



Strategic Focus

Contributing to the realization of sustainable agriculture that improves farmers' productivity while also reducing the environmental impact

While demand for food is growing rapidly because of the increasing global population, the amount of land suitable for arable cultivation that has the right combination of climatic and soil conditions remains limited. As climate change is contributing to desertification and having a negative impact on soils, the likelihood of being able to realize a dramatic increase in the area of cultivatable land available is very small. In response to this situation, the United Nations (UN) has formulated targets as part of the UN Sustainable Development Goals (SDGs) for ending hunger, achieving food security, and promoting the sustainable use of terrestrial ecosystems.

One of the first companies to focus on this issue was Chile-based firm Anagra S. A.*, which in the late 1990s launched a new kind of fertilizer sales business that makes effective use of chemical and biological science.

*Anagra S.A. is a wholly-owned subsidiary of Mitsui that is engaged in the importation and sale of fertilizer products. To help farmers boost revenue and save labor, Anagra provides high-value-added fertilizer products and related soil analysis and diagnostics services.



Norihiko Hasegawa
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Unit

Helping to improve farmers' QOL by providing "fertilizer optimized to the soil conditions"

While many developing nations suffer from inadequate fertilizer application in the agricultural sector, there are also emerging countries where excessive application of fertilizer on arable land is resulting in the deterioration of the soil, and where fertilizer is used wastefully in ways that do not improve crop yield.

Anagra, the company whose operations I am responsible for overseeing, provides "custom-blended fertilizer" that uses ingredients which are optimally blended based on data derived from science analysis of soil samples that the company obtains from individual farms. Anagra also provides farmers with detailed farm management guidance, implemented by agronomists, which is very successful in helping farmers to maximize the potential of the soil.

The social significance of this business model lies in the fact that, by providing the right elements in appropriate quantities at the correct time, when the soil needs them, without the unnecessary application of excessive amounts of fertilizer, it is possible to safeguard the environment while also boosting farmers' incomes, and helping to enhance farmers' quality of life (QOL). Furthermore, because farmers are under less pressure, it is easier to

get them interested in suggestions that they try experimenting with new crops next year, for example. By putting forward proposals that have a high degree of reliability because they are based on scientific data, it is possible to make a substantial contribution towards helping farmers to realize sustainable growth.

Spreading the latest agricultural management methods to countries all over the world, as a response to climate change

Plants that have always been grown in a particular region can no longer be grown there successfully, while plants that one would



An agronomist employed by Anagra checking crop growth

have thought would be unsuitable for cultivation in that region can now be grown there—this kind of phenomenon is gradually starting to be seen in Chile too. Anagra believes that, in order to help agriculture adapt to climate change, it is possible to use the company's accumulated data and knowhow in activities that help farmers to hedge against climate change risk and boost yields. Water conservation is also sure to become an important issue in agriculture in the future; Anagra provides farm management guidance based on the thinking that, as with fertilizer, it is important to avoid unnecessary excessive use of water resources.






Our intention is to take these new farm management techniques and expand their adoption to countries and regions through the world. Besides investing in Peruvian fertilizer sales company Equilibra Peru S.A., Mitsui also aims to contribute to raising the incomes of people working in the agricultural sector, and towards enhancing food security, through our partnership with ETC Group, a company that is developing sales of agricultural materials etc. in regions such as East Africa.

There are still many aspects of agriculture that humans do not yet fully understand. Precisely for this reason, we want to help solve the problems affecting food production and affecting farmers by integrating the power of science with Mitsui's outstanding business development capabilities and extensive networks.

Activities for FY 2017 to Contribute to SDGs

Business Area ● Metals ● Machinery & Infrastructure ● Chemicals ● Energy ● Lifestyle ● Innovation & Corporate Development ● Corporate & Others





Theme: Resource Development, and the Securing and Stable Supply of Materials and Food

| Related SDGs (Target Numbers) | Initiatives by Mitsui & Co. | Activities for FY 2017 |
|---|---|--|
| <div style="display: flex; flex-direction: column; gap: 10px;"> <div style="display: flex; align-items: flex-start;"> <div style="background-color: #fff9c4; padding: 5px; text-align: center; width: 30px; height: 30px; margin-right: 5px;"> 2 ZERO HUNGER  </div> <div> <p>End hunger, achieve food security and improved nutrition and promote sustainable agriculture (2.1, 2.4, 2.a)</p> </div> </div> <div style="display: flex; align-items: flex-start;"> <div style="background-color: #c8e6c9; padding: 5px; text-align: center; width: 30px; height: 30px; margin-right: 5px;"> 3 GOOD HEALTH AND WELL-BEING  </div> <div> <p>Ensure healthy lives and promote well-being for all at all ages (3.8, 3.b)</p> </div> </div> <div style="display: flex; align-items: flex-start;"> <div style="background-color: #fff9c4; padding: 5px; text-align: center; width: 30px; height: 30px; margin-right: 5px;"> 7 AFFORDABLE AND CLEAN ENERGY  </div> <div> <p>Ensure access to affordable, reliable, sustainable and modern energy for all (7.1, 7.2, 7.b)</p> </div> </div> <div style="display: flex; align-items: flex-start;"> <div style="background-color: #c8e6c9; padding: 5px; text-align: center; width: 30px; height: 30px; margin-right: 5px;"> 11 SUSTAINABLE CITIES AND COMMUNITIES  </div> <div> <p>Make cities and human settlements inclusive, safe, resilient and sustainable (11.c)</p> </div> </div> <div style="display: flex; align-items: flex-start;"> <div style="background-color: #fff9c4; padding: 5px; text-align: center; width: 30px; height: 30px; margin-right: 5px;"> 12 RESPONSIBLE CONSUMPTION AND PRODUCTION  </div> <div> <p>Ensure sustainable consumption and production patterns (12.2)</p> </div> </div> </div> | <p>Mitsui is building optimal supply chains spanning all stages from upstream to downstream, including production, distribution, processing, and logistics, and contributes to the stable supply of resources and raw materials, such as metals, chemicals, energy, and food resources.</p> <p>In our food business, against the backdrop of world population growth which is widening the gap between food supply and demand, and expanding regional imbalances in supply capacity, we promote business to ensure the stable and efficient supply of safe, reliable food resources. We place particular importance on traceability management for grain crops, such as wheat, corn and soybeans, starting at the production and collection phases.</p> | <ul style="list-style-type: none"> ● Stable supply of raw materials, such as nickel, cobalt, lithium and aluminum that are used in automotive manufacturing (automotive rechargeable batteries, hard metals, and lightweight materials). (7.1) ● Continuation of the development and securing of a stable supply of iron ore (Australia, Brazil), coal (Australia, Mozambique), and copper (Chile). (12.2) ● Contribution to LNG and other international resources and energy logistics through the stable supply of international ship space (sales of newly built ships and used ships, and chartered ships). (7.1) ● Offering of LNG regasification services with a low environmental load through long-term chartering business for floating storage and regasification unit (FSRU) (Pakistan). (7.b) ● Securing of material ingredient sources for fertilizers and sale of products by engaging in phosphorus ore deposits development, etc. (Peru). (2.a) ● Promotion of global high-function multimodal logistics for transportation of sulfur, as well as the sale of fertilizers, and the manufacturing and sale of raw materials and products for feeds, and agrochemicals (Japan, U.S. and Europe). (2.a) ● Securing of crude oil, petroleum products, LNG, and other resources, as well as the diversification of supply sources and promotion of stable supply worldwide. In addition, promotion of the production of crude oil, natural gas, and other upstream assets (production: 243,836 boe per day (equity-share production in FY March 2018)). (7.1) ● Development of LNG projects (Mozambique, U.S., etc.) and promotion of E&P business via affiliated companies (such as Australia, Middle East, Asia, Europe and U.S.). (7.1) ● Securing of food and promotion of its stable supply (grain trading volume: 20 million tons/year (FY March 2018)). (2.1) ● Promotion of large-scale farms through equity participation in Agricola Xingu, etc. (Brazil). (2.1) ● Contribution to the development of the Thai sugar industry through investment in Kumphawapi Sugar/Kaset Phol Sugar, and promotion of the stable supply of sugar within Southeast Asia. (2.1, 2.4) ● Initiatives by MicroBiopharm Japan, including the long-term stable supply of anti-cancer drugs, the development of ingredients for new drugs designed to curb antibiotic resistance, the development of technology for targeted cancer drugs with reduced side-effects, and the exploration of compounds from natural microbial resources that have potential as new therapeutic drugs (Japan). (3.8, 3.b) ● Increased supply of food resources through providing precision agricultural solutions (Canada, U.S., Brazil, Russia, etc.). (2.4, 2.a) ● Promotion of the effective utilization of intellectual property assets that are held by domestic companies and research institutions. As a first step, the commercialization of lactobacillus L8020 and antimicrobial Etak, which were developed by Hiroshima University, by utilizing patents. (3.8) ● Stable supply of round raw timber from Mitsui's forests as fuel for the wood biomass power generation plant in Tomakomai, which commenced electricity sales in April 2017 (cumulative total of approx. 87,380 m³ as of March 2018, representing approx. 51% of total volume). (7.2) ● Stable supply of ligneous resources through production of round raw timber from Mitsui's forests, which constitutes about 0.1% of Japan's entire wood consumption in terms of round timber (approx. 51,570 m³). (11.c) |

Activities for FY 2017 to Contribute to SDGs

 Business Area ● Metals ● Machinery & Infrastructure ● Chemicals ● Energy ● Lifestyle ● Innovation & Corporate Development ● Corporate & Others

Theme: Promotion of Supply Chain Management

| Related SDGs (Target Numbers) | Initiatives by Mitsui & Co. | Activities for FY 2017 |
|---|---|---|
|  Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all (8.7, 8.8) | Mitsui has built diverse supply chains throughout the world to provide a wide range of functions and services. In conducting our business globally, we are fully aware of our responsibilities, such as complying with laws, respecting human rights, and maintaining safe and sanitary working conditions, giving consideration to reduction of environmental load, and ensuring consumer safety and confidence. Together with our business partners, we endeavor to solve various issues present in our supply chains in order to meet society's expectations. Specifically, we conduct supplier surveys based our Supply Chain CSR Policy every year to check the status of our suppliers' sustainability measures, and also conduct on-site surveys on certain suppliers. | <ul style="list-style-type: none"> ● Concluding of a MoU with Corporation Nacional del Cobre de Chile (CODELCO) with regard to the Responsible Copper Initiatives. Examining a framework for ensuring traceability through the copper industry value chain to realize a sustainable society. (12.2) ● At Mitsui Bussan I-Fashion, continuation of the procedures for obtaining written consent to observe its "Supply Chain CSR Policy" from suppliers with whom the company commences transactions for the first time (340 companies for FY March 2018, and a cumulative total of 5,352). (8.7, 8.8, 10.2, 12.7, 16.5) ● Stable supply of wood products from T.M. Baikal (Russia) (approx. 110,000 m³ per year) (Japan, China, and Russia). (12.2) ● Maintenance of FSC®/CoC certification (Mitsui's Life Essentials Business Div., Forest Resources Marketing Dept.: FSC® C104107; Mitsui Bussan Woodchip Oceania Pty. Ltd.: FSC® C107463) and PEFC/CoC certification, to promote responsible management and handling of forest resources. (12.2) ● Maintenance of FSC®/CoC certification (by Mitsui Bussan Packaging: FSC® C009939) to ensure that the supply chain of certified paper promotes responsible forest resources management. (12.2) ● Implementation of on-site surveys of supplier of oleochemical product in Malaysia. (8.7, 8.8, 10.2, 12.4, 12.7, 16.5) ● Implementation of supplier questionnaire surveys concerning our Supply Chain CSR Policy (68 suppliers). (8.7, 8.8, 10.2, 12.7, 16.5) ● Continuation of forest management and lumber production in accordance with FSC® certification and SGEC for all Mitsui's forests (74 locations in Japan, approx. 44,000 ha), (12.2) |
|  Reduce inequality within and among countries (10.2) | | |
|  Ensure sustainable consumption and production patterns (12.2, 12.4, 12.7) | | |
|  Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels (16.5) | | |

Resource Development, and the Securing and Stable Supply of Materials and Food

Initiatives through Business

Activity

Mitsui & Co. has built optimal supply chains, spanning all stages from upstream to downstream, including production, distribution, processing, and logistics, and contributes to the stable supply of metals, chemicals, energy, food and other resources and materials.

As part of its efforts, Mitsui engages in investment and trading business in such areas as oil, natural gas/LNG, to secure and supply the energy resources needed by industrial society. In particular, we participate in natural gas/LNG development projects in various parts of the world to ensure stable supplies of this clean energy resource. Our extensive involvement covers the entire value chain, from production to marketing. In addition, looking ahead toward the realization of the low-carbon society, we are engaging in the commercialization of renewable energy technologies, such as bio-fuels, and the creation of business models for hydrogen transportation and storage.

Mitsui actively participates in the development of iron and steel raw materials and non-ferrous metals resources. We endeavor to ensure stable supplies of mineral and metal resources, such as iron ore and copper, for Japan and other markets around the world. We are also building a supply network of metal scrap in preparation for the global recycling society of the future. With iron and steel products, we are building supply structures for infrastructure projects to meet buoyant demand in rapidly growing emerging economies. At the same time, we procure and supply iron steel products for a wide range of industrial sectors, including the motor vehicle industry and the energy sector.

In the automotive sector, we not only export vehicles, but also conduct local logistics business in respective regions, and have built a stable global chain spanning from production to finance. As regards our rail transport business, in addition to the export of freight cars and related equipment, we also engage in leasing business and other services to meet a variety of needs across the railroad value chain.

In our food business, against the backdrop of world population growth widening the gap between food supply and demand, and expanding regional imbalances in supply capacity, we strive to ensure the stable and efficient supply of safe, reliable food resources. We place particular importance on traceability management for grain crops, such as wheat, corn, and soybeans, starting at the production and harvest stages.

Mitsui is also deepening its engagement in the agricultural sector, including the manufacture of the nutritional element methionine, as well as the development of phosphate rock fertilizer resources, and global trading of fertilizer raw materials, such as sulfur and sulfates. We are also developing our chemicals business through wide-ranging transactions and investments that contribute to various industries, including new initiatives focused on carbon fiber and green chemicals.

Promotion of Supply Chain Management

Supply Chain CSR Policy

Policy

Mitsui has built diverse value chains throughout the world and provides a wide range of functions and services. We are active at every stage of the supply chains, from upstream to downstream, and have as many as 20,000 business partners. In conducting business globally, we are fully aware of our responsibilities, such as complying with laws, respecting human rights, and maintaining safe and sanitary working conditions, giving comprehensive consideration to reduction of the environmental load, and ensuring safety for products and services and consumer confidence. Together with our business partners, we endeavor to solve various issues present in our supply chains in order to meet society's demands. In order to correctly assess and solve CSR-related issues in the supply chains, Mitsui formulated its Supply Chain CSR Policy in December 2007, and has since worked to ensure that all of Mitsui's business partners fully understand our standards and cooperate in the implementation of the policy. We are working to ensure compliance with and implementation of this policy while continuing to review the policy based on society's changing expectations and demands. We are making every effort to enhance our supply chain management by identifying potential problems in our supply chains and identifying key CSR issues based on the characteristics of each business model, country, and industry.

Supply Chain CSR Policy

1. Mitsui & Co. will strive to contribute to the creation of a sustainable society by understanding and solving issues associated with the supply chains of its businesses, consistent with the wishes of its stakeholders.
2. Mitsui & Co. will strive to support improvements in the supply chains by seeking understanding and implementation of the following principles by its business associates:
 1. To engage in fair trade, prevent corruption, and comply with all applicable laws and regulations
 2. Not to be complicit in human rights abuse and violations
 3. To prevent discrimination with respect to hiring and employment
 4. To respect the rights of employees to associate freely and bargain collectively
 5. To appropriately monitor employees' working hours, holidays, and leaves of absence, and prohibit unlawful excessive work
 6. To prevent forced labor, child labor, unlawfully-cheap labor, physical discipline, and physical, sexual and other forms of harassment
 7. To ensure a safe and sanitary work environment
 8. To reduce and mitigate business impact on the global environment
 9. To ensure the safety and reliability of products and services
 10. To disclose adequate and timely information relevant to the above

Promotion of Supply Chain Management

Current State of Implementation of Supply Chain CSR Policy

| System | Activity |
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|--------|----------|

We attach great importance to interactive communication with suppliers. We also conduct supplier questionnaire surveys and on-site surveys based on our Supply Chain CSR Policy.

Company-wide uniform supplier communication forms

Beginning in the fiscal year ended March 2009, we started sending letters (in Japanese, English, Chinese, French, Spanish, and Portuguese) to all suppliers of Mitsui's business units, overseas offices, and subsidiaries (more than 45,000 suppliers in total) requesting their understanding and cooperation in regard to our Supply Chain CSR Policy, in a move to ensure that all Mitsui suppliers are fully aware of this policy. In addition, we conduct internal examinations in alternate years, to verify that the letters were dispatched to the suppliers.

Supplier questionnaire surveys

In promoting compliance with this policy, we consider interactive communication with our suppliers to be very important. We work to build relationships of trust, and strengthen our supply chain management by working jointly on ideas for improvements with our partners, wherever needed.

For this reason, we regularly conduct questionnaire surveys targeting the suppliers of Mitsui and its subsidiaries to confirm (1) the status of their adherence to our Supply Chain CSR Policy, and (2) whether they have CSR policies related to such areas as "human rights and labor practices", "health and safety", "business ethics", and "environmental management".

In the fiscal year ended March 2012, Mitsui conducted supplier questionnaire surveys for coffee, cocoa, and other agricultural products (39 companies), as well as for consumer products such as apparel (153 companies). In the fiscal year ended March 2015, as part of a new initiative, we selected our main suppliers from all our business domains for the survey (72 suppliers in the fiscal year ended March 2015, 39 suppliers in the fiscal year ended March 2016, 50 suppliers in the fiscal year ended March 2017 and 68 suppliers in the fiscal year ended March 2018).

Supplier on-site surveys

In addition to the above-mentioned supplier questionnaire surveys, we also conduct supplier on-site surveys in order to conduct interviews with responsible persons and check the situation at the operation sites, in accordance with the checklist for compliance with the Supply Chain CSR Policy.

In the fiscal year ended March 2015, we conducted on-site surveys of coffee bean farms in Brazil, in the fiscal year ended March 2016, suppliers of pulp and paper manufacturing resources, and in the fiscal year ended March 2017, suppliers of food material. In the fiscal year ended March 2018, our targeted suppliers were oleochemical product supplier and we visited an oleochemical company (Mitsui's supplier) in Malaysia, their factory, and palm plantations from which oleochemical is procured. We conducted on-site surveys together with an external expert to check operation site situations with regard to such areas as "environmental management", "human rights and labor practices", "legal compliance" and "quality control and traceability". No violations of our Supply Chain CSR Policy were found.

Future Actions System Activity

| System | Activity |
|--------|----------|
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We will continue taking appropriate measures to ensure that all suppliers of Mitsui and its subsidiaries understand our Supply Chain CSR Policy, and that we grasp the actual situation of the business, with regard to how the supply chain follows our CSR Policy. We will also continue sending out letters to new suppliers to obtain their agreement to follow our Supply Chain CSR Policy prior to starting business relationships with them. In the event that we discover violations of this policy in our supply chain, we will urge the supplier to remedy and improve the situation, while providing support to the suppliers as needed. However, if there are no improvements to the situation by the suppliers, we will determine carefully whether to continue our business with that supplier.

To increase the sensitivity of all employees with respect to human rights, labor, and other issues in our supply chains, and to prevent problems, we will continue to heighten employee awareness and provide training seminars (35 participants in the fiscal year ended March 2018).

Promotion of Supply Chain Management

Summary of Supplier On-site Surveys (Procurement of oleochemical products)

System Activity

Mitsui conducts interviews with supplier representatives and carries out on-site surveys in accordance with the checklist prepared under our Supply Chain CSR Policy, and reviews the status of suppliers' sustainability initiatives.

In March 2018, we visited a factory and plantations of a Malaysian oleochemicals manufacturing company who is a supplier to Mitsui, and we carried out on-site surveys. Oleochemicals are natural-oil derived fatty acid products, such as palm oil and palm kernel oil. They are widely used as ingredients for a variety of everyday products, such as detergent and shampoo, as well as industrial products.

At the manufacturing company's factory, we inspected the manufacturing process, the quality control laboratory, the control room, the storage facility, the packaging processes, the wastewater treatment facility, and the employees' canteen. During interviews with the managers and employees, we carried out checks on "environmental management", "human rights and labor practices", "legal compliance", and "quality control and traceability". At the palm plantations, we inspected the plantations, the oil mill, and the biomass power plants. During interviews, we confirmed that initiatives are being implemented in respect to the environment, as well as safety and labor practices.

As a result of the on-site surveys, it was confirmed that all matters are being handled properly, and that all requirements of the Supply Chain CSR Policy have been satisfied.

We will continue to carry out on-site surveys relevant to supply chain CSR.



This is the factory of the oleochemicals manufacturing company we visited

Results of Supplier On-site Surveys

Environmental management

- Wastewater treatment: Factory wastewater is separated into organic or inorganic wastewater, filtered or otherwise treated. Then, it is confirmed whether wastewater meets the required standards before being discharged into a nearby river. (Factory)
- Use of chemical substances: The factory uses natural raw materials. During manufacturing processes, it keeps the use of added chemical substances to a minimum, only using catalysts, etc. This helps the company manufacture very safe products. (Factory)
- Use of agrochemicals: The plantations reduce the use of agrochemicals by using organisms that are effective in pest control (including owls to catch rats, and plants that attract wasps, which are a natural enemy of other insects). (Plantations)
- Conserving biodiversity: The plantations promote the conservation and reproduction of native barn owls by installing artificial nests at the plantations. (Plantations)



These are young palm trees, just four or five years old. They will be ready for harvesting when they have grown into mature trees of ten years or older

Human rights and labor practices

- Working hours: The processes are in operation 24 hours a day, 7 days a week, and there are three 8-hour shifts. (Factory)
- Creation of a pleasant working environment: The canteen is clean and bright, and has sufficient seats. Workers are granted food subsidies. (Factory)
- Management of labor safety: The facilities are well-organized, and the equipment is new. Measures are being correctly implemented in relation to safety, such as requiring helmets and protective glasses to be worn inside the laboratories. (Factory)
- Management of labor safety: The company thoroughly carries out safe operations through the training of workers on the safe use of agricultural equipment, tractors and agrichemicals. (Plantations)
- Employment: Company housing is provided free of charge to overseas workers. In addition to transporting workers' children to and from school, prayer facilities have been provided for a variety of different religions. (Plantations)



Harvested palm bunches are transported by tractor

Legal compliance

- The company has acquired HACCP* and RSPO certifications, as well as OHSAS*, ISO14001* and other certifications. The suppliers comply with local laws and regulations relating to the environment, working hours, employment, and other matters, and they possess the required operating licenses. (Factory and plantations) *Certifications relating to factory operation and management.

Quality control and traceability

- Quality control: Suitable sampling is carried out when raw materials are delivered to the factory, and for suitable products every hour. (Factory)
- Traceability: Raw materials are strictly sealed and can be identified using the lot numbers given to each transportation tanker. (Plantations and factory)

Carrying Out the Supplier On-site Surveys

Dr. Naoki Adachi, CEO of Response Ability, Inc.

To carry out these surveys, we visited a chemical plant, group-owned plantations, and an oil mill of a Malaysian company that is the main supplier of palm oil and palm kernel-derived oleochemicals handled by Mitsui.

The supplier we visited this time has been a member of RSPO since its very early stage of establishment. It is a major company that has been actively involved in preparation of more sustainable and stricter standards. It was confirmed that the supplier carries out appropriate management and safe operation in accordance with relevant standards, in addition to that of RSPO.

The fact that the company also uses its by-products to generate electricity, thereby reducing

greenhouse gases, is very progressive.

In addition to meeting RSPO standards, in order to ensure the sustainability of a business as a manufacturer that uses palm oil as a raw material, it is becoming increasingly important to proactively implement a variety of measures from environmental conservation and worker protection perspectives. During the survey, it was very reassuring to see that the supplier is making efforts in this respect.

Meanwhile, challenges remain, including the need to support smallholders and the question of how to increase production without further deforestation.

It is hoped that Mitsui and this supplier will display strong leadership in further strengthening sustainable supply chain in spite of these extremely difficult challenges.

Promotion of Supply Chain Management

Examples: Assessing and Solving Supply Chain Issues

Supply Chain CSR Initiatives

Apparel Operations

MITSUI BUSSAN I-FASHION LTD. ("MIF"), a Mitsui subsidiary engaged in the trading of textile raw materials, industrial raw materials, and woven and knitted fabrics, as well as the production and procurement of apparel and fashion goods, aims to achieve sustainable growth in ways that allow it to exist in harmony with society. MIF is making a determined effort to find solutions to various issues by continuing the supply chain CSR activities, by conducting business that creates environmental value, and by pursuing initiatives relating to human rights management.

As a member of the Mitsui group, MIF undertook the following supply chain CSR activities in the fiscal year ended March 2018, with an eye on becoming a company worthy of earning the trust of all stakeholders, including shareholders, suppliers, customers, employees, consumers, and local communities.

1. MIF obtained "written consent to compliance" from all 340 new business partners (238 in Japan, 102 overseas) with whom the company started doing business.
2. Of the industrial wastes emitted by MIF, waste plastics are particularly difficult to recycle and had previously been treated as residue to be used as fillers in cement, etc. However, we have now changed our processing of waste plastics so that they can be used as high-quality solid refuse paper & plastic fuel (RPF), which emits approximately 40% less CO₂ compared to fossil fuels, thereby contributing to the prevention of global warming.

In addition to these initiatives, MIF engages in the development and sale of environmentally-friendly textile-related products with advanced functionality that are kind to and safe for the Earth and its people. MIF has also obtained certification and registration under bluesign® and the Global Recycle Standard (GRS) and maintains compliance with these standards, which are regarded as among the most stringent in the world.

To obtain bluesign® certification and registration, MIF is required to ensure that its collaborating supply-chain manufacturing facilities in Japan and overseas are taking comprehensive steps to care for not only the environment but also their workers. An applicant company and its supply-chain facilities must meet the standards set out for bluesign® certification, such as the prohibition of child labor, the



Visit to the manufacturing plant of a supplier

elimination of forced labor and discrimination, upholding of freedom of association, and occupational safety and health.

If an infringement of the Supply Chain CSR Policy or related laws and regulations has occurred at a supplier, MIF has a system in place to support and follow up on remedial action and improvements by the supplier to ensure the overall soundness of the CSR management framework throughout its supply chains. MIF also regards support for the development of appropriate working environments at suppliers in Japan and overseas (through ongoing day-to-day communication with them) as an important part of its role as a sustainable company in its supply chains.

Supply Chain CSR Activities at MIF

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|-----------------------------|---|
| October 2008 | MIF established its Supply Chain CSR Policy. The company began sending notices to its suppliers, including contracted manufacturers in Japan and overseas, to request their understanding of and support for MIF's policy and to obtain their written confirmation. |
| August 2014 | MIF conducted a questionnaire survey of its 93 main suppliers concerning the utilization of the Technical Intern Training Program. MIF started to require its suppliers to understand and comply with its Supply Chain CSR Policy and to obtain written consent from its 26 main suppliers and new suppliers. |
| January 2015 | MIF required the aforementioned 26 suppliers to conduct a CSR self-check concerning their compliance with the policy. |
| September 2015 | MIF asked the 241 suppliers from which it had obtained "written confirmation" to replace this expression with "written consent". |
| February 2017 | The Supply Chain CSR Policy formulated in October 2008 was expanded from 7 items to 10. |
| As of March 31, 2018 | MIF had obtained "written confirmation" and "written consent" from a total of 5,352 suppliers: 4,134 in Japan, and 1,218 overseas. |

Promotion of Supply Chain Management

Examples: Assessing and Solving Supply Chain Issues

Initiatives designed to ensure a stable supply of green coffee beans

Food & Beverage Materials

The production volume of coffee, a product enjoyed by people throughout the world, is greatly affected by natural events including frosts and droughts, as well as climatic conditions such as rainy and dry seasons, and this has a major effect on the market price. Thus, it is difficult to purchase coffee at a stable price and maintain a balance between supply and demand.

Mitsui plays the role of liaison between producers and consumers in the supply chain. Mitsui works to improve relations with suppliers around the world in order to guarantee a stable supply of high-quality green coffee beans carefully selected from regions around the world, such as Central and South America, Southeast Asia, and Africa.

In particular, our base of operations in Brazil, Mitsui Alimentos Ltda. (a wholly owned subsidiary), has built alliances with superior producers, and, by ensuring traceability, transparency and identifiability at all stages of business in the supply chain, has created a stable supply system for high-quality green coffee beans.

For example, Mitsui is cooperating with Mitsui Alimentos to provide comprehensive marketing and sales support to Bau Farm in the Cerrado region. We have maintained an excellent relationship with Bau Farm for over 20 years by providing financial support as needed for the development of new plantations, and by entering into long-term agreements as the basis for stable business. Leveraging this excellent relationship, we are devising new initiatives for further expansion of the business.

Bau Farm is owned by Mr. Tomio Fukuda, a second-generation Japanese-Brazilian. As a former engineer, Mr. Fukuda is totally committed to the production of excellent coffee based on the quality control concepts of kaizen and "5S". This approach has allowed Bau Farm to become one of Brazil's leading specialty coffee farms. With assistance from Mitsui, Bau Farm is building new sales channels in Asian and European countries, as well as Japan.



Bau Farm values its employees and improves the quality of its products by improving the quality of the labor. Mr. Fukuda believes that "careful work comes from motivation, and motivation is created by the good treatment and education of employees". The owner's philosophy is reflected in the efforts made by the employees themselves to improve the working environment and consistently apply the 5S methodology. Employees also gain a deeper understanding of the world of coffee through training and workplace education, giving them relevant knowledge and experience of the product and about trends in coffee-consuming countries. This commitment to high-quality employee education has enabled Bau Farm to maintain a stable workforce, giving it an important advantage over other coffee farms.

Moreover, under the slogan of "kaizen", the Farm actively introduces new technologies to produce even better coffee. Bau Farms' another distinctive characteristic is its commitment to constantly trying new ideas that utilize new methods and kinds of coffee trees. For example, by installing an irrigation system for avoiding drought damage, Bau Farm also increases the efficiency of its workforce by controlling the flowering period of the plants in order to stagger the harvest periods. It has also introduced GPS for effective soil improvement.

The green coffee beans that Mitsui supplies to consumers embody the producer's determination to grow high-quality beans through initiatives such as these. We bring the owner of Bau Farm to Japan once every two years to engage in direct dialogue with coffee shop proprietors and beverage manufacturers. These visits provide excellent opportunities to gain a deeper understanding about the needs of consumers. Similarly, when Mitsui customers who handle Bau Farm coffee visit Brazil, we create opportunities for them to visit the farm so that they can learn more about the place where the coffee is grown. Through initiatives such as these, Mitsui works to bring producers and consumers together in a value chain based on face-to-face communication.

Mitsui will continue its efforts to provide consumers throughout the world with stable supplies of high-quality coffee, and to contribute to the success of producers through its business activities.



Bau Farm is owned by the Fukuda family

Promotion of Supply Chain Management

Examples: Assessing and Solving Supply Chain Issues

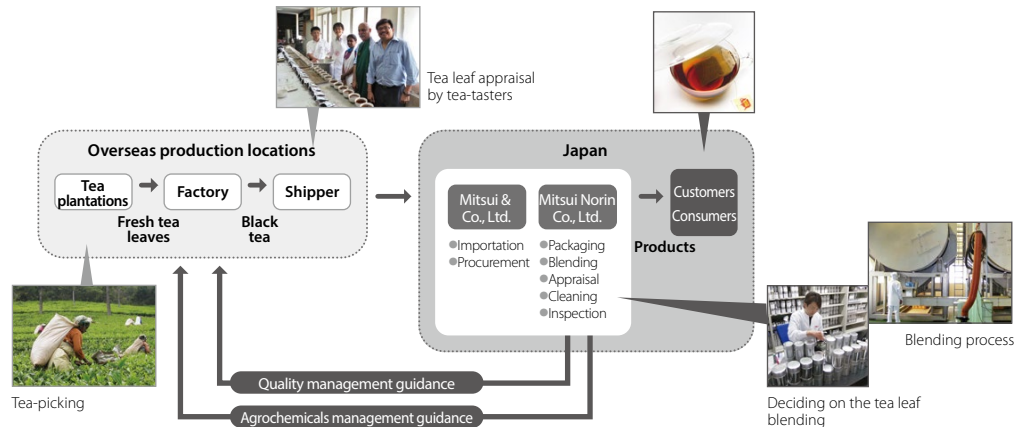
Tea Leaves Procurement in Consideration of Quality, Safety, the Environment and Work Conditions Food & Beverage Materials

Mitsui Norin Co., Ltd., our subsidiary, markets "Nittoh Black Tea", which is a very familiar brand in Japan. The company procures tea leaves from tea producers around the world to meet a wide range of customer needs. At present, it procures tea leaves from approximately 450 tea producers in eight countries, including India, Sri Lanka, Kenya, and Indonesia. Mitsui Norin designates as its preferred suppliers those tea producers which give appropriate consideration to quality and safety, the environment, and work conditions, for example by carrying out controls based on Rain Forest Alliance certification and Hazard Analysis and Critical Control Point (HACCP) certification, being committed to Fair Trade, and engaging in organic cultivation. In August 2017, Mitsui Norin had the honor of being awarded a Certificate of Appreciation from Sri Lanka's Minister of Plantation Industries for its long-standing commitment to Sri Lankan black tea over seven decades.

In the Darjeeling district of India, for example, one producer has been making various efforts to improve both the work conditions of employees and the profitability of the business, for example by introducing a small hydroelectric generator on the farm, entrusting its management and operation to the workers, growing and selling organic produce such as ginger and oranges, and producing honey. The producer also raises cows on the farm to provide milk to children to enhance the quality of life of the workers and their families, and uses the manure as fertilizer for organic cultivation to contribute to reducing environmental load.

Mitsui and Mitsui Norin undertake comprehensive quality control in all phases of the value chain. To ensure complete traceability in all product stages from procurement of raw materials to manufacturing, inspection, shipment, and delivery, both companies worked together to create an original traceability system. In tea-producing regions, Mitsui and Mitsui Norin periodically visit tea farms to conduct on-site surveys of tea-growing environments, quality control, and agrochemical controls and other aspects. As regards agrochemical controls, both companies have tests for residue agrochemicals on the tea leaves conducted at a third-party contract institution, in addition to on-site visits and confirmation at the tea farms.

The Black Tea Manufacturing and Sales Business Value Chain



Improving Procurement Reliability Through Legal Compliance and the Forest Certification System Lumber Procurement

Significant deforestation and reduction and degradation of biodiversity and forest ecosystems caused by illegal logging have become major environmental issues globally. In 2006, as a countermeasure against illegal logging, the Japanese government enacted the Green Purchasing Law, which requires that government agencies only purchase lumber that is certified to have come from legal logging in sustainably managed forests.

As one of Mitsui's missions is to ensure the stable supply of building materials, paper resources, and other wood products, we cooperate with suppliers from around the world to ensure that our purchases contain no illegally logged lumber.

For example, in our forest resources business for pulp and paper manufacturing in Australia, Mitsui implements environmental management and operation procedures based on the two major forest certifications, the Forest Stewardship Council® (FSC®) and the Programme for the Endorsement of Forest Certification Schemes (PEFC), and we conduct regular checks to ensure that only reputable plantation operators are used, that operations do not result in environmental destruction, for example through chemical soil contamination, and that the obligation to replant logged areas is being fulfilled. In addition to Australian companies, in 2014 Trans Pacific Fibre, a forest resources business for pulp and paper manufacturing joint venture company in Chile, obtained both FSC® and PEFC certification.

Increased awareness of environmental conservation has led to increased numbers of companies and consumers who choose products with the above-mentioned forest certifications when they purchase wood and paper products. Mitsui cooperates with its partners and manufacturers to increase the use of FSC® and PEFC certified products in the supply chain, in order to create products that are in accordance with higher awareness of environmental conservation.



Woodchip processing plant (Bunbury Port in Western Australia)