Supply Chain Initiatives

As a company that develops a multitude of value chains around the world and provides related functions and services, we give consideration to a variety of supply chain issues and work with our business partners to meet the expectations of society because these are initiatives that tie in with our management philosophy comprising our Mission, Vision and Values (MVV) and are important to comply with and implement the principles of the United Nations Global Compact.

Working with Our Business Partners

An important mission of the Company is to take up the challenge of working to resolve various issues facing the international community, such as problems related to human rights, labor, and the global environment.

In October 2004, Mitsui pledged its support for the United Nations Global Compact, and is taking steps to comply with the 10 Global Compact Principles that cover human rights, labor standards, the environment, and anti-corruption, and to improve its approach in these areas. However, in view of rising consumer awareness about these matters, we are being called on to expand our initiatives to also include our supply chains.

In view of these global trends, in December 2007, we established our Supply Chain CSR Policy. Under this policy, we are going beyond green procurement, which shows regard for the burden on the environment, to encourage our business partners to identify and work toward solutions to such issues as compliance with legal regulations, human rights, labor safety, and sanitation, as well as the safety and security of products and services.

Based on this Supply Chain CSR Policy, as in the previous year, we focused on the following initiatives during the fiscal year ended March 31, 2010.

1. Sending a Uniform Letter to All Suppliers

During the fiscal year, we sent a letter to a total of approximately 20,000 suppliers requesting their understanding and cooperation with our Supply Chain CSR Policy to make sure that this policy was understood. As in the previous fiscal year, this fiscal year, our Headquarters Business units, Regional Business units, and our subsidiaries completed the sending of about 3,000 of these letters to new suppliers and worked to implement measures to further heighten the awareness among our employees of our Supply Chain CSR Policy.

2. In Industries and Regions where Risk Is Judged to Be High, Make Individual Responses, Including On-the-Spot Inspections

Among the seven items mentioned in the Supply Chain CSR Policy, in as much as we have positioned the areas of human rights and labor for individual responses, we continued to place priority during the fiscal year on response initiatives in the textile industry, where, in general, human rights and labor issues may arise more easily. Accordingly, Mitsui Bussan Inter-Fashion Ltd. (MIF), which is one of Mitsui’s subsidiaries in the apparel industry, engaged actively in evaluating overseas plants and, with an eye to evaluating plants in Japan also, worked to clarify current issues in supplier plants related to CSR and production technology. This company is giving consideration to formulation and introducing improvement policies aimed at increasing the value of these plants. (For further details, please see the facing page.)

Mitsui will send a uniform letter to new suppliers when transactions begin and will continue to request that all suppliers of Mitsui and its subsidiaries have an understanding of the Supply Chain CSR Policy.

In addition, to increase the sensitivities of employees regarding human rights, labor, and other issues in the supply chain and work to prevent problems before they arise, we will continue to conduct training and other activities to heighten the awareness of employees regarding these issues. We are also endeavoring to understand actual conditions when a supplier
has failed to comply with the policy or when there is an extremely high probability of failure to comply with the policy and request the understanding among business partners of our policy and the implementation of improvements in conditions where appropriate. As we implement this policy, we are emphasizing close and interactive communication with our business partners, and, as necessary, will give consideration to working jointly with them to introduce improvement measures, with the objectives of building trust and strengthening our supply chains.

Initiatives in the Apparel Industry

Preparation of Plant Assessment Criteria

MIF, which is a Mitsui subsidiary in charge of the procurement of apparel, accessories, and related goods, is responsible for delivering goods that have been manufactured under contract with factories in Japan and overseas to apparel manufacturers.

MIF prepared its own Supply Chain CSR Policy during the fiscal year ended March 31, 2009, and sent a letter requesting the understanding of this policy to all suppliers, including 680 subcontractors in Japan and 172 suppliers overseas. In addition, MIF is working to make its employees aware of this policy through study meetings related to the policy and to CSR and by other means and has prepared its own plant usage criteria. Since the introduction of these criteria in October 2009, MIF has made certification, under its policy, mandatory for plants to be selected and is working to promote a higher level of understanding of the policy.

In addition, in October 2009, we completed the preparation of our plant evaluation criteria that we had been considering in the past. These were prepared after giving consideration to the specific procurement policies as well as the operating and other criteria of plants that provide products to MIF, and they cover actual conditions in such areas as production equipment, production management, the workplace environment, and the labor management environment.

When assessments are made, a third party evaluation organization is used, and 11 subcontractor plants in China have been audited and an assessment matrix prepared. This approach makes the assessment an objective one and easy for everyone to understand. Then, for these assessments, a section of Supply Chain CSR Initiatives will be providing feedback. Looking ahead also, plans call for conducting primary and secondary assessments. In the primary assessment, all assessment items will be quantified and more weight given to important items. The primary assessment will deal with production technology (the quality aspect), and items to be assessed will include production facilities and production-related management. The secondary assessment, which will be conducted following the completion of the primary assessment, will deal with labor safety and sanitation and the working environment. The results of these assessments will be used to make a comprehensive evaluation that will be used in selecting suppliers.

Issues to Be Addressed

MIF will continue to respond to the existing needs of its customers (companies receiving products manufactured by suppliers) for increasingly higher quality and work to enhance its own plant assessment criteria from a CSR perspective, including those pertaining to the work environment. Through close communication with and auditing of the plants where it is conducting assessments, MIF will aim to help to create plants that are people-friendly and have sustainable environments.

In addition, in putting these plant assessment criteria into practice going forward, MIF will continue to implement initiatives to address the following issues:

• Gaining a better understanding of the Supply Chain CSR Policy and making it an integral part of the thinking of employees and transactions partners
• Identifying issues at subcontractor plants through continued implementation of plant assessments
• Formulating and introducing policies for improvement through the use of accumulated data and giving consideration to reassessment methods with the objective of enhancing the value of plants
• Conducting flexible and periodic reviews of assessment criteria in response to changes in the business environment and other factors

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