

# CSR REPORT

Mitsui & Co., Ltd. CSR Report



～2004～



**MITSUMI & CO.,LTD.**

## CSR Report 2004

# Contents

- 1 Editorial Policy
- 2 Company Profile

### Highlights

- 3 President's Message Shohei Utsuda Top Commitment
- 5 CSR at Mitsui Corporate Social Responsibility
- 7 CSR in Mitsui's Core Businesses ~Toward a Promising Future~  
Initiatives for Sustainable Development
  - For Tomorrow's Energy Needs
  - For a Stable Supply of Natural Resources
  - For More Comfortable, Safe and Secure Living Conditions

### Corporate Governance

- 13 Corporate Governance and Internal Control
- 14 Measures to Reinforce Compliance

### Environmental Initiatives

- 17 Environmental Policies
- 18 Environmental Business Initiatives
- 19 Environmental Management Systems
- 20 Environmental Impact Assessment

### Workplace & Society

- 21 Employee Relation
- 23 Social Contribution Activities

### Economic Performance

- 25 Reaching a New Stage of Growth

- 27 Stakeholder Meeting
- 30 Participation in the U.N. Global Compact

### 【Insert】 GRI Guideline Comparison Chart

#### Editorial Policy

Mitsui & Co., Ltd. ("Mitsui") has issued an Environmental Report since 1997, and published a Sustainability Report in 2003. This year Mitsui will publish a CSR Report, renamed as such to more clearly present its CSR activities to readers. This year's report includes an explanation of Mitsui's Basic CSR Policy and CSR Promotion Framework, which were both formulated in August 2004.

● This report improves on Sustainability Report 2003 by presenting policies and objectives for each CSR priority in addition to reporting on activities.

● Stakeholder meetings will be held regularly from now on to enhance future CSR activities. In this report, we present the views expressed by various CSR experts at our first stakeholder meeting.

● In this report, we mainly present Mitsui's policies and approaches to CSR. These topics are supplemented by detailed statistics and examples posted on Mitsui's website, which is updated regularly as new information becomes available.

#### Scope of Coverage:

Mitsui & Co., Ltd. and overseas trading subsidiaries  
Japan: 23 domestic offices

Overseas: 159 locations (69 overseas offices and 90 overseas trading subsidiaries)

#### Reporting Period:

Fiscal 2004 (April 1, 2003 to March 31, 2004)  
Some activities carry over into fiscal 2005.

#### Target Audience:

This report has been prepared for Mitsui's stakeholders, including shareholders and other investors, business partners, customers, local residents, government agencies, NPOs/NGOs and employees.

#### Reference Guidelines:

GRI\* Sustainability Reporting Guidelines 2002

\*GRI: Global Reporting Initiative

The Global Reporting Initiative is an organization established in 1997 primarily by CERES (Coalition for Environmentally Responsible Economics), a US NGO that authored the CERES principles, and the United Nations Environment Programme (UNEP) to formulate corporate-level sustainability reporting.

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Mitsui & Co., Ltd.

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# Company Profile

## Company Profile

### Name

MITSUI & CO., LTD.

### Date of Establishment

July 25, 1947

### Head Office

2-1, Ohtemachi 1-chome, Chiyoda-ku,  
Tokyo 100-0004, Japan

### Representative

Shoei Utsuda,  
President and Chief Executive Officer

### Common Stock (as of March 31, 2004)

192,487 million yen

### Number of Employees

(as of March 31, 2004)

9,235

(6,028 in Japan and 3,207 at overseas offices  
and overseas trading subsidiaries)

### Number of Offices and Overseas Trading Subsidiaries (as of October 1, 2004)

182 offices

Japan: 23 (Head Office, 6 Offices, 12 Bran-  
ches and 4 Sub-branches)

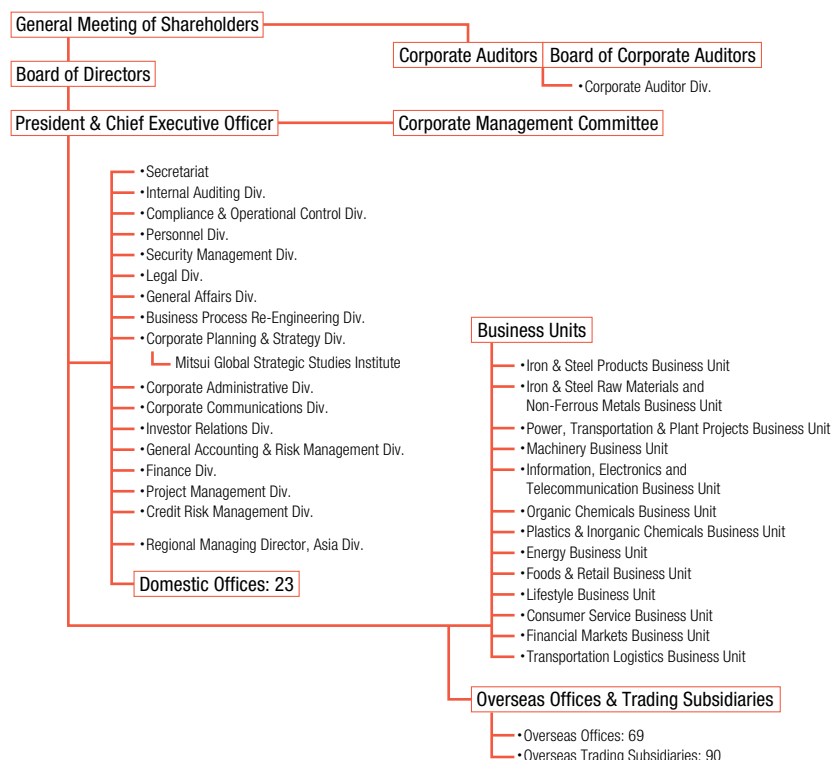
Overseas: 159 (69 Overseas offices and 90  
Overseas trading subsidiaries)

### Main businesses

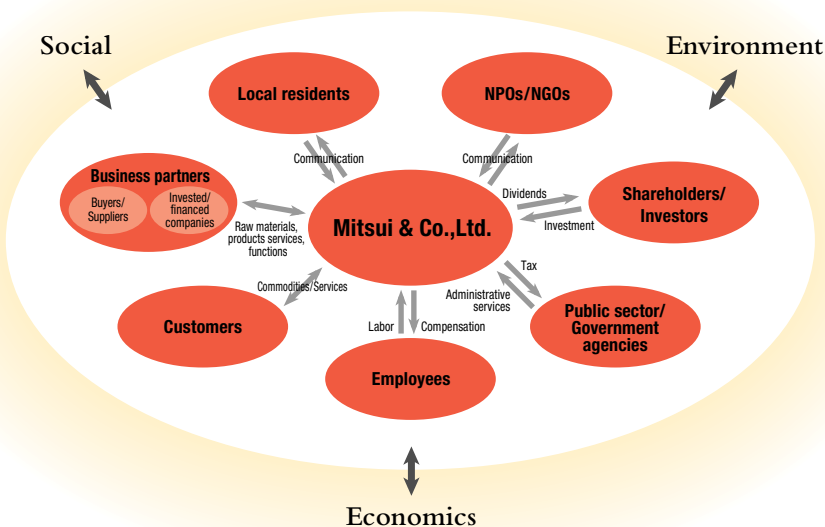
Mitsui taps an expanding global network to  
access strategic information and harness  
business engineering capabilities.

Main businesses include sales, manufacture,  
export/import, international trade and ser-  
vices in the following fields: metal products  
and minerals, machinery, electronics and  
information, chemicals and energy, consumer  
products and services — retail, foods, textiles  
& fashion, general merchandise and various  
services, and financial markets and logistics  
& transportation. Mitsui is also diversifying  
services, exploring for and developing natural  
resources, making commercial investments,  
developing technologies in new businesses  
and much more.

## Organization Structure (As of October 1, 2004)



## Mitsui's Stakeholder



# T President's Message op C Commitment

Helping realize  
an inspiring future for  
the irreplaceable Earth  
and its inhabitants

Dedicated to meeting its social  
responsibility as a Global Business Enabler,  
Mitsui & Co. ("Mitsui") will focus with  
integrity on issues involving  
the Earth and mankind.



Shoei Utsuda  
President and Chief Executive Officer



## Mitsui's Approach to Corporate Social Responsibility

What are the reasons for the great demands placed on companies today concerning corporate social responsibility (CSR)? To answer this question, we reexamined the very reasons that companies exist. By conducting various businesses that earn the trust and meet the expectations of society, a company creates new value. Through this process, everyone who comes in contact with that company, as well as communities, countries and even the Earth, should be able to benefit in some way. I firmly believe that the role of a company is to support this sustainable process.

Today, we are witnessing the rapid globalization of economic activities and the expansion of the information oriented society. As a result, the influence of corporations' activities is growing at an unprecedented speed. But corporations' responsibilities are increasing in tandem with their influence on society. I believe this explains why we are seeing a global surge in demands concerning CSR. Mitsui constantly conducts its activities with this point in mind. As we generate new forms of value, we will continue to focus on the quality and process of value creation as well as on the nature of the value itself.

## The Mitsui Management Philosophy

When I became president of Mitsui about two years ago, I distributed a message to all employees outlining my thoughts on “Mitsui & Co. Aspirations”. Since then I have been asking everyone to accumulate a record of outstanding work based on the pursuit of lofty goals. In August 2004 we announced a management philosophy made up of a mission, vision and values (our guiding principles). The philosophy asks every Mitsui employee to once again reaffirm his or her commitment to the lessons and the spirit that have defined Mitsui throughout its long history.

Our mission is “to contribute to the creation of a future where the dreams of the inhabitants of our irreplaceable Earth can be fulfilled”. We have rededicated ourselves to the spirit of doing work that is beneficial to society by pursuing lofty goals from an ethical perspective as a Global Business Enabler. Through this stance we are determined to make a sincere effort to prove ourselves worthy of the public’s trust. Along with the management philosophy, we have announced a Basic CSR Policy. This reflects our desire to have the philosophy constantly guide our activities and to make CSR an integral part of Mitsui’s management. In addition, Mitsui has announced its participation in the United Nations Global Compact, which calls for the observance of 10 principles concerning human rights, labor standards, the environment and other matters. Complying with this compact will position CSR as an even more important component of our global activities.

In the previous fiscal year we created a strong foundation for CSR-oriented management by establishing advanced frameworks for compliance and internal controls, and reinforcing corporate governance in our organization. In April 2004 we formed a CSR Promotion Committee as a company-wide structure, which is reexamining how we should conduct CSR activities worthy of Mitsui and taking the lead in making these activities even more meaningful.

## Making Everyone at Mitsui More Aware of CSR

CSR activities require much more than organizations and systems. Success requires everyone working at Mitsui to share a common set of values and take the initiative in putting those values into practice. Only then can we be an effective force as a company. In this regard, nothing is more important than communications with employees. For this reason internal communication has been one of my highest priorities since becoming president. Moreover, the people of Mitsui must take pride in their work, and they must become even more aware of their responsibility to society and environmental protection and act accordingly. I am constantly thinking about how Mitsui as a company can better assist employees in this regard.

In April 2004 we took a group of new employees to Hokkaido to plant trees at a company-owned forest (see photo) as a human resource development program. Mitsui



Shoei Utsuda planting trees with new employees at the Niwan forest in Hokkaido

owns 39,000 hectares of forests in Japan, which are a valuable source of water and support a variety of plants and animals. Forests also help prevent global warming by absorbing and storing carbon dioxide. This program demonstrates our desire to have individuals understand from the outset of their careers at Mitsui the importance of company assets like these forests, and the need for corporate social responsibility. We are also committed to a program of social contributions, in a manner that benefits society and is worthy of Mitsui, as one element of our CSR activities.

## Dialogue—A Critical Component of CSR

Maintaining a dialogue with all Mitsui stakeholders is just as important to successful CSR management as communication with employees. By clearly communicating our thinking on CSR and reflecting the opinions of stakeholders in our management actions, we intend to continuously improve and build on our approach to CSR. Mitsui held its first stakeholder meeting in 2004, a gathering that included a number of individuals from outside the Mitsui Group who are prominent in the field of CSR. In addition, we now issue a CSR Report each year to give the public a better understanding of our thinking regarding CSR and how we are translating that thinking into specific actions.

## The Pursuit of Excellence

In the fiscal year that ended in March 2004, Mitsui reported consolidated earnings that exceeded our forecast and set a new record for the company. This performance reflected progress in raising our Earning Power as well as a recovery in the global economy. To maintain our performance and achieve further growth, we announced our new Medium-term Strategic & Financial Plan, *Global Growth 2006*, last May. In carrying out this plan we will seek not only to generate high earnings, but also to create a positive working environment that inspires all employees to pursue lofty aspirations and perform outstanding work to a high ethical standard. Since Mitsui’s inception, we have grown by consistently anticipating changes in our operating environment; and in doing so we have been able to meet customers’ needs across a range of business sectors. As a Global Business Enabler that can make contributions in nations worldwide, Mitsui will continue to develop solutions for issues affecting people and the Earth. We look forward to your advice and support.





# Mitsui & Co.'s CSR Corporate Social Responsibility

## Mitsui & Co.'s Corporate Mission, Vision and Values

### Mission

We will contribute to the creation of a future where the dreams of the inhabitants of our irreplaceable Earth can be fulfilled.

### Vision

We aim to become a global business enabler that can meet the needs of our customers throughout the world.

### Values

Making it a principle to be fair and humble, we, with sincerity and in good faith, will strive to be worthy of the trust society places in us.

With lofty aspirations and from an honest perspective, we will pursue business that benefits society.

Always taking on the challenge of new fields, we will dynamically create business that can lead the times.

Making the most of our corporate culture that fosters "Freedom and Open-mindedness," we will fully demonstrate our abilities as a corporation as well as individuals.

In order to nurture human resources full of creativity and a superior sense of balance, we will provide our people with a workplace for self-development as well as self-realization.

## Basic CSR Policy

- 1 We will fulfill our role in the economy and continually strive to improve our corporate value by engaging in conscientious activities giving full consideration to the social significance of Mitsui & Co.'s presence and a strong awareness of our ties with the environment.
- 2 We will raise the awareness of each employee with regard to CSR and solidify our management base for practicing CSR through strengthening corporate governance and fully reinforcing internal control. We will also make efforts towards actively contributing to society.
- 3 We will place importance on interactive communication with our stakeholders. We will fulfill our accountability with respect to CSR and continually work to improve our CSR activities based on the responses of our stakeholders.

# sibility

What must be done to be certain that Mitsui remains a company that is trusted and needed in Japan and throughout the world? And what exactly are our social responsibilities with regard to achieving a sustainable society? Mitsui's values and philosophy—challenge and creation, freedom and open-mindedness, and nurturing human resources—are rooted in many years of history and tradition. Sharing our values and philosophy is becoming increasingly important in order to create new value by combining individuals' strengths. Based on this thinking, we have developed our mission, vision and values with the aim of building awareness in all employees, and have established our Basic CSR Policy to promote corporate social responsibility.

## A Firm Commitment to CSR



**Yushi Nagata**  
Senior Executive  
Managing Officer,  
Chairman of  
CSR Promotion Committee

### Our Work Began With the CSR Management Proclamation

The goal of Mitsui is to be a responsible company that stays closely in touch with changes taking place on a global scale. CSR has long been an integral part of our operations and today the demands of stakeholders are constantly shifting according to dramatic changes in the world. In April 2004, we formed a CSR Promotion Committee to consider how we conduct CSR activities. This resulted in the announcement of our Basic CSR Policy. The proclamation of a company-wide CSR program was the beginning of a great challenge for Mitsui. Each and every employee

must consider the role of CSR in relation to his or her particular task and then take the necessary actions. Management that incorporates CSR can produce results only if closely linked with day-to-day activities. Naturally, such core elements of management as corporate governance and internal controls are essential to an effective CSR program. In addition, Mitsui workers must pursue their outstanding work with pride and high ethical standards. We view CSR as a crucial management issue for Mitsui, and will continue to take a proactive approach.

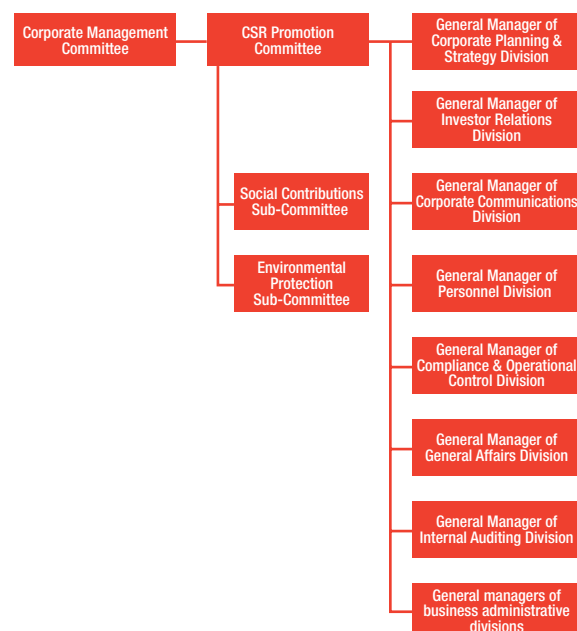
## The Objectives of the CSR Promotion Committee

As an advisory body to the Corporate Management Committee, the CSR Promotion Committee plays a key role in driving CSR management, offering advice to senior executives, establishing CSR management practices throughout the company, building an internal framework for CSR and disseminating CSR information to the public. Under the chairmanship of Mr. Nagata, the committee consists of the general managers of a number of corporate staff divisions as well as the general managers of the business administrative divisions as representatives of the business divisions. The committee has the following four primary objectives.

- 1) Submission of proposals for Mitsui's basic policy for CSR management and action plans
- 2) Establishment and oversight of the internal CSR promotion framework
- 3) Selection and promotion of priority issues for each fiscal year
- 4) Dealing with CSR matters both within Mitsui and in response to external parties

To cover the diverse spectrum of CSR issues, the CSR Promotion Committee is supported by a number of sub-committees with expertise in specific fields, such as social contributions and environmental programs. This provides for the promotion of CSR activities across Mitsui's entire organization.

## The CSR Promotion Framework



CSR Activities Through Mitsui's Core Businesses  
~Toward a Promising Future~

# Initiatives for Sustainable Development

Mitsui's business activities encompass much more than overseas trade and commercial intermediation. To develop promising new businesses, we leverage Mitsui's comprehensive business engineering capabilities as an organizer. True to our mission of *contributing to the creation of a future where the dreams of the inhabitants of our irreplaceable Earth can be fulfilled*, we believe that business activities themselves must contribute to society and the Earth's natural environment. This section presents some examples of Mitsui's businesses for a sustainable society.



Offshore gas processing facilities of Qatargas



# For Tomorrow's Energy Needs

**To fulfill our obligation to ensure a reliable supply of energy, Mitsui is involved in thermal and nuclear power generation and other energy-related businesses. Thermal and other forms of power generation are indispensable in meeting current energy needs, even as the depletion of fossil fuels and their impact on global warming are a subject of growing public concern.**

**At Mitsui, we therefore believe it is important to secure energy sources that balance societal and environmental needs. We are also channeling efforts into the development of clean sources of energy such as wind power, fuel cells, and biomass fuels.**

## Taking Steps to Secure a Stable Supply of Cleaner Energy

Securing stable sources of energy is a national priority for Japan, a country that lacks significant domestic energy resources and depends on imports for approximately 80% of its energy consumption. Mitsui contributes to a stable supply of energy resources in various fields of business. We are engaged in the development, production, import and sales of crude oil and natural gas. We are also involved in electricity retailing, new fuels, and environmental businesses.

Japan relies on oil for approximately half of its required energy resources. To meet demand for oil, Mitsui has acquired interests in oil production projects in Australia to supply high quality oil with low sulfur content. In recent years, demand for liquefied natural gas (LNG), a clean energy resource with low carbon dioxide emissions, has been growing. Ever since the launch of our first LNG project in Abu Dhabi in the 1970s, Mitsui has been involved in the LNG business around the world. We have been participating in a large LNG development project in Qatar, a Middle Eastern nation that retains the world's third largest reserves of natural gas. Through this project, Mitsui has been providing a reliable supply of LNG to electric and gas utilities in Japan since 1997.

## Mitsui Takes Part in Hibikinada Wind Power Generation Business

Wind power is attracting attention as a source of renewable and clean energy. Aiming to promote wind-generated electricity on account of its potential to become a key future energy source, Mitsui has made an equity investment in NS Wind Power Hibiki Ltd. This venture was established by Nippon Steel Corporation and Japan Wind Development Co., Ltd., to own and operate one of the largest wind farms in western Japan, located in the Hibikinada district of Kitakyushu. Since beginning operations in March 2003, its 10 wind turbines, with a rated power output of 1,500 kW each, have been generating a combined 35 million kWh annually, enough to supply approximately 10,000 households. Arrayed along the coastline, the farm's giant, 100m-tall wind turbines also serve as a symbol of clean energy.



Hibikinada Wind Power Generation Business

## Contributing to Wider Adoption of Bioethanol Fuels

Bioethanol is produced from plants such as sugar cane and corn. It is a renewable and clean energy source that does not increase atmospheric carbon dioxide. For this reason, various projects are under way around the world to use bioethanol as an automobile fuel. For its part, Mitsui has applied nanotechnology to develop a process for refining bioethanol into a form that can be blended with gasoline. This refining process makes use of a separation membrane with a structure controlled at the nano-level, and has already been put into practical use. Utilizing this process, bioethanol may be refined with only about half the energy input of existing production methods. Hopes are high that this refining process will help lower the cost of bioethanol processing and lead to greater adoption of biomass fuels.



Sugar cane used for processing into ethanol

## Fuel Cells Poised to Meet Future Energy Demands

Imagine a world where automobiles are free of exhaust emissions, laptop PCs no longer need to be recharged, and household electricity is generated at home. Further advances in fuel cell technology could make this a reality. Looking ahead to the emergence of a hydrogen-powered society, we are strengthening our involvement in a broad array of business domains related to fuel cells, key components, hydrogen-supply infrastructure and more. With their high generating efficiency and minimal impact on the environment, fuel cells are ideal sources of power. There are growing expectations that fuel-cell technology will help resolve pressing issues in the near future such as global warming and the depletion of natural resources caused by our dependence on fossil fuels.



Fuel cell vehicle

## For a Stable Supply of Natural Resources

To support Japan's industrial base, Mitsui remains committed to providing a stable supply of natural resources to Japan, which is poor in natural resources of its own. In contrast, despite the abundance of oil reserves in the Middle East, this region faces a major challenge in the form of water shortages. Mitsui is currently engaged in a broad array of businesses around the world related to the supply of natural resources indispensable to daily life.

### Ensuring a Stable Supply of Iron Ore

#### Companhia Vale do Rio Doce: the World's Largest Producer and Supplier of Iron Ore

From automobiles to electric appliances and bridges, iron is integral to our everyday activities. Currently, annual global steel production is approximately 1,000 million tons. Of this volume, roughly 650 million tons are produced from iron ore; the remaining 350 million tons are from steel scrap. Since the 1960s, Mitsui has invested in resource development projects that have enabled it to reliably supply iron ore. In September 2003, Mitsui took a stake in Valepar S.A. in Brazil, a holding company which controls Companhia Vale do Rio Doce (CVRD), the world's largest producer and supplier of iron ore. As part of this move, Mitsui has become involved in management at CVRD. Of annual global iron ore production of approximately 1,000 million tons, CVRD and its affiliated companies account for roughly 300 million tons, a share of 30% of the world's iron ore supply.



Iron ore produced by CVRD awaiting shipment at port

# Initiatives for Sustainable Development

## Revegetation of Mined Areas to Protect the Environment

Digging and surface soil removal means that mining activities have no small impact on local environments. CVRD is therefore heavily involved in environmental reclamation, including the revegetation of mined areas. At present, environmental reclamation programs covering 422 hectares have already been completed. Through these and other actions, CVRD is seeking to operate in harmony with the global environment.



Revegetation of mined areas

## Fostering Ties With Local Communities

CVRD has been producing iron ore since the 1940s. From this experience, it has learned that fostering close ties with local communities is an indispensable part of carrying out business over the long term. To build strong relationships with communities, CVRD has been implementing a range of social programs for approximately 500 communities in regions affected by its operations. The themes of these programs include education, culture, health, entertainment and more. The company also actively assists in the “Zero Hunger Program” of the Brazilian government.



## Protecting Lives by Securing Water Supplies

### Desalination to Alleviate Water Shortages in the Middle East

Water shortages are becoming a serious problem in the United Arab Emirates (UAE) due to rapid population growth and stronger demand from the local agricultural and industrial sectors. Groundwater depletion caused by overuse of wells is emerging as a crucial issue for the near future. It has therefore become necessary to construct additional desalination facilities that can replace groundwater. In response, Mitsui is involved in the Um Al Nar project, an integrated power generation and desalination facility in the suburbs of Abu Dhabi. The project is making progress toward the start of partial operations in June 2005. This facility will be able to produce 860,000 tons of fresh water per day, which will help alleviate water shortages in the UAE.



### Protecting Our Invaluable Forests

At present, Mitsui owns forests in 56 locations across Japan, from Hokkaido in the north to Kumamoto prefecture in the south. These forests have a total area of approximately 39,000 hectares, the equivalent of just over 60% of the area covered by Tokyo's 23 wards. Forests play an important role in water supply and the prevention of natural disasters. Not only do they prevent flooding and landslides, they also ease droughts during periods of arid weather by partially releasing groundwater, and purify water in the process. In recognition of the link between forest protection and the security of our own lives Mitsui is committed to the preservation of this invaluable natural resource through the ownership of forests.



Company-owned forests



# For More Comfortable, Safe and Secure Living Conditions

**Ensuring that people can lead comfortable and secure lives is a prerequisite for the development of a sustainable society. To help enrich people's living conditions, Mitsui is actively engaged in a broad array of programs from support for community medical services to revitalizing outlying municipalities, developing transportation infrastructure and much more.**

## Providing Greater Peace of Mind

At Mitsui, our mission is to use our comprehensive business engineering capabilities to create businesses that benefit society. One approach is to transform services into businesses. For instance, in the medical field, patients often require more than a medical examination and treatment by physicians and nurses. Patients cannot gain satisfaction without the benefits of total medical care with various peripheral services in addition to meals during hospital stays and efficient medical consultation systems. Mitsui's main healthcare businesses include catering services for hospitals and social welfare facilities and medical mall operations.

### A Greater Quality of Life Through Enjoyable Meals

The desire among seniors to enjoy good food even at nursing homes and hospitals is universal. Mitsui and the largest contract food service firm in the U.S. have jointly established AIM Services Co., Ltd., a venture that provides meals to more than 2,600 establishments in Japan, including hospitals, schools and companies. For hospitals, our Select Service lets patients choose what they want every day. For nursing homes, we offer a detailed catering service that takes into account the health and tastes of individuals. In addition, food events such as demonstrations of the preparation of Japanese soba noodles and rolled sushi are held for residents to have more enjoyable dining experiences.



Nursing home catering services by AIM Services Co., Ltd.

### Community Medical Services for the Future

Improving the quality of community medical services is essential for people to live with peace of mind. Mitsui aims to further raise the quality of medical services, by supporting the planning and operational services of clinics in malls that contribute to the welfare of communities through Medivance Co., Ltd., an associated company. Medical malls aggregate several clinics on the premises of a single facility to enable the provision of a one-stop medical examination through cooperation among multiple medical specialists. Furthermore, by providing diverse medical support services for each clinic, medical malls enable physicians to concentrate on their patients. For community residents, we are therefore offering a reassuring and convenient medical facility. Mitsui currently operates three of these medical malls across Japan, including Medical Port Cloverkyo in Tokyo's Koto ward. Future plans call for further expansion of this network.



Medical Port Cloverkyo, operated by Medivance.



# Initiatives for Sustainable Development

## Making Cities More Comfortable Through Transportation Systems

In August 2003, Okinawa Monorail System Joint Venture (Principal: Mitsui) developed a monorail system in Okinawa, the only prefecture in Japan without a rail transportation system at the time. The Okinawa Urban Monorail, nicknamed “Yui-Rail,” is a straddle-type\* monorail linking Naha Airport to Shuri. It has 15 stations and covers a distance of 13 kilometers in 27 minutes. The Okinawa Urban Monorail has been designed to take into account the needs of both residents and the environment. Besides reducing traffic congestion and air pollution, the monorail’s construction is also helping to revitalize the local economy through various projects near stations.

\*A monorail system in which trains straddle a narrow guide way.

## Supporting Lively Town Redevelopment Projects

Aiming to support vibrant town redevelopment projects, Mitsui established the New Farm 21 project team in 1992 to promote the community revitalization business. Ever since, Mitsui has started up various projects leveraging its experience and expertise, including ventures that make use of community resources and enable people to lead more healthy lives. In Yuni Town in Hokkaido, Mitsui proposed a project that was centered on the creation of an herb garden on the town’s vast stretches of open land. Local farms began cultivating herbs, and a horticultural complex featuring restaurants serving herb-seasoned dishes was opened. Supported by the growing popularity of gardening in recent years, Yuni Town has attracted attention as a major growing center for herbs. Today, the town is attracting many new residents from urban areas.



Herb gardens have put Yuni Town (Hokkaido) on the map.



Yui-Rail in Okinawa has helped revitalize station communities.

# Corporate Governance

## Corporate Governance and Internal Control

### Corporate Governance and Internal Control

Mitsui views corporate governance in its narrow definition as a framework for the oversight of our management team by shareholders. Our goals are to clarify the division of roles between management oversight and business execution in line with worldwide trends, and to improve management transparency. To accomplish this, we are working to establish an optimal corporate governance framework in which we are retaining the current corporate auditor system, while at the same time adopting certain positive aspects of the committee system\*<sup>1</sup> as an internal measure.

This corporate governance system can work effectively only by establishing and implementing an efficient internal control framework throughout the company.

To ensure that Mitsui remains a company that is needed in Japan and around the world, we endeavor to operate in a sincere manner that balances the pursuit of earnings with socially responsible behavior. By establishing and strengthening sound corporate governance and internal control frameworks, which are the foundations of management, we aim to further increase our corporate value.

### Building a Highly Effective Corporate Governance System

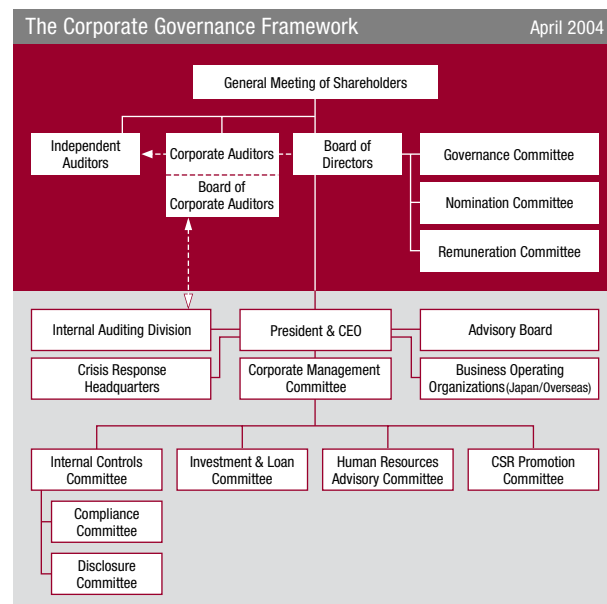
On April 1, 2004, we established three advisory committees to the Board of Directors to enhance management transparency and accountability and clearly divide the roles of management oversight and business execution. The Governance Committee considers the overall status and directions of Mitsui's corporate governance system incorporating the broader perspectives of external directors. The Nomination Committee and Remuneration Committee handle issues related to nominations of directors and executive officers and their remuneration, respectively. By disclosing decision-making processes, we expect that these committees will improve management transparency and accountability. Following the introduction of the Executive Officer System in April 2002, the Board of Directors was reduced from 38 to 11 members. Currently two of the 11 members are external directors.

Mitsui has five corporate auditors, of which three are external auditors. We have reinforced the auditing functions by putting in place a full-time auditing staff that is independent from business execution organizations.

### Strengthening the Internal Control System

Mitsui's internal control system has three core elements: improving the effectiveness and efficiency of operations; providing highly reliable financial reporting; and compliance. We have established and operated a framework to ensure that management policies cover every aspect of the activities of the Mitsui group in Japan and overseas. This system also complies with the Sarbanes-Oxley Act\*<sup>2</sup> in the U.S., a requirement associated with our listing on the U.S. NASDAQ National Market.

In addition, to deal with various risks, on April 1, 2004 we established or reorganized a number of key committees involved in business execution. We formed an Internal Control Committee to set basic policies for internal control and establish, maintain and improve the necessary systems. This committee oversees two other committees, the Compliance Committee and the Disclosure Committee. A Crisis Response Headquarters was formed in preparation for managing potential contingencies. Finally, the Internal Auditing Division, an independent organization reporting directly to the President, verifies the suitability and effectiveness of individual internal control systems and provides suggestions on improvements.



Earning the trust of society is essential to a company's ability to sustain growth. Corporate governance and compliance are the basis of this trust. Mitsui has established a high standard of corporate governance along with highly transparent management systems. In addition, we have programs and systems designed to give every member of the Mitsui organization a heightened awareness of the importance of compliance.

## Measures to Reinforce Compliance

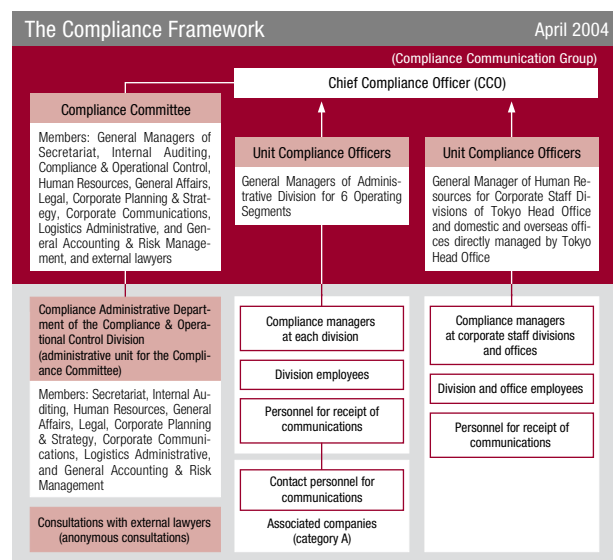
### A Compliance Framework That Will Not Allow Problems to Arise, Develop or be Overlooked

Under the principle of "Freedom and Open-mindedness", Mitsui personnel at each work site are given the responsibility to show initiative when conducting business. Accordingly, the phrase "Mitsui is People" reflects both our belief and opinion in the industry that the strength of Mitsui lies in its people. On the other hand, we are constantly aware of the need to properly balance business activities with administrative controls (a company's checks and controls). With this in mind, we are strengthening our compliance system in line with three themes: the introduction of external oversight; the promotion of businesses with a high level of transparency; and a thorough awareness by each employee of compliance-related issues. Many actions are being taken, including the participation of two external lawyers in the Compliance Committee; the establishment of a hotline to permit consultations via email or telephone with external experts; and the holding of com-

pliance seminars for all employees. Recognizing the importance of internal audits, we have also increased the number of internal auditors. We will continue to take the initiatives needed to be a company in which compliance firmly takes root.

### Further Strengthening of the Compliance Framework in fiscal 2004

The Mitsui compliance system was further strengthened in fiscal 2004. In particular, we largely completed the establishment of compliance programs at associated companies. In addition, we reviewed the system of compliance managers and personnel responsible for communications with associated companies. More than 200 compliance managers, at least one individual in each division or office, have been named by each Unit Compliance Officer to rapidly and thoroughly facilitate implementation of compliance-related issues. At associated companies, personnel have been specified to ensure effective compliance coordination and communication with Head Office. The list of compliance managers is updated every three months and posted on Mitsui's intranet.



- At least one compliance manager is named in each division and office. • Employees may use the Compliance Administrative Department to submit reports and receive consultations or contact external lawyers directly.
- At offices and branches in Japan, compliance management for the operational organizations is handled through the respective business unit lines, while that of administrative units and units overseen directly at the corporate level, is handled by general managers of the office or branch, or general managers of the applicable corporate staff divisions. • Even if a matter involves an operational organization, a certain level of responsibility is assumed in instances where individuals neglect to take the necessary actions to execute a compliance program, such as cases in which an office general manager is aware of a compliance violation but does nothing in response.
- The first response is conducted with the support of the general manager of the office and the office's administrative divisions or department. • Category A group companies are associated companies for which Mitsui has responsibility for their management.

### Compliance Reports and Consultations

Mitsui has a system that provides six ways for employees to submit compliance reports and receive consultations: (1) directly with a department or division manager; (2) with a workplace compliance manager; (3) with a unit compliance officer; (4) with the Compliance Committee; (5) with corporate staff divisions (Legal, Human Resources, General Affairs, International Security Trade Control Department of the Compliance & Operational Control Division, etc.); and (6) with the two external lawyers. Providing this many options makes the reporting and consultation system easier to use. In addition, the external lawyer route provides a way for individuals to use this system anonymously. Each report and request for a consultation results in a thorough response that includes an examination of the relevant facts.

#### \*1 Committee System

A 2002 amendment to the Commercial Code of Japan gave companies the alternative of replacing the existing corporate auditor system with a U.S.-style governance system with three committees, Nomination, Remuneration and Audit, in which the majority of each committee is made up of external directors.

#### \*2 Sarbanes-Oxley Act

A U.S. corporate reform law that incorporates the internal controls concept set forth by COSO (Committee of Sponsoring Organizations of the Treadway Commission). The act applies not only to the accuracy of financial disclosure, but also to the disclosure of the status of internal controls. Violations of the provisions of this act can result in punishment not only for a company's CEO and CFO, but also for independent auditors, securities companies and other companies involved.



## Raising Awareness of the Importance of Compliance

Compliance training is conducted as frequently as possible for employees in all positions in order to ensure that everyone is well aware of the importance of compliance activities. During fiscal 2004, a total of 1,253 employees attended 42 training sessions for newly hired graduates, individuals about to assume overseas posts, contract employees, newly hired mid-career professionals, and executives assigned to group companies. In addition, business units and group companies conducted their own compliance training programs on subjects closely related to their respective activities.

In fiscal 2005, Mitsui will continue to educate employees through general seminars, with particular emphasis on the importance of compliance. Furthermore, e-learning will be adopted to raise the efficiency of training programs and enable participants to gain knowledge concerning specific issues.

## Enforcing the Business Conduct Guidelines for Employees and Officers of Mitsui & Co., Ltd

In February 2001, Mitsui established a compliance program and distributed “Business Conduct Guidelines for Employees and Officers of Mitsui & Co., Ltd.” These guidelines are designed to raise every employee’s awareness of compliance and the responsibilities that come with being members of Mitsui. Following the December 2002 revisions made to reinforce the compliance framework, further revisions have been made at every opportunity. The April 2003 revisions included an oath by each employee to strictly observe the guidelines of conduct. In October 2004, the guidelines were revised again to urge individuals to constantly adhere to the Mitsui management philosophy announced in August 2004, and to place greater emphasis on CSR when conducting business activities.



### Compliance Handbook

1. The Compliance System
2. Explanation of the Mitsui Business Conduct Guidelines
3. Compliance Checklist



### Business Conduct Guidelines for Employees and Officers

1. Compliance with the Law and Respect for Human Rights
2. Office Environment and Sexual Harassment
3. Compliance with Antitrust Law, etc.
4. Conflicts of Interest between Employees and the Company
5. Gifts and Favor
6. Treatment of the Company's Information
7. Compliance with Procedures for Export and Import and Other Applicable Laws
8. Company Fund and Financial Reporting
9. Political Donation and Other Contributions
10. Social Contribution
11. Protection of Environment
12. Action against Antisocial Group
13. Report and Sanction

This booklet also covers management philosophy, submitting reports and consulting with others, the compliance organization, the U.N. Global Compact, Basic CSR policy, Environmental policy, and Social action policy.

## Let's all do our jobs well so that we can take pride in our roles in society.

At the 58th Annual Convention of the Japan Corporate Auditors Association held in April 2004, Mitsui President Shoji Utsuda gave a speech on the importance of compliance activities. His remarks touched on an incident concerning bids for a diesel generator facility for Kunashiri Island in 2002. “There is no reason to waver about whether to prioritize compliance or profits,” he stated. “Doing what’s right goes without saying.” Mr. Utsuda went on to say as he urged employees to do their jobs in a manner in which they can be proud as members of society.

“Through the years, people have fully understood that a company unable to generate earnings would eventually be liquidated. But following the Kunashiri incident, the people of Mitsui have also become acutely aware of the enormous risks associated with an ineffective corporate governance system. All group companies, executives and employees were struck by a sense of crisis that compliance problems could be a matter, in the worst case, of the sudden death of a corporation. This is why Mitsui has been conducting activities that go beyond compliance training for employees. As a result, we now fully comprehend the enormous scale of problems that can occur unless a company has effective corporate governance.”

“The incident prompted me to examine the mission of a company from many perspectives. Through this process, I came to the realization that altering the approach to work was the most important point. Employees need to perform outstanding works by aiming for high goals and holding lofty aspirations. This is why employees are urged to ‘always do your jobs well, working in a manner in which Mitsui can take pride as a member of society and you can be proud of your accomplishments.’”

Note: Excerpt from remarks at the 58th Annual Convention of the Japan Corporate Auditors Association in April 2004 as reported in the June 2004 issue (No.488) of *Kansayaku* magazine.



## Compliance Awareness Survey

### Analysis of Results

Mitsui surveyed employees from January to February 2004 to determine periodically if compliance programs are functioning effectively.

#### Summary of survey

Time period: From January to February 2004

Method: Survey was conducted by an external consulting firm to ensure objectivity and anonymity

Target: Mitsui employees, as well as temporary workers and employees assigned to other companies because the scope of compliance extends to all Mitsui activities and the corporate culture as viewed from outside the company.

Responses: About 5,000 from employees (71.4% return rate)

#### Survey Results

Based on the survey, 94% of Mitsui executives and employees are constantly aware of the business conduct guideline (graph 1). In addition, many people filled in the section for remarks, providing valuable insight. As a result, the survey demonstrated a generally high level of awareness concerning compliance. We will work even harder to maintain this level. On the other hand, 51% of those responding did not know about access to anonymous reporting to and consultations with external lawyers (graph 2). This and other results demonstrated the low level of awareness, primarily among relatively new employees, concerning the compliance system and the existence of compliance programs.

Opinions were divided concerning the question about actions needed to heighten awareness of ethical and compliance issues. Responses were 18% for “conduct and strengthen employee training” and 17% for “strengthen reporting and consultation systems.” These were followed by “conduct and strengthen workplace dialogue” and “conduct and strengthen training for managerial staff.” Overall, these responses underscored the need to continue training programs (graph 3). Based on these results, Mitsui will continue to reform staff consciousness and raise awareness of compliance programs. To monitor progress, compliance surveys will continue to be performed on a regular basis.

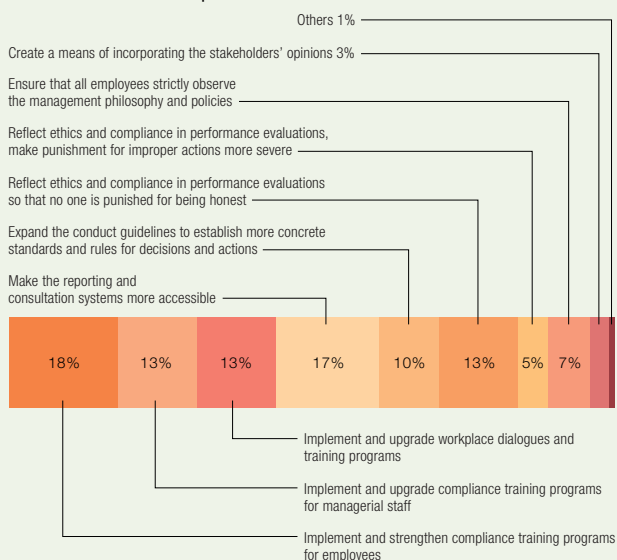
#### 1 Are your actions constantly guided by the Mitsui Business Conduct Guideline?



#### 2 Did you know that employees may submit reports to and receive consultations from external lawyers on an anonymous basis?



#### 3 What actions do you think are needed to further enhance ethical and compliance standards?



#### Responses to This Survey

##### Fiscal 2005 compliance activities

Based on the results of this survey, Mitsui will place priority on the following five elements to enhance compliance activities during fiscal 2005.

1. Study possible revisions to the Mitsui Business Conduct Guidelines
2. Reinforce the compliance framework
3. Continue to raise awareness of the importance of compliance
4. Continue to provide sincere responses to reports and consultations
5. Continue to conduct compliance surveys

# E<sub>nvironmental</sub> Initiatives

## Environmental Policy

<b>Guiding Principles</b>	<ol style="list-style-type: none"> <li><b>1) Mitsui &amp; Co. believes that one of our most important management themes involves providing a positive response to environmental issues in order to <i>contribute to the creation of a future where the dreams of the inhabitants of our irreplaceable Earth can be fulfilled.</i></b></li> <li><b>2) Mitsui &amp; Co. will to make every possible effort towards realizing a “sustainable development” which is aimed at creating a harmony between the economy and the environment.</b></li> </ol> <p>In view of the above principles, and in accordance with the Action Guidelines shown below, Mitsui &amp; Co. will design, periodically evaluate, and continually improve an appropriate risk management system, including response to matters such as global warming, nature conservation and the prevention of pollution, which will cover the wide range of activities that it undertakes on a global scale. At the same time, we will strive to ensure the development and dissemination of earth-friendly technologies and further reinforce our responsibility with respect to the environment.</p>
<b>Action Guidelines</b>	<ol style="list-style-type: none"> <li><b>1) Compliance with related regulations</b> We will comply with the various regulations relating to environmental protection, as well as all agreements signed by the company for promoting business activities.</li> <li><b>2) Efficient utilization of resources and energy</b> We will strive to reduce the burden on the environment within each of our workplaces and in our business activities through the efficient utilization of resources and energy, as well as the prevention, reuse, and recycling of waste and its proper disposal.</li> <li><b>3) Environmental care for products and services offered, as well as existing and new businesses</b> We will give the utmost consideration to the environment to an extent that is technologically and economically feasible by exercising an appropriate degree of influence in enlisting the understanding and support of involved business partners, as well as evaluating the impact that we have on the environment.</li> <li><b>4) Contribution to providing industrial solutions to environmental issues</b> We will engage in business activities with the goal of providing rational and permanent industrial solutions and contribute to the realization of a “sustainable development” by exploiting our individual abilities and the collective strengths of our organization in cooperation with our global partners.</li> </ol>



The Brazos wind farm in Texas, U.S.

It is essential for Mitsui to carefully consider environmental themes as Group businesses are developed in diverse fields. To help accomplish this, proper internal environmental management systems have been put in place to actively respond to environmental issues. We are also engaged in environmental businesses aimed at providing industrial solutions to environmental issues. Some examples are presented below.



**Yasunori Yokote**  
Executive Managing Officer

### **Making a Comprehensive Contribution to the Global Environment**

From an environmental perspective, our businesses can be broadly divided into two categories. The first category includes environmental businesses where we work directly to resolve environmental issues. Some examples are the trading of emissions rights to help prevent global warming, renewable energy such as wind power generation, and recycling. In the second category, our main focus is to reduce any adverse environmental impact from such things as infrastructure construction and other business we undertake in

contributing to the advancement of society. When doing business overseas, we go beyond mere compliance with the laws of the host country to fully consider the environmental implications of all projects. Because of the breadth of our operations, we approach environmental aspects from many angles, rather than relying on any single perspective. We intend to consider the environmental impact in the broader context of our operations as we contribute to the sustainable development of society.

## **Environmental Business Initiatives**

### **Mitsui Enters the Automobile Recycling Business to Help Build a Recycling-Oriented Society**

In anticipation of the enactment of the Automobile Recycling Law\*<sup>1</sup> in January 2005, Mitsui has been entrusted by ART\*<sup>2</sup> with the provision of support services for the recycling process of ASR (Automobile Shredder Residue such as plastics, glass and interior furnishings), which is released when end-of-life vehicles (ELV) are disassembled. At present in Japan, 0.7 to 0.8 million tons of ASR per year are generated from roughly 5 million ELVs. Most is currently sent to landfills. However, the new Automobile Recycling Law calls for increasing the recycling rate of ASR to at least 70% by 2015 so that the total recycling rate for ELVs should exceed 95%. Mitsui's role is to facilitate the efficiency of automobile recycling operations as well as logistics arrangements and administrative processing. Looking ahead, we will draw on our expertise gained over the years to step up the recycling of resources.

### **Investment in Global Warming Prevention-Related Businesses**

As the global warming issue emerges as a worldwide concern, Mitsui has contributed US\$6 million to the World Bank's Prototype Carbon Fund\*<sup>3</sup> and 1 million euros to the Dexia-FondElec Energy Efficiency and Emissions Reduction Fund established by the European Bank for Reconstruction and Development (EBRD). In these and other ways, Mitsui is helping to reduce greenhouse gas emissions and improve energy efficiency. Moreover, we have formed

an alliance with U.S.-based CO2e.com, a major player in the brokerage of emissions reductions and other environmental products. We are currently working with CO2e.com to market and broker emission reductions in Japan and to develop greenhouse gas abatement projects throughout Asia.

### **Promoting Renewable Energy Businesses**

Mitsui is an investor in Japan Natural Energy Co., Ltd. (JNEC), a venture that promotes the wider use of clean energy sources through funds raised from the private sector through the Green Power Certification Scheme.\*<sup>4</sup> Over a 15-year period from 2003, Mitsui will purchase JNEC-issued Certificates of Green Power for the equivalent of 1 million kWh of clean energy every year. Investments have also been made in the Hibikinada Wind Farm, one of the largest in western Japan. This wind farm is operated by a venture established by Nippon Steel Corporation and Japan Wind Development Co., Ltd. Mitsui has also invested in the Brazos Wind Farm, operated on the largest scale in the U.S. We will continue to promote wider diffusion of clean energy to reduce environment impact, while pressing ahead with the renewable energy business.

\*<sup>1</sup> A law governing the recycling of end-of-life vehicles

\*<sup>2</sup> An abbreviation of Automobile shredder residue Recycling promotion Team. Led by Nissan Motor, this team consists of eight domestic automakers, three import companies and one non-profit organization.

\*<sup>3</sup> Established by the World Bank through investments from public and private sectors. The funds are used to promote businesses to reduce greenhouse gas emissions in developing nations. Emissions reductions achieved by these businesses are distributed to investors in the form of carbon credits.

\*<sup>4</sup> A system that enables companies to purchase a Certificate of Green Power from Japan Natural Energy Co., Ltd., which confers upon the purchaser the environmental benefits of generating clean energy, such as energy conservation and CO<sub>2</sub> emissions reductions. <http://www.natural-e.co.jp/>

# Environmental Management Systems

To contribute to the creation of a future where the dreams of the inhabitants of our irreplaceable Earth can be fulfilled, Mitsui views a positive response to environmental issues as one of our most important management themes. We are therefore working tirelessly to establish and operate environmental management systems that can continuously reduce adverse environmental impacts.

## Promoting Environmental Management Systems

A Chief Environmental Officer has been appointed to assist the President in management responsibilities for environmental affairs. On the executive level, an executive officer in charge of corporate staff divisions has been appointed as an Environmental General Manager and the managers of each business unit and corporate staff division, have been appointed as Environmental Managers to take responsibility for environmental management systems in the groups they supervise. This structure enables operations to be fine tuned in response to the unique business characteristics of individual groups.

Recognizing that raising individual employees' awareness is vital to effective environmental activities, Mitsui holds a variety of awareness-building programs through seminars, training for overseas assignments, orientation training for new hires, and general environmental training held annually for all employees.

## Acquisition Status of ISO 14001 Certification

All our domestic offices collectively obtained ISO 14001 certification in 1999. Since then an internal environmental audit has been conducted every year. We encourage associated companies to acquire the ISO 14001 certification and provide assistance in setting up their Environmental Management systems.

Number of ISO 14001 certified associated companies  
\* including 3 analogous management systems such as Responsible Care and IMO

82

## Green Purchasing

Mitsui has been a member of the Green Purchasing Network since its inception in 1998. Under green purchasing practices, we preferentially purchase stationery and other office supplies that have a lower environmental impact.

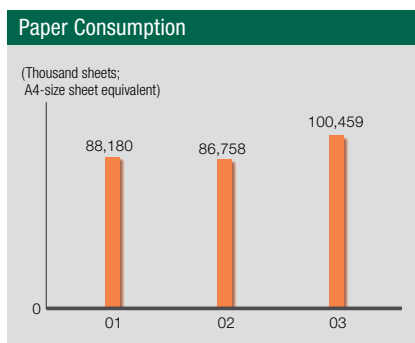
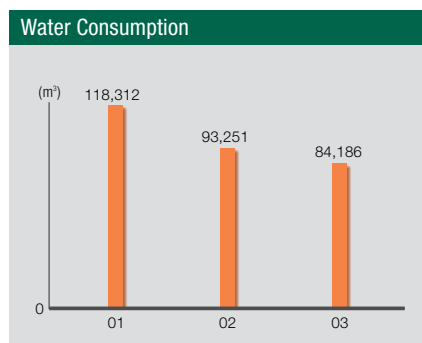
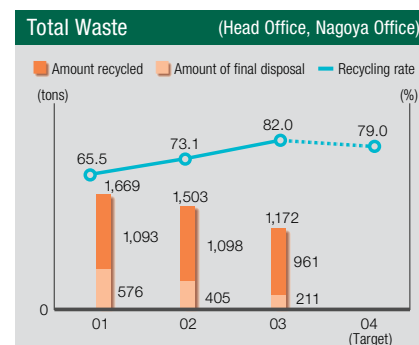
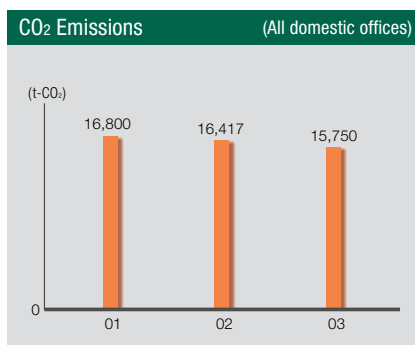
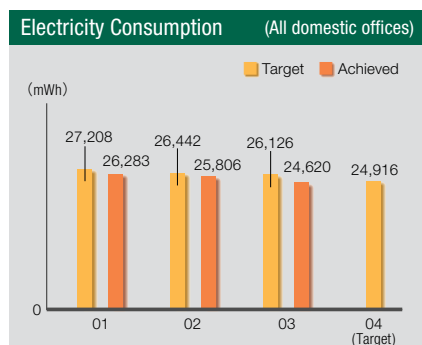
### Items Subject to Green Purchasing

Business forms, toilet paper, tissue paper, stationery and office supplies, personal computers, printers, facsimile machines, copy machines, office refrigerators, television sets for office use, office furniture, lighting fixtures and automobiles

Green purchasing rate

100%

## Environmental Impact of Offices



**Environmental Conservation Costs** Unit: thousands of yen

Category	Investments	Expenses
Business area costs	429,961	176,628
Upstream/downstream costs	0	13,774
Administration costs	0	254,645
R&D costs	82,000	1,288,398
Social activity costs	0	329,249
Environmental remediation costs	0	3,894
<b>Total</b>	<b>511,961</b>	<b>2,066,588</b>

Note: Figures for water and paper consumption for fiscal 2002 and 2003 represent the combined total for the Head Office, Nagoya Office and Osaka Office, while figures for fiscal 2004 represent the total for all domestic offices.

Compiled based on the Environmental Accounting Guidelines (2002 version) established by the Ministry of the Environment of Japan.  
Offices covered: Head office and all domestic offices  
Target period: April 1, 2003 – March 31, 2004



# Environmental Impact Assessment

As a general trading company, Mitsui is involved in a broad range of business activities.

We believe it is our responsibility to measure and understand the environmental impact of these businesses. All of our businesses therefore undergo an environmental impact assessment.

## Environmental Impact Assessment of Business Activities

We are working to reduce adverse environmental impact in all our operations. Initiatives extend from controlling the environmental impact of offices to lowering the environmental impact of business activities, including operations at associated companies, and the export, import, and domestic sales of goods and services.

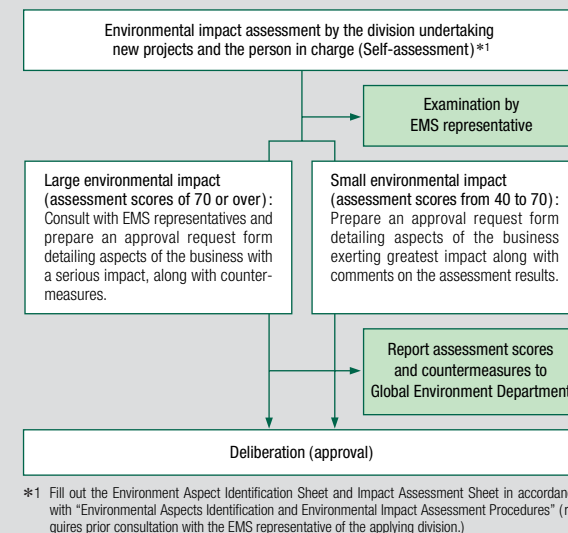
Environmental impact assessments are carried out on potential new businesses prior to making investments. If the new business is deemed to have a substantial environmental impact, countermeasures must be formulated and detailed in an approval request form. The environmental impact of existing businesses is assessed annually. Businesses deemed to have a large impact are placed under intensive management according to the necessary procedures.

Environmental Inspection for Associated Companies is accomplished by means of a detailed questionnaire targeting approximately 1,000 worksites of domestic and overseas associated companies. In the event that an associated company is deemed to have a high environmental risk, Mitsui employees, together with consultants, carry out an on-site inspection of its plant, and guide the facility through improvements.

Environmental impact is assessed before we begin handling new products and services. We ensure that our products and services conform to domestic laws as well as relevant inter-

national treaties such as the Basel Convention and to guidelines set by international organizations, such as the World Bank. With respect to resource exploration and importation, we consider the impact of these activities on ecosystems and the global environment, in keeping with our basic stance of ensuring sustainable development.

### Environmental Impact Assessment Flow



## Company-owned Forests

Mitsui owns forests covering an area of 39,000 hectares in 56 locations nationwide. Forests play a significant role in safeguarding the environment by providing habitats for various species, serving as catchment areas for critical water supplies, absorbing and fixing carbon dioxide (a greenhouse gas that contributes to global warming), and much more. Mitsui's forests can absorb more than 150,000 tons\*2 of carbon dioxide every year. A section formed at Mitsui solely to manage company-owned forests has been working with an associated company to preserve and nurture these irreplaceable assets.

\*2 Carbon dioxide sequestration (CO<sub>2</sub> equivalent) / year = Annual tree trunk growth × tree volume × carbon conversion rate × ratio of trunk to total tree biomass × carbon-carbon dioxide conversion rate

# Workplace & Society

## Employee Relations

### Our Personnel System Supporting “Mitsui is People”

Mitsui has adopted a “Job Category System (*Shokugun* System)” to help all employees reach their full potential. This system divides jobs into six categories, depending on the specific tasks required, duties and the level of management responsibilities. For each category, criteria\*<sup>1</sup> have been introduced to serve as a standard for competency assessments. Based on these criteria, fair and transparent competency assessments of employees are carried out, with compensation determined by job category, ability, results and each individual’s contribution to their division’s performance. Furthermore, Mitsui’s policy is to appoint capable and motivated employees to management positions regardless of their age or gender.

### Reinforcement of Programs for Nurturing Human Resources

Mitsui cherishes the values of “Challenge and Creation” and “Freedom and Open-mindedness.” Our traditional corporate philosophy is that “the individual builds the business, and the business cultivates the individual”. The core of Mitsui’s human resources development lies in self-development and on-the-job training. For the first two years after a new employee is hired, the employee undertakes educational assignments. He or she receives on-the-job training and attends core operation seminars to acquire the necessary knowledge and skills required to play a core role in the future. For superiors responsible for the guidance and training of members at worksites, we provide training programs to heighten the self-awareness of managers, with an emphasis on the coaching of subordinates and compliance. Mitsui also has an overseas dispatch system in place to promote a global mindset. Every year, around 90 employees in their twenties and early thirties are sent overseas for one to two years.

### Human Rights Initiatives

To nurture employees equipped with knowledge and understanding of human rights who can contribute to society, our training program for new hires includes a course designed to increase awareness of human rights issues. Our aim is to create an environment where employees can obtain a sense of fulfillment and security from their daily tasks.

### Hiring of Disabled Persons

In accordance with the Law for Employment Promotion of the Disabled, Mitsui established a special-purpose subsidiary, Bussan Service Co., Ltd. in 1981—the International Year of Disabled Persons. Bussan Service, which engages in printing and mailing operations, has earned an excellent reputation as one of Japan’s trailblazing examples of a business successfully employing disabled persons.

### Occupational Health, Safety and Welfare

Mitsui has Health Maintenance Centers, medical clinics and dental clinics that regularly conduct thorough medical checkups. We require employees with overseas assignments to undergo examinations before leaving Japan, during periods of temporary return, and after returning. Furthermore, mental health education course on stress and stress counseling sessions are also provided.

### A Quality Working Environment

Being able to live a full life, balancing work and family commitments, is a prerequisite to realizing a sustainable society, and we believe that the realization of this kind of working environment for employees is one of our responsibilities as a corporation.

We have developed and implemented initiatives in areas including childcare, family care and maternity protection, and provide leave programs for employees with family members in need of care. In these ways Mitsui is creating a workplace environment that enables our employees to work with peace of mind.

\*<sup>1</sup> Competency criteria  
Competency criteria list for each job category the behavioral patterns considered necessary to improve job performance and achieve targets and objectives. The abilities and behavioral traits of employees are analyzed by using criteria for six categories, including planning, implementation, and risk management.

Over the years, Mitsui has stayed true to one of its most fundamental principles: “Mitsui is People”—the strength of Mitsui lies in its people. This principle embodies the thinking that human resources are one of our greatest assets. We are convinced that true professionals are nurtured by having employees immerse themselves in rewarding assignments, doing their very best to succeed. In recognition of our obligation as a company to provide opportunities for individual employees to reach their full potential and contribute to society, we have adopted a personnel system that maximizes the value of our human resources.

## Participants in Training Programs

### Inspired by Views of Classmates from Around the World

I obtained an MBA from Harvard Business School in the U.S. through Mitsui's foreign study program as a business school trainee. For three years prior to this program, I gained experience in the venture capital business, which inspired me to apply for business school. At Harvard Business School classes adopted the case study method, where student discussions are based on real-life problems and success stories from the frontlines of management and business. This experience has served me very well in my current position in corporate development. Harvard Business School attracts outstanding students from around the world. It was a unique experience to hear first-hand the views of these students on cultural, social and economic aspects of their home countries.



**Atsuko Chitose**

Vice President, Principal Investment Dept. Corporate Development Division

### A Growing Circle of “Family Members” at Mitsui

As a project coordinator I am in charge of creating new businesses, and in this role I interact with many companies, analyzing information to facilitate the success of our businesses. Although I had visited Japan several times on business trips, 2004 was the first time for me to participate in Mitsui's Japan Trainee Program. During the first week of group training at Yugawara I had the rare opportunity to get to know people from every corner of the world. Later on, participation in various business meetings and completion of routine assignments gave me the chance to learn how business processes are organized at our headquarters. Working for Mitsui has always been an important part of my life. In fact, I consider the people at our office as family. I'm really glad to have met so many nice people at Mitsui's headquarters, and I'm happy to be part of a growing circle of “family members” at Mitsui.



**Fuad N. Karimov**

Project Coordinator, MITSUI & CO.LTD. Baku office

## Mitsui Conducts

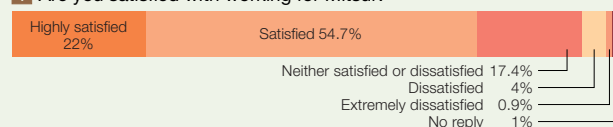
### First Employee Satisfaction Survey

Mitsui has for the first time conducted an employee satisfaction survey to learn more about the attitudes of employees toward work and to identify where they believe problems may lie. The results will be reflected in future measures to further improve conditions for this invaluable stakeholder group.

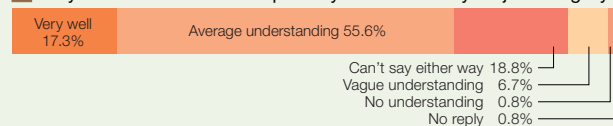
#### Overview of Survey Results

The survey showed that 80% of employees were satisfied with working for Mitsui (graph 1). Asked to identify factors that motivate employees to work for Mitsui, 60% of respondents chose worthwhile work as a factor, followed by 39% who chose proper evaluation and remuneration, and 32% who chose a sense of fulfillment in completing tasks (graph 2). Regarding personnel systems, the survey demonstrated that most employees understand the competency standards applied to their respective job categories (graph 3). However, it is also clear that improvements are needed to manage differences in the Job Category System, clarify competency standards for each group, and to achieve the system's primary objective—improving the skills of employees (graphs 4 and 5). When asked to comment on what the company could do to promote an active, stimulating work environment, a number of employees expressed an interest in management's vision for Mitsui's future. They also pointed out the need for workplaces and managers that encourage employees to take on challenges and exercise creativity. These survey results will be reflected in future measures to create a working environment that further raises our employees' motivation.

#### 1 Are you satisfied with working for Mitsui?



#### 3 Do you understand the competency standards for your job category?



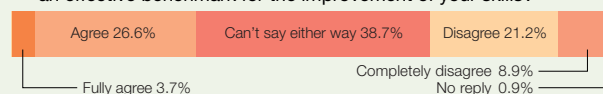
#### 4 Do you believe the competency standards for each job category are clear and easy to understand?



#### 2 What factors are necessary for you to feel motivated to work? (multiple answers possible)



#### 5 Do you believe the competency standards serve as an effective benchmark for the improvement of your skills?



**Survey overview** Survey period: October 15–29, 2003; Survey method: online questionnaire accessed over the corporate intranet or paper forms (anonymous); Respondents: All career-track employees (6,055); Response rate: 87%



# Social Contribution Activities

From a long-term and strategic perspective, Mitsui is dedicated to contributing to society through its core businesses and other activities. The fields of international exchange, education and the environment are key priorities.

## Inviting Proposals for Social Contribution Activities

Mitsui invited employees in Japan and overseas to present ideas for community programs best suited to the company. As a result, we received 24 proposals covering a diverse array of fields from international cooperation to culture, sports and technological support. Plans for putting these ideas into actions will be further explored by the Social Contributions Sub-committee, a group under the CSR Promotion Committee.

### “The ABCs of Volunteer Work for Beginners”

In January 2004, Mitsui invited 20 volunteer groups, NPOs, and NGOs to its Head Office and held a program to provide an opportunity for office employees to get involved with volunteer organizations. Some 300 people attended the event, including employees as well as students and housewives.

### Support for Kanda Community Festival

To commemorate the 400th anniversary of the founding of Edo, the old name of Tokyo, a traditional ceremony was held in 2003 in which a portable shrine called a mikoshi was shouldered by the Masakado Tsuka Burial Mound Preservation Society. Participants included 224 Mitsui employees. To help preserve the traditions and culture of the local community, Mitsui constructed the mikoshi and donated it to the Preservation Society.

## U.S. March of Dimes

Each year in late April, March of Dimes, an American-based NPO that campaigns for the prevention of birth defects, holds a nationwide fund-raising event called Walk America. Mitsui & Co. (U.S.A.), Inc. has participated in this event for 23 consecutive years. In 2003, Mitsui USA assembled a volunteer team of more than 500 walkers, including employees and their families, raising a total of \$34,854.

## Support for International Sporting Events

In late July 2004, the Third International Athletic Competition for the Children of Asia was held in Yakutsk, the capital of the Saha Republic in eastern Siberia. Approximately 5,000 children took part in events in 17 categories. This competition aims to promote international cooperation, mutual understanding and friendship among the participants. Mitsui supported this event in order to help achieve these goals.

## Support for Little League Baseball

Mitsui has been supporting Japan Little League Baseball since 1970, and has been playing a role in its management and operation through the provision of directors. Japan Little League Baseball encourages the spirit of teamwork and fair play, thus helping children develop into courteous and considerate adults who contribute to society.



1. Participants in the ABCs of Volunteer Work course held at Mitsui's head office  
2. A Friendship Program classroom music session  
3. A Little League player slides home

4. A tree cutting session during the forest experience tour  
5. A Mitsui employee teaches high school students



### Mitsui Holds “J-League Soccer School 2003” for Fourth Year

Mitsui has been inviting professional soccer players to give soccer lessons to children in foster homes. Some 200 children took part in the programs this year at four regions throughout Japan.

### Hosting Junior and Senior High School Student Visits

A growing number of requests are received from junior and senior high school students wishing to visit the company in order to speak with employees to help them select a career. Mitsui accepts such requests, and assists these students by arranging lectures from employees involved in the frontline of business operations.

### Support for Japan-India Student Conference

Every year, approximately 30 Japanese students travel to India to attend the Japan-India Student Conference, an event that promotes interaction with Indian students. Mitsui & Co., India Pvt. Ltd. provides support by advising students where to visit and making necessary arrangements in the event of illness or other emergencies.

### Providing Disaster Relief

Mitsui's worldwide offices have worked together to provide relief in the wake of such disasters as the earthquake in Iran and Algiers in 2003, flooding in Sri Lanka and a typhoon in Japan's Miyakojima. Funds, medical equipment and other emergency supplies were donated to assist anti-SARS efforts.

### Forest Experience Tour for Children

Mitsui holds eco tours for children that bring them directly into contact with nature. Employees volunteer their time and effort to plan and organize this tour. In February 2004, we invited 64 pupils and guardians to a tour of Sagamiko Picnic Land in the suburbs of Tokyo.

### Sponsorship of the “Friendship Trio”

In fiscal 2004, the Mitsui Public Relations Committee, comprising representatives from Mitsui and 25 of its associated companies, held 17 nationwide piano trio concert programs to support education, arts, culture and public welfare. The concert program is held in three formats: “Friendship Programs,” which are held in school classrooms and gymnasiums; “Friendship Concerts,” which take place in concert halls; and “Friendship Markets” where handicrafts made by disabled persons are sold.

### Support for Disabled Persons

Mitsui supports community workshops for the disabled, sponsoring various activities such as the exhibitions and sales of handicrafts, and the coordination of bazaars. Mitsui also makes its athletic field available for the use of disabled persons, extends invitations to Mitsui-sponsored concerts and distributes emergency food supplies free of charge.



# Economic Performance

## Reaching a New Stage of Growth

### Overview of Fiscal 2004

In fiscal 2004, Mitsui achieved profitability in all operating segments on the back of improved earning power and a rebound in global economic conditions. The Metal Products & Minerals Segment and Energy Segment performed well due to improving market conditions for resources and energy and strong demand in China and other Asian countries. Driven by this performance, consolidated net income for Mitsui & Co., Ltd. reached an all time high of ¥68.4 billion, exceeding our initial forecasts.

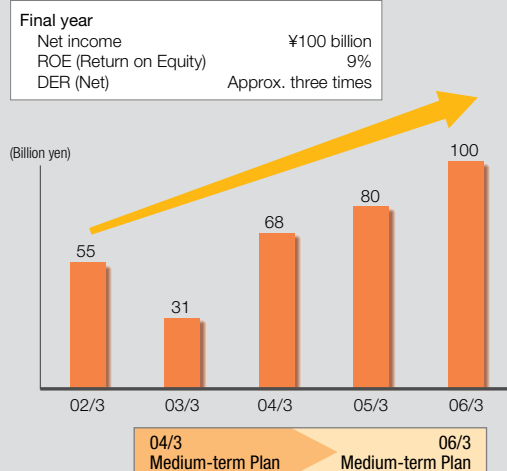
### Medium-term Strategic & Financial Plan: Global Growth 2006 “Meeting the Challenge — A New Stage of Growth”

Considering our vision for the next five to ten years, and the steps we must take to achieve sustainable growth, we have formulated *Global Growth 2006*, our new medium-term strategic & financial plan. Our targeted consolidated net income for the final year of the plan, the fiscal year ending March 31, 2006, is ¥100 billion. To ensure the continued relevance of this plan in today's rapidly changing operating environment, we decided that it should only cover a two-year period.

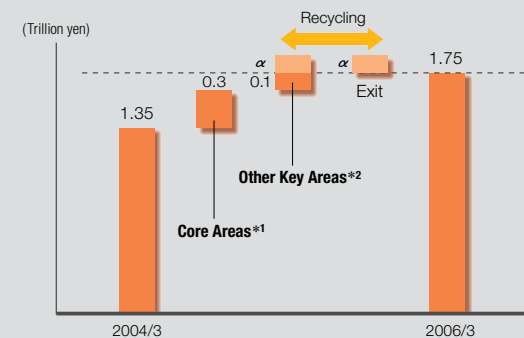
A theme of *Global Growth 2006* is to promote dynamic management of all Mitsui's operations. Based on this idea, three strategic directions are being pursued: Evolution of Business Models; Continuous Review of Business Portfolio; and Implementation of Global Regional Strategies. We will also be investing more than ¥400 billion to drive new growth. Of this amount, ¥300 billion will be allocated to the strategic fields of minerals, energy and plant projects, further reinforcing our presence in these business areas. The remaining ¥100 billion, along with funds recycled from other investments, will be used to fuel growth in key strategic areas such as automobile-related businesses, and consumer products and services businesses. Another key initiative is to review our subsidiaries and associated companies. During the term of the current medium-term plan we will be making a company-wide effort to improve the performance of these companies.

We are committed to responding to the trust placed in us by society and to remaining a global corporation by leveraging our business engineering capability to create value with an effective combination of goods, services and investments. To this end, we aim to consistently deliver quality work and further expand our earnings base.

### Targets for Fiscal Year Ending March 2006



### Investments in Strategic Areas



#### \*1 Core Areas ▶ ¥300 Billion

- Minerals, Energy: Iron ore & coal in Australia: Expanding existing interests in Australia  
Non-Ferrous: Acquire new interests  
LNG & Oil: Sakhalin II LNG project, Enfield oil field in Australia
- Plant Project: Power generation (IPP), Water desalination

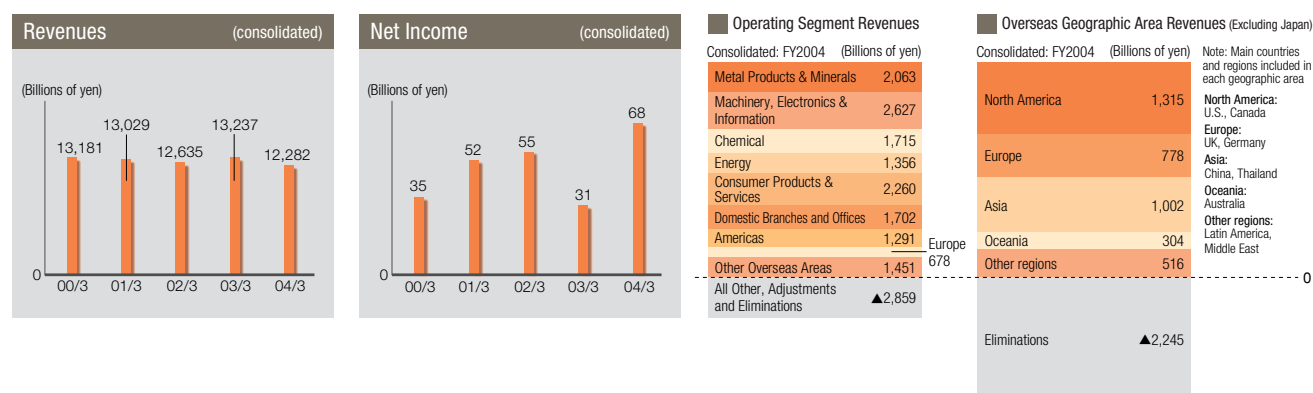
#### \*2 Develop/Strengthen Other Key Areas

##### ▶ ¥100 Billion + α (Recycling)

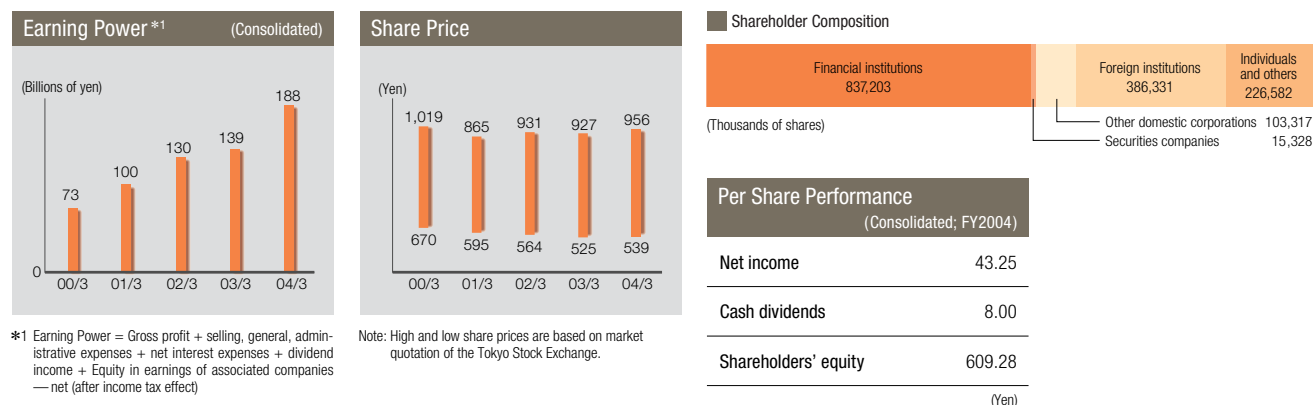
- Foods & Retail Business Unit
- Lifestyle Related Business
- Consumer Service Business Unit
- Motor Vehicle Related Business

Mitsui recognizes that the pursuit of higher earnings, a stronger management foundation and sustainable growth are essential to contributing to society. We seek to reward the trust placed in us by customers, shareholders and society by reinforcing our business foundation so as to realize our aspirations for new growth, while making this foundation more transparent and sound.

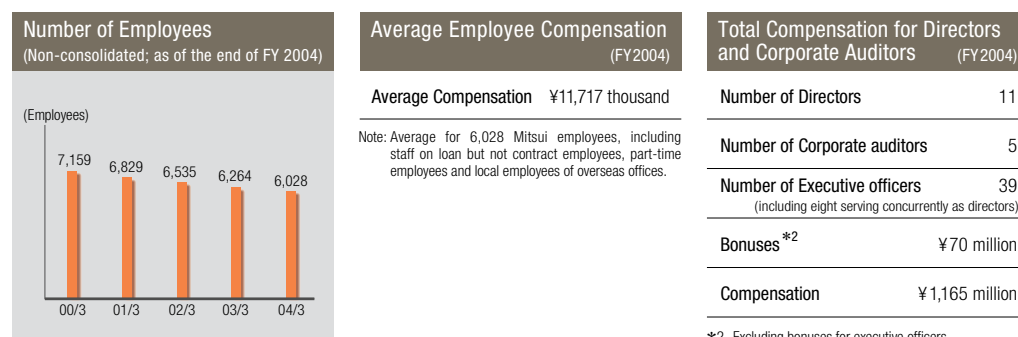
## Relationships with Customers



## Relationships with Shareholders and Other Investors



## Relationships with Employees



\*2 Excluding bonuses for executive officers

## What is Mitsui's role in achieving a sustainable society?

In today's rapidly changing environment, what must be done to ensure that we remain a company that is needed by society both now and in the future?

And what should we aim for with regard to creating a sustainable society?

In April 2004 we sought the opinions of CSR experts at our first stakeholder meeting.



### Develop Human Resources and Create Job Opportunities

Trade unions are extremely concerned about poverty. To reduce poverty, the International Labor Organization (ILO) is stressing the “Decent Work” concept, which promotes opportunities for workers worldwide to obtain decent and productive work, under conditions of freedom, equity, security and human dignity. After all, products will not sell unless there are people with sufficient purchasing power. So management should look at their operations from the perspective of providing jobs that give people a certain degree of purchasing power so that companies create the conditions that enable them to exist. What concerns unions in particular is an apparent tendency for companies to abandon their obligation to train employees. In the past, Japanese companies provided training as part of their long-term management strategies. But since the 1980s, an excessive emphasis on short-term profits has caused companies to cut costs by using mid-career recruiting and temporary workers. This trend worries me because, ultimately, it may weaken human resources in companies and the Japanese economy itself.



**Akiko Okubo**

Section Chief, International Division  
Japanese Trade Union Confederation  
(JTUC-RENGO)

### Take More Initiatives That Target Poverty Worldwide

In my view, Mitsui's ability to contribute to society directly through business operations is one of its most distinguishing characteristics. In the case of Ricoh, our options for expanding such contributions are restricted because of our limited sphere of business activities. For Mitsui, however, social initiatives can be undertaken directly through businesses. I feel this is the most prominent feature of Mitsui's CSR activities. I further expect that Mitsui, as the parent company, will promote CSR activities across its group companies.

Poverty is a serious issue all over the world. In order to solve this issue Mitsui can conduct business activities and make contributions to relevant countries. In my view, doing so would demonstrate Mitsui's own strengths as a global corporation.

I feel strongly that Mitsui needs to decide on its approach toward the interrelated aspects of business activities and poverty, thereby defining the role that it intends to play as a multinational corporation.



**Ryosuke Hirai**

General Manager,  
CSR Office, Ricoh Corporation



# Dialogue with our Stakeholders

## Supply Chain Management is Mitsui's Primary Mission

CSR is a process of value creation. Today's consumers will not purchase goods and services solely upon the basis of economic value. Companies also need to enhance the social and economic value of their goods and services. For this it is necessary for a company to gain the public's trust and contribute to improving living standards in a manner which is appropriate for their business model and region of operation. Because Mitsui moves goods throughout the globe for countless clients, its mission here should be "supply chain\*<sup>1</sup> stewardship." Mitsui's knowledge and expertise in trade, traceability\*<sup>2</sup> and transparency make realization of responsible supply chain stewardship potentially one of Mitsui's greatest contributions to society.

\*1 Supply chain: A single chain of processes, such as development, procurement, manufacturing, delivery, and sales, that links suppliers with consumers.

\*2 Traceability: Technology for tracking the flow of goods, often applied to tracking the production records of food products.



**Scott T. Davis**

Professor of International Management,  
Faculty of International Economics,  
Reitaku University

## As a Major Organization, Mitsui Should Meet Greater Expectations Than Ordinary Companies

As environmental issues become more urgent, we are seeing the emergence of serious problems involving food, water and energy supplies. Since Mitsui is engaged in all of these areas through its business activities, there are great expectations for its role in achieving a sustainable society on a global scale. In the past, the prevailing view was that companies need not tackle such huge challenges. But measured against the global economy, Mitsui's operations are equivalent to the GDP of many countries. One facet of CSR demands multinational corporations to perform roles that individual nations cannot fulfill. European countries are pressing companies to fulfill these roles by promoting socially responsible investments (SRI). Because trading companies often act as investors, they are in a position to implement SRI. Within the context of various global issues, I believe that the realization of a sustainable society, with consideration for community issues, will depend on Mitsui's courageous decisions, which will serve to increase trust in companies.



**Toshihiko Goto**

Chair, Environmental Auditing Research Group  
Member BoD, Global Reporting Initiative

## Send a Clear Message to the World about Sustainability

What is the greatest social impact of Mitsui's businesses? What is the source of a company's value? These are the fundamental points concerning corporate social responsibility. Mitsui serves a broad spectrum of stakeholders through its extremely diverse range of businesses that are conducted on a global scale. So I can really feel that all its activities have a direct connection with global sustainability and affluence. But it's difficult to ascertain the relationship between individual projects and global sustainability. I would like Mitsui to disseminate a clear message on this subject. I also think that Mitsui should more clearly demonstrate that it is working hard to maintain the proper balance between resource development and its impact on the global environment. For example, what is the environmental impact of mining iron ore? I want to see Mitsui take the lead in accurately monitoring such environmental matters.



**Masanao Maeda**

Director General, Policy Planning Department  
Development Bank of Japan

## How About Tackling the Issues of Poverty, Hunger and Regional Economic Vitality in Developing Countries?

To what extent can a private-sector company address poverty in developing countries, which is an enormous global problem? From the standpoint of profitability, it seems difficult for companies to hire people with no skills simply to solve the poverty problem. Nevertheless, a company should not ignore it. For instance, companies could establish a target for devoting a certain percentage of their operations to businesses conducted with local or traditional industries, even though they are not profitable. With regard to food-related issues, it is imperative to raise the ability of developing nations to export goods. Establishing the means for developing nations to export safe food products would help resolve environmental issues and allow Japanese consumers to purchase food products with more confidence. Furthermore, Mitsui has an immense pool of human resources. The company can use their skills locally to help build communities side by side with residents. I think this would be a worthwhile role for Mitsui to perform.



**Ryohei Kada, Ph. D.**

Adviser, R&D Division, UFJ Institute Ltd.  
Former Research Director,  
Policy Research Institute,  
Ministry of Agriculture, Forestry and Fisheries

# Dialogue with our Stakeholders

We believe it is important to seek the opinions of our stakeholders in determining our CSR activities. We carefully consider the feedback and questions we receive, and develop responses to shape the future direction of Mitsui's CSR programs. Our responses to some representative comments from stakeholders are presented below.

## Stakeholder Opinions Concerning CSR at Mitsui

Q1

**Concerning the Biotechnology Business**

**In its biotechnology activities, how does Mitsui manage genetic information and other sensitive data gained through R&D programs?**

A

In February 2003, we established a Biotechnology Ethics Committee, consisting of six individuals from Mitsui and five external intellectuals. It was established from our belief that biotechnology business must be conducted under self-management standards backed by sound corporate ethics. We consult and submit reports to the committee on a regular basis. We ensure that permission has been received from the ethics committees at our research labs and written consents from donors have been obtained before handling any genetic data. Personal information is made anonymous and maintained under strict measures to prevent information leaks.

Q3

**Socially Responsible Investments at Mitsui**

**Mitsui was incorporated in the FTSE4GOOD and DJSI (Dow Jones Sustainability Indexes) in 2004. Why do you think Mitsui was not included in these indexes in prior years?**

A

Mitsui was not incorporated in these two indexes as well as many other SRI indexes in part because of the 2002 Kunashiri incident. In response to this serious situation we reinforced CSR activities and publicly released information about the results of our actions. We intend to expand our efforts in order to retain our position in these SRI indexes. We are not eligible for inclusion in some indexes because the general trading company business model is unique to Japan. However, we will continue to do our best to develop outside understanding of our position and activities.

Q2

**Improvements in the Sustainability Report 2003**

**Messages from third parties in last year's Mitsui Sustainability Report contained a number of suggestions for improvements. Have these ideas been incorporated in this year's report?**

A

In preparing this report, we have tried to provide clear explanations of our approach and commitment to CSR, along with the significance of various activities. Based on suggestions received last year, we have provided a more thorough corporate governance presentation and included a section on our stakeholder meeting. We intend to continue enhancing CSR activities through a high-profile information disclosure program and ongoing dialogue with stakeholders.

Q4

**United Nations Global Compact**

**Why did Mitsui decide at this time to participate in this compact?**

A

We believe that even stricter self-discipline is important as we seek to achieve further growth by conducting a diverse range of global businesses. In August 2004 we made surveys of all overseas offices and subsidiaries. The result was an official corporate decision to participate in the U.N. Global Compact. In accordance with the principles of this compact, we will improve any inadequacies and disclose the results both internally and externally.

# Participation in the Global Compact

## Mitsui became a signatory to the U.N. Global Compact.

As an organization pursuing various projects on a global scale, Mitsui's management philosophy extends to contributing to the economic prosperity of regions and communities worldwide.

In October 2004 we declared our formal support for the U.N. Global Compact.

### About the Global Compact

The UN Global Compact is a set of voluntary guidelines for companies. The idea originated in January 1999 at The World Economic Forum in Davos, Switzerland. Here, U.N. Secretary-General Kofi Annan proposed a means to harness the creative powers of the private sector to fulfill the wishes of underprivileged people and meet the needs of future generations. The compact is neither a regulatory instrument nor a legally binding code of conduct. Rather, it is a concept that companies conduct in unison to fulfill their obligations as citizens of the world in order to offer solutions for

the numerous problems linked to economic globalization. Each company participating in the compact agrees to support and practice 10 principles that have been established worldwide relating to the following four areas: human rights, labor, the environment, and anti-corruption. As of September 2004, about 1,800 companies, labor unions and citizens groups have participated the compact.

As a participant alongside these organizations, Mitsui will strive to fulfill its role as a global citizen and contribute to sustainable development worldwide.

### The Ten Principles of the Global Compact

【 Human Rights 】	<ol style="list-style-type: none"><li>1. Businesses should support and respect the protection of internationally proclaimed human rights; and</li><li>2. make sure that they are not complicit in human rights abuses.</li></ol>
【 Labor Standards 】	<ol style="list-style-type: none"><li>3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;</li><li>4. the elimination of all forms of forced and compulsory labor;</li><li>5. the effective abolition of child labor; and</li><li>6. the elimination of discrimination in respect of employment and occupation.</li></ol>
【 Environment 】	<ol style="list-style-type: none"><li>7. Businesses should support a precautionary approach to environmental challenges;</li><li>8. undertake initiatives to promote greater environmental responsibility; and</li><li>9. encourage the development and diffusion of environmentally friendly technologies.</li></ol>
【 Anti-Corruption 】	<ol style="list-style-type: none"><li>10. Businesses should work against all forms of corruption, including extortion and bribery.</li></ol>



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“Society and Company”

People make up society, in which companies exist.  
Mitsui is earnestly considering the relationship  
between society and companies.

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