

SECURITY TRADE CONTROL IN MC

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Corporate Philosophy – The Three Corporate Principles

- The Three Corporate Principles, formulated in 1934, serve as MC's corporate philosophy and as the cornerstone of our management and compliance ethos

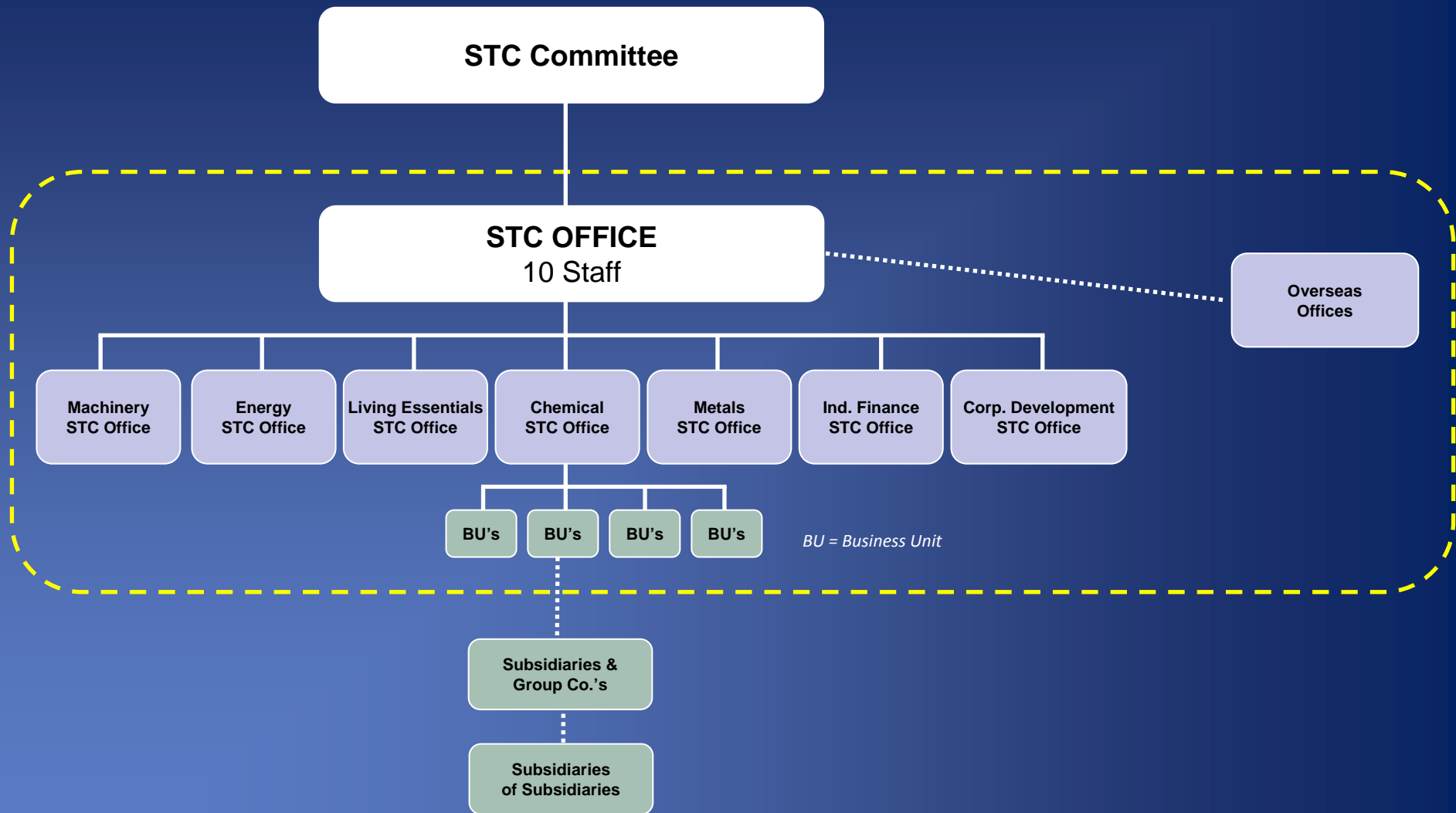


- **Corporate Responsibility to Society (所期奉公 "Shoki Hoko")**
Strive to enrich society, both materially and spiritually, while contributing to the preservation of the global environment.
- **Integrity & Fairness (處事光明 "Shoji Komei")**
Maintain principles of transparency and openness, conducting business with integrity and fairness/
- **International Understanding Through Trade (立業貿易 "Ritsugyo Boeki")**
Expand business, based on an all-encompassing global perspective.

The Importance of STC Compliance for Business

- Good STC Compliance is about **Managing Risks**
 - Reputational Risks, Regulatory Risks, etc.
 - Peace and Stability = Favourable Business Environment
- How to Manage Risks ?
 - From CEO to new hire, a company-wide commitment to compliance
 - Formulating policies above-and-beyond legal minimum requirements
 - Training! Training! Training!
 - Comprehensive Screening of Transactions

STC Organizational Structure in MC



Role of the STC Office

- Formulating STC policy and regulations
 - Creation of internal control program
 - Formulation of “company rules” to reduce risk
- Training
 - FY2008 had 247 sessions with 4,533 staff (40 overseas sessions).
- Transaction Screening (all exports)
 - incl. creation and maintenance of screening systems
- Day-to-day advising of business staff and group STC offices
- Assisting and advising overseas offices
- Involvement in STC-related industry & external activities
(CISTEC, Japan Foreign Trade Council, Industrial Structure Council, etc)

Primary Tasks Related to Transaction Screening

- Ensuring all exports have been properly classified, documented, and approved before shipping.
- Ensuring exports involving:
 - listed products
 - destinations of concern
 - end-use / end-user concernsare screened, double-checked, and approved one-by-one.
- Balancing strict STC compliance without unduly burdening the business front
 - creating a complex IT transaction screening and approval system
 - ensuring each and every transaction is processed without undue delays

Importance of Intangible Capabilities

- STC staff must:
 - be well-versed in export control laws and regulations
 - contain product experts (e.g. chemicals or machinery experts).
Particularly important for trading companies.
 - be able to quickly grasp shifts in international political sentiment
 - understand global trends on issues such as:
 - policy trends and changes
 - enforcement trends (and reputational risks)
 - potential flare-up issues (both trade and security related)
 - current global political situation and how it affects STC risks
 - ability to remain neutral in the transaction screening process

Managing Overseas Offices

MC is Japan's largest general trading company

- Over 200 bases of operations in approx. 80 countries
- Over 500 group companies and a multinational workforce over 60,000

Each base of operation has a designated “STC Manager”

STC Managers are required to:

- Ensure compliance with local laws and regulations and ensuring implementation of STC Rules to MC standards
- Conduct transaction screening for own-transactions
- Conducting local end-user/end-use checks for Tokyo
- Training
- Being MC's STC expert for their office/country/region
- Conducting internal STC-audits

Tokyo HQ actively supports overseas STC Managers by:

- Conducting annual training sessions for the STC Managers
- Training assistance (on-site visits, e-learning development, etc)
- Providing advice on day-to-day transactions
- Assisting with implementation of overseas offices' internal control programs

QUESTIONS

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