

# Corporate Governance and Internal Control

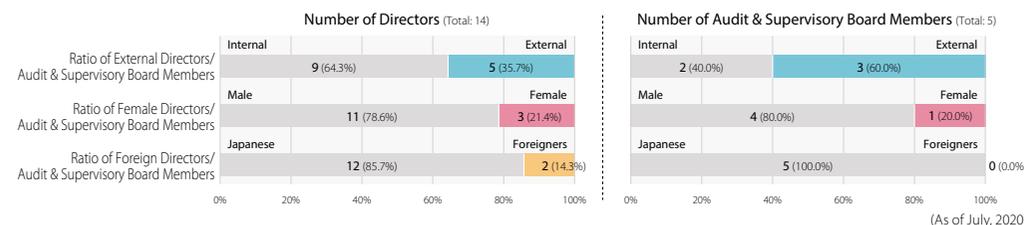
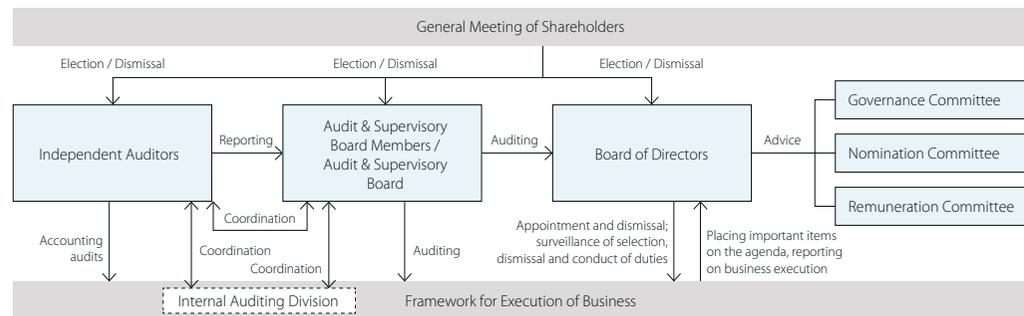
## Basic View on Corporate Governance

Policy System

In structuring the corporate governance framework, the Company places emphasis on “improved transparency and accountability” and “the clarification of the division of roles between the oversight activities and the executive activities of management.” For “improved transparency and accountability,” the Company ensures sound supervision and monitoring of management with the viewpoints of External Directors and External Audit & Supervisory Board Members. The Company has also established an internal control system for disclosure so that all executives and employees fulfill their accountability to stakeholders under the principle of fair disclosure. For “the clarification of the division of roles between the oversight activities and the executive activities of management,” the Company 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 the 16 Headquarter Business Units and the 3 Overseas Regional Business Units serve concurrently as Managing Officers and engage in business operations for the consolidated Group in a responsive and flexible manner.

While increasing the effectiveness of supervisory functions by having Audit & Supervisory Board Members, the Company implements corporate governance by maintaining an Audit & Supervisory Board system because it believes that having Internal Directors who are familiar with its business practices and operations is essential to the business of a general trading company. By adopting a Committee System in which External Directors and External Audit & Supervisory Board Members participate, the Company achieves highly effective corporate governance to secure “improved transparency and accountability” and “the clarification of the division of roles between the oversight activities and the executive activities of management.”

### Corporate Governance Framework



## Board of Directors

Activity

The Board of Directors is the highest authority for execution of business and supervision, and in order to secure this function, the Company has maintained a number of Directors that is suitable for having substantial discussions. The tenure of Directors is one year, and Directors can be reappointed without obstruction. The Chairman is authorized to call for a meeting of the Board of Directors and to chair the meeting. His role as the Chairman of the Board of Directors of the Company chiefly involves carrying out supervision of management. He does not concurrently serve as an executive officer and he is not involved in the execution of day-to-day business operations. In addition, the Company has established the Governance Committee, the Nomination Committee, and the Remuneration Committee to serve as advisory bodies to the Board of Directors. These committees have majorities of external members, including their chairpersons.

At Board of Directors’ meetings, matters that are deliberated or reported on abide by the Company’s internal regulations. In addition to matters concerning fundamental policies related to management, important business execution and matters authorized by resolutions of the General Meeting of Shareholders, the Company passes resolutions on matters determined by law and company statute. The Board of Directors also receives reports regarding matters determined by law and the status of important business operations.

Regular meetings of the Board of Directors are held once every month in principle and extraordinary meetings are held from time to time at any time if deemed necessary. In the fiscal year ended March 31, 2020, 15 meetings were held.

### Sustainability, internal control or risk management-related reports to the Board FYE March 2020

Agenda of the Board	Time of Meeting	Matters Reported	Relevant Risk Management Structures/Systems
Internal Control System Review	2020/4/8*	• Internal control overall	• 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/Portfolio Management Committee
Sustainability related	2020/3/25	• Overall activities related to sustainability (including Climate Change)	• Sustainability Committee
Mitsui & Co. Group Compliance System	2019/10/30 2020/3/25	• Compliance risks	• Compliance Committee • Establishment of and compliance with Business Conduct Guidelines for Employees and Officers of Mitsui & Co., Ltd. • Development of internal whistle-blowing system • Implementation of training and other awareness-raising activities.
Internal control evaluation report given under the Financial Instruments and Exchange Law	2019/6/20	• Internal controls relating to financial reporting	• J-SOX Committee • Self-assessment of effectiveness of internal control systems by units under assessment, and testing by independent units
Internal Auditing Div. Activity Report	2019/9/11	• Result of internal auditing	• Internal audit framework centered on Internal Auditing Div.
Mitsui & Co.’s risk exposure and controls	2019/12/18	• Credit risk (commercial claims, external loans/guarantees, term deposits) • Market risk (commodity/forex long and short positions, inventories) • Business risk (business assets, loans/guarantees to related parties, external investments) • Country risk • Operational risk	• Examination of credit lines and <i>ringi</i> applications and monitoring • <i>Ringi</i> examination of commodity/forex long and short positions, on-site inspection of inventories, etc. • Examination through <i>ringi</i> processes, realization of returns from investment projects and their optimization • Collection and analysis of country risk information, position monitoring by country, designation of countries for suspension of transactions, designation of special countries, formulation of country-specific policies • We have taken further step to identify operational risk affecting individual business projects
Cyber Security	2019/12/18	• Cyber Security	• Technical support, human support (including security awareness activities), support to affiliated companies

\* The status of Internal control regarding fiscal year ended March 2020 was reported to the board of directors held April 8, 2020, immediately after the ending of such fiscal year.

## Audit & Supervisory Board

Activity

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.

A meeting of the Audit & Supervisory Board Members is regularly held prior to a meeting of the Board of Directors and whenever necessary. In the year ended March 31, 2020, 24 meetings were held. The main items considered and discussed at the Audit & Supervisory Board are as follows: Audit policies, audit plans and work assignments; Assessment of Independent Auditor; Audit activities conducted by full-time Audit & Supervisory Board Members; Major issues and due process relating to matters to be discussed at the Board of Directors meetings; Major issues and resolutions relating to the internal control system on a Global Group basis; and Monitoring of progress on discussions between the Company and the Independent Auditor about various issues including "Key Audit Matters".

Each Audit & Supervisory Board Member has a duty to audit the following issues: (i) in the area of business auditing, execution of duties by Directors, decision-making processes at the Board of Directors and others, and the status of operation and improvement of the internal control systems, and (ii) in the area of financial auditing, the independence of the Independent Auditors, the system of financial reporting, accounting policies and processing of financial information, financial statements, reports from the Independent Auditors, and the system of corporate information disclosure.



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## Execution of Business Activities

System

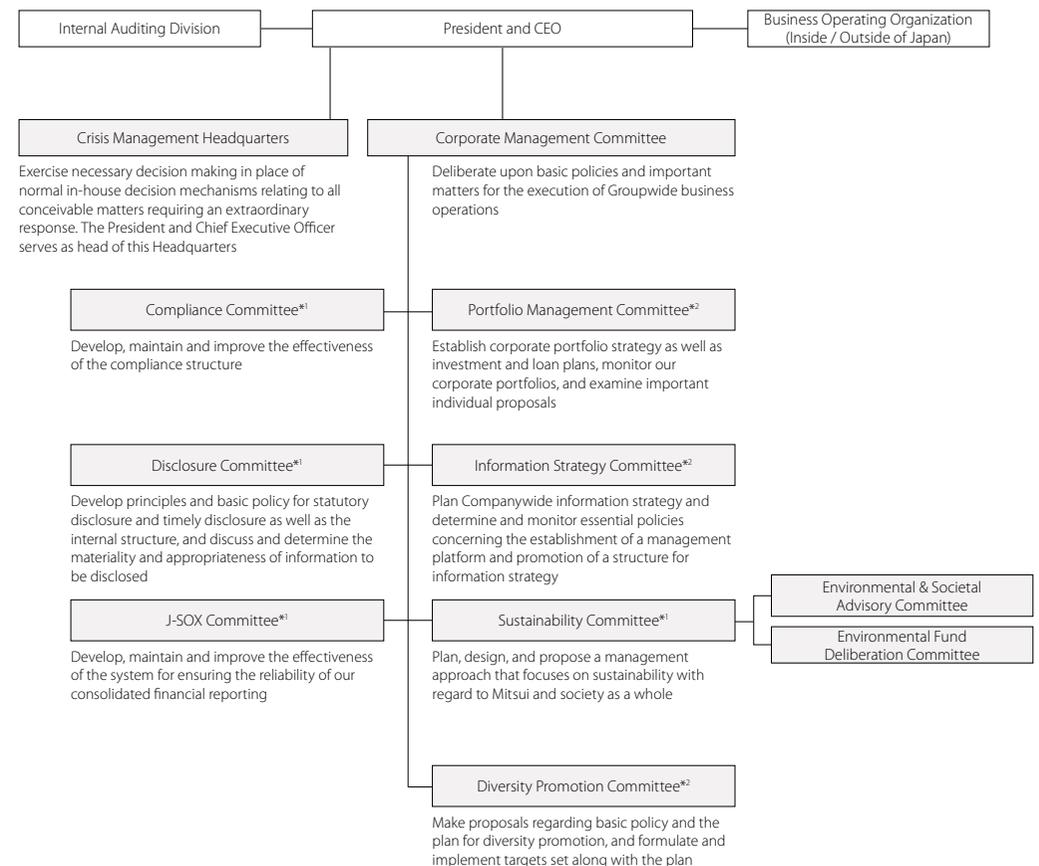
Ultimate responsibility for execution of business operations lies with the President and Chief Executive Officer. The President and Chief Executive Officer delegates authority to the Chief Operating Officers of the business units and regional business units, who, in turn, report to the President and Chief Executive Officer. 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 Chief Executive Officer (the committee chair), the Directors in charge of Corporate Staff Units, and Representative Directors or Managing Officers nominated by the President and Chief Executive Officer. The Corporate Management Committee is held weekly, in principle. Matters referred to the Corporate Management Committee meeting are determined by the President and Chief Executive Officer, taking into consideration discussions among the Committee members.

Based on the basic design of internal controls provided for by the Board of Directors, management assumes the role and responsibility of maintaining, operating and assessing internal controls at Mitsui and

Mitsui affiliated companies. The Internal Auditing Division, the division positioned directly under the President and Chief Executive Officer, examines the status of development and implementation of the internal control of Mitsui.

The Company has established major committees pertaining to the execution of business and implementation of internal control as follows, and is taking measures to respond to a wide range of risks and forms of businesses, which continue to increase and diversify.

### Framework for Internal Controls and Execution of Business Activities



\*1. Sub-committees to the Corporate Management Committee

\*2. Advisory bodies to the Corporate Management Committee

Corporate Governance and Internal Control

Internal Controls

System

In the construction of internal control processes, aiming to achieve the objective of the internal control process—“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”—the following systems are implemented.

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 within the authorization delegated to them from the Company’s management. Measures taken by each business unit to manage quantitative risks include setting position limits and loss-cut limits and conducting monitoring through divisions with relevant expertise. For the management of qualitative risks, the business units are obligated to observe relevant internal regulations. When a business unit or regional business unit takes on risks that are greater than the scope of authority granted to them, it is necessary to obtain approval of the Corporate Management Committee or a relevant representative director or senior managing officer, depending on the importance of the situation, in accordance with the standards of the internal approval system.

Furthermore, organizations such as the Portfolio Management Committee, the Sustainability Committee, and the Crisis Management Headquarters establish and develop risk management structures on a Companywide basis and handle significant risks. Members of the corporate staff of each committee are responsible for surveillance of Mitsui’s position regarding the risks they are in charge of overseeing, as well as the control of risks within the prescribed range of their authority and the provision of support to relevant directors and managing officers.

Ensuring the Appropriateness of Operations within the Corporate Group

The Company has set forth the “Mitsui & Co., Ltd. Corporate Governance and Internal Control Principles.” In light of other laws and regulations, the Company requires its subsidiaries to develop and operate internal controls based on these principles and to the extent reasonable. For its equity-accounted investees, the Company 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, the Company appoints supervising officers to each affiliated company and has them conduct management based on the “Rules on Delegation of Authority for Supervising Officers of Affiliated Companies.”

 Mitsui & Co., Ltd. Corporate Governance and Internal Control Principles

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 P.114 Information Risk Management

 P.107 Compliance Framework

 P.113 ESG-Related Risk Management

Risk Management

ESG-Related Risk Management

System

Activity

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 of comprehensively managing risk from both quantitative and qualitative perspectives, while responding appropriately to changes in social conditions and business models. We have defined business that has high qualitative risks, including risks related to the natural environment, society, and governance, as “Specially Designated Business,” and have been endeavoring to develop such business 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 business. We have been reflecting the results of these analyses 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 is engaging in business in a variety of locations around the world, climate change-related measures implemented by various countries and regions could have a significant impact on the profitability and sustainability of our business. By utilizing the global network that we have established through our business activities over many years, we monitor the measures adopted in each country and region in a timely manner, as well as trends relating to stakeholders influencing those measures, and use the obtained information in our decision-making process.

 P.40 Strategy and Risk Management for Climate Change Response

Specially Designated Business Management System and Environmental & Societal Advisory Committee

With reference to international standards related to environmental and social aspects, we have created an ESG due diligence checklist, which compiles environmental and social risks by business area. Each business unit uses the checklist to conduct ESG impact assessments, which encompass climate change, pollution prevention, ecosystems, water stress, human rights, and other matters. Based on the assessments, we designate business areas that pose high qualitative risks related to the environment, society, governance, etc., as “Specially Designated Business”, and promote such business based on the Specially Designated Business Management System.

When we identify a project as Specially Designated Business, 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 project, 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 through the *ringi* (circular executive approval) process by the Corporate Management Committee, the Board of Directors, and representative directors, all of whom