



On March 11, 2005, MC held its second Stakeholder Dialogue. Like last year's dialogue, in which a diverse group of stakeholders shared their opinions on CSR and MC, all of this year's participants are active in the fields of environmental and social issues. Using MC's 2004 Sustainability Report as the starting point of discussion, we asked the participants for frank advice and feedback on the question of how MC should approach business, CSR, and environmental issues from the perspective of sustainability.

Stakeholder Dialogue

Japan

March 11, 2005 [Tokyo]

MC needs an energy vision.

MC: Are there any specific issues that you would like MC to work on in terms of global warming?

Mr. Okazaki: There is something I was left wondering about after reading the 2004 report. That is, what is MC's vision for the future of Japan's energy composition, and how will MC be involved in achieving that vision? MC's direction in this regard was not clear. I am not asking that MC describe an energy vision for all of Japan. But, it would be nice to see possible visions or scenarios that MC can envisage for the future, given MC's deep involvement in energy supply and demand.

Establishing accountability is important when taking human rights risks.

MC: Within the category of CSR, how is MC doing in terms of human rights initiatives?

Mr. Teranaka: MC's Basic Policy on Human Rights was clearly stated at the beginning of the Social Report section. I read the following details hoping to learn exactly what MC is doing to deal with human rights problems, but there really were not many specific details. For example, in what ways does MC take into consideration the human rights situation in investment destinations outside Japan? When MC invests in a country with human rights problems, of course it will maintain compliance with the local laws of that country. Going further

though, what exactly will it do there? What improvements in the human rights situation will it make? What is MC attempting to accomplish in terms of CSR? I would like MC to clarify these types of points.

Ms. Akiyama: I understand that the CSR perspective is very important when MC makes decisions on loan and investment proposals, and that MC will not grant loans and investments if it determines that CSR standards are not met, even if a proposal would raise profits. I thought that was great.

Prof. Davis: I think it is also important to work with project partners to foster improvements, rather than just pulling out because there are problems in the partner country. Businesses need to educate, rather

than simply disassociating with unsatisfactory partners, and bear equal responsibility for their actions.

Mr. Teranaka: When trying to develop natural resources in African countries, for instance, a company will invariably clash with military regimes. If you allow yourself to take that risk, then you should do so with an appropriate strategy in hand, and having accepted the accountability for how you will handle the risk.

Mr. Ishisone: There are hardly any businesses that can make a profit without taking some risk. The important point is how the company views the balance between potential risks and potential profits, and whether it establishes accountability.

It is also important to disclose specific details of CSR education.

MC: What were your impressions in terms of CSR education and efforts to raise awareness of CSR issues?

Mr. Namba: MC is providing solid education for new employees, and CSR

Participants



One Akiyama

President, Integrex Inc.



Tsuyoshi Ishisone

Senior Analyst, Equity Research,
Daiwa Institute of Research Ltd.



Yuya Okazaki

Deputy Cultural Editor,
The Yomiuri Shimbun



Scott T. Davis

Professor, International School of
Economics and Business
Administration, Reitaku University



Makoto Teranaka

Secretary General,
Amnesty International Japan



Kikujiro Namba

Chairman of the Board,
Earthwatch Japan

Employee integrity is the most important component of CSR

education for employees who will take up posts outside Japan. These initiatives extend group-wide. I think it is a great experiment attempting to achieve sustainability with such a wide group of participants all together.

Prof. Davis: Education is the biggest challenge when it comes to CSR and corporate sustainability initiatives. For example, education in human rights and other social issues is essential if managers deployed overseas are to function in a responsible manner. I would be interested to hear more about the type of education MC provides its employees and what kind of training system MC uses to enhance the quality of its management processes.

Ms. Akiyama: I think social contribution activities can be a part of employee education. Participation in social contribution activities, I think, plays a large part in changing employee awareness.

Mr. Namba: Companies should be aware that active volunteering in social contribution activities is actually a benefit to the company. I think the world would

change somewhat for the better if companies do so.

Ms. Akiyama: I think CSR is three-sided. There is the integrity – that is, sincerity or high-principled character – of the top management, the integrity of the organization, and the integrity of the employees. Among these, it is the integrity of the employees that is really important. Even if the company policy is solid, to put it into practice, each and every employee must have the proper awareness. In that sense, I would like to see MC encourage and appreciate employee education and employee efforts to contribute to society.

"I want MC to undertake activities that will change Japan."

MC: What would you like to see MC do in the future?

Mr. Ishisone: This is only my opinion, but I believe that trading companies are order-takers. Even if they have the influence to take a leadership role and change the world, they do not seem to. Take coking coal or LNG, for instance. Of course, MC performs jobs for client companies, but if it were to itself encourage end users, I think it has the power to change Japan, such as in the area of energy problems. I would definitely like to see MC undertake activities like that.

▶ Response to Stakeholder Dialogue

CSR is an initiative that aims for synergistic development between society and a company. I believe that our company is improved through two-way dialogues with the stakeholders who surround the company. Fully aware of the influence MC has on society, I plan to see to it that CSR is given more attention in MC's day-to-day business operations. Through this dialogue I felt the need to continue attaching importance to dialogues with stakeholders, disclosing appropriate information, and furthering highly transparent corporate activities.

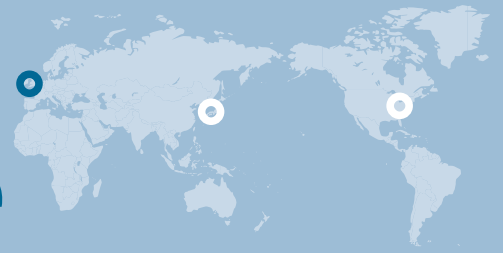
Hidetoshi Kamezaki Senior Executive Vice President



MC's third Stakeholder Dialogue meeting for 2005 was held in London on 4 May. Again, a diverse range of stakeholders met with MC staff based in London to discuss MC's sustainability reporting – its strengths and weaknesses, and how it could be improved. The stakeholder representatives – from academia, environmental NGOs and the Socially Responsible Investment community – all shared their frank opinions on this topic with MC.

Stakeholder Dialogue Europe

May 4, 2005 [London]



Initial assessments of the Sustainability Report

MC: What were your initial assessments of the Sustainability Report?

Arif Zaman: My initial reaction to the Report went hand-in-hand with the knowledge that MC were conducting this Dialogue – it would be a narrow approach for a company to produce such a document but not to link it with dialogue.

Bill Sneyd: There were relatively few hard measures in the Sustainability Report, and so it was difficult to understand whether the matters reported on were really material to MC's overall operations. There were some great case studies about the MICF and MCFEA – but what percentage of MC's profit or turnover is being allocated to these types of initiatives? Such measurements should also be accompanied by some kind of commitment to improve – just making a measurement does quantify, but raises the question: "where is MC heading?"

David Harris: I thought that it was a very good report, and that the policy commitments given were considerable.

There was a huge challenge in reporting on very different six core businesses, and across 80 countries and 500 Group companies. There might be value providing more detail about those six business groups.

Mark Rose: I was surprised by the diversity of MC's business, and that raised questions about managing risk around what appeared to be opposing businesses – for example, organic farming versus agrochemicals businesses. I also thought what was lacking was some mention of the biodiversity risks in some of the places MC is operating in, such as Sakhalin and Tangghu.

Jim Walker: I think this Report would be improved by saying whether MC had targets on CSR, and whether MC was reaching the level of "sustainability performance" that it would like. MC is a complex group of companies operating in almost every sector around the world, all tied together by the name "MC." MC has a certain amount of control over what happens "on the ground" internationally – but perhaps not as much as a BP or Shell. It

seems like MC takes on all the "reputation risk" of its group companies, but doesn't always have control over those businesses.

Improving CSR awareness

MC: How can MC improve CSR awareness?

Arif Zaman: MC could help encourage CSR debate, encouraging researchers from Japan to come to Europe, and encouraging the development of what "CSR" means from an Asian perspective.

Mark Rose: One of the most useful methods for CSR education is through stakeholder consultation at the local business level, in order to find out from local stakeholders just what their views and opinions were. Often that would also be a valuable process in creating new business relationships.

David Harris: BP set targets on reducing emissions, and allowed their different subsidiaries to trade with one another: this enabled them to achieve huge cost savings through innovation – as well as providing obvious CSR benefits. I wonder if MC could focus on something similar?

MC must address the challenge of
its own complexity.



CSR issues that MC should be focusing on

MC: What CSR issues should MC be focusing on in particular?

David Harris: Perhaps different core business groups should identify different relevant parties to partner with, including focusing on social issues.

Bill Sneyd: Once focus areas are selected,

MC should stick with them for a good few years to ensure that it was seen to have an ongoing engagement with those issue.

Jim Walker: I'd like to know what MC's stance on climate change is – whether MC aspired to be a leader in this field and, if so, what would that mean. There were some good case studies in the Report, for example in relation to emissions trading,

and using hydrogen and other new fuels – but what did they mean in terms of MC's overall carbon impact and how did they benchmark against what other companies are doing?

Arif Zaman: You could look at the impact of social contributions. MC is present in markets where there are tremendous challenges in terms of market risk and poverty – you could actually pick up on some of these countries and do some case studies.

Participants



Arif Zaman
Research Fellow, John Madejski Centre for Reputation and Centre for Board Effectiveness, Henley Management College Adviser, Commonwealth Business Council



Bill Sneyd
Operations Director, Future Forests



David Harris
Senior Executive, FTSE4Good



Mark Rose
Executive Director, Fauna & Flora International



Jim Walker
Chief Operating Officer, Climate Group



Don Potts
Environmental Adviser (Facilitator of the dialogue)

Response to Stakeholder Dialogue

This was the first Stakeholders' Dialogue that MC has held in London, following on from the Dialogue held in Tokyo last year. We were very pleased to have such an experienced range of participants, from environmental NGOs, academia and the SRI community. Through this Dialogue, and others that we will hold, we can re-evaluate and improve our CSR activities and can better focus on the continuous improvement of management of the whole range of CSR issues that we face at MC.



Osamu Noma
Mitsubishi Corporation (UK) Plc

MC's second Stakeholder Dialogue meeting for 2005 was held in New York on 3 May. Representing the Socially Responsible Investment community as well as environmental and human rights NGOs, these experts in the field of CSR offered MC feedback about our sustainability reporting, and most importantly, how we can improve our impact on the environment and society as a whole.

Stakeholder Dialogue

The Americas

May 3, 2005 [New York]



Initial assessments of the Sustainability Report

MC: What were your initial assessments of the Sustainability Report?

Tensie Whelan: We commend Mitsubishi Corporation on publishing a sustainability report and making real progress on key indicators, such as energy and waste reduction, as well as assessing the environmental impact of their investments. In the future, we would recommend that MC set and report on specific targets for

reducing its own impact and that of its supply chain as well as develop third-party verification of its performance.

Celine M. Suarez: This is a very strong report, particularly with respect to the aid of graphic depictions of the flow of operations, internal reporting processes, and corporate compliance structure. On the environmental front, I'd like to see more reporting on challenges and lessons learned, to contrast with the positive data.

Michael Posner: I would have liked to see

more in this report about what Mitsubishi Corporation considers to be the scope of its responsibility for human rights. In particular, the report should describe what MC does in its business investments in factories and farms, and the factories and farms of its suppliers, in particular in the developing world, to ensure that workers' rights are attended to.

Sandi D. Franklin: It is exciting to see Mitsubishi Corporation produce a report like this, and engage with stakeholders to



Sustainability Provides Opportunities for an Improved Bottom Line

get a broader range of reactions. The Sustainability Report is subtitled: "To protect the future, to create the future." I would like to see MC engage this sustainability vision and mission with schoolchildren, who are that future. The Report could be more outcome oriented and more applicable to this group.

Michael Northrop: This report reveals a company taking important steps towards a vision for sustainability. I look forward to an even deeper engagement in the future especially in the area of climate change.

CSR issues that MC should be focusing on

MC: What CSR issues should MC be focusing on in particular?

Michael Posner: Considering the scope of Mitsubishi Corporation's business, the company must take responsibility for its supply chain, especially in developing countries. This can be done incrementally by taking manageable steps towards ensuring respect for human rights and the environment at the chain's various levels.

Tensie Whelan: In order to set more specific targets for its supply chain, MC should survey its operations to better understand its intricacies and identify opportunities for improvement. Once that assessment is done, MC should identify some key indicators and goals for reducing its ecological impact and improving its

sustainability.

Celine M. Suarez: MC cannot be afraid to admit when there are challenges to improving its environmental and social footprint. MC needs to communicate what lessons have been learned and what corrective actions were or will be applied when these challenges are faced.

Michael Northrop: Leaders in the corporate world, which Mitsubishi Corporation is, are setting specific targets. MC can turn these targets and improved sustainable practices into business opportunities, by saving money from reduced energy costs and increasing employee morale by respecting human rights.

Sandi D. Franklin: I encourage MC to expand the definition of stakeholders to include our children, but also to engage other stakeholders on a much broader scale. It may be useful for MC to work collectively on sustainability issues with other trading companies as well as governments of less developed countries. This engagement may prove the key to discovering new markets and new perspectives that will drive the future of business for MC.

▶ Response to Stakeholder Dialogue

We are committed to maintaining an open and constructive dialogue with our stakeholders and we truly appreciate the thoughts of our participants this year. Thanks to this dialogue and the relationships that we have with the NGO, academic and SRI communities, we will be able to more positively engage with the stakeholders in the communities where we do business. The very future of our enterprise depends on the respect that we give to the environment, society and our stakeholders and therefore we welcome the opportunity to move forward to a more sustainable tomorrow.

James E. Brumm EVP & General Counsel
Mitsubishi International Corporation



Participants



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Tensie Whelan
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Michael Northrop
Program Officer,
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Michael Posner
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Celine M. Suarez
Analyst, Citigroup
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Riva Krut
CSR Consultant,
Cameron Cole
(Facilitator of the dialogue)