly diverse kinds of risks associated with our business, we have established the Portfolio Management Committee, which met 28 times during the fiscal year ended March 31, 2010, monitors the Company’s entire portfolio, makes proposals on the Company’s overall portfolio strategy, and conducts individual discussions on important projects. In addition, we have formed the Crisis Response Headquarters, an ad-hoc body reporting directly to the president, which exercises swift, precise decision making when there is a need for a swift response, and the CSR Promotion Committee, which met a total of three times during the fiscal year and promotes company-wide CSR management, builds our internal CSR-related systems, and works to heighten the awareness of CSR among employees. Moreover, we have formed the Information Strategy Committee, which formulates policies related to company-wide information and IT strategy as well as prepares and monitors the implementation of major policies related to promoting the enhancement of the management base and information strategy.
Current Status of the Internal Auditing Structure
The Internal Auditing Division, which reports directly to the president and has a staff of about 100, conducts regular audits, including audits of subsidiaries inside and outside Japan. Internal auditors make independent and objective evaluations of such areas as management and operational effectiveness, compliance, and the reliability of financial reporting. The audit results are reported to the president, and follow-up reports from the audited department are requested on items where improvement is deemed necessary.

Furthermore, we have established an internal auditing section in each business unit. Each department and branch carries out self-auditing on their own initiative, and combined with Internal Auditing Division audits, this contributes to further improving the effectiveness of our internal controls.

Initiatives to Enhance Corporate Governance over the Last Fiscal Year
The Governance Committee, an advisory body to the Board of Directors, convened a committee in March 2010 to analyze recent trends in corporate governance and submitted its recommendations for responding to these developments to the Board of Directors. In addition, the Information Strategy Committee (which met on 10 occasions during the fiscal year) decided policies related to the structuring of Next-Generation Management Platforms, measures pertaining to IT governance and IT portfolio management, methods for managing IT investments, initiatives to be taken regarding information security and IT, policies related to the training of IT personnel, and policies related to reforming mind-sets to raise the awareness of IT among employees, as well as other matters.