

Corporate Governance/ Internal Control/ Compliance

Corporate Governance Framework

Management believes that importance should be placed on developing an effective corporate governance system, irrespective of the specific system or format. Based on this belief, MC has adopted the Corporate Auditor System and in addition to mandatory organizations and governance systems we are improving and strengthening our corporate governance system in various ways. Actions include appointing outside directors, introducing the executive officer system and setting up advisory committees to the Board of Directors.

In particular, MC puts emphasis on the role of outside directors. MC gives careful consideration to the appropriate number of outside directors and strives to clarify and strengthen their function through the formulation of selection standards.

MC has also formulated standards concerning corporate governance of the MC Group, which apply to subsidiaries and other entities, as it works to optimally manage the Group to raise its corporate value.

MC's Board of Directors has 20 members, 5 of whom are outside directors. As a rule, the Board convenes once a month and is responsible for making decisions concerning important management issues and for overseeing business execution.

In 2001, the adoption of an executive officer system clarified the separation of the roles and responsibilities of directors and executive officers. Furthermore, in 2004, the term of directors was reduced from two years to one year to provide greater flexibility in determining the composition of the Board of Directors. In 2006, the Articles of Incorporation were amended to allow the Board of Directors to approve resolutions in writing, in order to instill greater flexibility in the way the Board operates. Moreover, to clarify and strengthen the function of outside directors, in 2007 MC established standards for the selection of these directors (please refer to MC's website for more information).

The president, as the company's Chief Executive Officer, manages the company's business through the Executive Committee, a decision-making body of executive officers. Important

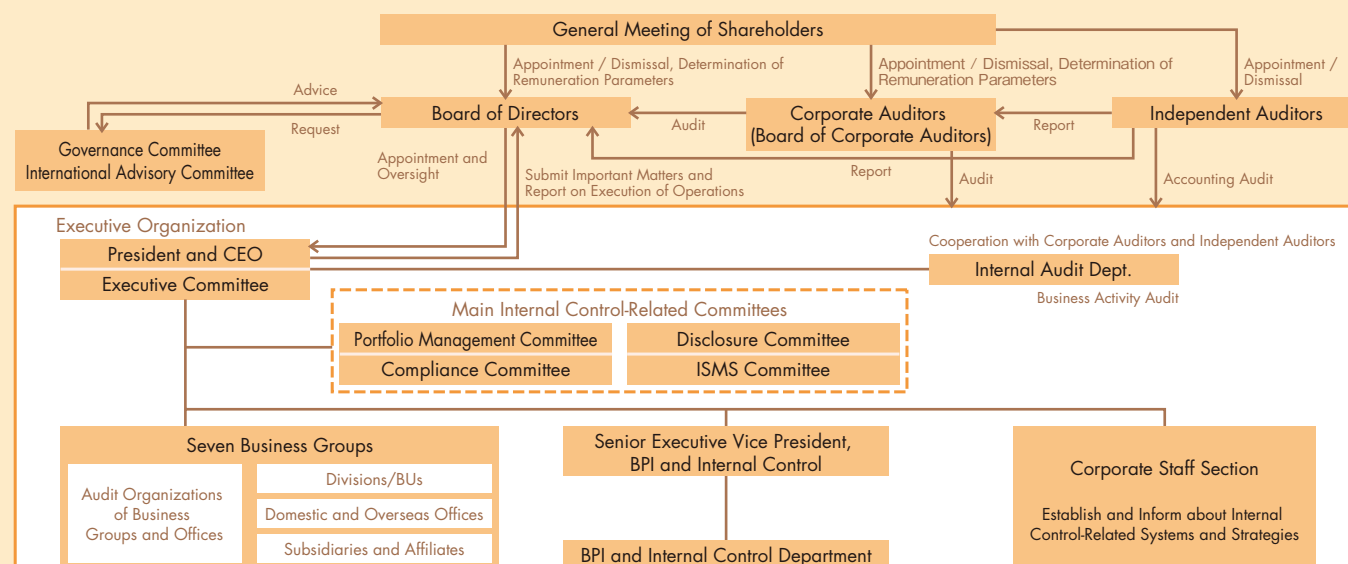
management issues are first discussed by the Executive Committee, which, in principle, meets two or three times per month, and are then referred to the Board of Directors for deliberation and final determination.

MC has a Governance Committee and an International Advisory Committee, which are made up of certain corporate officers and outside directors as well as other experts from outside the company. These advisory bodies to the Board of Directors offer a broad range of advice from a third-party perspective. Since its establishment in 2001, the Governance Committee has met two or three times per year to discuss issues relating to corporate governance. In fiscal 2007, the Governance Committee discussed standards for selecting outside directors, enhancing disclosure on outside directors in business reports and other disclosure documents, and revisions to the executive officers' remuneration system. The International Advisory Committee was also established in 2001 and discusses issues relating to the globalization of MC's operations. This committee meets around once a year.

The five corporate auditors, including three outside corporate auditors, utilize staff members of the Corporate Auditors' Office, which is under their direct control, in conducting their audits. At the same time, the corporate auditors attend meetings of the Board of Directors and other important meetings and hold discussions with internal departments, including important offices in Japan and overseas, as well as visiting main subsidiaries, that are important from the perspective of Group management, in order to conduct audits.

Regarding internal audits, the Internal Audit Dept. conducts audits of MC, subsidiaries and affiliated companies from a company-wide perspective. In addition, each business group has established its own internal audit organization, under which audits are carried out on a consolidated basis. These internal audits are conducted after selecting audit targets and are based on annual audit plans. The results of audits are reported to the president, corporate auditors and other concerned parties as well as regularly to the Board of Directors and the Executive Committee.

MC's Corporate Governance and Internal Control Framework



Internal Control System

MC is building and operating an internal control system, as discussed below, so as to ensure that business activities are conducted properly and in conformity with laws and its Articles of Incorporation. Efforts are ongoing to reform and improve this system.

Efficient Business Execution

The president delineates basic management policies and sets specific management goals. At the same time, the president formulates management plans and oversees progress in achieving targets efficiently. Management plans are regularly reviewed and monitored and as a result of this process, MC partially revised the second half of INNOVATION 2007, its four-year medium-term management plan, which began in fiscal 2005.

The organization is realigned and resources deployed as necessary so as to achieve management targets in the most efficient manner possible. Furthermore, the organizational chain of command is clearly laid out and authority delegated to managers and staff of organizational bodies to the extent necessary to accomplish targets. These people are required to submit reports regularly.

Compliance

Compliance, which is defined as acting in compliance with laws, regulations and in conformity with social norms, is regarded as a matter of the highest priority in conducting business activities. MC has formulated a Code of Conduct for all officers and employees, which specifies basic matters in relation to compliance. Efforts are made to ensure that all officers and employees are familiar with the Code of Conduct and that MC's corporate philosophy is understood and practiced.

To promote compliance, MC has established a cross-organizational framework headed by the Chief Compliance Officer. MC is also taking preventive and corrective measures such as offering training on a wide variety of laws and regulations.

Regarding the status of compliance, in addition to a framework for receiving reports from all organizations throughout the Company, MC has established an internal whistleblower system. Through these structures and systems, MC identifies problems and shares information. Regular reports are also made to the Board of Directors on the status of compliance.

Risk Management

Regarding risks associated with business activities, MC has designated categories of risk—such as credit, market, business investment, country, compliance, legal, information management, environmental, and natural disaster—and has established departments responsible for each category. MC also has in place policies, systems and procedures for managing risk. Furthermore, MC responds to new risks by immediately designating a responsible department to manage such risks.

In regards to individual projects, the person responsible for the applicable department makes decisions within the scope of his/her prescribed authority after analyzing and assessing the risk-return profile of each project in accordance with company-wide policies and procedures. Projects are executed and managed on an individual basis in accordance with this approach.

In addition to managing risk on an individual project basis, MC assesses risk for the Company as a whole with respect to risks that are capable of being monitored quantitatively and manages these risks properly, making reassessments as necessary.

Financial Reporting

To ensure the proper and timely disclosure of financial statements, MC has appointed personnel responsible for financial reporting and prepares financial statements in conformity with legal requirements and accounting standards. These financial statements are released after being discussed and confirmed by the Disclosure Committee. Furthermore, to further enhance the reliability of financial reporting, MC has been proceeding with work on a consolidated basis for documenting, evaluating and improving company-wide internal controls and processes for the preparation of financial statements based on the Financial Products Exchange Law and the U.S. Sarbanes-Oxley Act of 2002.

Management and Storage of Information

Regarding information related to business activities, personnel responsible for managing business activities classify information individually in accordance with its degree of importance. These individuals also instruct users on the handling of this information. The aim is to ensure information security while promoting efficient administrative processing and the sharing of information.

Responsible personnel store for a predetermined period documents that must be stored by law and information that the Company specifies as important in terms of internal management. For all other information, responsible personnel determine the necessity and period for storage of information and store such information accordingly.

Ensuring Proper Business in Group Management

MC specifies a responsible department for the oversight of each subsidiary and affiliate and quantitatively monitors business performance, management efficiency and other operational aspects of each company every year. Efforts are also made to monitor qualitative issues such as compliance and risk management.

MC demonstrates its commitment to making improvements to subsidiaries and affiliates by sending directors to sit on their

boards, signing merger agreements, exercising its voting rights and in other ways. These actions are taken to raise the corporate value of the MC Group.

Internal Auditing and Monitoring

Each organization takes responsibility for reviewing and improving its business activities on a regular basis. In addition, to more objectively review and evaluate the business activities of each organization, MC conducts regular audits through internal audit organizations.

Corporate Auditors

Corporate auditors attend and express opinions at meetings of the Board of Directors and other important management meetings. In addition, corporate auditors gather information and conduct surveys, keeping channels of communication open with directors, employees and others who cooperate with these efforts.

If there is a risk of a certain level of financial loss or a major problem, the person responsible for the department concerned is required to immediately report to corporate auditors in accordance with predetermined standards and procedures.

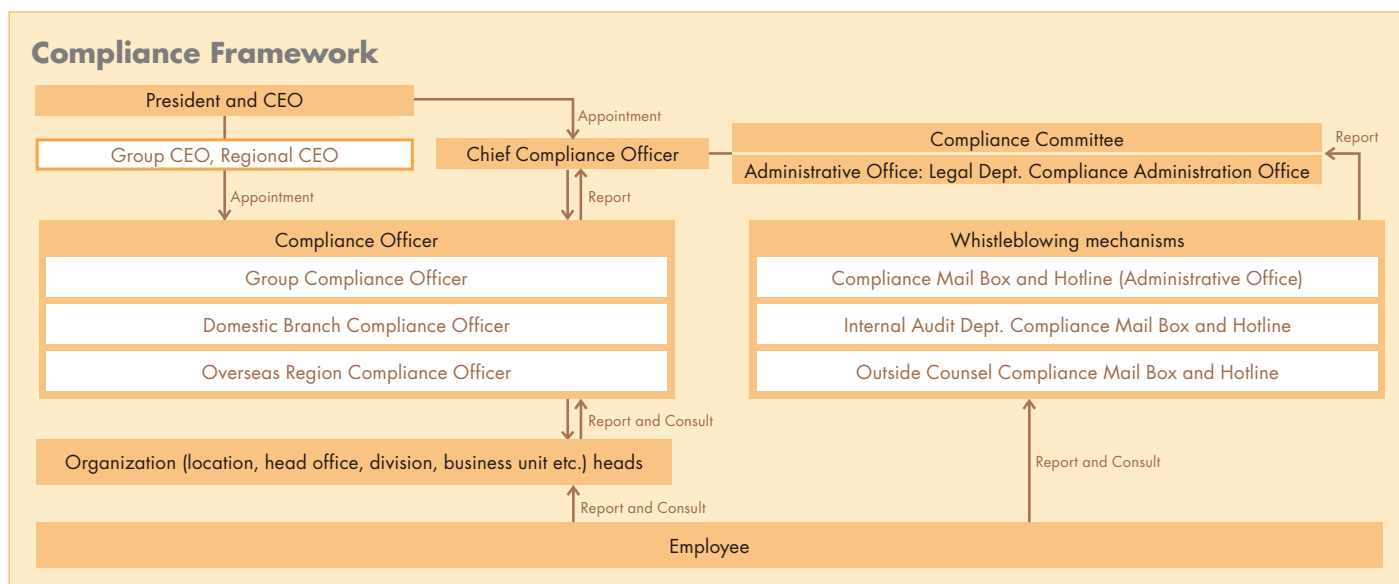
To raise the effectiveness of audits conducted by corporate auditors, personnel are appointed to assist corporate auditors in carrying out their duties. Mindful of the need for independence, the opinions of corporate auditors are respected and other factors taken into consideration when evaluating and selecting people to assist them. Ongoing efforts are being made to establish regulations in these respects.

Compliance Framework

MC has long engaged in creating a framework to ensure that it continues to conduct business activities in a manner that is legal and fair. The cornerstones of this longstanding company-wide commitment are the Three Corporate Principles and the Corporate Standards of Conduct. Year after year, society is requiring companies to raise their standards of compliance. Concurrently with this trend, MC in September 2000 formulated its Code of Conduct and established several Compliance Officer posts. These and other actions have been taken to ensure legal compliance by each and every employee, as well as to instill an awareness of proper conduct that reflects social norms. In March 2006, the Code of Conduct was revised, and along with this all officers and employees are now required to sign, on an annual basis, a written commitment to this Code. This is part of ongoing actions to upgrade and reinforce our compliance system.

We believe that it is important to promote compliance on a consolidated basis, not just at the parent company level. That's why we have stepped up actions to put in place a compliance system at our subsidiaries and affiliated companies around the world that meets the same high standards as at MC itself. One specific measure in this regard is a system of suggestion boxes maintained with our outside legal counsel that was established in February 2005. The system is used by officers and employees of our subsidiaries in Japan. This system is an extension of a system of suggestion boxes placed within MC and in the office of its outside legal counsel that was established in 2001, as part of an internal whistleblower system.

As an important strategy for raising value on a consolidated basis, we will continue to upgrade and reinforce compliance initiatives that are effective at instilling awareness of compliance issues in each and every employee, including employees of MC's subsidiaries and affiliated companies.



CSR Management System

Organizational Structure

Mitsubishi has an "Environmental & Social Responsibility Committee" which consists of Environmental & Social Responsibility Managers from each Business Group, as well as the heads of each department in the Corporate Staff Section. The committee meets to discuss policies and measures in the following three areas: CSR, global environmental issues and corporate citizenship. The CSR Task Force serves under the Environmental & Social Responsibility Office. It consists of mid-level managers from each Business Group and from the departments of the Corporate Staff Section. The CSR Task Force meets to share information between internal departments and to examine relevant measures.

Respect for Human Rights and Priority CSR Programs

MC believes that respect for human rights is an important component of CSR in the development of all of its businesses throughout the world. It supports all international norms and codes regarding human rights, including the Universal Declaration of Human Rights, the core labor standards of the ILO and the Voluntary Principles on Security and Human Rights. The company's priority CSR programs include education of employees, monitoring of activities and developments and disclosure of information. As a general trading house, one of the most important issues we face is the incorporation of CSR into our supply chain. For example, MC conducts surveys to monitor the status of CSR in product areas such as agriculture and apparel. We believe that the creation of a sustainable supply chain that respects human rights will be a key contribution to the solution of social problems.

CSR Organization Chart



Environmental Management Highlights Priority CSR Programs

MC's global business has close ties with the environment. For this reason environmental impact caused by the activities of suppliers and business investment partners receives high priority at MC. In order to better manage its indirect environmental impact, MC conducts environmental impact assessments (EIAs), which target its suppliers and its business investment partners. The results from these assessments are used to provide suggestions as well as requests for improvements in order to reduce overall environmental impact. In addition, the company surveys the performance of environmental management initiatives by its business investment partners, using the data it obtains for risk management. The company performs direct environmental management over its offices by setting numerical targets designed to reduce environmental impact. Promotion of the environmental management systems (EMS) under ISO14001 also helps to boost environmental awareness among all employees.

Environmental Management Organizational Structure Highlights Priority CSR Programs

The environmental management organizational structure at MC is headed by the President and CEO, with all employees contributing to its implementation.

Environmental Management Organization Chart

