



Corporate Governance and Internal Controls

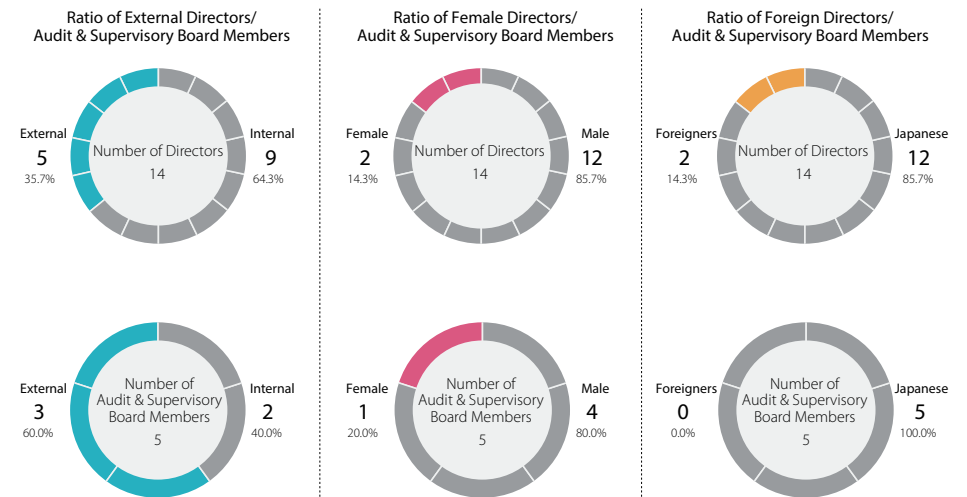
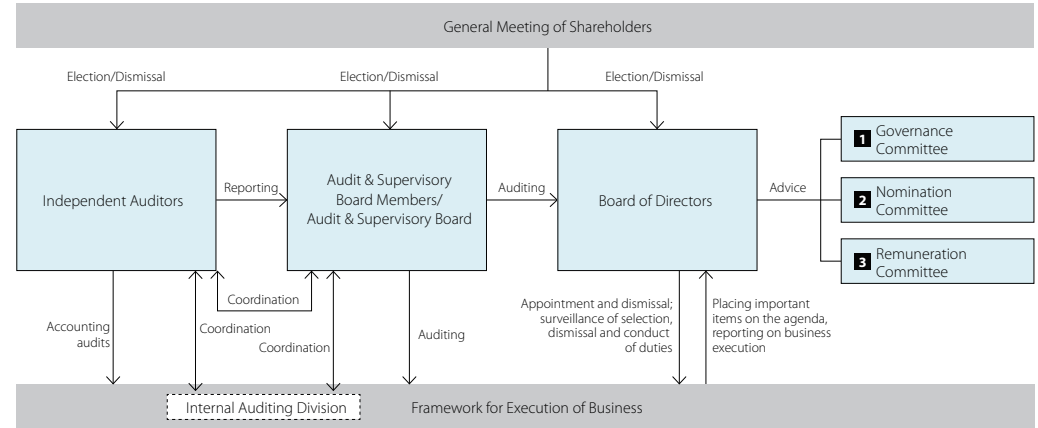
Basic Corporate Governance Policy

Policy System

In structuring the corporate governance framework, Mitsui & Co. places emphasis on “improved transparency and accountability” and “clarification of the division of roles between management oversight and execution.” For the “improved transparency and accountability,” Mitsui ensures sound supervision and monitoring of management with the view point of External Directors and External Audit & Supervisory Board Members (hereinafter referred to as the “External Members”). Mitsui has also established an internal control system for disclosure so that all officers and employees fulfill their accountability to stakeholders under the principle of fair disclosure. For “clarification of the division of roles between management oversight and execution,” Mitsui delegates execution of business to Managing Officers substantially while the Board of Directors retains a supervisory role over Managing Officers’ business activities. Chief Operating Officers of 15 business units within Head Office and 3 overseas regional business units serve concurrently as Managing Officers and engage in business operation for the consolidated group in a responsive and flexible manner.

While Mitsui believes that management by internal Directors who are familiar with our business practices and operations is essential to a general trading company, we place importance on increasing the effectiveness of supervisory functions by having Audit & Supervisory Board Members as a company implementing corporate governance under an Audit & Supervisory Board system. Moreover, by adopting a Committee System, in which the External Members participate, Mitsui achieves highly effective corporate governance to secure “improved transparency and accountability” and “clarification of the division of roles between management oversight and execution.”

Corporate Governance Framework



Board of Directors

Activity

SDGs: 16.7

The Board of Directors is the highest authority for execution of business and supervision. The tenure of Directors is one year, and can be reappointed. The Chairman is authorized to call for a meeting of the Board of Directors and to chair the meeting. The role of Mitsui's Chairman chiefly involves carrying out supervision of management. The Chairman does not concurrently serve as an executive officer and is not involved in the execution of day-to-day business operations.

As advisory committees to the Board of Directors, Mitsui also has in place the Governance Committee, the Nomination Committee and the Remuneration Committee, in which External Members participate as members.

In accordance with the rules of the Board of Directors regarding resolutions and matters to be reported, the Board of Directors passes resolutions of fundamental policies on management of Mitsui, matters of important business operation, matters mandated by a resolution of the General Meeting of Shareholders and issues prescribed in laws and regulations and in the Articles of Incorporation. The Board of Directors also receives reports on issues prescribed in laws and regulations and the status of important business operations. A meeting of the Board of Directors generally takes place one a month, and when needed.

Reports Made to the Board in FY 2019 regarding Sustainability/ Internal Control Systems/Risk Management and Related Matters

Agenda of the Board	Time of Meeting	Matters Reported	Relevant Risk Management Structures/Systems
Review of status of internal control systems	Mar 2019	• Overview of internal control system	• Authority delegation system, <i>ringi</i> system, oversight and support by corporate staff divisions • Prior setting of position limits, monitoring by specialist units • Internal Control Committee, Portfolio Management Committee
Sustainability	Apr 2018	• Overview of sustainability activities • Approach to coal-related business	• Sustainability Committee
	Jun 2018	• Responding to climate change	
Compliance structures/operational status	Mar 2019 Oct 2018	• Compliance risks	• Compliance Committee • Establishment of and compliance with the Business Conduct Guidelines for Employees and Officers of Mitsui & Co. • Development of internal whistle-blowing system • Training and other awareness-raising activities
Assessment of internal control system in accordance with Financial Instruments and Exchange Act	Jun 2018	• Internal control systems for financial reporting	• J-SOX Committee • Self-assessment of the effectiveness of internal control systems by units subject to assessment and testing by independent units
Internal audit results	Aug 2018	• Results of internal audit	• Internal audit structure centering on the Internal Audit Div.
Mitsui's risk exposures and management	Sep 2018	• Credit risks (commercial claims, external loans/guarantees, term deposits) • Market risks (commodity/forex long and short positions, inventories) • Business risks (business assets, loans/guarantees to related parties, external investments) • Country risk	• Examination of credit lines and <i>ringi</i> applications and monitoring • <i>Ringi</i> screening of commodity/forex long and short positions, on-site inspection of inventories, etc. • Screening through <i>ringi</i> processes, realization of returns from investment projects and their optimization • Collection and analysis of country risk information, position monitoring of individual countries, designation of business-suspended countries and restricted countries, formulation of country-specific response policies
Cybersecurity	Dec 2018	• Cybersecurity	• Technological countermeasures, human countermeasures (including activities to raise awareness of security), countermeasures targeting affiliated companies

Audit & Supervisory Board

Activity

SDGs: 16.7

The Audit & Supervisory Board Members supervise the Directors' execution of duties as an independent institution with the mandate of the shareholders. For this purpose, Audit & Supervisory Board Members carry out multi-faceted, effective audit activities such as attending important internal meetings, verifying reports and investigating our business, and take necessary measures in a timely manner.

Audit & Supervisory Board meetings are held periodically and precede meetings of the Board of Directors. Moreover, additional meetings are held on an as-needed basis. The Audit & Supervisory Board Members attend meetings of the Board of Directors to monitor how the proceedings of the meetings are managed and the content of the decisions made. These members also actively express their opinions. Auditing by the Audit & Supervisory Board Members covers a variety of areas, among which are execution of duties by Directors, decision-making processes at the meetings of the Board of Directors and others, status of construction and operation of the internal control system, independence of the Independent Auditors, system of financial reporting, accounting policies and processing of financial information, tax policies and tax processing.



Integrated Report 2019 (P.102 Mitsui's Corporate Governance)

Execution of Business Activities

System

Ultimate responsibility for execution of business operations lies with the President and CEO. The President and CEO delegates authority to the Chief Operating Officers of the business units and regional business units, who, in turn, report to the President and CEO. The Corporate Management Committee is organized for deliberating the basic policies and important matters relating to the overall management. The Committee consists of the Chairman of the Board of Directors, President and CEO (the committee chair), the Directors in charge of Corporate Staff Units, and Representative Directors or Managing Officers nominated by the President and CEO. The Corporate Management Committee is held weekly in principle. Matters referred to the Corporate Management Committee meeting are determined by the President and CEO, taking into consideration discussions among the Committee members.

Based on the basic design of internal controls provided for by the Board of Directors, the management assumes the role and responsibility of maintaining, operating and assessing internal controls at Mitsui. The Internal Auditing Division, the division positioned directly under the President and CEO, is responsible for examining the status of adaptability and implementation of the internal control approved by the management from an independent standpoint.

Mitsui has established major committees pertaining to the execution of business and implementation of internal control, in order to respond to a wide range of risks and forms of businesses, which continue to increase and diversify.

Internal Control System

System

In the construction of internal control processes, Mitsui implements various systems in accordance with basic framework of the internal control indicated by the Business Accounting Council (an advisory body to the Financial Services Agency of Japan) to achieve “Improvement of effectiveness and efficiency of operations,” “Compliance with accounting standards and securing reliability of financial reporting,” “Compliance with laws, rules that are equivalent to the laws, and observance of management philosophy and company rules including all codes of conduct which reflect this philosophy,” and “The conservation of company assets.”

Risk Management System

Risks arising from Mitsui’s business activities are monitored and managed by chief operating officers of business units and regional business units under the oversight of the Board, within the authorization delegated to them from Mitsui’s management. The management of quantitative risks include setting of position limits and loss-cut limits as well as monitoring of positions by divisions with relevant expertise, and for the management of qualitative risks, the compliance with related internal regulations is obligated. For the management of risks which exceed the scope of authority granted to chief operating officers of business units and regional business units, it is necessary to obtain approval of the Corporate Management Committee, a Representative Director in charge, or a Senior Managing Officer in charge, depending on the importance of the case, in accordance with the standards of the internal approval system.

Furthermore, with regard to the establishment and maintenance of risk management structures from all company level and the handling of significant risks, organizations such as the Portfolio Management Committee, the Sustainability Committee, and the Crisis Management Headquarters will be in charge. Such organizations are separate from the Audit & Supervisory Board, and the Directors who act as the heads of each committee report to the President and Chief Executive Officer when necessary. With respect to the risks in the fields they are in charge of, each division of the Corporate Staff Units is responsible for monitoring of the whole Company’s positions, controlling within the prescribed range of their authority, and supporting the relevant Directors and Managing Officers.

Systems to Secure Appropriateness of Operations within the Corporate Group

Mitsui established the “Mitsui & Co., Ltd. Corporate Governance and Internal Control Principles” (“Principles”). In light of other laws and regulations and to the extent reasonable, Mitsui requires its subsidiaries to develop and operate internal controls based on these Principles, and for its equity accounted investees, Mitsui coordinates with other equity participants and encourages the equity accounted investees to develop and operate similar internal controls. In addition, from its officers and employees, Mitsui appoints supervising officers for its affiliated companies and has them engage in their duties based on the “Rules on Delegation of Authority for Supervising Officers for Affiliated Companies.”



Corporate Governance and Internal Control Principles



Integrated Reports 2019 (P.117 Internal Control System)



P.114 Information Risk Management



P.106 Compliance Framework



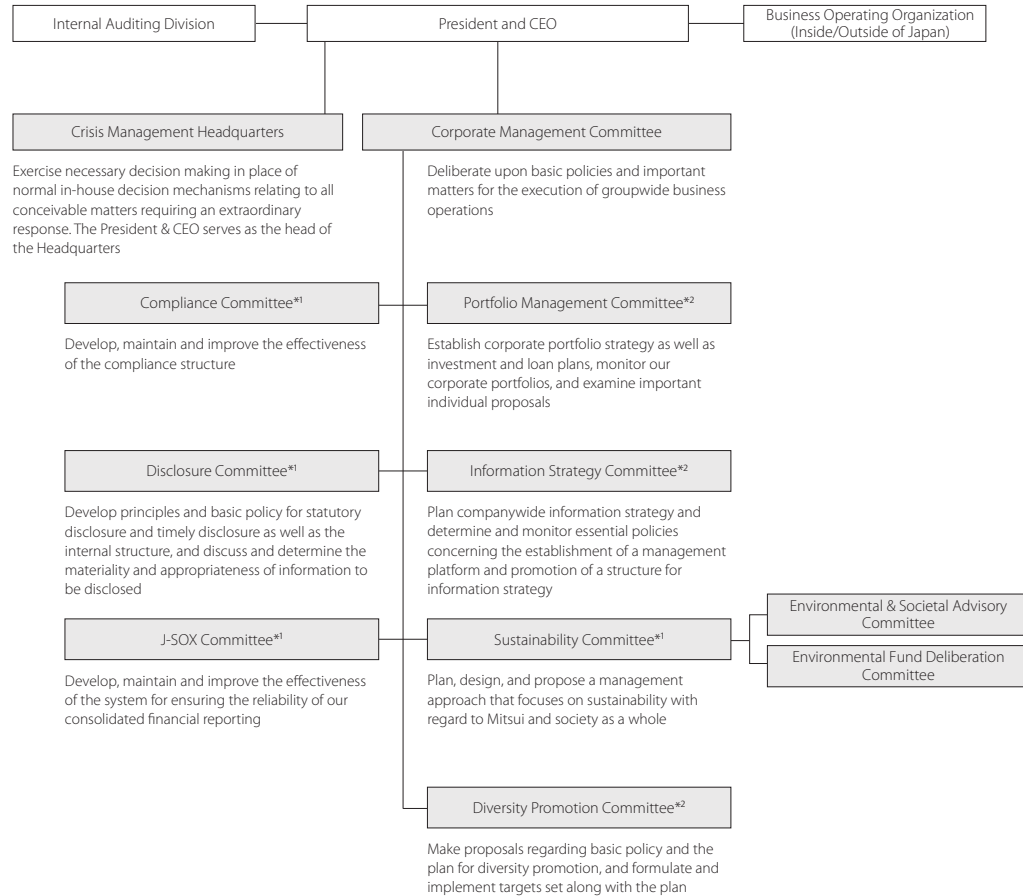
P.113 ESG-Related Risk Management

Corporate Governance and Internal Controls

Risk Management



Framework for Internal Controls and Execution of Business Activities (As of April 2019)



*1 Sub-committees to the Corporate Management Committee
 *2 Advisory bodies to the Corporate Management Committee

ESG-Related Risk Management

System Activity

SDGs: 3.d, 13.3, 16.7

Business opportunities, as well as the risks associated with doing business, have increased and are becoming more diversified due to the impact of economic globalization, progress in information technology, and increasing awareness of the importance of corporate social responsibility. Based on this understanding, Mitsui & Co. recognizes the necessity for comprehensively managing risk from both quantitative and qualitative perspectives, while responding appropriately to changes in social conditions and business models. With this awareness, we have defined the business which have high qualitative risks including risks related to the natural environment, society, and governance as “Specially Designated Business,” and have been endeavoring to develop such businesses with due caution under our Specially Designated Business Management System.

In the promotion and management of each business, we bear in mind the various climate change scenarios that are put forward by internationally recognized organizations, such as the International Energy Agency, and analyze the potential impact of such scenarios on our businesses. We have been reflecting the results of these analysis in our screening processes for investments, loans, and other activities. A shift toward a low carbon society could have an impact on our energy business among others, and in response to that we have been promoting environment-friendly, next generation energy business. Moreover, since Mitsui has been engaging in business in various locations around the world, climate change-related measures implemented by the countries and regions where we operate could have a significant impact on the profitability and sustainability of our business. We monitor the measures adopted in each country and region in a timely manner, and trends relating to stakeholders influencing those measures, by utilizing the global network that we have established through our business activities over many years, and use the information which we obtained in our decision making process.

Specially Designated Business Management System and Environmental & Societal Advisory Committee

When beginning new projects, we conduct internal assessments and, wherever necessary, consult with the Environmental & Societal Advisory Committee, the Sustainability Committee, or other committees for advice as to whether or not to proceed with the proposed projects, and for suggestions on how improvements can be made. Ultimately, the final decision on whether or not to proceed with any given project is made by Corporate Management Committee and the Board of Directors (both of which supervise the ESG risks) and through the *ringi* (circular executive approval) process by representative directors, in accordance with the predetermined qualitative and quantitative standards. The members of the Environmental & Societal Advisory Committee consist mainly of external experts and attorneys who are familiar with a broad range of fields including climate change, environmental restoration, environmental policy with respect to water, energy, etc., technology trends, human rights, and labor issues. The advisory committee members assess the risks related to such matters and provide recommendations where appropriate for improving projects. In the fiscal year ended March 2019, we held the committee in regards to several energy business, our identification of new Materiality, and so on.

Under the Specially Designated Business Management System, we promote project formation based on the