

CSR REPORT

Mitsui & Co., Ltd.
CSR Report



2005
MITSUI & CO.,LTD.

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Editorial Policy: What We Hope to Communicate through This Report

In November 2004, immediately after the fiscal 2005 edition of this report (*CSR Report 2004*) was published, we discovered the DPF incident. Mitsui & Co., Ltd. ("Mitsui") expresses its utmost regret to its DPF users, the subsidy providers, and all parties concerned, including the wider public, for the occurrence of this incident and the considerable inconvenience it caused. We are making company-wide efforts to resolve this incident as soon as possible. Moreover, we have commenced a number of initiatives aimed at preventing the recurrence of such a problem and recovering social trust in Mitsui as quickly as possible. In this report, we made it a priority to report at the front a summary of events up through immediately before the Japanese edition was published in January 2006, including the investigation of the DPF incident, efforts to resolve the issue, and reforms carried out at Mitsui, including measures taken to prevent a recurrence of this kind of problem.

Every executive and employee at Mitsui, at all levels of responsibility and circumstance, has taken the DPF incident as an opportunity to reflect from a variety of perspectives on what our company owes to society and what we must do in order to ensure that Mitsui continues to earn the trust and meet the needs of society. In this report we include examples of these reflections, including a dialogue ("Reflecting on What a Company Owes to Society") between outside experts and Mitsui's president and other members in the management positions, a workshop where employees considered the steps we must take to recover the lost trust, and dialogues between CSR experts and chief operating officers of Mitsui's business units about how we can approach CSR through our businesses themselves. In addition, we have articulated the lessons learned through these processes, including the responsibilities and roles that Mitsui must fulfill and the challenges that we will address going forward.

In the second half of this report "CSR Initiatives at Mitsui & Co." (pages 29-49), we report on our efforts in fields including corporate governance, the environment, and social contributions. Going forward, Mitsui will be diligent about improving management transparency and fulfilling its accountability to all stakeholders. We will also work to continuously improve our CSR management by continuing to hold dialogues with stakeholders. We would like to reflect our stakeholders' opinions and comments in our future business activities, and ask that you please take the time to kindly return the attached questionnaire or fill it out on our web page. Thank you for reading *CSR Report 2005*.

Scope of Coverage: Mitsui & Co., Ltd., and overseas trading subsidiaries
Japan: 20 offices; Outside Japan: 158 locations (63 overseas offices and 95 overseas trading subsidiaries)

Period Covered: Mainly 2005, with some coverage of 2004 and 2006.

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 late 1997 primarily by CERES (Coalition for Environmentally Responsible Economies), a US NGO that authored the CERES principles, and the United Nations Environment Programme (UNEP), to formulate international standards for corporate sustainability reporting.

Mitsui's heritage of "Challenge and Creation" and "Freedom and Open-mindedness" is rooted in many years of history and tradition. Mitsui understands that it is vital for all its employees to embrace this heritage, and is committed to doing good work that not only benefits the company but also enriches Japan, other nations, and the entire Earth. Mitsui's method of accomplishing this is creating new value through its diverse range of businesses. The keys to realizing these objectives include Mitsui's management philosophy and its Basic CSR Policies. As Mitsui moves ahead, the company will continue to treat CSR as a critical management issue.

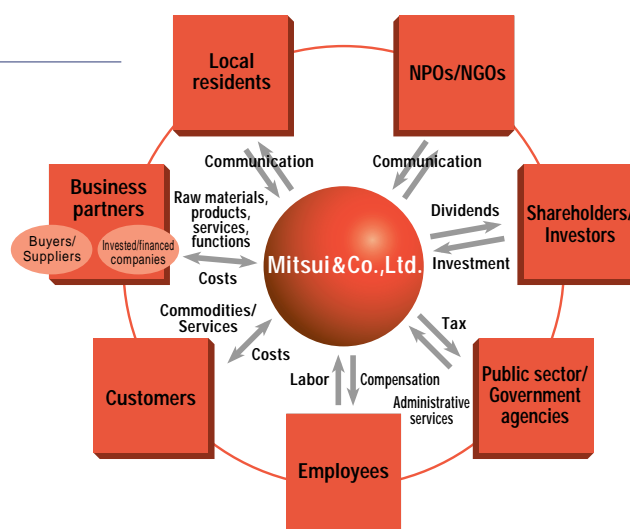
Mitsui & Co. Management Philosophy—Mission, Vision and Values

- 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.

Mitsui's Stakeholders



Top Commitment

Message from the President

Regaining Trust and Rebuilding the Future

While giving top priority to resolving the DPF incident, we will also raise employee awareness and introduce new systems to ensure that our work benefits society.

The DPF Incident

In Mitsui's *CSR Report 2004*, I wrote that everyone at Mitsui had embarked on an effort to guarantee that we would always do *good work* with honorable intentions and high aspirations. I also said we were working to ensure that all employees' work is aligned with the company's new management philosophy and basic CSR policies. However, in November 2004, immediately after that report was published, an internal audit we conducted revealed the DPF incident. Here again, on behalf of everyone at Mitsui, I would like to express our utmost regret to our DPF users, the granters of the subsidies, and all other parties concerned, including the general public, for the unacceptable inconvenience caused by this incident.

The "DPF incident" refers to an incident in which false data were produced and submitted in the process of application for certification of a Diesel Particulate Filter (DPF) marketed by Mitsui. The DPF in question was certified by the Tokyo Metropolitan Government, and as a result, purchasers of the certified product have been provided with subsidies by eight municipal governments, including the Tokyo Metropolitan Government, as well as the Ministry of Land, Infrastructure and Transportation, the Ministry of the Environment, and related industrial associations. Since discovery of the incident, we have undertaken a persistent, company-wide effort to resolve all related issues as soon as possible. We have also earnestly considered the root causes and background of the incident in order to ensure such a problem never occurs again. Pages 7 to 14 of this report provide a detailed report on the DPF incident.

Ensuring Company and Employees Share the Same Values

The DPF incident deeply eroded the trust and confidence that Mitsui had earned over the course of many years in business. We deeply regret the DPF incident and have taken a variety of thorough steps to prevent any recurrence. We are working hard to restore society's trust in Mitsui as quickly as possible. As a result of our review, we fixed our internal systems wherever they were lacking and corrected points where the company was in the wrong. However, until all employees—the life of the company—maintain the correct awareness, and until the company and employees share the same set of values, I think the recovery of society's trust will remain a future goal. This is why we are stepping up efforts to strengthen compliance, including compliance at our subsidiaries and associated companies, in line with the strong determination that "no compliance = no work = no company." Toward this end, we are holding repeated discussions on employee work ethics and employee relationships with the company.

During the three years since becoming president, I have continually encouraged employees to do *good work* that benefits society. As a for-profit enterprise, it is quite natural for Mitsui to fulfill its responsibilities to its shareholders by increasing profits. However, that does not mean we should pursue only short-term profits. Profits will naturally follow as long as we do *good work*—work that is valued by society. Succeeding in the challenge of doing *good work* should also give one a sense of accomplishment. I constantly appeal to employees to adopt these values, and I continue to discuss this with our people at every opportunity. To back up these value-oriented efforts, we also made changes to our system for evaluating business units and individual performance and introduced new human resources measures. Precisely because Mitsui is an enterprise with a global presence, conducting a diverse range of businesses in 178 offices in 75 countries, it is absolutely imperative that we—all Mitsui employees, without exception—be firmly aware of the company's management philosophy and work to build firm relations of trust between the company and employees. I regard it as my foremost responsibility to make sure that all the individuals that make up the company move forward in the same direction.

Fulfilling Global Social Responsibility

Looking at things from a worldwide perspective, the existence of a variety of global challenges has become a familiar reality. I



Shoei Utsuda
President and Chief Executive Officer
Mitsui & Co., Ltd.



see that Mitsui, as a general trading company, has a tremendous role to play and high expectations to live up to. The global expansion of Mitsui's distinctive businesses should make long-term, ongoing contributions to the resolution of the challenges humanity faces: providing a stable supply of natural resources, energy, and food, building much-needed infrastructure, and improving the standard of living of people worldwide. Especially in our operations outside Japan, we are committed to viewing things from a local perspective. This means asking what people living in each particular region and society think, what their concerns are, and what they wish to accomplish—and then firmly incorporating their perspectives into our businesses.

Taking a long-term perspective and making social contributions in areas beyond the scope of our businesses is also absolutely essential to forming true partnerships with other countries. One initiative that we are undertaking from this point of view is our support of children of Brazilians living in Japan, a project which we started in 2005. Mitsui has a very close business relationship with Brazil. As a partner of Companhia Vale do Rio Doce S.A., the world's largest producer and supplier of iron ore, we are involved in providing the world with a stable supply of Brazilian iron ore. Right now, the number of Brazilian immigrants to Japan is increasing every year. Many of these families face serious challenges related to the education of their children, stemming from differences in language and lifestyle. We hope to contribute as much as possible to the improvement of this situation.

Raising the Environmental Awareness of Every Employee

The DPF incident also reveals, I think, how far we were from possessing adequate awareness of the global environment and making sufficient efforts to protect it. Realizing this, we established the Mitsui & Co., Ltd. Environment Fund in July 2005. The fund was set up to accept contributions from Mitsui executives, employees, and retirees, on top of a ¥1 billion donation from the company. The purpose of the fund is to support and promote internal and external efforts to solve environmental problems. At the same time, we are encouraging executives and employees to use this fund to take the initiative in planning aid projects. We hope that this effort will raise employees' awareness of the environment and social responsibility. To back up this initiative, we have also established a volunteer leave program. I hope that employees will make

positive use of this system as a valuable opportunity to rebuild our relationship with society.

In terms of its efforts to help the global environment, Mitsui also holds company-owned forests throughout Japan—in 73 locations reaching from Hokkaido to Kyushu and covering a total area of approximately 44,000 hectares, which corresponds to the area of 65% of Japan's largest inland body of water, Lake Biwa, or 9,400 times the area of the mega-stadium, Tokyo Dome. Forests store water—the source of life—protect ecosystems, and purify the air. Mitsui's company-owned forests are said to absorb and fix an annual amount of carbon dioxide that is the equivalent of what 20,000 people generate annually in all aspects of their modern lifestyle. Maintaining and managing these forests, which are an irreplaceable global asset, is an important mission we have. Since 2004, I have been going together with new employees to our company-owned forests to participate in tree-planting and forest maintenance activities. I started this undertaking as an attempt to encourage employees to build a greater awareness of the environment and corporate social responsibility right from when they join the company. We have also started serious discussions in the company regarding how we can more effectively utilize our forests for the benefit of society and are currently considering specific measures.

The Quest for Mitsui's *Raison d'être*

Over the long 130-year journey since the establishment of the original Mitsui & Co., Ltd., the company has cultivated a rich breadth of opinion and a strong variety of teachings regarding work. As we venture ahead, I will make every effort to make Mitsui into a company where all employees stay in touch with the company's origins and perform *good work* with a vivid awareness of process and quality. I believe it is my job to create an atmosphere where every employee can help to answer questions like what Mitsui's social *raison d'être* is and what roles and responsibilities the company must fulfill in a sincere response to the scope of its business influence in society. My intention is to keep working at this until all employees possess an unshakeable awareness of our values, and society once again regards Mitsui in a completely positive light. In my view, efforts like these are Mitsui's corporate social responsibility. Going forward, we will continue to improve our shortcomings with the help of ongoing dialogue with various stakeholders. We look forward to your advice and support.

Highlights

The DPF Incident

Covering our top-priority issue, this section reports on the various efforts we have made since the discovery of the DPF incident in November 2004 to shed light on the incident, resolve the consequences, and recover the trust lost.

- The DPF Incident—How It Occurred and What Caused It
- Moving toward Resolution of the DPF Incident
- Measure to Prevent Reoccurrences

Dialogue with Outside Experts

People make up society, in which companies exist. In this section, we reflect earnestly on the relationship a company should have with society, considering in particular how Mitsui can continue to earn the privilege of being a company society truly needs.

- Reflecting on What a Company Owes to Society

Workshop

What challenges and responsibilities to restore lost trust are incumbent upon individual employees? This section reports on a workshop held to give employees a chance to discuss this issue.

- The Steps We Must Take to Recover the Trust Lost in the DPF Incident

Integrating CSR with Business

How can Mitsui put CSR into practice in all of its diverse businesses? This section presents dialogues on this topic between CSR experts and the managers of 3 of our 13 business units.

- Dialogue: Masahiko Kawamura and Chief Operating Officer, Iron & Steel Materials and Non-Ferrous Metals Business Unit
- Dialogue: Kazutaka Okubo and Chief Operating Officer, Power, Transportation & Plant Projects Business Unit
- Dialogue: Mariko Kawaguchi and Chief Operating Officer, Transportation Logistics Business Unit



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The DPF Incident—How It Occured and What Caused It

Following discovery of the Diesel Particulate Filter (DPF) incident in November 2004, Mitsui has disclosed to the public what happened and why, by holding press conferences and providing regular updates on its website. An overview of the issue is given below. For more detailed information, please visit the Mitsui website and navigate to “Announcements regarding the DPF incident” (http://www.mitsui.co.jp/tkabz/english/news/2004/041121_dpf.html).

Data Falsification and Its Consequences

In November 2004, during the course of an internal audit, it was discovered that false data had been produced and submitted in the certification application for DPFs that were sold by Mitsui. The DPF in question was certified by the Tokyo Metropolitan Government and produced by PUREarth Incorporated (PE), a wholly owned subsidiary of Mitsui. Purchasers of the certified product were provided with subsidies by eight municipal governments including the Tokyo Metropolitan Government, the Ministry of Land, Infrastructure and Transportation, the Ministry of the Environment, and related industrial associations. Mitsui sold approximately 21,500 units of the product.

We once more express utmost regret to our DPF users and all the parties concerned, including granters of the subsidies and the local communities for the submission of false data on the application, which resulted in the sale of products whose filtration ratios did not meet the regulatory standard.

Discovery of the Incident and Establishment of Investigation Committee

The DPF incident was identified by a confession of a Mitsui employee during a series of questions for fraudulent activities* discovered at PE through a periodic internal audit of Mitsui. We immediately set up an internal investigation committee, chaired by an external counsel, to uncover the relevant facts, and made a public announcement regarding the incident on November 22, 2004.

The internal investigation committee, chaired by Mr. Seinei Gondo, consists of 16 external lawyers. Between November 16 and December 20, 2004, the members of the committee

thoroughly questioned 27 individuals including those who were not directly involved as well as those who were.

* Fraudulent activities at PE: Irregularities involving entertainment expenses and mistreatment of inventories at PE.

Investigative Report and Mitsui's Course of Action

The main facts included in the investigative report prepared by the internal investigation committee based on its interviews of individuals associated with the incident and related documents are as follows:

- ❶ False data was included in the certification application submitted to the Tokyo Metropolitan Government on February 18, 2002. The data was taken from the specifications of multiple DPFs, including those with different specifications from the DPF stated in the application.
- ❷ False data was submitted in the application for a DPF exterior modification on July 30, 2002. The data was obtained from a performance test in which a different type of filter was used on top of the actual one installed in the Mitsui DPF.
- ❸ During emissions performance tests carried out January 16-18, 2003 in the presence of Tokyo Metropolitan Government officials, employees of Mitsui and a wholly-owned subsidiary reported artificially inflated values for the experimental data to give the impression that the DPF had cleared the required standard.

The investigative report concluded that four individuals were involved in the data falsifications: two Mitsui employees, a PE employee, and a PE vice president who used to be a contracted employee at Mitsui and who resigned following the discovery of the incident.

Diesel Vehicle Regulations

Vehicle emissions, which are a cause of air pollution, have come under intense scrutiny in recent years amid the increasing concern and sense of crisis over the environment. The greatest concern was the urgent need to keep down diesel vehicle emissions, which contain particulate matter (PM) that causes especially adverse effects on human health. As of October 2003, restrictions had been placed on the operation of diesel vehicles that failed to meet emissions standards specified in local ordinances by the Saitama, Chiba, and Kanagawa prefectural governments as well as the Tokyo Metropolitan Government, all areas where air pollution is particularly serious. The emissions standards, formulated in terms of minimum required PM filtration rate, were set at 60% or higher when the regulations took effect in October 2003 and are scheduled to increase to 70% or higher in Saitama and Tokyo from April 2006.

Diesel Particulate Filter (DPF)

A DPF is an exhaust gas purification system that reduces or removes hydrocarbons (HC), carbon monoxide (CO), and PM in the exhaust gas emitted from diesel engines. There are two main types: systems that use a filter and those that use an oxidation catalyst. PM and the CO and HC in exhaust gas can all be reduced by attaching this device to the engine's muffler. Mitsui's DPF employs basic technology developed by the British company Johnson Matthey Plc and combines an oxidation catalyst with a filter to reduce PM emissions. The oxidation catalyst converts nitrogen oxide (NOx) in the exhaust gas to nitrogen dioxide. With its mild oxidation capacity, nitrogen dioxide combusts the PM that accumulates in the filter in a low temperature environment, thereby revitalizing the device and enabling continuous use. The diesel vehicle regulations that took effect in October 2003 required a PM filtration rate of 60% or higher. A later investigation made clear that the PM filtration rate for the Mitsui product, SOW-301B, did not meet this standard.

Mitsui took the results of the investigation seriously, carefully considering the issue of internal disciplinary actions, and decided in December 2004 to dismiss for disciplinary reasons the two employees who were involved in the data falsifications. PE dismissed for disciplinary reasons the employee who was involved in the data falsifications and the employee who was involved in the fraudulent activities. PE also decided to file criminal complaints against the PE vice president and the PE employee, who were both involved in the misconduct. (In July 2005, PE decided not to press criminal charges in light of the reasonable prospect of their reimbursement for the damage related to the fraudulent activities and the arrest of and social sanctions imposed against its former vice president.) In June 2005, the two former Mitsui employees and PE's former vice president were arrested by the Tokyo Metropolitan Police Department on suspicion of fraud. One of the former Mitsui employees and PE's former vice president were indicted in July 2005. (The indictment of the other former Mitsui employee was suspended due to the employee's subordinate position.) On October 26, 2005, the Tokyo District Court held a public sentencing, where both defendants were handed a two-year prison sentence, suspended three years.

Establishment of Independent Committee for the DPF Incident

Following our receipt of the investigation committee's report, we established an Independent Committee for the DPF incident, chaired by an external corporate auditor and made up of five members who are independent of Mitsui. The Independent Committee was asked to report on the following three points from a dispassionate, objective standpoint:

- ① Consideration of the root causes and background that led to the DPF incident;
- ② Evaluation of our preventive measures together with recommendations for further actions; and
- ③ Evaluation of the responsibility of our management regarding the DPF incident.

Taking the details of the Independent Committee for the DPF incident's report into full account, and considering the other relevant factors, including the grave social impact of the DPF incident, the losses and damages incurred by Mitsui, and the need to satisfy internal and external observers, Mitsui resolved to implement disciplinary reductions of remuneration for full-time directors. The monthly remuneration reductions were for three months beginning March 2005 as indicated below.

- 50% reduction for the President
- 30% reduction for the director overseeing the business unit that sold the DPFs and the Chief Compliance Officer
- 20% reduction for six other full-time directors

Why Did the DPF Incident Occur?

Since the discovery of the DPF incident, management and employees of Mitsui have all thought about what exactly led to its occurrence. The above-mentioned Independent Committee for the DPF incident reported the following findings:

- We recognize that the President has placed the highest priority on compliance since the bid rigging incident concerning the diesel power plant on Kunashiri Island in the summer of 2002. He made efforts to raise awareness of compliance by holding Roundtable Meetings and enhancing on and off-the-job training. Nonetheless, we have to say that the president's compliance awareness did not permeate every corner of the company. One reason that this awareness did not spread completely may be that efforts stopped short at the halfway point of Mitsui's organization structure.
- On the 2004 Compliance Awareness Survey, some employees expressed the opinion that the ideals of Business Conduct Guidelines for Employees and Officers of Mitsui & Co., Ltd. are far removed from actual business practices. It would therefore seem that work realities were not necessarily consistent with the Business Conduct Guidelines.
- Some people outside the company think that Mitsui has a results-first principle. Perhaps there might be conflicts between compliance and the focus on achieving results at operating divisions.
- Not all employees were adequately informed of the company's anonymous whistle-blowing system.
- In this case, the relevant business unit approved the commencement of a new business undertaking at its discretion, while the company took sole responsibility for the quality and engineering of the product. Mitsui was not well equipped for in-house engineering and marketing of a newly developed product.

As indicated in the above report, Mitsui recognizes the DPF incident as a case resulting from a complex mix of various factors. Further, it is clear that these factors were made possible by: (1) an overemphasis on profit (quantitative evaluation) in the appraisal of individual employees and the operating divisions to which they belong; and (2) the rooted attitudes to optimize business practice within a business unit that developed within the company's hierarchical organizational structure, which said it was all right to look the other way "as long as our own division or business unit is OK." We recognize that there was a lack of conviction throughout the company that doing *good work* that benefits the economy and society would lead to positive returns, and should take precedence over the mere pursuit of short-term profit.

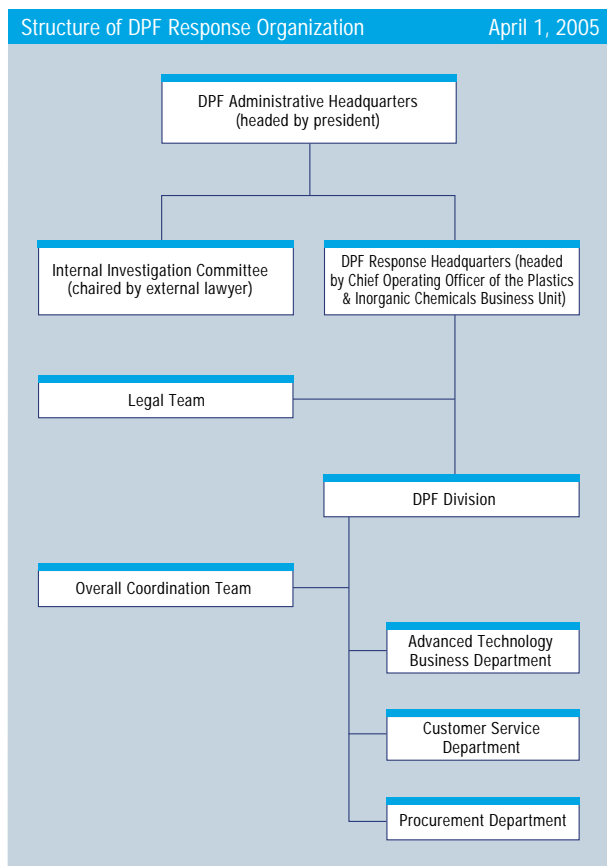
Moving toward Resolution of the DPF Incident

As a result of the DPF incident, Mitsui damaged the trust of all the parties concerned—including DPF users and the providers of the subsidies, as well as society at large. Below, we report on our response measures to resolve the problems associated with the incident.

Mitsui's Internal Structure

Addressing Practical Issues

At the same time that we announced the DPF incident, we also established the DPF Response Headquarters (headed by the Chief Operating Officer of the Plastics & Inorganic Chemicals Business Unit) under the DPF Administrative Headquarters (headed by the president) that we set up in accordance with the rules of Mitsui's Crisis Response Headquarters. We also created a Customer Service Team and a Subsidy Provider Response Team as well as other bodies within the DPF Response Headquarters for addressing practical issues. On April 1, 2005, we enhanced our response organization by setting up the DPF Division, and staffing it with 260 people. Since then we have increased the staffing and worked to accelerate customer support. As of November 11, 2005, we dedicated a staff of 480 people to work toward an early resolution of the DPF incident.



Response to DPF Purchasers and Users

Specific Response Measures

Soon after we became aware of the DPF incident, we established a company-wide response organization and set up a DPF Customer Service Center that responded to customer questions via phone, fax, and in person. To start, we announced the following specific response measures:

① Free replacement of DPFs

That Mitsui would replace its DPFs for free with products from other manufacturers or improved products of PE subject to the acquisition of certification, and that Mitsui would also provide compensation for the relevant losses incurred during the period of replacement work.

② Redemption of our DPFs and reimbursement of purchase amount to our DPF users

For those DPF users who planed to scrap their vehicles or procure alternative vehicles, that Mitsui would recover the old DPFs and reimburse the amount paid for purchasing them. Later, we learned that a significant number of customers were considering replacing their vehicles altogether. As a result, we announced the following additional response measure on February 9, 2005:

③ Assistance in replacing vehicles with new or used ones

That Mitsui would apply the purchase price of DPFs and the equivalent cost to replace the mufflers to payment of the principal of loans taken out by customers at our affiliated financing companies, and that Mitsui would recover its DPFs at the time the replacement vehicles were delivered.

On October 11, 2005, we again announced additional response measures, including reimbursement of the DPF purchase price under certain conditions when a vehicle is scrapped or resold, covering necessary costs to remodel vehicles in order to install other manufacturers' DPFs, and helping customers find and purchase used replacement vehicles when necessary.

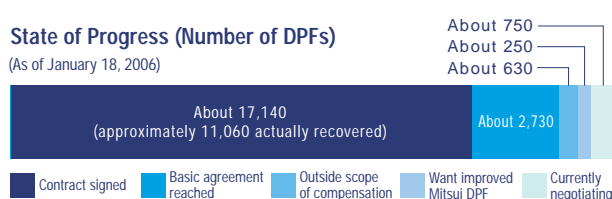
State of Progress in Responding to DPF Users

As of January 18, 2006, our state of progress in responding to DPF users stood as follows. We have signed contracts or reached basic agreements with Mitsui DPF users under the above-mentioned response measures concerning nearly 20,500 of the approximately 21,500 DPFs that were sold (including approximately 630 that were ineligible for the response plan). Of these, we have collected about 11,060 DPFs. We are making every effort to reach swift agreements with our customers and recover the remaining approximately 1,000 DPFs as soon as possible. Scrapped and resold

vehicles and free replacement with other manufacturers' DPFs accounted for the majority of response options taken.

State of Progress (Number of DPFs)

(As of January 18, 2006)



Reformed Version of Mitsui DPFs

In addition to providing Mitsui DPF users with other manufacturers' DPFs, we gained the full cooperation of Mitsui Group manufacturing engineering staff to develop a reformed version of our own replacement product. On September 27, 2005, we submitted applications for certification of our reformed DPFs to the eight prefectural and municipal governments. The applications were accepted on October 3, 2005 and were subsequently repeatedly reviewed by examination committees. During this process we exerted every effort to obtain swift certification of our improved product by submitting additional documents and responding to questions from the examination committees. However, a problem arose. We assumed that users of the reformed DPFs would maintain them, for example by changing the filter from time to time. Later, as we responded to concerns pointed out by the examination committees, it became clear to us that such an assumption might not be practical. We realized that complete resolution of this problem would require redevelopment of the device itself, which would take considerable time. As we are working to resolve the DPF problem within a limited time frame, we decided to abandon the idea of replacing old DPFs with a reformed product and to respond instead with other responsive measures. In the end, we felt that giving priority to remedying the inconveniences caused to our customers and focusing on concern for the environment would be the best and most practical way forward, as well as the path to fulfilling our corporate responsibility to society. It was with deep regret for further inconveniencing our customers that we withdrew our applications for certification of the improved product. The withdrawals were acknowledged on January 19, 2006 by the eight prefectural and municipal governments.

We will continue to work toward final resolution of this incident by making every possible effort to respond to all our customers with one of the above-mentioned measures. We will talk with customers who were waiting for the reformed product about our offer to cover the remodeling costs of vehicles when needed in

order to replace Mitsui DPFs with those of other manufacturers and will provide help obtaining used vehicles for those customers who wish to replace their vehicles.

Response to Subsidy Providers

Reimbursement of Subsidies

Mitsui's DPFs were subsidized by the eight prefectural and municipal governments (the Tokyo Metropolitan Government and the Kanagawa, Saitama, and Chiba prefectural governments; and the Yokohama, Kawasaki, Saitama, and Chiba municipal governments), the Ministry of Land, Infrastructure and Transport, the Ministry of the Environment, related industrial associations, and other organizations. Soon after our announcement of the DPF incident on December 2, 2004, we expressed our intention to compensate all providers of subsidies by paying the full amount equivalent to the relevant subsidies. We began contacting the subsidy providers and also set up a contact point for their inquiries.

State of Progress of Subsidy Reimbursement

At the end of December 2005, we had finished paying all 89 subsidy providers a total compensation of ¥7,757.26 billion. (This total includes the amount paid as subsidy and compensation corresponding to additional damages.)

Effect on Mitsui's Business Performance

Effect on Mitsui's Business Performance

In handling responses to our customers and the subsidy providers, we recorded compensation and other charges related to the DPF incident of ¥36 billion before tax (¥22 billion after taxes) in the year ended March 2005, consisting of a user response charge of approximately ¥28 billion and subsidy compensation of approximately ¥8 billion.

Subsequently, in response to the above mentioned changes in requirements of DPF users, we took further measures including significantly expanding the inventory volume and variety of DPFs supplied by other manufacturers. Reflecting the additional costs associated with such measures for expediting the progress of user response program as our first priority, we recorded a further ¥9 billion (¥5 billion after tax) for compensation and other charges related to DPF incident as of the end of the six-month period ended September 30, 2005.

Measures to Prevent Reoccurrences

Following the discovery of the DPF incident, we are taking a range of measures to prevent this kind of problem from ever happening again, aiming to recover as rapidly as possible the social trust in our company and to continue to meet society's needs. Below, we explain our efforts to strengthen our organizational systems and increase compliance and CSR awareness in each and every Mitsui employee.

Enhancing Organizational Systems

Strengthening Compliance and Internal Controls

We are taking every opportunity to keep every one of our employees informed about the importance of compliance in order to prevent a recurrence of a serious problem like the DPF incident. In addition, having reviewed our organization, we are improving our internal control environment. We have implemented measures such as the following to strengthen our internal controls. In December 2004, right after the DPF incident came to light, we implemented a compliance overhaul on a consolidated basis that included our subsidiaries in and outside Japan. In January 2005, following the reporting routes, every one of our divisions made a report and took oaths to confirm that every compliance matter had been observed. We forced them to take the oath as an organization instead of as individuals, because we believed that the importance of compliance could be truly appreciated in that way. In anticipation of observance of the Sarbanes-Oxley Act (U.S. corporate reform law), in the course of the internal control overhaul, we have taken steps to improve internal control systems and operational status on a consolidated basis in order to achieve standards that meet the rigor of external auditing.

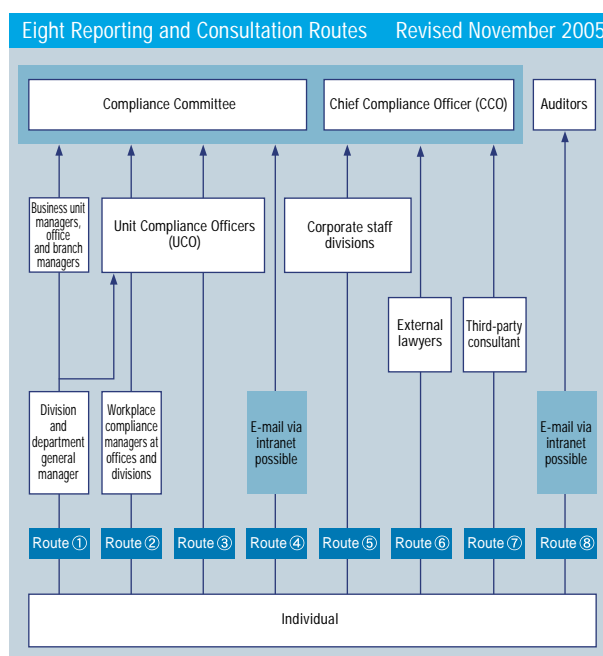
Strengthening Our Whistle-blowing System on a Consolidated Basis

When the DPF incident was identified, we wondered, "Why haven't they used the whistle-blowing system?" or "Why were they reluctant to use it, even though reporting and consultation routes to external lawyers had been already established?" Consequently, in 2005, we added two more reporting and consultation routes (numbers ⑦ and ⑧ below) in addition to the existing six, for a total of eight routes which employees could feel were safe, comfortable to use and easy to access, remaining anonymous if they so wished. (See figure at upper right.)

- ① Division or department general manager
- ② Workplace compliance managers
- ③ Unit compliance officers
- ④ Compliance Committee
- ⑤ Corporate staff divisions
- ⑥ Two external lawyers
- ⑦ Third-party consultant
- ⑧ Auditors

In addition, we developed a system that enables the executives and employees of our subsidiaries and associated companies in Japan to use both external lawyers and the third-party consultant designated by Mitsui. As soon as the lawyers or third-party consultant receive a report or request for consultation, they get in touch with designated contacts at each company, and issues are tackled internally.

Critical issues of subsidiaries and associated companies are supposed to be reported through the communication route



between designated receiver and reporter. Also, in the event that a Mitsui executive or employee commits a violation, an executive or employee of the subsidiary or associated company can make a report using Mitsui's reporting and consultation routes via the external lawyers, third-party consultant, or directly to Mitsui's Compliance Committee

Strengthening Internal Auditing

While the DPF incident was discovered through the course of an internal audit, the fact that it took more than two years for such serious misconduct to be detected is revealing. Accordingly, we increased the number of internal auditors in our Internal Auditing Division, an independent organization which reports directly to the president, from 40 to 60 in order to widen the scope of its regular audits and increase their frequency. We have further strengthened the auditing of our organizational control environment, including compliance, and are working to diversify auditing methods, such as by conducting unannounced audits whenever necessary.

Revision of the System for Placing Full-time Corporate Auditors at Subsidiaries and Associated Companies

The Internal Auditing Division places full-time corporate auditors at major subsidiaries and associated companies, and has increased

the independence of their auditing within Mitsui's internal organization. These full-time corporate auditors work closely with the Internal Auditing Division and oversee the system and operation of internal controls as well as the auditing deemed necessary under the Commercial Code.

Management of Designated Businesses

The risks associated with doing business have increased and diversified due to economic globalization, informatization, and heightened awareness of corporate social responsibility. Based on this understanding, we have specified the following four high-risk business areas as "designated businesses." Traditional management methods are inadequate for these designated businesses, which we are very carefully trying to develop.

Mitsui has strengthened its internal assessment of these designated businesses and has opted to seek, whenever necessary, the recommendations of the CSR Promotion Committee and the Environmental Advisory Committee and/or Bioethics Committee, both of which were newly established with the participation of influential individuals from outside the company. The aim of this move is to carefully consider and investigate from the perspective of qualitative risk assessment, regardless of the amount of money involved, matters that until now fell outside the scope of administrative assessment under quantitative standards. In addition, Mitsui has brought on board outside experts knowledgeable in environmental issues and technologies, such as those who are experienced in manufacturing and other fields, to serve as full-time environmental inspectors in the Compliance & Operational Control Division. Through these initiatives, Mitsui has created a structure for inspecting new and existing environment-related businesses whenever necessary.

1 R&D-oriented manufacturing

All R&D-oriented businesses that develop new technologies and business and that manufacture and market products, including those that contract manufacturing to third parties.

2 Environment-related businesses

All businesses that manufacture and market, including those that contract manufacturing to third parties, products that are closely concerned with the environment, and those businesses whose business purpose is the environment itself.

3 Bioethics-related businesses

Businesses that are involved in the development of technologies concerning the human genome, genetic analysis, genetic recombination, and related areas, and those businesses that trade in products that use these technologies.

4 Businesses that are eligible for government subsidies and have a high public profile

Businesses that are eligible for direct or indirect subsidies from the Japanese government or other governments and which have a high public profile, as well as high-risk cases that may be in conflict with public order and morality, Mitsui's management philosophy, or other CSR-related matters.

Revision of Disciplinary Systems and Their Application

Mitsui revamped its disciplinary system with the aim of prompting a transformation in employees' awareness, including heightening their sense of ethics, by reinforcing the proper use of incentives and discipline, and to clarify managerial and supervisory responsibilities, including those at subsidiaries and associated companies.

Efforts in Terms of Human Resources Policy

We have also been pushing forward with a number of efforts in terms of human resources policy. In the past we used to leave appointments to managerial positions up to each business unit, but we have changed this policy to require approval of the manager of the Head Office's Human Resources and General Affairs Division. We clearly articulated the position that Mitsui's human resources are company-wide assets and are moving forward under a policy of making appropriate human resources appointments from a company-wide perspective.

We are considering revisions to our human resources system for fiscal 2007. The purpose of the revisions is not specifically for the improvement of profitability, but rather to foster individuals who can put Mitsui's management philosophy into practice. We reconsidered our individual rating (competency) standards, which are the basis of the treatment and appointment of human resources. Into these standards we will incorporate the standards taken from Mitsui's management philosophy, in particular from "Mitsui & Co.'s Values," which state, "With lofty aspirations and from an honest perspective, we will pursue business that benefits society." We will also partially revise our job category system, which places importance on individual abilities. Along the promotion ladder to managerial positions we will focus more on *people*, and plan to apply the qualifications system while taking the time to properly develop our human resources.

In fiscal 2006 we adopted a multifaceted review process, also known as 180-degree evaluation, for people in managerial positions. This move provides an opportunity for managers to realize whether they are properly managing their human resources.

Organizational Performance Evaluation System

In the fiscal year that ended in March 2005, we changed our organizational performance evaluations. We revised our customary 100% quantitative evaluations, introduced qualitative evaluations, and changed relative evaluations to absolute evaluations. Rather than pursue short-term gains, this move is intended to support our company-wide initiative to increase our commitment to always doing *good work* with Mitsui's management philosophy constantly in mind.

Raising Awareness in All Employees

Building an Open Corporate Environment

While organizational reinforcements are important, we believe that constant quiet effort designed to raise the awareness of each and every employee, of the sort we have habitually engaged in, as most important to truly resolving the DPF issue. Following the revelation of the DPF incident, the president and management team have taken every opportunity to send a clear message to all company employees: "No compliance = no work = no company." A company that lacks awareness of compliance cannot continue to exist as a part of society. Mitsui is determined to act without hesitation in eliminating situations that violate compliance requirements. Employees must always be conscious of and ask themselves during the course of their daily work whether there is any disparity between society's norms and the company's norms. Finally, the company must accumulate a track record of good work that benefits society in order to recover the trust that it lost.

We see this as the only way to proceed. Repeatedly talking about this message and recovering an open corporate culture by enlivening internal communication is absolutely necessary for the permeation of this type of awareness. We send this message out to the whole company at every opportunity, including through the president's "town hall" meetings, the Active Talk Wednesday program (described below) where executives and employees hold discussions outside the framework of their organizations, e-mail sent to all employees from the president, and on the president's column carried on our company intranet.

Occasions for the top management team and business unit managers to speak with groups of young employees other than the president's "town hall" meetings have been increasing in frequency. The president has also been attending more division and department head meetings with the aim of promoting communication.



Compliance Roundtable with Chief Compliance Officer

Compliance Conference Held with Mitsui Labor Union and Management

In response to the DPF incident the Mitsui Labor Union proposed that it would like to work with the top management team to consider the company's compliance issues and how to raise employee awareness. Accordingly, the Mitsui Labor Union and the management team set up a Compliance Conference. The union made many suggestions for preventing a recurrence. For instance, it said that we should create an environment that gives employees more comfortable opportunities to engage in communication. In response, we started the Active Talk Wednesday program as an opportunity for executives and employees to talk freely with each other. The program is held on the third Wednesday of every month, which has been designated as a no-overtime day, in the underground employee cafeteria at the Head Office from 6:00 pm. The chairman, president, many executives, and employees from various departments gather together and spend hours talking about a range of topics, from daily work situations to their individual awareness of issues to actions they feel Mitsui employees should undertake immediately.



The president talking with employees during an Active Talk Wednesday

By the Mitsui Labor Union

The Compliance Conference

The DPF incident came as a major shock to the Mitsui Labor Union, which aspires to build a better company and a company that employees can be proud to work for. We strongly feel that union members and by extension all employees must reflect seriously about compliance and proactively think of measures to prevent a recurrence of this problem. With the understanding that management and labor alike must work on initiatives designed to ensure the spread of compliance awareness, the union proposed to the company the holding of a Compliance Conference. The union will put together views from the field to use in discussions at the conference, which it hopes will give shape to common opinions between labor and management and lead to the improvement of problem areas.

Compliance Reinforcement Week

From November 16-22, 2005, at the one year juncture since the discovery of the DPF incident, we inaugurated Compliance Reinforcement Week. The event began with an address from the president at a morning assembly with employees gathered in a company hall and was followed by a variety of programs including a compliance lecture, workshops, and panel discussion. In addition to reflection about the few employees who caused the DPF incident, all employees took the situation personally and engaged in lively discussions about why this kind of problem arose and how we should now change the company. The DPF incident will certainly not see closure until Mitsui once again holds the public trust and its *raison d'être* is firmly accepted. We do not intend to let this problem fade away and will continue with efforts like this every year.

Compliance Reinforcement Week Program	
Nov. 16 (Wed)	President's address (morning assembly) Active Talk Wednesday
Nov. 17 (Thu)	Communication Lunch ① Compliance lecture: "Not Letting Incidents Fade Away" Nobuko Hiwasa, Director, Snow Brand Milk Products Co., Ltd.
Nov. 18 (Fri)	Workshops
Nov. 21 (Mon)	Communication Lunch ②
Nov. 22 (Tue)	Panel discussion: "Mitsui will change. Employees will change it." Facilitated by Iwao Taka, Professor, Reitaku University



In-house poster put up during the event



Compliance lecture:
"Not Letting Incidents Fade Away" Nobuko Hiwasa,
Director, Snow Brand Milk Products Co., Ltd.



Employee panel discussion:
"Mitsui will change. Employees will change it."
Facilitated by Professor Iwao Taka of Reitaku University

Mitsui & Co., Ltd. Environment Fund

In July 2005, we established the Mitsui & Co., Ltd. Environment Fund with the aim of supporting and promoting internal and external efforts to solve global environmental problems. In addition to a donation of ¥1 billion from the company, the fund is set up to accept contributions from executives, employees, and retirees. We encourage executives and employees to plan and propose aid projects and to participate in them. We hope that this initiative will raise awareness of the global environment and CSR issues. In conjunction with the launch of the fund, we established a volunteer leave program. We are calling on Mitsui executives and

employees to make the most of the program as an opportunity to contribute to society and reflect on the company's relation with society and their own work.

From September to the beginning of November 2005, we held the First Fiscal 2006 Aid Project Invitation. We received a wide variety of proposals from NPOs throughout Japan that are dealing with global environmental issues as well as from Mitsui executives, employees, and retirees. We set up a Project Selection Committee that included outside experts. The committee undertook a strict examination of proposals, and decided in December 2005 on 15 projects, to which we will give a total of ¥107 million in aid. We plan to hold the Second Aid Project Invitation in fiscal 2006.

First Fiscal 2006 Aid Projects

Projects proposed by the public	
Organization (location)	Project
NPO Water Environment Hokkaido (Hokkaido)	Greening of the Ishikari River basin through the bioblock method.
NPO Association for Preserving and Reusing Japanese Architectural Heritage (Kyoto)	Holding training courses for managers who can preserve and utilize traditional wood architecture.
NPO Shirakami Mountains Preservation Society (Aomori)	Development of nurseries for broad leaf trees in the region of the Shirakami Mountains.
NPO Sea Turtle Association of Japan (Osaka)	Preservation of seaweed beds as feeding grounds for the green turtle.
NPO Global Reporting Initiative Forum Japan (Tokyo)	Preparation and diffusion of Japanese versions of revisions to sustainability reporting guidelines.
NPO Kusunoki Shizenkan (Kagoshima)	Shigetomi Sea Consortium Project (a joint project between industry, government, academia, and the public to revitalize Kinko Bay).
NPO Japan Association of Environment	Excavation of traditional Japanese wisdom that can help shape sustainable societies and research on how it can contribute internationally.
NPO Fujisan Club (Tokyo)	Creation of an environmental map of trash on Mt. Fuji with the aim of solving Mt. Fuji's trash problem.
NPO Asaza Fund (Ibaraki)	Asaza Project: Building of a basin management model through revitalization of the Kasumigaura region.
NPO BeGood Cafe (Tokyo)	Kotonoha Sarasara Project: A project to widely collect and compile visions of the future written by the public on short pieces of paper.
NPO Social Investment Forum Japan (Tokyo)	Holding community investment workshops and recommending business models.
Projects proposed by Mitsui executives and employees	
Organization (location)	Project
Culture and Environment Department of Kochi Prefecture (Kochi)	Forestation project in collaboration with environmentally advanced companies.
Projects proposed by Mitsui retirees	
Organization (location)	Project
NPO The Association for Fostering a Green Globe (Saitama)	Volunteer work to raise and plant 30,000 oak saplings.
Miyagi Prefectural Izunuma-Uchinuma Environmental Foundation (Miyagi)	Building a research and preservation network that will contribute to the preservation of Japan's wetland environments. Based out of Lake Izunuma-Uchinuma, which was designated as a wetland of international importance under the Ramsar Convention.
NPO Environmental Management System Association (Fukuoka)	Research concerning awareness of environmental and CSR issues among mid- and small-size companies in Fukuoka Prefecture.

Reflecting on What a Company Owes to Society

To Ensure that Mitsui Continues to Earn the Trust and Meet the Needs of Society

What should Mitsui set its sights on when it comes to CSR? On October 6, 2005, our top management team, including the president and CEO, held a dialogue with outside experts to discuss this issue. During this conversation, we heard frank and very valuable opinions regarding what Mitsui should do as it develops its business globally and looks ahead to the future, and we were also clearly informed of the expectations society has of Mitsui.

Learning from the DPF Incident to Ensure a Responsible Future

Utsuda: The thing I find most regrettable about the DPF incident is that it was not just a single employee who made a serious error in judgment, but a number of employees together who committed the offense. There is no way to erase the incident, which I regard as Mitsui's biggest disgrace to date. When the incident was discovered in November 2004, we immediately disclosed the facts and then focused on responding appropriately. Today, we would like to hear your opinions about the DPF incident and our efforts to address it.

Taka: I think the DPF incident is a crisis—in the sense that you have reached a fork in the road and must decide which way to go. The more adverse the circumstances, the bigger the chance for success. I hope that you will face the issue head-on. Don't lose this chance to turn a negative into a positive.

Akiyama: It is important for a company to make efforts on a regular basis to prevent misconduct. In addition to that, it needs a "self-purification" system that ensures that any incidents, accidents, or cases of misconduct that do occur are not concealed, but disclosed publicly. If only society focuses on the troubles that company may create, we run the risk of fostering a corporate culture that is conducive to cover-ups. Then, it will be impossible to develop better companies, or a better society. In that sense, apart from the misconduct itself, I respect your resolve in going public with the DPF incident immediately.

Goto: Following this incident, it is clear that Mitsui has been strengthening its management system in a variety of ways. However, as the saying "once on shore, we pray no more" conveys, the danger remains that efforts at reform will gradually lose steam.

This is my concern. I think the bottom line is whether or not your company can recognize that a management system that raises the quality of the company is an investment and not a cost.

Utsuda: As you have said, I think the key is not only making sure we do not forget this incident, but also that we find ways to turn it into a good lesson. It would be an injustice to all those involved, as well as to our predecessors at Mitsui, for us to shrug this incident off, given the significant damage it had on the trust society has placed in Mitsui for more than a century. I keenly feel that it is my responsibility to ensure that everyone at Mitsui remembers this incident, and that we all firmly apply the lesson learned in our future endeavors.

Taka: Given Mitsui's diverse range of businesses and the way each business unit acts almost like an independent company, Mitsui carries more risk than normal companies. For this reason, though you have already made significant progress in CSR and business ethics initiatives, I think Mitsui is obligated to work even harder at it than an ordinary company.

Employee Awareness Is the Key— Everyday Speech and Action Shape Corporate Culture

Akiyama: The fact that the incident occurred at all either means you were off guard somehow or indicates a deficiency in the corporate culture. I think that your CSR initiatives need to start with a reexamination of this point. You have to reflect on the source of the problem within your people. Mitsui has a good culture, as expressed in the saying: "Mitsui is People." However, there is a chance that giving people too much authority will produce bad results. You should augment Mitsui's good points and change its bad points. In my view, if you would like to pursue the "Mitsui is People" ideal, individuals must share an attitude of



One Akiyama
President, Integrex Inc.



Toshihiko Goto
Chair, Environmental Auditing Research Group (EARG)



Iwao Taka
Professor, International School of Economics and Business Administration and Director, Business Ethics and Compliance Research Center (R-bec), Reitaku University

initiative rather than being compelled from above to perform.

Goto: What do you see as a concrete measure to raise awareness?

Akiyama: I think the first step is to clarify the pivotal points of why you work and what the purpose of the company is. Mitsui's management philosophy is stated in its Mission, Vision, and Values, or MVV (see page 2). These cannot be used as mere ornamentation. Employees need to be satisfied when they think for themselves about how the MVV relate specifically to their own work. They will not be satisfied if they feel that the MVV are only window dressing or are out of touch with the real situation in the workplace. Making this work all depends on the top management repeatedly communicating its thoughts on the MVV.

Taka: I think that the decisions made by the higher-ups in the company when confronted with each case are very important. Employees develop by watching those decisions being made. The top executives and middle management need to realize the weight of the responsibility they have because their everyday words and actions shape corporate culture. Because Mitsui is a socially influential company, I would like to see you apply yourselves to your work with integrity and a thoughtful awareness of the global community, not just your own company.

Utsuda: We, too, feel that individual self-development, including that of top executives like us, is indispensable. We must follow the advice that those who lead must lead by personal example, and I also think that people should observe their peers' behavior.

Akiyama: The essence of the matter is figuring out how to empower your people to think for themselves, rather than using enforcement from above.

Goto: How about trying to intentionally promote interaction with NPOs and other organizations in the form of partnerships as a

means of raising employee awareness? It is said that engagement and partnerships are important for 21st century companies, but Japan is lagging behind in this respect. I think that exposure to views from different social realms could be an important factor in raising employees' awareness.

Rededicating Ourselves to "Mitsui is People"— Reform of the Human Resources System

Utsuda: Since its founding, Mitsui has been saying that people are important. In the old days they used to say, "When it comes to overseas operations, leave everything to the people on the ground." With no means of communicating or traveling, there was no way to check up on people given the circumstances. So, the only thing that could be relied on was the decisions and actions of the people in the field who carried the Mitsui placard. In this type of situation, cultivating people becomes the basic strategy. The company trusted the actions and decisions of employees, and employees trusted that the company would value them. This relationship of mutual trust was at the core of everything that got done. Perhaps we got away from this good tradition. One contributor to certain employees' poor judgment could have been the company system under which performance was evaluated based solely on the numbers. We have to get rid of this system.

Yokote: I think that we need to make it more clear what type of employees the company values. After the incident, we discussed at length what type of human resources system can unite the wills of our employees in pursuit of our mission rather than focusing only on the bottom line. We decided to adopt a system that values work that reflects the MVV ideals and to introduce multifaceted observation, in which subordinates evaluate their superiors, and are now putting these into practice.



Shoei Utsuda

President and Chief Executive Officer, Mitsui & Co., Ltd.



Yushi Nagata

Senior Executive Managing Officer, and Chairman of
CSR Promotion Committee, Mitsui & Co., Ltd.



Yasunori Yokote

Senior Executive Managing Officer, and Chief Compliance
Officer, Mitsui & Co., Ltd.



Dialogue with outside experts held on October 6, 2005

Nagata: I think that the personnel evaluation system is one type of message from the company to employees. Behavior should change if we get across the message that high evaluations do not come merely from bringing in profits. Then, as Mr. Goto said a little while ago, it is important to increase opportunities for engagement. I think that on-the-job training, which is one such opportunity, is more a chance to promote new realizations than just a place to study. The challenge is how to give people more opportunities to have those moments of realization.

Yokote: Some employees at a fifth-year employee training said that, since they could not really understand the MVV, they stayed up one evening talking it over together and wrote the MVV in their own words. It was really good. The content was the same as the existing MVV, but if we used their words, younger employees could accept it right away. And then, it is important how they will incorporate the MVV into their work and apply it to their own organizations. I am very glad this type of activity took place among employees.

Akiyama: It would be nice to have a training session just for writing the MVV in your own words. I think that the MVV would spread further if employees could apply it to their own jobs and write it out in words that come naturally to them.

Taka: I think you should also actively hold discussions based on case studies. For example, I think you have many employees who go on business trips outside Japan. If they develop the habit of holding discussions, even about seemingly little things such as whether it is OK for them to accrue mileage from business trips on their personal mileage accounts, they will develop the ability to make decisions when pressed to do so.

Principled Business Conduct — The Heart of CSR

Goto: Next, I would like to discuss the perspective of CSR within business expansion. I think this point is linked to the expectations placed on Mitsui.

Akiyama: I think Mitsui's CSR is nothing less than the company deciding how it will contribute to society within the scope of its

business activities. While it is important to listen to outside opinions, you should not do things just because others say so. The most important thing is for the top executives to think for themselves what the company should do. Then, it all comes down to sharing values and a vision with the employees. If only your employees were to share those values and vision, and they occasionally paused during work and took a look at things from the perspective of the general public, I think there would be no need for others to comment on your business details.

Goto: I think that trading companies have the potential to save Japan, to save the world, to save people. The 20th century was the time of governments. The 21st century is the age of companies. The actions of companies in the midst of globalization will affect the course of humanity. Right now, the global environment is deteriorating more than ever imagined and some even say that we have entered the countdown to humanity's destruction. Now, it seems to me that trading companies are the only ones that can comprehensively handle food, water, and energy—the things that are important to human sustainability. So, how about having Mitsui's employees write essays on the theme of "the business development of a trading company that saves humanity?"

Akiyama: That is another example of engagement. I think it would be a good chance for thinking about how one's own job can contribute to society.

Taka: I think that Toyota Motor Corporation's initiatives in the environmental sphere are an example of CSR. They looked ahead to the future and started moving in that direction at considerable risk and at a high cost, having accepted it as the company's unavoidable mission. However, a company cannot assume a sacrificial level of cost forever. I think that when grappling with CSR in one's businesses it is important to work to make these kinds of projects profitable until they become established on their own.

Utsuda: The important thing is that the direction the company is taking becomes widely and accurately known by our employees. We have to ensure they really understand the basic point that the company is not telling them only to chase after profits. As Professor Taka said, work based on a solid vision will eventually lead to profits. In that sense, I want employees to understand that the company will value them highly if they hold that vision.

Nagata: I think that the most important aspect of CSR is the part of it that is performed through the company's businesses. More specifically, one example is the permanence of the company's activities. Popping up and doing something attention-getting may get you in the news, but it will not last long. However, CSR performed through one's businesses will last as long as the business does. Well then, when trying to identify exactly what CSR performed through one's businesses is, one may have some doubt as to whether it is permissible to think boldly, for instance, in the case of an infrastructure business, that one's businesses itself is nothing less than CSR.

Taka: Even businesses that are started with the intention of benefiting society will come to be of no benefit to society if they do not last. So, once they are started, they have to be built up until they turn a profit. That is what I think it means to make an effort through one's businesses.

Akiyama: CSR is not just the details of a business; I think the process, the way people do their jobs, is also an issue. All businesses exist precisely because they are needed by society. However, CSR performed through one's businesses is a matter of how one makes those businesses conform to one's philosophy. For example, it is no use to have a business that is thought to be environmentally friendly if the people who are involved in it engage in bid rigging. The business process, not just the business itself, is a major issue.

Different Roles in Different Places— CSR That Respects Local Culture

Goto: With companies like Mitsui that are engaged in business around the world, the emphasis of CSR differs depending on the region.

Akiyama: CSR means the responsibility of a company to a society. In different societies it is natural that the expectations people have of the company will also be different. In the setting of different cultures, different values, and different religions, the company should respect the expectations society places on it.

Taka: In my view, in the future high value will come to be placed on integrity, respect, and communication. For instance, if Mitsui's people see human rights being disregarded in a developing country, the state of affairs in that country could potentially improve if Mitsui's people express misgivings about it. Respecting the local people and their opinions and the interaction and awareness needed to know what that society needs from the company are all important.

Utsuda: When residing in a place where there is a disparity in the standard of living and economic conditions compared to those of Japan, I think that some people may lack respect for the local

culture, traditions, and history. Nothing good comes of that type of situation. In line with what Ms. Akiyama said, that sort of situation almost guarantees that the work process will go wrong. That is why I and Mitsui's employees take care to respect the culture, history, traditions, and many other characteristics of all the people we work with in all countries and regions.

Yokote: When I go overseas, I think that the most important CSR that Mitsui carries out locally is something one of my senior colleagues told me: "Love the country, love the people, and love your work."

Nagata: Until now, we hardly ever proactively developed relationships with NPOs and NGOs. However, going forward I think that we need to interact with these types of organizations and have them point out things that are difficult for us as Mitsui employees to notice on our own. I think that will make things better.

Goto: That is a good attitude. It really just comes down to engagement. That is "communication." I hope that you will expand your activities globally with an awareness of the many wishes and expectations people have for Mitsui. Communication is the key to gaining that awareness.

Utsuda: Thank you for sharing your valuable opinions with us today. The seriousness of global environmental problems today is increasing. Some have said that, if human beings continue with their present economic activities, global warming, water shortages, and food shortages will get worse, and the world will only be able to support two billion people—we would need two more Earths to support a population of six billion. Because we have a presence around the world and are expanding our business globally, as we engage in our business activities, we must always be thinking about what is best—not only for the company, but for the region, for Japan, for the world, and for the entire Earth. I feel that this is Mitsui's mission, its responsibility. I plan to use your opinions as food for thought in our endeavors.



The Steps We Must Take to Recover the Trust Lost in the DPF Incident

How should we go about recovering the trust we lost through the DPF incident?

Since the incident was first discovered, we have been holding serious discussions on this issue within the company. In September 2005, we held a workshop to give employees an opportunity to think for themselves about why the DPF incident occurred, what we should do to prevent a similar incident from occurring again, and what is needed to regain the trust we lost.



“I wonder what I would have done in the same situation?”

“Many customers said, ‘I bought from Mitsui because I trusted you.’”

Comments like those really stuck with me.”

Workshop Overview

Participants: A total of 20 men and women of a wide range of ages from various operating segments and the corporate staff division
Form: Discussion in three groups.
Date: Monday, September 26, 2005, 4:00pm – 7:00pm
Organizer: Secretariat of the CSR Promotion Committee

with the Kunashiri incident and then the DPF incident.”

At first, we enjoyed excellent sales of our DPFs. One reason for this was the trust customers placed in Mitsui. One participant involved in the response to the DPF incident stated, “Many customers said, ‘I bought from Mitsui because I trusted you.’ Comments like those really stuck with me.” He continued, “Mitsui sold on trust and customers bought from us on trust. For that reason alone, I keenly felt anew the magnitude of the lost trust and the seriousness needed to recover it.”

How Did Mitsui Employees Take the DPF Incident?

On a Monday evening, 20 participants gathered in a conference room at Mitsui’s head office for a workshop that began with messages from Masayuki Kinoshita, Manager of the Secretariat of the CSR Promotion Committee and General Manager of the Corporate Planning & Strategy Division. The participants split into three groups and began to discuss the incident. The groups exchanged views on how each of the participants took the DPF incident, what they think caused it, what the company and individual employees should do to recover the lost trust, what Mitsui should focus on going forward, and Mitsui’s stance on CSR, among other matters.

Employees who participated in the workshop expressed a range of reactions to the DPF incident. One expressed astonishment: “I have never thought even once about going as far as lying to boost sales and did not think that this company had anyone who would do such a thing.” Another thought about it from the offenders’ perspective: “I wonder what I would have done in the same situation?” Yet another participant expressed a sense of impending crisis: “I was deeply alarmed over the rapid succession of scandals,

Reflecting on the Causes of the DPF Incident?

One direct cause of the DPF incident was the inability to announce the fact that it was impossible for Mitsui’s product to meet the subsidy standards when this fact became known. While we cannot reach a clear answer about the background to this fact, the workshop participants had a number of ideas.

Employees who work in sales positions pointed out the following: “It might be that people in sales who are out in the field tend to act on the mission of, ‘I have to sell,’ rather than, ‘for the good of society.’ In sales there is the feeling, for example, of not wanting to pass up a business chance even if it could potentially lead to environmental destruction,” and “Assuming a corporate culture that tolerated the kind of thinking that says, ‘If we only go this far it should be alright,’ then people’s sense of guilt would gradually recede, opening the door for results like this one.”

With other companies in similar circumstances, why is it that some of our employees decided to give priority to the hunt for profit and competitive success over an awareness of environmental and CSR issues—and to the point of violating compliance? One person pointed out that perhaps the organizational performance

“There might have been a sense that people should do anything to make projects succeed and increase profits in order to win higher evaluations.”

evaluation system placed too much emphasis on quantitative earnings figures: “There might have been a sense that people should do anything to make projects succeed and increase profits in order to win higher evaluations.” This opinion cites the traditional evaluation system for possibly pushing sales staff into a corner and thus indirectly causing the DPF incident. Following the fiscal year ended March 2005, we implemented measures to do away with the internal competition, which was biased toward quantitative figures. We changed our conventional organizational performance evaluation system, which used to use only quantitative evaluations, and introduced qualitative evaluations. We also changed the relative evaluations of business units into absolute evaluations.

Actions Needed to Prevent a Recurrence

What should Mitsui do now and what must employees themselves do to prevent a recurrence of this type of problem and to recover the lost trust? During the second half of the workshop, the point under discussion shifted to future efforts. Many workshop participants indicated that the company’s policy had not been clearly conveyed to employees, and cited a lack of communication within the company about the problems that Mitsui currently faces. There were mixed opinions regarding Mitsui’s management philosophy (Mission, Vision, and Values, or MVV), which was drawn up in 2004. While one participant expressed affinity for the MVV saying that, “It is consistent with the aspirations I had when I entered the company 16 years ago,” another employee said, “With its abstract expressions, I feel like I have been handed something that I cannot explain outside the company.” One employee pointed out that, “The key to realization of the MVV is whether or not one can apply it to specific situations. Divisions whose general manager and division managers can properly interpret the MVV in relation to their own organizations and business category and apply it to their work are able to put the MVV into practice. Divisions that lack communication and that do not properly convey the meaning of the MVV are not able to put it into practice.” These comments made us feel anew the challenge of ensuring all employees share the same philosophy. Another employee suggested, “It is important to clarify middle-management’s role in communicating the particulars to employees. The president’s message and the objectives the company has set its sights on should be made clearly relevant to what people do in the workplace.”

Many employees pointed out that lack of communication among divisions, as well as between top management and employees, caused reactions to the DPF incident to vary by division. While some divisions interpreted the DPF incident as their own problem, others had employees who thought it was not their concern.

Many participants expressed concerns about the lack of communication with people outside their own departments. One said, “The DPF incident might have been discovered earlier if lateral communication was employed following the exposure of the Kunashiri incident in 2002.” Another mentioned, “In the old days there were places to communicate without making it a point to arrange them, because there was a company dormitory and very active employee recreation clubs. Recently, there are far fewer of those opportunities.” Other employees suggested setting mutual checks and controls in motion through inter-divisional interaction. One commented that, “Even within the same company there are times when one division’s common sense is another division’s nonsense. That fact alone points to the need for cross-divisional communication.”

Another concern mentioned was the idea that strains may have developed because of this phenomenon: the more a general trading company pursues expansion of its business domains and the development of new businesses, the less time people have to spare and the less they feel a sense of psychological well-being. One participant pointed out a problem with the evaluation system for new business projects as a background issue to the DPF incident: “One cause might have been the loss of leeway under the pressure to produce numerical results in the new business. The evaluation system that creates environments that rob people of this leeway needs to be changed.” Some employees proposed specific measures for improvement. One suggested, “How about making a system that properly evaluates the process, not just the results, since many new business projects end up failing. If a problem is discovered it can be stopped right away, and the will to work will not be lost even if the project fails.” Another held the opinion that we need evaluations that take a long-range view instead of looking only at short-term results: “I want the company to adopt a kind of tag-along evaluation system whereby the person in charge of a business project will win approval when the project succeeds five or even ten years after it starts.”





What Employees Most Need Now Is a Change in Mentality

“It is important for individuals to think about what Mitsui stands for and to always go back to the basics. Humbly performing work every day that we can be proud of before society will lead to a change in mentality.”

What Should Employees Do Now?

Nearly all of the workshop participants were in agreement that right now employees need a change in mentality more than anything. If the attitude that sales are important is too strong within the company, we need to change it. We also have to make efforts to eliminate pressures that make it difficult for subordinates to raise objections to what their bosses say. In addition, we need to create an atmosphere and opportunities for people to freely exchange opinions within their organizations. Many participants cited the necessity of a change in mentality, including one who said, “It is important for individuals to think about what Mitsui stands for and to always go back to the basics. Humbly performing work every day that we can be proud of before society will lead to a change in mentality.” Another participant was of the opinion that, “When reading *Mitsui: Building Upon A Legacy*, the collection of famous quotes left behind by Mitsui pioneers that was published in 2004, one finds many great and moving words. At the time they enter the company, everyone ought to have such high aspirations. Perhaps during the course of getting buried in their daily work, people forget their original intentions. People need to have the humility to go back to the starting point.”

If some Mitsui employees are presently lacking in integrity, then we need to raise each one’s awareness by providing education, training and creating opportunities at every chance for them to reconsider the meaning of integrity. One employee suggested that, “The company should not only conduct training and encourage self-development; it should also share and discuss the path the company is on, as well as its awareness of CSR issues, across

divisional barriers. It should also create more opportunities for interaction with people from outside the company in order to verify that the company’s common sense is not out of line with that of society.”

Participants also expressed the opinion that prevention of problems can come if individual employees, whether in the business units or the corporate staff division, improve their expertise and make responsible decisions as professionals.

Future CSR Initiatives

Not a single workshop participant objected to the view that the company and its business depend on our addressing CSR now. Participants expressed a variety of opinions, including, “Once you decide to undertake CSR, you cannot go into it half-heartedly. The company should not only lay out a basic CSR policy; it must also point out understandable, concrete initiatives and make clear what direction we should go.” Participants called for the creation of a CSR scheme within the company’s business that is more involved in sales situations. One said that, “It is important to consider the point of contact between work and society.” Another participant shared words that he remembered from a lecture: “You should not do work that you cannot be proud to tell your family and children about.” These words resonated with workshop participants. Another employee commented, “That is not such a difficult thing. Incorporating this way of thinking into one’s daily work is CSR itself.” Another offered the view, “Thinking seriously about whether one’s work is an embarrassment before society

plugs into CSR.” Emotional latitude is needed in order to put CSR into practice in one’s work on a daily basis. All participants felt, “From here on, each individual should take the time to frankly reexamine himself and his job. Everyone needs to communicate actively and reaffirm his own commitment.”

Completion of the Workshop

Following the group discussion, Mr. Kinoshita, Manager of the Secretariat of the CSR Promotion Committee concluded the three-hour long workshop with these closing remarks: “As we did not have many chances for cross-divisional exchange about CSR issues in the past, I think this workshop was a great opportunity. Since each of the participants had a good awareness of the issues, we were able to have an in-depth and substantial

discussion about the true nature of the DPF incident as well as how we employees need to change the company. It was unfortunate that, due to the insufficient time we had and the scale of the topics, we were not able to finish discussing many points. Looking ahead, I would like to give more priority to creating opportunities like this one for cross-divisional interaction.”

Taking a long-term perspective is essential to having CSR take root. We believe that one important route to recovering society’s trust is honest communication between the management team and employees, and among employees themselves. We also need to continue with patient efforts designed to improve awareness of CSR issues at all levels. We will share the opinions expressed at this workshop with other employees through our intranet and other channels, in order to spark changes in mentality and further discussion.

Workshop Representatives



Futoshi Abe

Planning & Investment Dept. and Functions Development Dept. Food Marketing Division
Foods & Retail Business Unit

It was very meaningful to talk with a variety of people across division lines. I think that in the past there were naturally more opportunities to speak with people from different divisions within the company. Nowadays, those opportunities do not exist much due to people being swamped with their daily work. Going forward, we need to establish lots of opportunities like the one we had today in order to deepen inter-divisional interaction.



Tomofumi Osaki

General Manager, Investment Dept., Business Development Division
Iron & Steel Raw Materials and Non-Ferrous Metals Business Unit

Today’s workshop was a good opportunity to reconsider not only about the DPF incident but also the meaning of CSR. I sometimes talk with people in my department about ethics. At those times I say, “We need to think carefully about whether what we are doing is disgraceful or whether it is something to be proud of.” I think it is important to question not only whether our work causes trouble but whether it is shameful. This is the foundation of CSR.



Takayuki Kawashima

General Manager, REIT Dept., Corporate Development Division
Financial Markets Business Unit

CSR encompasses a wide spectrum of issues. Environmental issues alone are subdivided across the gamut from local issues to global ones. I think that if we were to hold a series of interactions on topics connected with CSR and built up a record of the matters covered, we could then communicate the results within and outside the company. This would help organize a number of CSR issues and bring them into focus. Perhaps that would help CSR to become reflected in our daily work.

Dialogue: Masahiko Kawamura and Ken Abe

Resources Belong to the Country where They Are Found— We First Consider How to Benefit That Country

Ensuring a stable supply of precious natural resources is critical to the development of Japanese society and that of the world. We see the mission of the Iron & Steel Raw Materials and Non-Ferrous Metals Business Unit, which oversees our mining development business, to be conducting business operations from a long-term perspective that takes into consideration the societies and environments of the countries possessing those resources.



Masahiko Kawamura

Senior Researcher Fellow, Social Development Research Group/NLI Research Institute

Mr. Kawamura joined MODEC, Inc., after receiving a master's degree from Kyushu University's Graduate School of Engineering. Since 1988, he has been engaged in research at the NLI Research Institute focusing on urban issues, environmental management, socially responsible investment (SRI), and corporate social responsibility (CSR). His many publications include *Kankyo Keiei Nyumon* (Introduction to Environmental Management).



Ken Abe

Executive Managing Officer
Chief Operating Officer, Iron & Steel Raw Materials
and Non-Ferrous Metals Business Unit
Mitsui & Co., Ltd.

“How will you achieve the goal of making Mitsui a company whose businesses contribute to the sustainability of the Earth?” (Kawamura)

Long-range Plan for Environmental Restoration and Redevelopment

Kawamura: As a company with operations around the globe, how does Mitsui see global sustainability, local sustainability, and Mitsui's own sustainability? How will you contribute to the sustainability of the Earth?

Abe: My business unit invests in mineral resources. Since Japan basically has no mineral resources, we are involved in projects outside Japan. The most important point in this regard is that the resources belong not to the company that made the investment; they belong to the country possessing them. We always have to keep this in mind when working on a business project.

Kawamura: So, what you are saying is that you are aware that you have been given access to other people's possessions?

Abe: We must always remember that our position is that a country should use its resources first for itself, and only then let us use a part of that for Japan. Without this conviction, we would simply be exploiting the situation.

Kawamura: Just exploiting a place would be no different from the age of imperialism.

Abe: That is absolutely unacceptable. That is why, for instance, efforts are needed to properly restore a mine to its original state after we finish developing and mining the resources.

Kawamura: When planting trees, you cannot just plant anything that is green; you have to plant the proper indigenous species, while considering issues of biodiversity and ecological balance.

Abe: We always conduct studies that enable us to replant the original plant varieties. For instance, there is an interesting rehabilitation project for an iron ore mine in Belo Horizonte, Brazil. The old mine site will be filled with water and turned into a lake, around which a natural environment will flourish. On top of that, there are plans to expand the town by developing office and residential areas in order to revitalize the region. These efforts will produce new business infrastructure and create jobs.

Kawamura: The famous Omi merchants held the view of a “three-way good.”*1 I think this is the leitmotif of CSR. The case in Belo Horizonte is a perfect comparison.

Abe: Although it is not well known yet, I think that this sort of

redevelopment project will become a model case in the future.

*1 Three-way good: The concept of a business being good for sellers, good for customers, and good for society.

Efforts in the Steel and Non Ferrous Scrap Recycling Business

Kawamura: I understand that when you develop a project you usually consult environment-related advisory bodies with expertise in that particular business before making the decision to invest.

Abe: Yes. Environmental assessment is very important, and we are quite thorough. What is more, our business unit is working on a steel and non ferrous scrap recycling business which will offer an industrial resolution to an environmental problem.

Kawamura: Resources-related work is usually thought of as upstream, but it seems you are involved in downstream projects, as well.

Abe: Mitsui may well be Japan's largest scrap recycler. We handle nearly six million tons of Japan's approximately 30 million tons of scrap. In addition, we also process one million tons in the United States.

Kawamura: So, that would mean you are working in both the “venous” and “arterial”^{*2} sides of the steel industry.

Abe: That is right. Since scrap recycling is achieved simply by remelting it, it has outstanding energy efficiency. It also has little problem with CO₂. In that sense, scrap is a great resource.

*2 The “arterial” side of an industry has to do with outgoing flow of products, whereas the “venous” side has to do with the incoming flow of recycled materials. The terms emphasize the circulatory nature of responsible industry.

Contributing to the Environment through New Businesses and Product Development

Abe: The other day I went to Beijing. The sky there was yellow because they burn coal to make a large amount of electrical power. Something needs to be done about the environment and health. In fact, we hope to help the Chinese build a power plant with good generating efficiency and a power grid with good transmission efficiency. Our business unit is also developing fuel cells, which I think will contribute greatly to the environment.

“People in the resources business have to refine their sensitivity to the environment.” (Abe)
“I hope that Mitsui will pursue the ‘global three-way good.’” (Kawamura)

Kawamura: China and other places may change drastically when fuel cells become commercially viable. That is one type of CSR pattern that will surely change the world through business and products. I wish you success in that field.

Abe: I have a dream that, as our electrical storage capacity progresses, the whole concept of energy will change if we can reach the point of being able to transport electricity in small portable packages. I want to convert our efforts in new fields into practical applications as soon as possible.

Utilizing Subterranean Resources Effectively

Kawamura: The Brazilian Amazon is a treasure house of subterranean resources. The same can be said of Africa. So, what is needed to proceed with future business projects from the perspective of the “three-way good”?

Abe: As you say, the world’s greatest subterranean resources sleep beneath the Amazon. So doing something irresponsible there would be a global-scale mistake. Still, the reality is that the whole world depends on the effective utilization of subterranean resources. Precisely because cultures, characteristics, and ways of thinking differ by country, we must ask first what we can do for that country and then get to work on responsible solutions.

Kawamura: I think that global companies, such as trading companies, have a considerable responsibility. You have to consider

how you will proceed with business projects while contributing to the sustainability of our societies, all humanity, and the Earth. CSR requires companies to perform economic and social functions simultaneously. Companies build assets and build their value through their economic activities. And, it seems that what a company can offer a country, including economic advantage, is an essential point.

Abe: As I mentioned at the beginning, the most important point to remember is that the unused resources we wish to make available to the world belong to the country where they are found; as such, we are obligated to “give something back” to that country. For instance, when we undertake a project to mine subterranean resources, we build streets and sometimes even build hospitals and schools. We do this because a project may last for decades in the long-term, as long as deposits remain. Of course, ignoring the environment does not lead to sustainability. We cannot be content with merely complying with current laws, but must look far into the future. In that sense, I think it is crucial for people in the resources business to refine their sensitivity to the environment.

Kawamura: CSR can be seen as a social investment. On the one hand, it is a matter of ensuring the business success of one’s company, and on the other, it is significant for building social infrastructure for local residents. I hope that, in the future, Mitsui, as one of Japan’s unique general trading companies, will clearly follow the path of the “global three-way good.”



Dialogue: Kazutaka Okubo and Toshimasa Furukawa

Enhancing Global Socioeconomic Growth through Infrastructure Development Project

The Power, Transportation & Plant Projects Business Unit is involved in social infrastructure projects in fields such as the electric power, water, transportation, and energy sectors. Given the great social significance of these fields, we regard it as our responsibility to conduct our operations in a way that ensures safety and continuity.



Kazutaka Okubo

Certified Public Accountant
Managing Director, Shinnihon Integrity Assurance Inc.
(A wholly owned subsidiary of Ernst & Young ShinNihon)

Since graduating from Kelo University, Mr. Okubo has worked as an accounting auditor for companies and independent administrative institutions as well as an advisor on the establishment of internal controls. He is a member of the Ministry of the Environment's Corporate Social Responsibility Working Group and is participating in the design of the ethics compliance standard ECS2000.



Toshimasa Furukawa

Managing Officer
Chief Operating Officer, Power, Transportation & Plant Projects
Business Unit
Mitsui & Co., Ltd.

“The essence of being a socially responsible company is conceiving new solutions to society’s problems, and then realizing them.” (Okubo)

Developing Social Infrastructure

Okubo: First of all, please tell me what the Power, Transportation & Plant Projects Business Unit does.

Furukawa: We are engaged in the infrastructure project, especially in the four major fields of electrical power, water, transportation, and energy sector. I think that we can contribute directly and indirectly to the development of society by building up social infrastructure. Many of our projects leave behind structures that remain for long periods of time—things that people would be inconvenienced without them. I recognize that our business has a significant influence on society.

Okubo: So, your business unit is a real core industry. I think that the essence of CSR is what a company can do in response to the demands of society, not just doing things that are convenient for the company.

Furukawa: Electrical power is necessary for people to lead higher quality lives, and water is indispensable for human life. However, as infrastructure is built and the economy developed, negative aspects, such as environmental problems, invariably appear. We have a responsibility to provide the infrastructure that will enable us to properly respond to future challenges, including solving the problem of water shortages and creating clean energy. This business unit has invested in wind-power plants in the Hibikinada area of Kyushu and in the United States and is contributing actively to the supply of clean energy.

Okubo: In what way would you yourself, Mr. Furukawa, like to tackle the problems of modern society and what kind of society would you like to create?

Furukawa: For instance, populations always concentrate in cities along with the advancement of urbanization and the development of the economy. The resultant traffic congestion causes air pollution. I can see the introduction of urban transportation systems, such as light rails, monorails, and subways, as one solution to that problem.

Okubo: Amid all the praise for small government and the shrinking of the public sector in modern times, the role played by companies in building infrastructure, including

transportation networks, electrical power, and waterworks, has grown considerably.

Furukawa: That is exactly right. There is a movement to use the wisdom and capital of the private sector to efficiently build infrastructure. Cases where trading companies like ours are being asked to bring our array of abilities into play and take part in the infrastructure field have increased.

Okubo: I image that the most important key point in terms of infrastructure is the gap between large and provincial cities. Are you involved in any projects in provincial cities?

Furukawa: In Japan, the development of urban transportation centers on large cities. Provincial cities have a tendency to think that buses are sufficient. In Europe, on the other hand, where the scale of cities tends to be comparatively smaller, the cities have a good balance of environmentally-friendly transportation systems. Transportation systems such as France’s Translohr,* for example, that can operate together with cars on existing roads and do not emit exhaust gas are being put to practical use. We are starting to introduce this system in Sakai in Osaka.

* Translohr: The rubber-tire, ultralow-floor, LRT (light rail transit) tram put out by France’s Lohr Industrie. The path has only one guide rail. Strong points of the Translohr are its lack of air pollution due to electrical power and its quiet operation.

Focusing on Safety and Continuity

Okubo: I see CSR as long-term risk management—risk with a strong sense of a strategic element. Of course, long-term risk and opportunity are two sides of the same coin. Do you use decision criteria when working on projects?

Furukawa: Infrastructure projects require long-term management and produce various risks. As a result, the existence of legal safeguards and rules and a steadfast government, or institution in place of a government, to act as our business partner are prerequisites for getting involved in deals in the infrastructure field. The risk/return tradeoff is not always higher than other business areas, and I think it is the responsibility of people engaged in the infrastructure business to understand that the lack of safety and continuity may end up inflicting a loss on society.



“It is acceptable to feel pride in the fact that our infrastructure project have a strong connection to society, but we must not be arrogant.” (Furukawa)

Awareness of Actual Situations Is the Key to CSR

Okubo: I think that Japanese companies often tend to adopt projects based on the understanding of challenges and problems by the people in the field, rather than directives issued from the top. In that sense, I think that sales departments serve as the promoters of CSR within trading companies.

Furukawa: That is correct. I think that awareness of actual situations on the ground is important in CSR. However, it may not be the case that people in sales positions are always thinking about CSR. At the same time, though, as people work in infrastructure they all unknowingly come to think about effects on the environment, regional development, and whether they are benefiting local residents.

Okubo: How do you enlighten employees on the ground?

Furukawa: I say in this business unit that, “Work done to contribute to society can actually result in a negative impact on society if one gets the process wrong. It is acceptable to feel pride in the fact that our infrastructure projects have a strong connection to society, but we must not be arrogant.”

Okubo: Specifically, what issues are the people on the ground aware of?

Furukawa: We sometimes worry whether a job is really significant

or not. Take waterworks for example. If we develop waterworks infrastructure in a region that lacks it, even though this is socially significant, some people will take the view that companies are going to such lengths to make money that they are getting their hands into water supply. Proceeding with the job based only on the justification that providing waterworks will make people's lives more convenient could result in big problems later on. The criterion for deciding whether to undertake a job or not is a difficult issue.

Enlarging on a Company's Beauties Is also CSR

Okubo: I think that enlarging on a company's good points is also CSR. What do you think are Mitsui's good points?

Furukawa: The beauty of this business unit is our strong drive to generate solutions when confronted with difficulties. Infrastructure deals have a long lead-up period. Sometimes it takes five to ten years before work on a project finally starts. I am proud of our ability to persevere and come up with solutions even when things hit the rocks. Our people are the type who think in the long-term, stick to it, and make the effort to keep going when the going gets tough. This I think is the attraction of Mitsui.

Dialogue: Mariko Kawaguchi and Junichi Matsumoto

The Ultimate Logistics Is Not Just About Moving Goods—Finding Ways to Change Society for the Better

Logistics is about more than just the transport of goods. That's why Mitsui's Transportation Logistics Business Unit is expanding its business with the ultimate aim of realizing logistics that actually result in less need to transport goods. Our unique brand of logistics and superior capacity for planning and implementation, in tandem with the careful consideration we give to the environment, society and the economy, have built a solid track record of contributions to society.



Mariko Kawaguchi

Senior Analyst, Strategic Management Laboratory
Daiwa Institute of Research Ltd.

Ms. Kawaguchi received a Masters degree from the Hitotsubashi Graduate School of Economics, after which she joined Daiwa Securities Co., Ltd. In 1994, she transferred to the Daiwa Institute of Research. She is a part-time lecturer at Nanzan University. Her publications include *SRI: Shakaiteki Seki-nin Toshi Nyumon* ("SRI: Guide to Socially Responsible Investment"), which was published by Nihon Keizai Shimbun, Inc., and which she co-authored.



Junichi Matsumoto

Executive Managing Officer
Chief Operating Officer, Transportation Logistics Business Unit
Mitsui & Co., Ltd.

“As you extend the value chain, other areas requiring attention, such as human rights, should improve as well.” (Kawaguchi)

A Trading Company with Threefold Capacity: Separate Channels for Sales and Logistics; Distribution Processes; and Overseas Infrastructure Construction

Kawaguchi: When one thinks about globalization, I believe that logistics is very important, although it usually does not attract much attention. While information can be obtained easily through the internet virtually, goods have to be physically transported. The importance of traceability*1 of various goods is being repeatedly emphasized, and again logistics plays an important role. Especially when you are delivering fair trade*2 products, a solid logistics system is necessary. So to begin, please tell me about the state of logistics today. How has it changed in recent years?

Matsumoto: Trading companies nowadays have a variety of abilities that go beyond the simple logistics of buying goods from manufacturers and selling them to consumers. A recent trend in logistical operations is the separation of sales and distribution channels. We now make more offers of bundled solutions, extending to account settlement and inventory management, as a process for improving logistics that makes use of our comprehensive strengths as a trading company. This is the biggest trend right now.

Kawaguchi: So, instead of just moving goods, you also provide related logistics management services?

Matsumoto: Exactly. The second big trend is the move from warehousing to logistics. The role of the warehouse is shifting from the mere storage of goods to having responsibility for distribution processes such as packaging and sorting, thereby extending the value chain. The third big trend is the inland move away from the water's edge. In the past, the overseas expansion of operations meant working near ports; now, we are increasingly contributing to domestic logistics outside Japan. The reason for these trends is that efficiency is poor without total logistics management. While focusing our efforts on Asia, domestic sales within China have become especially important, due to China's emergence as one of the world's major "factories" and markets.

Kawaguchi: I think that building up infrastructure outside Japan in order to streamline distribution is a good and socially desirable effort. However, as you extend the value chain, the number of people involved increases, and you have to pay more attention to issues such as forced labor and human rights.

Matsumoto: That is true. In many cases, it is more advantageous in terms of cost and efficiency to handle the distribution processing of imported goods in the country of origin rather than in Japan. We have entered a time when we have to be concerned about labor issues in countries where we run factories as a trading company.

*1. Traceability: The ability to trace information and the route taken by a product by keeping records of its movement through stages including manufacture, processing, and distribution.

*2. Fair trade: The continuous purchase of products at a fair price when procuring products from producers in developing countries with the aim of eliminating poverty.

Building an Environmentally Friendly and Socially Conscious Logistics Business

Kawaguchi: What do you think about the role that logistics plays in CSR and the environment?

Matsumoto: We have entered a time when customers consider the social impact, especially the environmental impact, of moving goods, when they choose a logistics company. I think that the ultimate logistics is logistics that makes it so fewer goods have to be moved. We are achieving this by proactive management of supply and value chains. We have also adopted a means of sharing with customers the money we save by cutting down logistics costs.

Kawaguchi: You mean something like an ESCO business*3 that shares half the savings for generating energy savings?

Matsumoto: Precisely. By right, we cannot turn a profit as a business by slashing logistics costs, but by using this method we can create a win-win situation. When looking at this type of effort, I feel that the word logistics has come to include many more meanings than just the physical transport of goods. Generally, people see logistics as only a very small part of marketing, but we see it as nothing less than marketing itself. For instance, when talking with a customer, we may propose changing the location of distribution centers and management methods or suggest using suppliers that are as close as possible, not just reducing the cost of transportation. In other words, real logistics improvements require changing the entire business process from the perspective of the business manager. I think that our fine-tuned logistics technology,

“We are building win-win relationships through logistics improvements by taking environmental impact into consideration.” (Matsumoto)

“I hope that you create new ways of doing things that inherently involve giving full consideration to society, and then go on to set the de facto standard.” (Kawaguchi)



honed in response to the demanding requirements of consumers, is one of Japan's real treasures. As someone working in the field, I feel that the ultimate logistics is logistics that, paradoxically, actually cuts down the volume of goods that has to be moved.

Kawaguchi: Not moving goods is the best approach from the perspective of environmental impact.

Matsumoto: Another trend within the industry is the effort being put into modal shift.*4 For example, we can reduce environmental impact by cutting across Tokyo Bay by ship instead of transporting by land through the Tokyo Bay area, or by utilizing rail transportation. One of our affiliates has developed a special container for transporting resin and other chemicals, which were normally put into sacks, thereby avoiding the unnecessary use of materials for transport. We have been able to create environmentally friendly transport patterns through technological innovation and modal shift.

*3. ESCO (energy saving company) business. A business that enjoys part of the energy savings of its customers as its fee for providing comprehensive energy-saving services without loss of prior convenience.

*4. Modal shift: The switchover of freight transport to sea and rail, which produce less environmental impact.

Proactively Developing a Socially-significant Logistics Business

Matsumoto: I think that the logistics industry presents many business opportunities that are socially significant. Up to now, the term CSR has conjured up a defensive image of environmental measures and legal compliance; going forward, though, I think that

we need to proactively address CSR issues in a more positive way. In May of this year, for the first time in Japan, the Tokyo Stock Exchange listed a real estate investment trust (REIT) that invests in logistics facilities. This is significant in that it provides a channel for owners of warehouses, which are large assets, to liquidate these assets. It will also have a positive significance and role in raising transparency by subjecting warehouse management to the hard scrutiny of the market.

Kawaguchi: In other words, attention is being drawn to the positive aspects of CSR. I think it is a wonderful idea to subject warehouses to outside scrutiny by placing them on the market.

Looking to the Future with Strategic Planning and Implementation Capacity

Matsumoto: In the logistics industry, it is common for companies to build a warehouse in a country because a customer is venturing into that market. Mitsui's way of doing business is different. We strategically move into regions before our customers do, anticipating their future steps. I think it is of great value to always stay one step ahead.

Kawaguchi: So, you are the ones who blaze the first trail up the mountain.

Matsumoto: Yes. Going ahead of others is not easy, but in my view, that is our mission. To that end, we need superior planning and implementation capacity.

Kawaguchi: If you are going to blaze the first trails, please make them wholesome ones that give due consideration to society, including the environment and human rights, because the paths you take will become the de facto standard for those who follow.



Performance

CSR Initiatives at Mitsui & Co.

In this section, we consider a number of important factors in corporate social responsibility (CSR) and introduce the various efforts we are making to ensure that Mitsui continues to earn the trust and meet the needs of society.

Corporate Governance

- Corporate Governance and Internal Controls
- Strengthening Our Compliance System
- Thorough Information Management

Environmental Initiatives

- Environmental Policy
- Environmental Management Systems
- Environmental Impact Assessment
- Environmental Businesses

Employee Relations

- Mitsui's Personnel System and Human Resources Development
- Improving the Work Environment

Social Contributions

- Social Contribution Policy
- International Exchange / Education / Environment / Other Fields

Company Profile

GRI Guidelines and Global Compact Comparison Chart



Nishiki Forest in Yamaguchi Prefecture

CSR



Mitsui's Forests

Mitsui is working to maintain and cultivate its 73 company-owned forests, which are located throughout Japan from Hokkaido to Kyushu and cover a total area of approximately 44,000 hectares. These forests, which support and foster biodiversity, are the source of rich natural environments. They also play the important roles of storing water and absorbing and fixing carbon dioxide, a greenhouse gas that contributes to global warming. Mitsui's forests are said to absorb an estimated 190,000 plus tons* of carbon dioxide every year, which is roughly equivalent to what 19,800 people generate annually in all aspects of their modern lifestyle. We see the continued conservation of the world's irreplaceable environments as one of Mitsui's major responsibilities.

*Carbon dioxide sequestration (CO₂ equivalent) / year = Annual tree trunk growth × tree volume × carbon conversion rate × ratio of trunk to total tree biomass × carbon-carbon dioxide conversion rate.

Corporate Governance and Internal Controls

We recognize that enhancing corporate governance and ensuring thorough compliance are important issues for making Mitsui a company that is trusted by society. As such, we are making efforts to improve management transparency and accountability and to clarify the division of roles between management oversight and business execution.

Corporate Governance and Internal Controls

Our Basic View of Corporate Governance

We define corporate governance as the systems and processes that allow shareholders to oversee the management of Mitsui, and we focus on two key governance matters: improving management transparency and accountability, and clarifying the division of roles between management oversight and business execution. We are also strengthening our system of internal controls (control and supervision of our operations by the management team) on a consolidated, global basis. Our objectives with regard to internal controls are threefold: improving the effectiveness and efficiency of operations; providing highly reliable financial reports; and complying with applicable laws and regulations. We are continuing to take measures to meet our responsibilities under the Sarbanes-Oxley Act of 2002, and to establish an internal control system that covers our entire operation in Japan and overseas. We have given particular priority to compliance matters, and based on lessons learned through the DPF incident we aim to ensure that all employees, including those in subsidiaries and associated companies, thoroughly understand and practice the basic principle that “no compliance = no work = no company.”

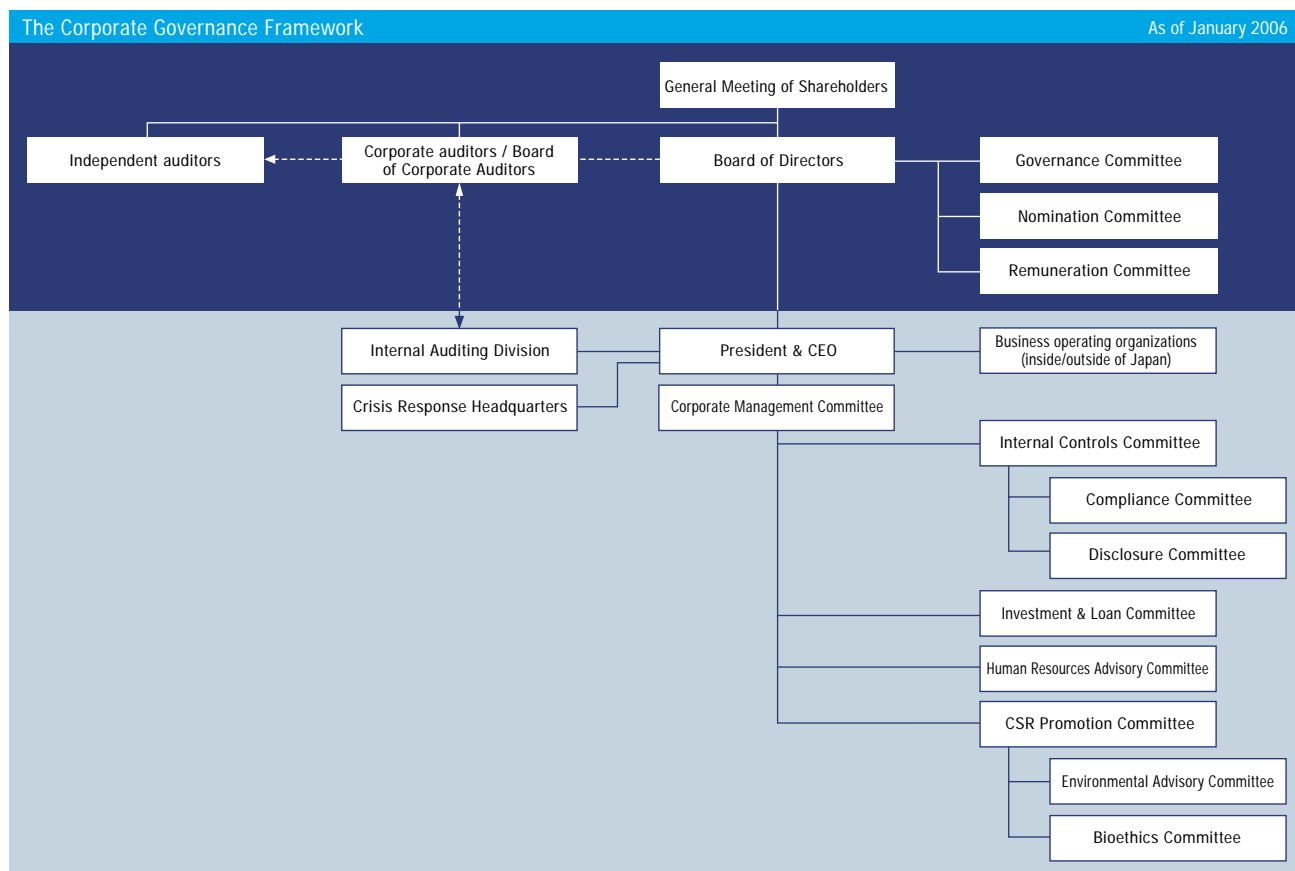
We are also endeavoring to operate in a sincere manner that pursues earnings without compromising our commitment to socially responsible conduct by encouraging all employees to work hard to build up a record of good work while always keeping in mind the

company's management philosophy. To ensure that Mitsui remains a company that society needs, we will make every effort to earn the trust of and live up to the expectations of all our stakeholders, including shareholders, business partners, local communities, and employees, and will proactively promote CSR-oriented management with the aim of helping to realize a sustainable society.

Corporate Governance System

A 2002 amendment to the Commercial Code of Japan gave us the option of basing our corporate governance framework on a committee system. We decided, however, to maintain the current system with a board of corporate auditors because we believe that corporate auditors, whose functions are legally empowered and reinforced, provide adequate auditing functions. Furthermore, internal directors are well versed in our business operations and can therefore contribute to speedy and effective management. At the same time, we aim to improve management transparency and accountability while clarifying the division of roles between management oversight and business execution by adopting certain aspects of the committee system.

Specifically, in 2004 we established the following three committees as discretionary advisory bodies for the Board of Directors: the Governance Committee (tasked with studying the state and direction of the company's corporate governance), the



Nomination Committee (tasked with establishing the selection standards and processes in nominating directors and executive officers, and evaluating director nomination proposals), and the Remuneration Committee (tasked with studying the system and decision-making process related to remuneration and bonuses for directors and executive officers, and evaluating proposals for directors' remuneration). Moreover, after the introduction of the Executive Officer System in 2002, we reduced the number of directors from 38 to 11. The Board of Directors includes two outside directors selected primarily based on performance and knowledge of their areas of business expertise, as we expect outside directors to fulfill a management oversight role based on extensive business experience and knowledge. Since June 2004, the chairman of the Board of Directors has been positioned as a non-executive director, concentrating on his role of management oversight. Thus, at the time of the General Meeting of Shareholders in June 2005, only eight of the 11 directors maintained concurrent duties as executive officers.

We have five corporate auditors, two full-time and three external, under whom we have established a Corporate Auditor Division, staffed by three full-time employees who are independent of the executive office. All members of the Board of Corporate Auditors attend the meetings of the Board of Directors, overseeing procedures and resolutions. Full-time corporate auditors also attend important in-house meetings and visit offices in and outside Japan as well as important subsidiaries and associated companies.

Business Execution and Internal Control System

We view our internal controls system as "a system aimed at achieving management targets, including both quantitative and qualitative risk management," and we are working to establish an effective integrated management system through close interactions among various internal organizations. In 2004, we reorganized or newly established a number of committees in order to respond in an integrated manner to all of today's increasingly diverse business risks.

At the core of our internal control system, the Internal Controls Committee, chaired by the president, establishes basic policy related to internal controls and carries out company-wide evaluations and improvements of our internal controls. The Compliance Committee and Disclosure Committee both operate under the Internal Controls Committee. The Compliance Committee is tasked with developing our compliance system and operating our internal whistle-blowing system among other duties. The Disclosure Committee is tasked with establishing principles and basic policy for statutory disclosure and timely disclosure and also with deciding on the materiality, accuracy, and adequateness of information disclosures.

The Crisis Response Headquarters, an ad-hoc body reporting directly to the president, exercises integrated, swift, and precise decision-making when there is a need for a crisis response. The CSR Promotion Committee, established as the body tasked with promoting company-wide CSR management, is engaged in building and diffusing our internal CSR-related system to employees. With the participation of influential individuals from outside the company, this committee and its secondary bodies, the Environmental Advisory Committee and Bioethics Committee,

are strengthening a range of risk-management functions related to CSR. In addition, we are planning to launch the CSR Promotion Division in April 2006 to serve as the core body for the promotion of CSR.

Internal Auditing Structure and Present Situation

The Internal Auditing Division, which reports directly to the president and has a staff of 60, conducts regular audits, including audits of subsidiaries in and outside Japan. Internal auditors make independent and objective evaluations concerning risk management, management and operational effectiveness, compliance, and the reliability of financial reporting. The division also conducts cross-organization audits on specific targets, such as audits of environmental management systems, and theme-based audits that focus on compliance, as well as special audits into factors that provoked extraordinary economic losses or damages to corporate credibility. The division is contributing to the continual improvement of our internal controls by reporting auditing results to the president and requesting follow-up reports from the audited department on the status of items where improvement is deemed necessary.

Initiatives in the Last Fiscal Year to Enhance Corporate Governance

In June 2004, in an effort to strengthen corporate governance, we shortened the tenure of directors to one year, preserving an appropriate degree of tension between directors and shareholders. We also abolished retirement allowances and improved management transparency by simplifying the remuneration systems for directors and corporate auditors. We have started utilizing IT for notifications to convene and for the exercise of voting rights at the General Meeting of Shareholders in an effort to encourage shareholders to actively exercise their voting rights. We also started hosting a Shareholders Roundtable Meeting with the intention of creating a more accessible General Meeting of Shareholders.

In an effort to strengthen our internal controls, we carried out a comprehensive review and overhaul of our internal control systems on a consolidated basis, both in and outside Japan. In particular, we gave top priority to the strengthening of internal controls at our subsidiaries and associated companies. We have also taken measures to prevent a recurrence of a problem like the DPF incident, toward which goal the entire company is making a concerted effort. In addition, we strengthened the internal auditing systems at overseas offices and subsidiaries and associated companies and addressed the issue of the protection of personal information (see page 34), among other efforts.

We have also focused on the promotion of CSR. In April 2004, we formed the CSR Promotion Committee. In August 2004, we established our management philosophy, followed in September with our Basic CSR Policy. We also developed a Social Contribution Policy, and revised Environmental Policies and Business Conduct Guidelines for Employees and Officers of Mitsui. In October, we announced our support for the ten principles of the United Nations Global Compact. These efforts have received good recognition: as of fiscal 2005, Mitsui has been listed in key SRI indices, including the FTSE4Good and DJSI.

Strengthening Our Compliance System

Never Allowing Problems to Be Generated, Developed, or Overlooked

Corporate credibility is the foundation of our business. And we believe compliance is a requirement for achieving corporate credibility. Based on this belief, we are promoting highly transparent business practices, subjecting ourselves to outside scrutiny, and making every effort to encourage every one of our employees to share a true appreciation of compliance. We will also continue to strengthen a compliance system that does not allow problems to be generated, developed, or be overlooked.

The essence of compliance is to prevent problems through smooth communication, facilitated by the free and open workplace environments that reflect Mitsui's management philosophy and values. If problems are found, they must be reported immediately to the relevant supervisor or other appropriate internal resources. Because we take compliance seriously, we will maintain a well-structured compliance system designed to support legal and ethical actions throughout the company and compliance-related reporting and consultation routes which can help our employees identify the most appropriate person to ask for help when they want or need guidance.

Effective Whistle-blowing System

We also keep strengthening our whistle-blowing system on a consolidated basis, as one of the most important measures to prevent the recurrence of problems such as the DPF incident.

In addition to our existing six compliance-related reporting and consultation routes, we established two more routes, one through a third party representative (anonymous contact possible) and one through our corporate auditors, for a total of eight.

We are also taking steps to make our routes through lawyers and a third party representative available to our subsidiaries and associated companies inside Japan. Through this course of action, we encourage employees on a consolidated basis to discuss any issues, concerns, problems and suggestions without fear of retaliation and with the assurance that the matter will be kept as confidential as possible (see page 11).

Effective Training and Education

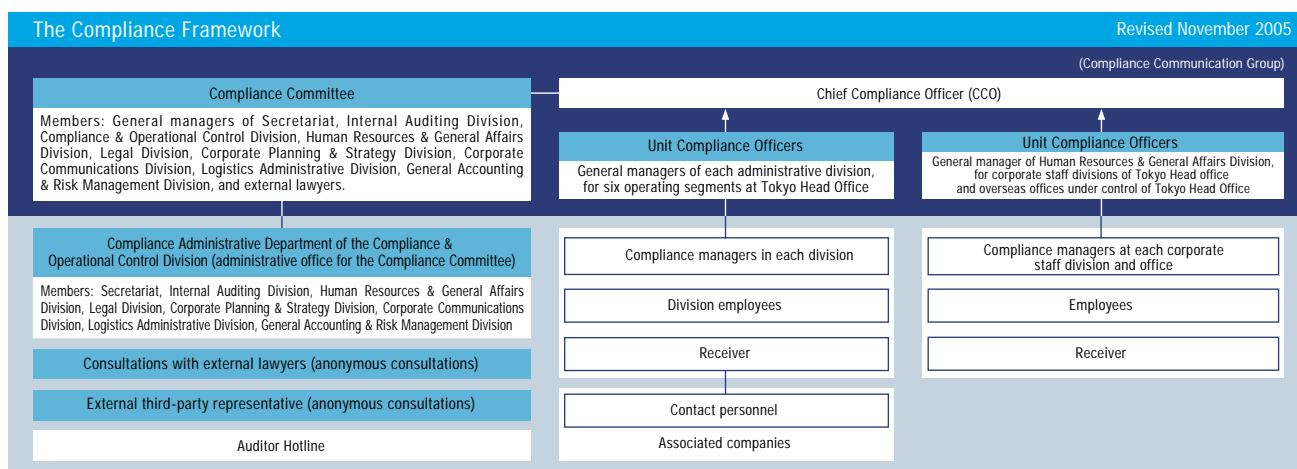
We are committed to providing effective training for all employees at all levels regarding the corporate compliance program. During fiscal 2005, a total of 1,318 employees attended 44 workshops including sessions for newly hired recruits, employees seconded outside Japan, contract employees, and management assigned to subsidiaries and associated companies. In fiscal 2006, we will continue our efforts to keep our employees informed about the importance of compliance through many different kinds of seminars, from general to specific ones to meet the need of each sales division, using case studies to stimulate interactive dialogue and discussion. In mid-November 2005 we convened Compliance Week. During the week, we held a number of programs designed to keep all employees at all levels informed about the importance of compliance, including discussions and lectures by external experts (see page 14).

Introduction of E-learning Program on Compliance

We view all employees as critical to maintaining an effective compliance system. At Mitsui, all courses prepared by the Human Resources Development Program include a compliance session to ensure adherence to laws, regulations, and company policies. In 2005, we introduced an e-learning program that supports compliance education. So far, a total of 5,397 executives and employees have taken part in the course. We also keep the e-learning content available on our intranet so that employees can access it and learn at their own initiative.

Enforcement through Discipline Pursuant to Published Business Conduct Guidelines

In February 2001, we established a compliance program to promote compliance with laws and ethical standards within Mitsui. In the same year, the Business Conduct Guidelines for Employees and Officers of Mitsui & Co., Ltd. were introduced to all executives and employees. The content of the Guidelines is



•At least one compliance manager is appointed in each division and office. •Employees may directly contact the Compliance Administrative Department to report or ask for help or contact external lawyers directly, as desired. •At local offices and branches in Japan, compliance management for each business division is conducted through the respective business unit, while that for each administrative division is conducted by the representatives of the office or branch, or general managers of the appropriate corporate staff divisions. •When the representatives of the local office or branches were aware that some employee had violated the law, neglected or did not take necessary actions, or failed to execute an appropriate compliance program, they are requested to take part of that responsibility, even if the problem is linked to a business division matter. •The initial response is made with the cooperation of the representative and corporate division of local offices and branches.

revised on an as needed basis. The first revision was made in April 2003 and the second in October 2004, when each employee signed a pledge to follow the Guidelines.

Compliance Awareness Survey

During February and March 2005, we conducted a compliance awareness survey, to which 5,997 out of 7,724 employees and temporary workers responded.

Compared to the results of the survey conducted last year, there was a large increase in the number of respondents who answered that leadership by supervisor was demonstrated in the education on the Business Conduct Guidelines (graph 1). 96% of respondents answered that they believe their supervisor always encourages them to uphold the Business Conduct Guidelines even if a serious downturn in business is expected (graph 2). The percentage of respondents who answered that it might pose a dilemma for them to uphold the Business Conduct Guidelines decreased substantially from 16% to 6% (graph 3). However, 6% still feel that they might find themselves faced with a dilemma, and so we must formulate effective measures to eliminate this situation. Lastly, although the percentage of respondents who answered that they think that compliance training was not implemented by compliance managers in each division, or are not sure, slightly decreased, we still need to make improvements. We will take steps to enhance the quality and quantity of compliance training (graph 4).

Thorough Information Management

Efforts to Protect Personal Information

With Japan's new Act on the Protection of Personal Information having come into full effect in April 2005, we have taken the following steps to protect personal information:

1. Issued the Personal Information Protection Guidelines on our website.
2. Also issued the Policy on the Use of Personal Information on our website, which includes the purposes of uses for Personal Information.
3. Established Regulations and Rules for the Protection of Personal Information.
4. Appointed a Chief Privacy Officer for the Protection of Personal Information.
5. Established a customer service representative for the Protection of Personal Information.
6. Introduced internal education for the Protection of Personal Information for all executives and employees.
7. Implemented a security system at offices.

We understand that protection of personal information is one of the most important management issues. We will continue to raise our people's awareness of the protection of personal information and do our best to observe the letter and spirit of the Act through internal education.

Results of the Compliance Awareness Survey (Excerpt)

- 1** Since the last survey (January 2004), has the supervisor at your workplace talked about or demonstrated leadership regarding the Business Conduct Guidelines?

Current survey



Last survey



- 2** Would your supervisor support the conduct of business in accordance with the Business Conduct Guidelines even in the face of obstacles such as deteriorating performance by your department?

Current survey



Last survey



- 3** Do you think you could fall into a dilemma by acting in accordance with the Business Conduct Guidelines at your workplace?

Current survey



Last survey



- 4** Since the last awareness survey, has the compliance manager at your workplace conducted any training or study sessions on ethics or compliance?

Current survey



Last survey



Environmental Initiatives

As a general trading company, Mitsui is engaged in businesses in a wide range of fields.

Environmental considerations inform all of our operations, and our Environmental Policy guides the conduct of all the business we do.

We are also engaged in environmental businesses that specifically aim to provide industrial solutions to environmental issues.

Environmental Policy

Revised February 2005

Guiding Principles	<ol style="list-style-type: none"> 1 Mitsui & Co. believes that one of its 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> 2 Mitsui & Co. will make every possible effort towards realizing a “sustainable development” which is aimed at creating a harmony between the economy and the environment. In view of the above principles, and in accordance with the Action Guidelines shown below, Mitsui & Co. will design, periodically evaluate, and continually improve an adequate 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.
Action Guidelines	<ol style="list-style-type: none"> 1 Compliance with related regulations We will comply with the various regulations relating to environmental protection, as well as all agreements signed by the company for promoting business activities. 2 Efficient utilization of resources and energy 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. 3 Environmental care for products and services offered, as well as existing and new businesses We will give the utmost consideration to the environment to the extent 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. 4 Contribution to providing industrial solutions to environmental issues 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.

Environmental Management Systems

Enhancing Environmental Management Systems

We have appointed a chief environmental officer to assist the president in his management responsibilities related to environmental affairs. We have also appointed the general manager of the Compliance & Operational Control Division as the environmental general manager and appointed the chief operating officers of each business unit and the general managers of the corporate staff divisions as environmental managers with responsibility for executing environmental management 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, we hold a variety of awareness-building programs through training for internal environmental auditors, training for employees assigned to posts outside Japan, orientation training for new hires, and general environmental training held annually for all employees.

Acquisition of ISO 14001 Certification

In 1999, all our offices in Japan collectively obtained ISO 14001 certification. Since then we have conducted an internal environmental audit every year. Moreover, we ensure that subsidiaries and associated companies with a high environmental impact to obtain ISO 14001 certification.

Number of ISO 14001 certified subsidiaries and associated companies (of 1,228 subsidiaries and associated companies)
*As of May 2005. Includes three analogous management systems such as Responsible Care and IMO.

103 companies

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

Printer paper, business forms, toilet paper, tissue paper, stationery and office supplies, personal computers, printers, facsimile machines, copy machines, refrigerator-freezers, televisions sets, office furniture, lighting fixtures, and automobiles.

Green purchasing rate

100%

Environmental Impact Assessment

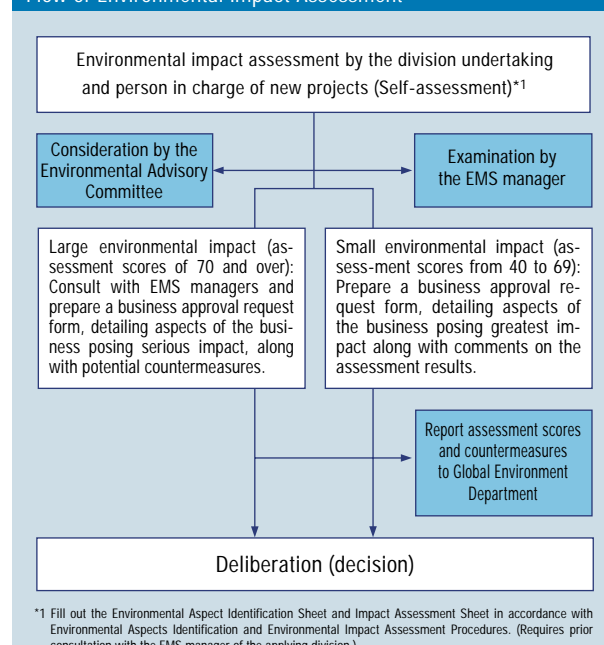
Environmental Impact Assessment of Business Activities

In addition to controlling the environmental impact of our offices, we are working aggressively to reduce environmental impact in all our operations—from general business activities (including operations at subsidiaries and associated companies) to the export, import, and marketing of goods and services. We carry out environmental impact assessments on potential new businesses prior to making investments. If the new business is deemed to have a substantial environmental impact, we formulate countermeasures, which must be included in the business approval request form reviewed by management. We assess the environmental impact of existing businesses annually and place businesses deemed to have a large impact under intensive management in line with necessary procedures.

We also perform environmental assessments of subsidiaries and associated companies through a detailed questionnaire sent to approximately 800 worksites at our subsidiaries and associated companies in and outside Japan in order to reduce environmental impact and risks of environmental pollution. Mitsui employees, together with consultants, carry out on-site inspections of subsidiaries and associated companies deemed to have a high environmental risk, and guide the facility through improvements. Furthermore, we assess environmental impact before we begin handling new products and services. We ensure that our products and services conform to Japanese laws as well as relevant international treaties such as the Basel Convention and to guidelines set by international organizations such as the World Bank. When performing resource exploration and import,

we consider the impact of these activities on ecosystems and the global environment, in keeping with our basic stance of ensuring sustainable development.

Flow of Environmental Impact Assessment



Status of Environmental Assessments at Subsidiaries and Associated Companies

Mitsui-Bussan Plate Processing K.K. (Processing of steel plates)

In August 2004, we made an on-site inspection and confirmed the status of compliance with environmental laws and regulations. The company was helped to understand that clarifying waste management and storage systems leads to the early detection of safety and environmental issues and the prevention of environmental problems and accidents. Unsatisfactory situations were significantly improved.

GTF-institute Co., Ltd. (Research on power generation and new fuels)

In September 2004, we performed an environmental inspection and confirmed that each facility was well organized throughout and adequately managed. In June 2006, the construction of a second gas turbine and the upgrade to a combined-cycle system that utilizes exhaust heat will be completed, increasing the efficiency of power generation.

Nissin Kogyo Co., Ltd. (Stainless steel wire drawing)

In October 2004, we conducted an environmental inspection and proposed a “look, see, show” management approach. To promote this suggestion, the company observed plants with advanced environmental responses and implemented “show” management by displaying the names of equipment and machinery and the piping flow direction. The company is continuing to move forward with education activities for its employees to encourage adherence to the “Five S’s” (five terms that start with “s” in Japanese, which mean organization, order, cleanliness, neatness, and discipline).



Environmental Businesses

Participating in the Eco-town Project

Mitsui actively participates in the Eco-town Project, a project promoted by Japan's national government with a view to developing a recycling-oriented society. We have set up and are running projects in various places to recycle PET bottles, automobiles, and home appliances, among other items. What is more, we jointly established Kitakyushu Ecoenergy Co., Ltd., together with Nippon Steel Corporation and Kyushu Electric Power Co., Inc. The new firm, a core promoter of the Eco-town Project at the Kitakyushu Eco-town, began operations in April 2005.

Kitakyushu Ecoenergy runs recycling residue generated within the Eco-town through a melt recycling process and uses the resultant material to generate electrical power, which it supplies back to the Eco-town. With the enforcement of the Automobile Recycling Law in 2005, Kitakyushu Ecoenergy has become the largest melt recycler of automobile shredder dust generated in Western Japan. Going forward, we will continue to pursue industrial solutions to environmental issues through these types of recycling projects.



Investing in the Development of Safe, Environmentally-friendly Energy Storage Technology

In June 2004, Mitsui subscribed to a private placement of new shares in the venture company Power Systems Co., Ltd., which possess cutting-edge electrical double layer capacitor technology—technology that is expected to be the next generation in energy storage technology.

Capacitors are highly safe energy storage devices that do not emit toxic gases even if burnt, and which have an extremely low environmental impact, both in terms of manufacture and use, since they are made of aluminum, carbon, an electrolyte, and a separator. Capacitors store energy electrostatically, unlike batteries, which store energy through a chemical reaction. This enables capacitors to charge and discharge rapidly and to recover nearly 100% of the large amount of energy that is generated the instant a mobile body comes to a stop (regenerative energy).

Historically, there have been technological barriers to the safe and

long-life storage of large amounts of electricity, which in turn has prevented applications such as the electricity generated from sunlight during the day being stored and used at night. Furthermore, almost all regenerative energy has been thrown away as heat, unable to be reused, and thus load shaving and recycling of energy through utilizing regenerative energy or electricity generated from sunlight at demand site have not yet been widely realized. As a result, electrical power infrastructure is built to sustain sudden peak demand and large load differentials using massive, centralized, high-voltage power networks. With the progress being made in the development of capacitors and their application, barriers like these will be overcome, and various industries will realize improved efficiency in energy utilization. Mitsui has partnered with Omron Corporation to commercialize capacitors with these outstanding characteristics as soon as possible. We are working steadily toward mass production of 100,000 cells per month and plan to ramp up our supply to the market in 2006.



Single cell capacitor

Developing Emission Rights Project in Chile

Mitsui is investing in a project that creates and markets emission reduction rights based on the Kyoto Protocol by recovering and burning off the methane gas generated in landfills on the outskirts of Santiago, Chile. Because methane gas is a greenhouse gas 21 times more potent than carbon dioxide, burning it off can contribute effectively to the prevention of global warming. We anticipate the project to generate a total of about 3.3 million tons of emission reduction rights from 2006 to 2012.

We are currently applying to have this project in Chile registered by the United Nations a Clean Development Mechanism (CDM) project, and hope to have it registered in the spring of 2006. The CDM is a mechanism that allows emissions reductions achieved through CO₂ emissions reduction projects and absorption projects in developing countries to be counted towards reduction targets in advanced countries.



Environmental Awards

Minister of the Environment's Award for the Prevention of Global Warming

Takaaki Ikeda, a member of the Plant Project Development Division of Mitsui's Power, Transportation & Plant Projects Business Unit won the Fiscal 2005 Minister of the Environment's Award for the Prevention of Global Warming, recognizing his achievement in developing and actively introducing and popularizing a system for computing electrical power output based on the unique solar irradiation conditions at photovoltaic power generating system installation sites. This award is given to individuals or groups with distinguished achievements in the prevention of global warming as part of the Ministry of the Environment's efforts to promote global warming countermeasures.

Global 100 Eco-Tech Award

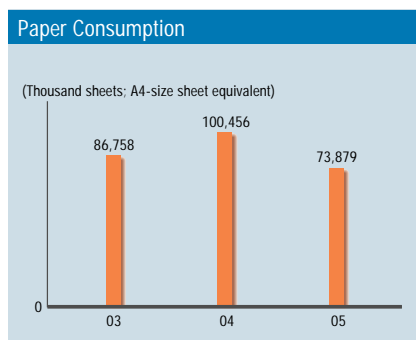
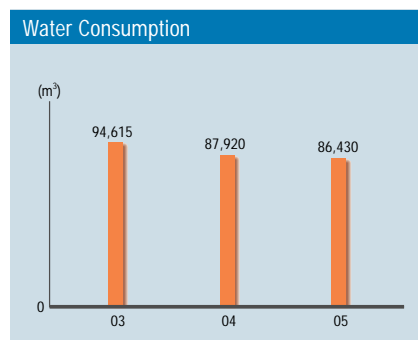
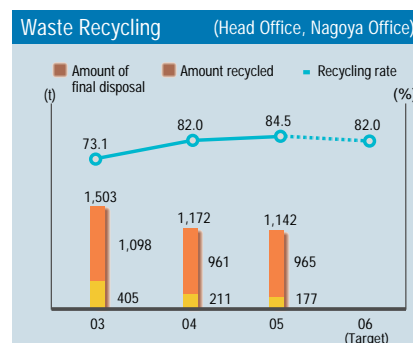
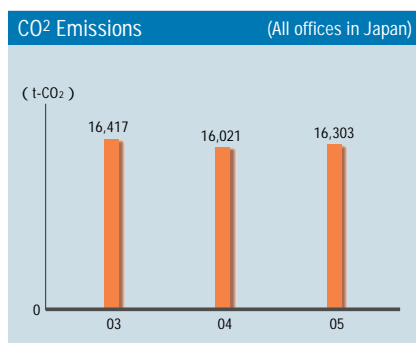
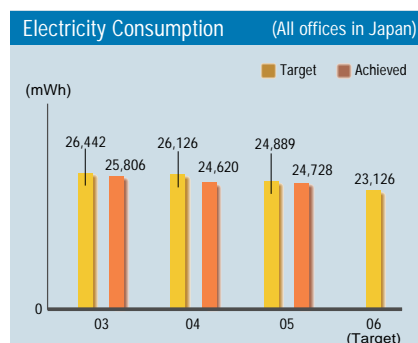
A Mitsui associated company, West-Japan Auto Recycle Co., Ltd., won a Global 100 Eco-Tech Award from the Japan Association for the 2005 World Exposition, recognizing the company's technology for its significant contribution to the resolution of global environmental issues and to the creation of a sustainable future. West-Japan Auto Recycle recovers and markets reusable parts from used automobiles. It uses the WARC process to quickly and efficiently dismantle and separate the automobiles. The company has achieved a recycling rate of 99% by combining this technology with the input of high quality scrap into a steel converter.



Park display panel using photovoltaic power generating system



Environmental Impact of Offices



Environmental Conservation Costs Unit: ¥ thousand

Category	Investments	Expenses
Business area costs	0	232,856
Upstream/downstream costs	0	54,703
Administration costs	0	252,565
R&D costs	82,000	1,294,750
Social activity costs	0	412,356
Environmental remediation costs	0	37,807
Total	82,000	2,285,037

- Figures for water consumption in fiscal 2003 represent the combined total for the Head Office, Nagoya Office, Toyota Office, and Osaka Office, while the figures for fiscal 2004 and beyond represent the total for all offices in Japan. Figures for paper consumption in fiscal 2003 represent the combined total for the Head Office, Nagoya Office, and Osaka Office, while the figures for fiscal 2004 and beyond represent the total for all offices in Japan.
- Offices covered: The fiscal 2006 waste recycling rate target is for Mitsui's company-owned buildings (Head Office, Osaka Office, Nagoya Office, and Toyota Office).
- Aggregation method: Figures for energy consumption and the waste recycling rate until and including fiscal 2005 indicate the total office space for Mitsui's offices in Japan only, while the figures for fiscal 2006 indicate the total as found by multiplying Mitsui's share of the buildings by the figure for the entire buildings.

Compiled based on the Environmental Accounting Guidelines (2005 version) established by the Ministry of the Environment of Japan
Offices covered: All offices in Japan
Target period: April 1, 2004 – March 31, 2005

Employee Relations

Throughout Mitsui's long history, the company has held the belief that human resources are its greatest asset. We believe the company is responsible for providing a work environment where individual employees can demonstrate their full potential and continue to grow.

Mitsui's Personnel System and Human Resources Development

A Personnel System Built to Ensure a Focus on Human Resources

Mitsui's personnel system is designed to foster human resources in a way that makes the company a place where every employee can work with vigor and enthusiasm to achieve the company's mission and upholding its principles. In 1999, we adopted a Job Category System to help all employees reach their full potential. It has been six years since we introduced the current personnel system, and we recognize that it is now time to revise the system, enabling it to contribute even more to the development of Mitsui's values and corporate culture. With this understanding, we are now moving ahead with a review of the system, focusing on the dissemination of Mitsui's management philosophy (Mission, Vision, and Values) and stepping up of human resources development and encouragement of appropriate appointments and staffing. Moreover, in October 2005 we established the Diversity Promoting Department to encourage employment and work environment initiatives, which are becoming increasingly important components of corporate social responsibility.

Mitsui's View of Human Resources Development

Human resources development is a vital matter at Mitsui, a company where people are the greatest asset. We are unremitting in our efforts to foster human resources in a way that enables the proactive creation of new value within the company.

The core of Mitsui's human resources development system is self-development and on-the-job training. This means that individual employees have the ambition and drive to continually improve themselves and that supervisors provide in-the-field guidance and training in the practice of business. Complementary to this core is our employee dispatch system and group training programs (off-the-job training). Self-development, on-the-job training, and off-the-job training form the trinity through which we foster the improvement of human resources.

The Human Resources Development Department, which we established in May 2002, is working to enhance our human resources development programs, which it views as a continuum from hiring and introductory training through the professional stage and on to the development of leaders. We introduce our human resources development system and training programs on the human resources homepage of our intranet and other media. Employees can volunteer to participate in these training sessions.

Human Resources Development Programs

At Mitsui, we have a wide array of human resources development programs, including introductory training for new hires on up through programs for employees at each level. We decided to introduce second-year training sessions and third-year training sessions to build on our introductory trainings for new hires and for people hired at the mid-career professional level, and will begin to implement these new programs sequentially starting in fiscal 2006. We also conduct fifth-year training, ninth-year training, and training for mid-career employees as well as leadership training for management personnel (general managers). In addition to these training sessions, we also have an

assortment of programs designed to foster employees who take action with a global mindset, both in and outside of Japan. Such programs include dispatches to universities in and outside Japan, study at business schools outside Japan, training sessions outside Japan, language training, and interprofessional exchanges with people from different industries. What is more, we established the Reunion Room within our Head Office Annex as a place for communication, a place where people who took a training session together can gather and continue to exchange opinions. The Reunion Room is being utilized by colleagues who debated with each other in training sessions to discuss current work situations, dreams for the future, and their visions for the company.



Employees having a discussion in the Reunion Room



Twenty-nine employees from overseas offices participating in the Japan Trainee Program held at the Human Resources Development Center in Yugawara in November 2005



Group discussion at the first Mitsui Management Academy

Improving the Work Environment

Organizational Support

Mitsui is working hard to create a workplace environment that enables employees to work with peace of mind and maintain a balance between work and family life.

We support our employees with long-term medical leave and leave compensation in the remote chance that they should fall sick or have an accident.

As for childbirth and childcare, we provide an environment where employees can raise children without worrying about their job situation, by granting childcare leave until a child reaches two years of age as well as reduced working hours until a child enters elementary school. In fiscal 2005, 19 employees took childcare leave.

We also give consideration to our employees' families. Employees may take up to a combined total of one year of family care leave when family members are in need of care. Moreover, in November 2005 we introduced a volunteer leave program to support our employees' endeavors to participate in various social contribution activities.

In September 2005, we conducted the Second Employee Satisfaction Survey, which we first performed in fiscal 2004 with the aim of building even better work environments. We will reflect the survey results in measures designed to enable employees to work even more enthusiastically.

Making the Most of Employee Diversity

Amid the diversification of employment, and in order to make the most of the diverse human resources the company has, we established the Diversity Promoting Department inside the Human Resources & General Affairs Division on October 1, 2005. This department will strive to make the most of the diversity of our human resources, working with the International Human Resources Department, which is tasked with maximizing opportunities for local employees outside Japan. We believe that new value is created when many people who hold diverse values cooperate with one another. By developing systems that meet the needs of diverse ways of working and through educational activities, we will continue to work toward the creation of a company where all employees can demonstrate their full potential. In addition, in 1981—the International Year of Disabled Persons—we established a trailblazing special-purpose subsidiary for the employment of people with disabilities, Bussan Service Co., Ltd., in accordance with the Law for Employment Promotion, etc., of the Disabled. We started by entrusting Bussan Service with printing and mailing services and subsequently greatly expanded the scope of its services to include system development, data entry and processing, and travel agent services among others. Our efforts to provide a place of employment for people with disabilities have resulted in continued maintenance of the statutory employment ratio of people with disabilities for over 20 years. (Mitsui's ratio was 2.01% as of April 2005).

Human Resources Development Programs				
	Program	Frequency per year	Period	Number of Trainees per Year
Initial education / training at milestones	Introductory education			
	General orientation training for new hires	Once	4 weeks (twice at overnight camps)	120
	Core operation seminars (core seminar, basic terminology testing, case studies)	Once	Core seminar: a total of 12 times / Basic terminology testing: half day / Case studies: 3 days 2 nights	120
	Orientation training for experienced hires	As needed	Half day	15
	Orientation training for contract administrative employees	Twice (April and October) for new hires	5-10 days	60
	M/M leader training (training for persons who lead training sessions for new hires)	Twice (April and October) for M/M leaders	1 day	180
	Training at milestones			
	Staff category transfer support training (interested employees)*1	Once	2 days (including 1.5 days at overnight camp)	20
	General staff training (fifth-year training)	4 times	5 days (overnight camp)	120
	Pre-discretionary transfer staff training (ninth-year training)	4 times	5 days (overnight camp)	120
	Life plan training (during 50s)	6 times	2 days (overnight camp)	80
Leadership training	Leadership training			
	MMA**2	Twice	3 weeks (overnight camp)	50
	Senior MMA	Once or twice	5 days (overnight camp)	50
	MT (management category) training*3	Twice	5 days (overnight camp)	50
	Executive education			
	Dispatch to programs in and outside Japan (Harvard, MIT, Hitotsubashi, Aoyama Gakuin, Keio universities, etc.)	Depends on recipient organization	1 month to 1 year	25
Professional training	Dispatch system			
	Studying outside Japan	Selection once a year	2 years	30
	Cross-industrial exchange training	Dispatch once a year	6 months to 1 year	2
	Training outside Japan	Depends on dispatching organization	1-2 years	70
	Business school (MBA) studies	Selection once a year	1-2 years	10
	Cross-industrial exchange			
	Tokyo Gas cross-industrial exchange training	Once	3 days 2 nights × 2 times	15
	Mitsui Interbusiness Research Institute	4 times	2 days 1 night	10
	National Personnel Authority	Twice	1 day + 5 days 4 nights	2
	Forum '80	Twice	10 months	2
	New line manager training	Twice	2 hours (e-learning)	170
	Personnel development training	Twice	1 day	80
	Human resources management training	Twice	1 day	30
	Executive training at subsidiaries and associated companies	4 times	2.5 days (overnight camp)	100
	Business management and skills courses			
Other	Financial accounting course	4 times	2 hours × 8 times	400
	Bussan Academy	All year	3 hours (completed in 1 time)	2000
	Business support category (B course) skills development training*4	All year	1 day	500
	Language training			
	General language training for new hires	Once	10 weeks	120
	Foreign language courses and periodic TOEIC testing for interested employees	As needed		836
	Training for assignments outside Japan (in principle all employees)	All year (twice per month)	2 days	250
	Human resources training outside Japan			
	Japan training	Twice	25 days	80
	Asia/Middle East training	3 times	4 days	80

*1. Staff category: Job category for those employees who, among all job duties, have established autonomous tasks that they fulfill in line with organizational objectives.

*2. MMA: Mitsui Management Academy. Teaches mid-career employees the latest management techniques and knowledge and deepens their understanding of the company's current situation and management challenges, with the objective of fostering leaders who will assume the next generation of global consolidated management positions.

*3. Management category: Job category for employees who are the heads of large-scale organizations and who assume management responsibilities.

*4. Business support category (B course): Job category for those employees who, among all job duties, work in the same region as a general rule and who have established tasks that they fulfill in a support capacity to core positions.

Social Contributions

Mitsui considers international exchange, education, and the environment to be priority areas for the ongoing expansion of its efforts to contribute to society. By supporting our employees' efforts to participate in society and communicate interactively with people outside the company and society at large, we endeavor to earn the wholehearted acceptance of the local communities where we operate. We work constantly to make positive contributions, as shown by the examples described below.

Social Contribution Policy

Guiding Principles

We will build a congenial relationship with our stakeholders by striving to create a harmony with local communities and the global community in accordance with the management principles of Mitsui & Co., and we will actively contribute to the creation of a future where the dreams of the inhabitants of our irreplaceable Earth can be fulfilled.

Action Guidelines

- We will define the important areas of our social contribution programs as shown below and ensure that this definition will be adhered to on a globally consolidated basis with the goal of engaging in "social contribution that is befitting of Mitsui & Co.":

 - International exchanges (local contributions)
 - Education (human resources development)
 - Environment
- We will strive to engage in social contribution programs beyond the making of economic contributions, such as donations, etc., with a view to enabling our employees to play their part in such programs.
- We will actively release information relating to our social contribution activities within and outside of the company and continually work to improve the details of our activities based on the responses to such information.

International Exchange

Sending Australian University Students to Japan

In 1971, Mitsui & Co. (Australia) Ltd. established the Mitsui Educational Foundation, which it has been using to send Australian university students to Japan every year since. The goal of the foundation is to contribute to the encouragement of mutual understanding and friendship between Australia and Japan. The students deepen their understanding of Japan while studying Japanese culture, history, and industry during a training program that lasts approximately three weeks. In 34 years, 255 students have been sent to Japan on this program.

Giving U.S. High School Students a Total Japan Experience

Since 1981, in cooperation with Youth For Understanding (YFU), Mitsui & Co. (U.S.A.), Inc. has been sponsoring Summer in Japan Scholarships for U.S. high school students to experience Japan during their summer vacation. The YFU program deepens mutual understanding between Japan and the United States through the experiences these students gain during their one-month stay with Japanese host families, totally immersed in Japanese culture and society. So far, 127 of these "Mitsui Goodwill Ambassadors" have been sent to Japan.

Supporting the Education of Brazilian Children Living in Japan

In 2005, in an effort to establish even better relations with Brazil, a nation with which we have close business ties, we started supporting Brazilians living in Japan who face serious challenges related to the education of their children, stemming from differences in language and lifestyle. We began by providing assistance to schools for Brazilian children in Japan to help upgrade computers and other study equipment, as well as school buses. In the future, we will continue to be actively involved.

Education

Raising Up Young Leaders Throughout Japan

Since 1970, we have been supporting the Japanese Little League with the objective of helping to raise good and courteous children by enabling them to acquire a spirit of teamwork and fair play through baseball. We also hold one-day soccer camps for elementary school students at orphanages in the Kanto, Kansai, Kyushu and other regions. Moreover, we sponsor classical music and traditional Japanese music concerts throughout Japan, mainly at schools in remote rural areas where children have few opportunities for art appreciation, as one means of promoting "education of the heart" among Japan's youth.

International Educational Exchange Programs Using Masterpiece Artworks

In conjunction with exhibits of distinguished works of art, we invited a pioneer of art appreciation education from the United States, to host gallery talks for children and the general public as well as conduct workshops for art educators with the cooperation of art museums, newspaper companies, and other sponsors. We also planned programs to increase interaction between Japanese and German children, giving them opportunities to appreciate and sketch masterpieces together. More than 800 people participated over a year in programs held in Tokyo, Kyoto, and Hyogo.



Brazilian children using computers donated by Mitsui

Environment

Forest Experience

In November 2004 and August 2005, we held a Forest and Nature Experience Tour for elementary school students at Sagamiko Picnicland in Kanagawa. These programs were an opportunity for children to learn the importance of nature by directly interacting with nature through tree thinning, nature observation, and tree climbing.

Utilizing Company-owned Forests to Contribute to Society

Mitsui has about 44,000 hectares of company-owned forests throughout Japan. In April 2005, we developed a walking path through the Kameyama Forest in Chiba in order to make this land useful to the general public. In September 2005, we held a parent-child tree planting event at the Niwan Forest in Hokkaido. In the future, we will continue to use our company-owned forests as sites for social contributions.

Other Fields

Portable Shrine Donated to the Masakado Tsuka Burial Mound Preservation Society

We donated a portable shrine called a *mikoshi* to the Masakado Tsuka Burial Mound Preservation Society as a means of interacting with the local community and helping to preserve historic spots and pass on traditional culture. This *mikoshi* brings back a tradition that had not taken place for 80 years, ever since the *mikoshi* that had been associated with the feudal lord Taira no Masakado since the Edo period (1600-1867) was lost in the Great Kanto Earthquake. We hope that the *mikoshi*, which belongs to the local Ohte and Marunouchi Neighborhood Association, will contribute to the local community for many years to come.

Assistance Activities in Times of Disaster

Our offices in and outside Japan donated relief money and solicited contributions from employees in order to offer assistance following the Niigata Chuetsu Earthquake in Japan and the South Asia Tsunami disaster in 2004, and the hurricane disaster in the southern United States in 2005.

Volunteering for the Special Olympics World Winter Games

Mitsui's Head Office and Mitsui & Co. (U.S.A.), Inc. supported the Special Olympics World Winter Games held in Nagano in February 2005 for athletes with intellectual disabilities. Mitsui USA volunteers organized a Japanese Cultural Orientation for Special Olympics New York athletes and their families who traveled to the Games. New York volunteers enthusiastically held a "send off" and "welcome back" for the Olympians at JFK airport.

Sponsorship of the "Friendship Trio"

Through its Friendship Trio program to support culture and public welfare, the Mitsui Public Relations Committee, which consists of 26 Mitsui Group companies including Mitsui & Co., holds piano trio concerts in the classrooms of elementary and junior high schools and concert halls nationwide. The program is also used to help sell handicrafts made by persons with disabilities. The Friendship Trio program has visited over 50 locations since its inception in April 2003 and is continuing to expand ties of friendship nationwide.



Australian university students sent to Japan



A Mitsui Goodwill Ambassador wearing a kimono received from Japanese classmates



Mikoshi donated to the Masakado Tsuka Burial Mound Preservation Society



Forest and Nature Experience Tour



Children enthusiastically participating in a gallery talk



Raising up young leaders through baseball



Workshop at a traditional Japanese music concert



Tree planting at a company-owned forest



Nagano Special Olympics World Winter Games



Friendship Trio program in a schoolroom

Company Profile

These pages provide basic information to help the reader understand Mitsui. We recognize that our ability as a company to contribute to society is enhanced as we maintain a solid corporate structure and secure a continuous stream of income.

Our performance record continues to be favorable, and we will continue to endeavor to increase corporate value not only by constantly striving to improve performance but also by improving management transparency and fulfilling our accountability to society.

More details than those provided below can be found in other materials we have prepared to convey Mitsui's corporate information and financial position. Corporate information, financial statements, and annual reports can be requested via e-mail sent to Csr@mitsui.com.

Company Data

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 & Chief Executive Officer

Common Stock (as of March 31, 2005):

¥192.492 million

Number of Employees (as of March 31, 2005):

8,938 (5,957 at Mitsui & Co., Ltd. and 2,981 regional employees at overseas offices and trading subsidiaries)

Number of Offices, Overseas Offices and Trading Subsidiaries (as of January 1, 2006):

178 offices

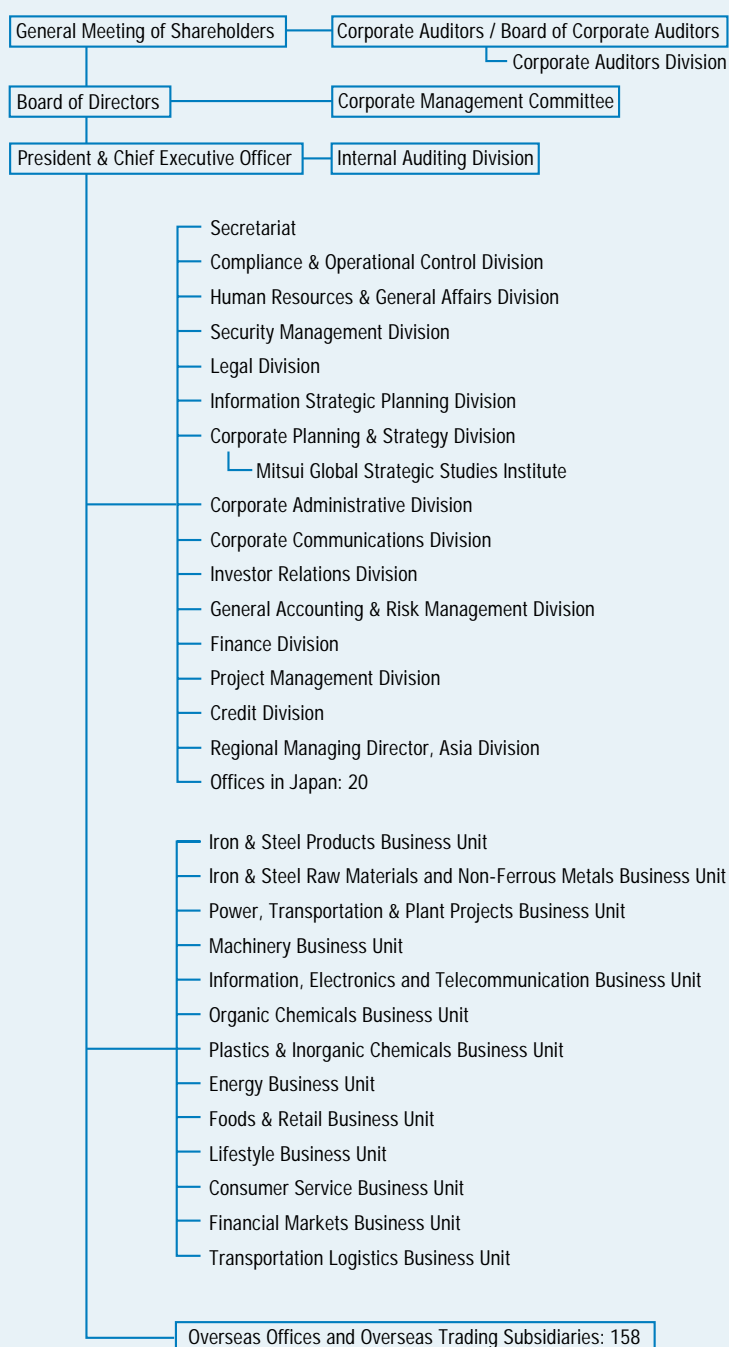
In Japan: 20 (Head Office:1, Offices:6, Branches:11, Sub-branches : 2)

Overseas: 158 (Overseas offices:63, Overseas trading subsidiaries : 95)

Main Businesses:

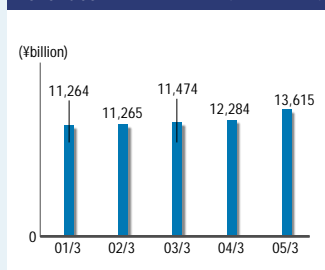
Mitsui taps an expanding global network to access strategic information and harness business engineering capabilities. Main businesses include sales, manufacture, export/import, international trade and services in the following fields: metal products & minerals, machinery, electronics & information, chemicals, energy, consumer products & services, and logistics & financial markets. Mitsui is also diversifying services, exploring for and developing natural resources, making commercial investments, developing technologies in new businesses and much more.

Organization Chart (as of January 1, 2006)

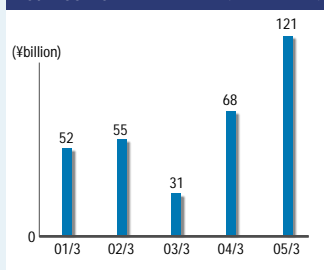


Financial Data for Customers

Revenues (consolidated)



Net Income (consolidated)



Operating Segment Revenues

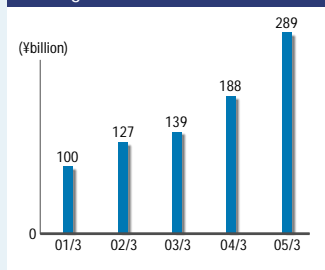
Consolidated: FY2005 (¥billion)	
Metal Products & Minerals	2,880
Machinery, Electronics & Information	2,837
Chemical	2,310
Energy	1,485
Consumer Products & Services	2,716
Logistics & Financial Markets	106
Americas	1,520
Other overseas areas	2,132
Europe	772
Other	36
Adjustments and eliminations	3,178

Overseas Geographic Area Revenues (Excluding Japan)

Consolidated: FY2005 (¥billion)		Note: Main countries and geographic included in each region area
Region	Revenue (¥billion)	
North America	1,584	North America: US, Canada
Europe	901	Europe: UK, Germany
Asia	1,082	Asia: China, Thailand
Oceania	399	Oceania: Australia
Other regions	725	Other regions: Latin America, Middle East
Eliminations	2,647	

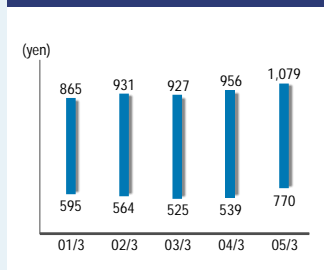
Financial Data for Shareholders and Other Investors

Earning Power*1 (consolidated)



*1 Earning Capacity = Gross profit + selling, general, administrative expenses + net interest expenses + dividend income + (Equity in earnings of associated companies - net (after income tax effect))

Share Price



Note: High and low share prices are based on market quotations on the Tokyo Stock Exchange.

Shareholder Composition

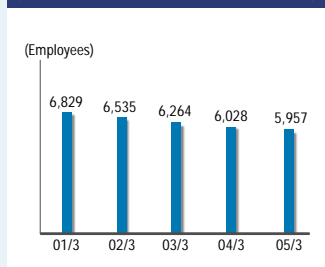
(thousand of shares)		
Financial institutions	772,654	
Foreign institutions	469,334	
Individuals and others	213,300	
Government and local public organizations		
Other domestic corporations	96,506	
Securities companies	17,786	

Per Share Performance (consolidated: FY2005)

Net income	¥76.55
Cash dividends	¥15.00
Shareholders' equity	¥709.66

Data on Employees

Number of Employees (non-consolidated; as of the end of FY2005)



Average Employee Compensation (FY2005)

Average compensation	¥12,292 thousand
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Note: Average for 5,957 Mitsui employees, including staff on loan but not contract employees, part-time employees and local employees of overseas offices.

Total Compensation for Directors and Corporate Auditors (FY2005)

Number of directors	11
Number of corporate auditors	5
Number of executive officers	38
(including six serving concurrently as directors)	
Bonuses*2	¥63 million
Compensation	¥2,299 million

*2 Excluding bonuses for Executive officers

GRI Guidelines and Global Compact Comparison Chart

Below, we have indexed the data and performance of Mitsui & Co, Ltd. ("Mitsui") against the GRI Guidelines and ten principles of the UN Global Compact. Please use this index to find the page(s) for all the information included in this report.

* Global Compact: In October 2004, Mitsui declared its formal support for the United Nations Global Compact. Mitsui will strive to fulfill its role as a global citizen and contribute to sustainable development worldwide. For details, please see <http://www.unglobalcompact.org/>.

GC Principle	GRI Ref	GRI Core Indicators	Location within Report
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1 Vision and Strategy

Vision and Strategy

Principle 8	1.1	Statement of the organisation's vision and strategy regarding its contribution to sustainable development.	2
	1.2	Statement from the CEO (or equivalent senior manager) describing key elements of the report.	3-4

2 Profile

Organisational Profile

2.1	Name of reporting organisation.	43
2.2	Major products and/or services, including brands if appropriate.	43
2.3	Operational structure of the organisation.	43
2.4	Description of major divisions, operating companies, subsidiaries and joint ventures.	43
2.6	Nature of ownership; legal form.	43
2.8	Scale of the reporting organisation.	43
2.9	List of stakeholders, key attributes of each, and relationship to the reporting organisation.	2

Report Scope

2.10	Contact person(s) for the report, including e-mail and web addresses.	1
2.11	Reporting period (e.g. fiscal/calendar year) for information provided.	1
2.13	Boundaries of report (countries/regions, products/services, divisions/facilities/joint ventures/subsidiaries).	1

Report Profile

2.17	Decisions not to apply GRI principles or protocols in the preparation of the report.	1
2.18	Criteria/definitions used in any accounting for economic, environmental, and social costs and benefits.	38
2.20	Policies and internal practices to enhance and provide assurance about the accuracy, completeness, and reliability that can be placed on the sustainability report.	1
2.22	Means by which report users can obtain additional information and reports about economic, environmental and social aspects of the organisation's activities, including facility-specific information (if available).	1

3 Governance Structure and Management Systems

Structure and Governance

3.1	Governance structure of the organisation, including major committees under the board of directors that are responsible for setting strategy and for oversight of the organisation.	31
3.2	Percentage of the board of directors that are independent, non-executive directors.	32
3.3	Process for determining the expertise board members need to guide the strategic direction of the organisation, including issues related to environmental and social risks and opportunities.	32
3.4	Board-level processes for overseeing the organisation's identification and management of economic, environmental, and social risks and opportunities.	31,33,35
3.6	Organisational structure and key individuals responsible for oversight, implementation, and audit of economic, environmental, social and related policies.	31,33,35
3.7	Mission and values statements, internally developed codes of conduct or principles, and policies relevant to economic, environmental and social performance and the status of implementation.	2,34,35,41
3.8	Mechanisms for shareholders to provide recommendations or direction to the board of directors.	31

Stakeholder Engagement

3.9	Basis for identification and selection of major stakeholders.	2
3.10	Approaches to stakeholder consultation reported in terms of frequency of consultations by type and by stakeholder group.	15-28
3.11	Type of information generated by stakeholder consultations.	15-28

Overarching Policies and Management Systems

3.13	Explanation of whether and how the precautionary approach or principle is addressed by the organisation.	33,36
3.14	Externally developed, voluntary economic, environmental and social charters, sets of principles, or other initiatives to which the organisation subscribes or which it endorses.	45
3.16	Policies and/or systems for managing upstream and downstream impacts.	31,33,36
3.17	Reporting organisation's approach to managing indirect economic, environmental, and social impacts resulting from its activities.	36
3.19	Programmes and procedures pertaining to economic, environmental and social performance.	35-36,45-49
3.20	Status of certification pertaining to economic, environmental and social management systems.	35

GC Principle	GRI Ref	GRI Core Indicators	Location within Report
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4 GRI Content Index

	4.1	A table identifying location of each element of the GRI Report Content, by section and indicator.	45-49
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5 Performance Indicators

Economic Performance

GC Principle	GRI Ref	GRI Core Indicators	Location within Report, or Performance (as of March 31, 2005)
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Customers

	EC1	Net sales.	44
	EC2	Geographic breakdown of markets.	44

Employees

	EC5	Total payroll and benefits (including wages, pension, other benefits, and redundancy payments) broken down by country or region.	44
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Environmental Performance

GC Principle	GRI Ref	GRI Core Indicators	Location within Report, or Performance (as of March 31, 2005)
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Energy

	EN3	Direct energy use segmented by primary source, including all energy sources.	38
Principle 8 Principle 9	EN17	Initiatives to use renewable energy sources and increase energy efficiency.	The company is striving to reduce its electricity consumption and volume of waste generated to lower the environmental impact of its business sites. Mitsui is a participant in the Green Power Certification System of Japan Natural Energy Co., Ltd., and annually purchases a Certification of Green Power of 1 million kWh. The company is also lowering its impact from air conditioning by installing district heating and cooling systems operated by Marunouchi Heat Supply Co., Ltd.

Water

	EN5	Total water use.	38
Principle 8	EN22	Total recycling and reuse of water.	At the Head Office, Mitsui is making efforts to reduce the consumption of water resources, including receiving a supply of recycled gray water that has been processed at a gray water reuse facility connected to a district circulation system operated by Marunouchi Heat Supply Co., Ltd. Consumption of gray water in fiscal 2005: 69,508 m ³

Biodiversity

Principle 8	EN6	Location and size of land owned, leased, or managed in biodiversity-rich habitats.	30
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Emissions, Effluents, and Waste

Principle 8	EN8	Greenhouse gas emissions (CO ₂ , CH ₄ , N ₂ O, HFCs, PFCs, SF ₆).	38
	EN11	Total amount of waste by type and destination.	38

Compliance

Principle 8	EN16	Incidents of and fines for non-compliance with all applicable international declarations/ conventions/treaties, and national, sub-national, regional, and local regulations associated with environmental issues.	The Company is in compliance with the Basel Convention and other related international treaties and guidelines issued by global bodies pertaining to its products and services. Since fiscal 2001, before beginning to handle new products and services, environmental impact assessments have been conducted.
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Overall

	EN35	Total environmental expenditures by type.	38
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Social Performance: Labour Practices and Decent Work			
GC Principle	GRI Ref	GRI Core Indicators	Location within Report, or Performance (as of March 31, 2005)
Employment			
	LA1	Breakdown of workforce, where possible, by region/country, status (employee/non-employee), employment type (full time / part time), and by employment contract (indefinite or permanent / fixed term or temporary). Also identify workforce retained in conjunction with other employees (temporary agency workers or workers in co-employment relationships), segmented by region/country.	Number of employees: 5,957 Administrative: 1,865 Non-administrative: 4,092 Regional employees at overseas offices and trading subsidiaries: 2,981 Administrative: 21 Non-administrative: 2,960
	LA2	Net employment creation and average turnover segmented by region/ country.	Employee turnover rate: 6.5% (average employee turnover rate for the last five years)
	LA12	Employee benefits beyond those legally mandated.	Severance and pension funds, leave compensation system, childcare and family care, medical compensation (Mutual Aid Association) system, accrued savings plan, employee shareholding program, housing loan and emergency loan programs, employee recreation clubs, employee welfare clubs, recreation facilities for employees.
Labour/Management Relations			
Principle 3	LA3	Percentage of employees represented by independent trade union organisations or other bona fide employee representatives, broken down geographically OR percentage of employees covered by collective bargaining agreements broken down by region/country.	4,365 employees, or 76%, are trade union members, an usually high figure for a company within an "open shop" system.
Health and Safety			
	LA8	Description of policies or programmes (for the workplace and beyond) on HIV/AIDS.	Training sessions for employees transferred overseas are used to raise awareness of safety issues in daily life. Testing is conducted with the consent of the employee in question in cases where required for visas in conjunction with a transfer abroad.
	LA14	Evidence of substantial compliance with the ILO <i>Guidelines for Occupational Health Management Systems</i> .	Partial implementation of measures in compliance with ILO guidelines, including the establishment of an in-house health and safety committee and crisis-response procedures.
	LA15	Description of formal agreements with trade unions or other bona fide employee representatives covering health and safety at work and proportion of the workforce covered by any such agreements.	Members of the in-house health and safety committee include nominees of the trade union. An official representing the trade union sits in as an observer on the committee.
Training and Education			
	LA9	Average hours of training per year per employee by category of employee.	Average training days per person: 25 Average annual training costs per person: ¥362,000
	LA16	Description of programmes to support the continued employability of employees and to manage career endings.	Mitsui has set the retirement age at 63 to meet the needs of an aging society and to give options to employees who want to continue working for Mitsui. An early retirement plan has also been established for employees of certain ages, which enables them to choose from various options made available to match their diverse life plans. There are two options: a retirement equivalent plan and a temporary transfer plan. If an employee chooses the retirement equivalent option, he/she can benefit from premium payment in a lump sum, a premium annual pension, or a bridging pension.
	LA17	Specific policies and programmes for skills management or for lifelong learning.	Mitsui cherishes the values of "Challenge and Creation" and "Freedom and Open-mindedness" and also believes it is important that employees develop themselves and explore new possibilities. So Mitsui has been preparing various training programs to support self-development. Among these diverse programs for helping employees to optimize their value as human resources are initial education and training for employees reaching milestone ages, aimed at providing all employees with basic knowledge and skills and promoting common values; leadership training to develop human resources into future managers of Mitsui & Co. group companies; and professional training designed to impart specialization in particular products and regions and enhance the capacity of employees to promote business.
Diversity and Opportunity			
Principle 6	LA10	Description of equal opportunity policies or programmes, as well as monitoring systems to ensure compliance and results of monitoring.	Employees are assigned to job categories, regardless of their gender, based on job functions and responsibilities. Mitsui makes a conscious effort to appoint employees with capabilities and initiatives to management positions regardless of their gender.

Social Performance: Human Rights			
GC Principle	GRI Ref	GRI Core Indicators	Location within Report, or Performance (as of March 31, 2005)
Strategy and Management			
Principle 1	HR1	Description of policies, guidelines, corporate structure and procedures to deal with all aspects of human rights relevant to operations, including monitoring mechanisms and results.	<p>A section entitled "Compliance with the Law and Respect for Human Rights" is included as part of the Business Conduct Guidelines for Employees and Officers of Mitsui & Co., Ltd.</p> <ul style="list-style-type: none"> • Employees should comply with all applicable laws and regulations, whether domestic or foreign, and should conduct themselves in an ethical and responsible manner in the communities in which they perform their duties for the company.*¹ • Employees should respect the cultures, customs and history of every country to which they are brought into contact while performing their duties for the company.*² • Employees should respect human rights and should not discriminate between persons based on reasons of race, creed, sex, social status, religion, nationality, age or physical or mental disability.*³
	HR8	Employee training on policies and practices concerning all aspects of human rights relevant to operations.	<p>A section entitled "Compliance with the Law and Respect for Human Rights" is included as part of the Business Conduct Guidelines for Employees and Officers of Mitsui & Co., Ltd.</p> <p>(See above *2 and *3)</p> <p>Moreover, to foster employees equipped with knowledge and understanding of human rights, who can contribute to society, Mitsui's training program for new hires includes a course designed to increase awareness of human rights issues.</p>
Non-discrimination			
Principle 1 Principle 6	HR4	Description of global policy and procedures / programmes preventing all forms of discrimination in operations, including monitoring systems and results of monitoring.	<p>A section entitled "Compliance with the Law and Respect for Human Rights" is included as part of the Business Conduct Guidelines for Employees and Officers of Mitsui & Co., Ltd.</p> <p>(See above *1, *2 and *3)</p>
Freedom of Association and Collective Bargaining			
Principle 3	HR5	Description of freedom of association policy and extent to which this policy is universally applied independent of local laws, as well as description of procedures / programmes to address this issue.	<p>Although the union bargains collectively with management for wages and other worker benefits as the representative of its members, the union and management share the common goal of making Mitsui an excellent company. To achieve this goal, both parties work hard to improve employee benefit programs and working conditions through direct and assiduous dialogues that respect the positions of each party.</p>
Forced and Compulsory Labour			
Principle 4	HR7	Description of policy to prevent forced and compulsory labour and extent to which this policy is visibly stated and applied as well as description of procedures / programmes to address this issue, including monitoring systems and results of monitoring.	<p>A section entitled "Compliance with the Law and Respect for Human Rights" is included as part of the Business Conduct Guidelines for Employees and Officers of Mitsui & Co., Ltd.</p> <p>(See above *3)</p>
Disciplinary Practices			
	HR9	Description of appeal practices, including, but not limited to, human rights issues.	<p>An Employee Relations Department has been established to provide consultation services to employees seeking solutions to worries, anxieties, discontents regarding personnel matters, workplace environment, sexual harassment, etc. Consultation is kept strictly confidential. Licensed counselors see visitors personally. Use of phone and e-mail is also available.</p>
	HR10	Description of non-retaliation policy and effective, confidential employee grievance system (including, but not limited to, its impact on human rights).	<p>A section entitled "Report and Sanction" is included as part of the Business Conduct Guidelines for Employees and Officers of Mitsui & Co., Ltd.</p> <ul style="list-style-type: none"> • The company ensures that no retaliatory action will be taken against an employee for informing of such violation or cooperation in such investigation and makes every effort to prevent such informant and any employees cooperating in such investigation from suffering any disadvantage at his or her office.

Social Performance: Society			
GC Principle	GRI Ref	GRI Core Indicators	Location within Report, or Performance (as of March 31, 2005)
Community			
	S04	Awards received relevant to social, ethical and environmental performance.	38
Bribery and Corruption			
Principle10	S02	Description of the policy, procedures/management systems, and compliance mechanisms for organisations and employees addressing bribery and corruption.	<p>A section entitled "Gift and Favor" is included as part of the Business Conduct Guidelines for Employees and Officers of Mitsui & Co., Ltd.</p> <ul style="list-style-type: none"> •Employees should not render public officials or persons in a similar position any economic favor such as money, gift or other favor in return for performance of their duties. •Employees should not render public officials or persons in a similar position of a foreign country any economic favor such as money, gift or other favor for the purpose of securing any improper advantage. •Employees should not pay any agent, advisor, or consultant any commission which they have reason to know will be used for influencing public officials or persons in a similar position in an unlawful manner. •Employees should not render the employees or officers of customers of the company any economic favor such as money, gift or other favor the value of which is greater than a generally accepted commercial level at the relevant locale, nor should they receive such economic favor from officers of customers of the company.
Political Contributions			
	S03	Description of reporting organisation's policy, procedures/management systems and compliance mechanisms for managing political lobbying and contributions.	<p>A section entitled "Political Donations and Other Contributions" is included as part of the Business Conduct Guidelines for Employees and Officers of Mitsui & Co., Ltd.</p> <ul style="list-style-type: none"> •Employees should comply with applicable laws and regulations in the event that they make political donations and other contributions to various entities.
Competition and Pricing			
	S07	Description of policy, procedures/management systems, and compliance mechanisms for preventing anti-competitive behaviour.	<p>A section entitled "Compliance with Antitrust Law, etc." is included in the Business Conduct Guidelines for Employees and Officers of Mitsui & Co., Ltd.</p> <ul style="list-style-type: none"> •Employees should not conduct themselves in their dealings with the company's competitors in a manner which results in an illegal restraint of trade, such as collusion with a view to the fixing of price levels or levels of production or supply or the division of markets . •Employees should not collude with the company's competitors in any tender such as determining a successful bidder or contract price . •Employees should not engage in unfair trade practices, such as boycotts, resale price maintenance or tie-in agreements . •Employees should not unreasonably damage the interests of sub-contractors of the company through the unjustified demand to reduce purchase prices, rejection to receive goods, return of goods or delay of payment of purchase prices. •Employees should promote fair, transparent and free competition, and carry out appropriate business transactions.
Social Performance: Product Responsibility			
GC Principle	GRI Ref	GRI Core Indicators	Location within Report, or Performance (as of March 31, 2005)
Respect for Privacy			
	PR3	Description of policy, procedures/management systems, and compliance mechanisms for consumer privacy.	34

Third Party Opinion

This report convinced me that Mitsui has finally started to demonstrate a serious approach to CSR. My impression was that, in the face of more severe social criticism this time, Mitsui at last began to act on the suggestions I made in the Third Party Messages section of Mitsui's Sustainability Report 2003. (I asked Mitsui to consider these questions: Why did the misconduct occur? What will Mitsui do in response? And I recommended that Mitsui listen soberly to comments from within and outside the company, and indicate its future direction.)

The resignation of the chairman, president, and vice president in the wake of the 2002 Kunashiri incident was a major event that shook the company. However, the 2003 report offered only one line about that problem. At the time, there was a feeling of, "We reported the incident at the general shareholders meeting," and "Is there really a need to apologize over and over?" On the other hand, even at the time, many employees within the company were calling for a corporate makeover, but it took a long time for the company to really listen to what they had to say. Then, in the thick of things another scandal broke. This time, the company was forced to make an immediate, genuine response in reply to the direct, harsh criticism over the incident, which took place within Japan proper. It is apparent in this report, which devotes a number of pages to the background and measures taken in response to the DPF incident, that Mitsui is earnestly addressing the problem head-on.

Compliance issues always take on a stronger hue following a scandal. However, that is not where CSR stops. It is expected that the company, with the support of society, will contribute to the creation of a sustainable society. It is also important for the company to firmly understand that the roles and responsibilities it is expected to assume change with the times.

It is no easy matter to firmly establish the idea of CSR within a large organization. As an organization, Mitsui is a federation of 13 independent business units, has a multitude of offices in and

Kanji Tanimoto
Professor, Graduate School of Commerce and
Management, Hitotsubashi University



outside Japan, and is composed of over 700 companies on a consolidated accounting basis. Since it is true that ensuring company-wide penetration of CSR awareness will take time, Mitsui needs to build a structure for addressing CSR group-wide. Mitsui must first make an effort to ensure its management philosophy and Basic CSR Policies, which were announced in August 2004, take firm root.

In addition to repeatedly underscoring the management philosophy, the company must enact real reform at the organizational level—in how it formulates management plans, how it evaluates business projects, and the standards it uses to evaluate human resources. This report touched upon these topics, but did not establish specific targets, methods, and strategies for how the company will tackle these issues going forward. This is a big challenge for the future. The first half of the report expresses enthusiasm through the dialogues and workshop, but it ends in generalities. The second half of the report mentions corporate activities that were undertaken thus far, but does not reveal how the Basic CSR Policies are being utilized. Departments that form the cornerstone of CSR need to be built into the command line and take the authority and responsibility to make adjustments within the company. In a related step, I understand that Mitsui will create a CSR Promotion Department as part of its reorganization of the Corporate Staff Division in fiscal 2007, which was announced at the end of December 2005.

The next steps to take within the new system are to proceed strategically, set targets appropriate to the business activities of each division, and put in place a PDCA* system. Mitsui should then continually report the results in its CSR reports and clarify its accountability. I hope to watch Mitsui's transitions in the future as it attempts to rebuild itself as a company that is trusted and needed by society.

* PDCA: The Plan, Do, Check, Action cycle.

Response to Third Party Opinion

In April 2004, we launched a company-wide, cross-cutting CSR Promotion Committee and declared our intention to promote CSR-focused operations in line with Mitsui's management philosophy and Basic CSR Policies. However, the subsequent discovery of the DPF incident exposed the fact that our efforts were insufficient in many ways. While we made every effort to resolve the DPF problem as soon as possible, we also worked hard to undertake organizational reform within the company and promote a change in mentality among employees by taking a fresh look at Mitsui's *raison d'être* and the company's mission. In the CSR Report 2005, we clarified the essential challenges faced by Mitsui and showed our strong determination to overcome those challenges and regain the trust of society.

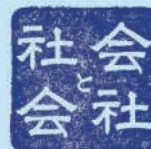
As Professor Tanimoto pointed out, Mitsui must make a fresh start toward true CSR-focused operations that goes beyond superficial expressions. We will not let the DPF incident fade away. We will firmly shore up our compliance base and make sure to thoroughly disclose information and reinforce our internal controls. We will also continue to build up a record of *good work* while paying closer attention to the quality and process of our work.

Specifically, we will thoroughly discuss within every worksite and

organizational unit what *good work* means and will gradually incorporate the results of those discussions into the details of planning and implementing our everyday businesses. In addition to reviewing existing business details and processes, we are aiming to create new value that will benefit society. Moreover, to provide systemic support for this effort, we will develop systems that evaluate organizational performance and individuals qualitatively. In April 2006, we will reorganize the Corporate Staff Division and construct an integrated risk management system. We will establish a CSR Promotion Department, which will serve as the core body tasked with making vigorous progress on the dissemination of CSR-focused operations throughout the group, including our subsidiaries and associated companies. In response to society's demands, I want to carry out the kind of down-to-earth CSR initiatives that only Mitsui is capable of—initiatives implemented both through our main businesses and beyond the framework of our main businesses.

In next year's CSR report, we will report specifically on how our efforts are being reflected in our practice of *good work*, and again request feedback from our stakeholders in order to create a cycle of continuous improvement.

Yushi Nagata
Senior Executive Managing Officer,
Chairman of CSR Promotion Committee, Mitsui & Co., Ltd.



“Society and Company”

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



mitsui & co., ltd.

2-1, Ohtemachi 1-chome, Chiyoda-ku, Tokyo 100-0004, Japan
Telephone: 81(3) 3285-1111
Facsimile: 81(3) 3285-9030
<http://www.mitsui.co.jp/tkabz/english/> E-mail: Csr@mitsui.com



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CSR Report 2005 Questionnaire

To: Secretariat of the CSR Promotion Committee, Mitsui & Co., Ltd. FAX: +81(3)3285-9030

1. What did you think of Mitsui's CSR Report 2005?

Understandability

Very easy to understand Easy to understand Average Somewhat difficult to understand Difficult to understand

Information

Very easy to understand Easy to understand Average Somewhat difficult to understand Difficult to understand

2. How would you rate Mitsui's CSR initiatives?

Excellent Good Average Need improvement Poor

3. Which articles did you find interesting or memorable? (multiple answers permitted)

Editorial Policy	Integrating CSR with Business	Social Contributions
CSR at Mitsui & Co.	(Power, Transportation & Plant Projects Business Unit)	Company Profile
Message from the President	Integrating CSR with Business	GRI Guidelines and Global
The DPF Incident	(Transportation Logistics Business Unit)	Compact Comparison Chart
Dialogue with Outside Experts	Corporate Governance	Third Party Opinion
Workshop	Environmental Initiatives	Response to Third Party Opinion
Integrating CSR with Business	Employee Relations	
(Iron & Steel Raw Materials and Non-Ferrous Metals Business Unit)		

4. Please share your opinions, impressions, and suggestions with us.

- What is your opinion of this report and Mitsui's activities?

-
- What kind of information would you like to see in Mitsui's future CSR reports?
-

5. As a reader of this report, your perspective was that of a:

Business partner	Corporate CSR-related position	Government agency
Customer	Research or educational institution	NPO/NGO
Shareholder/investor	Student	Employee
Environment-related employee in a company/organization	News media	Others()

Please complete the following (optional).

Name	Gender	Male	Female	Age
<hr/>				
Address	〒			
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E-mail	Tel			
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Occupation (name of company, school etc.)	Department / Job title			

Opinions and impressions provided above may be used in the next report in a form that will not reveal the author's identity.
Personal information will be properly handled and will only be used to send reports, reply to opinions, and to improve future reports.

Thank you for your cooperation.

To: Secretariat of the CSR Promotion Committee, Mitsui & Co., Ltd. Fax: +81(3)3285-9030