

# Export Control of Japanese Company

Security Trade Controls in Mitsui,  
a General Trading Company



**MITSUI & CO.**

January 23, 2018

Mitsui & Co., Ltd. International Security Trade Control Dept. Corporate Logistics Div.

# Agenda

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1. Overview of Mitsui
2. Export Control in Japan
3. Internal Compliance Program (ICP) for Security Trade Controls in Mitsui
4. Export Control for Mitsui's Overseas Offices

# MITSUI & CO. at a Glance



(As of March 31, 2017)

## Revenue

US\$ **39.0**  
billion

## Total Assets

US\$ **102.7**  
billion


## Total Equity\*<sup>1</sup>

US\$ **33.3**  
billion

## Profit for the Year\*<sup>2</sup>

  
US\$ **2.7**  
billion

## Core Operating Cash Flow\*<sup>3</sup>

  
US\$ **4.4**  
billion

### International Financial Reporting Standards (IFRS)

The U.S. dollar amounts represent translations of the Japanese yen amounts at the rate of ¥112.00=U.S. \$1, the approximate rate of exchange on March 31, 2017.

\*1: Total equity attributable to owners of the parent      \*2: Profit for the year attributable to owners of the parent

\*3: Core Operating Cash Flow = "cash flows from operating activities" — "changes in operating assets and liabilities"



# MITSUI & CO. at a Glance



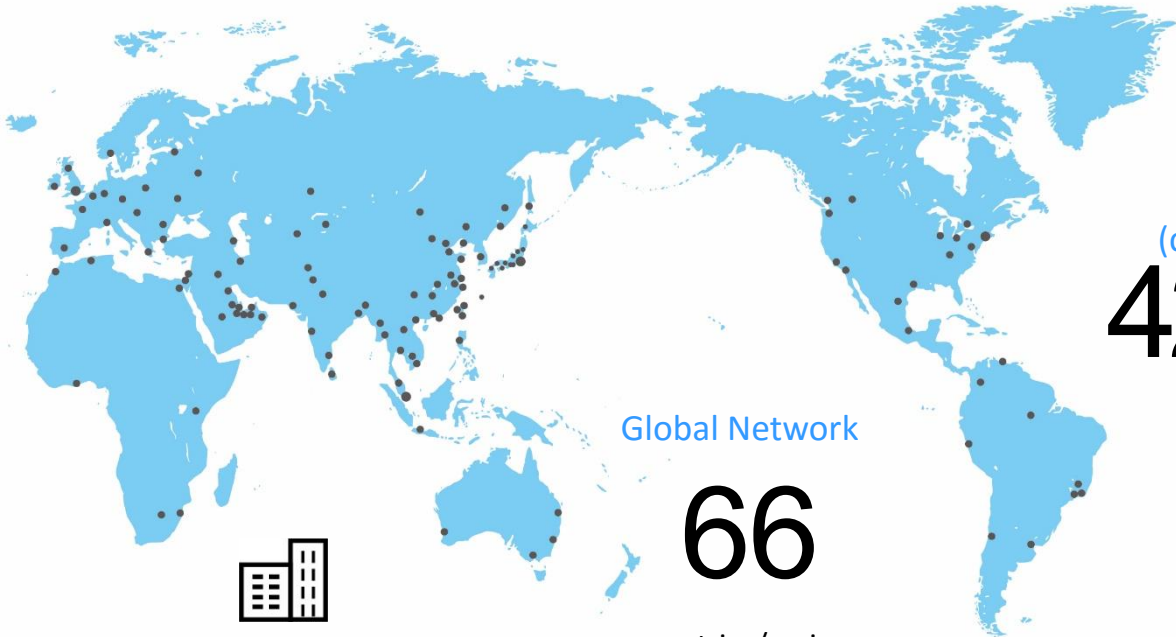
(As of March 31, 2017)



Number of Offices  
and Overseas  
Trading Subsidiaries

139

(As of Jun 1, 2017)



Number of  
Employees  
(consolidated)

42,316



Number of Subsidiaries  
and Equity  
Accounted Investees

469

Global Network

66

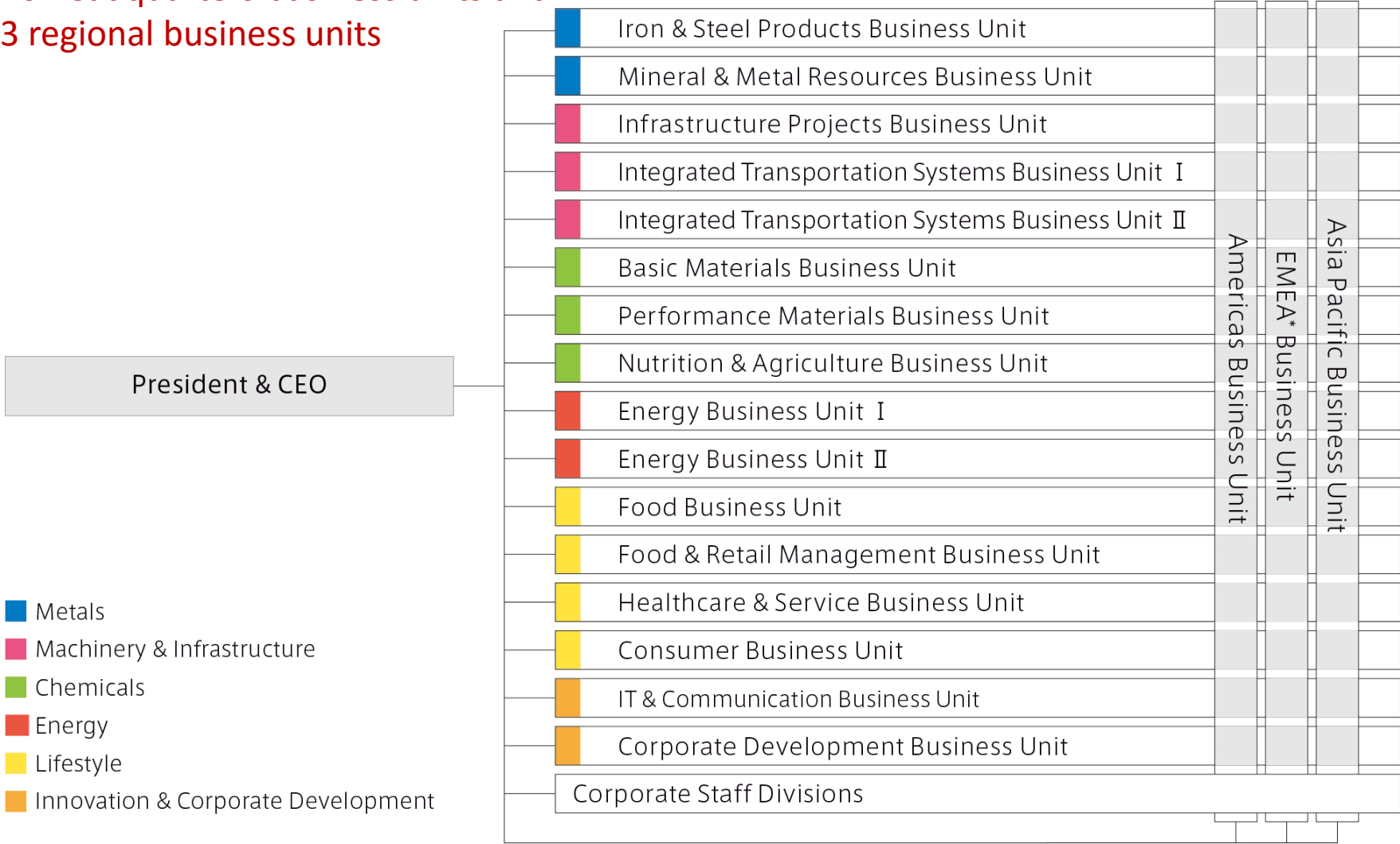
countries/regions

(As of Jun 1, 2017)

# Corporate Information



16 headquarters business units and  
3 regional business units



- Metals
- Machinery & Infrastructure
- Chemicals
- Energy
- Lifestyle
- Innovation & Corporate Development

(As of April 1, 2017)

\*EMEA: Europe, the Middle East and Africa

# Business Areas

Providing new value across a wide range of industries, leveraging our business engineering capabilities and diverse experience.



## Metals

Through business development, investment and trading of steel products, mineral and metal resources, we work to develop integrated value chains which deliver a stable supply of resources, materials and products essential to industrial society. We also take part in resource recycling, developing industrial solutions that address environmental issues.



Iron & Steel Products Business Unit



Mineral & Metal Resources Business Unit

## Machinery & Infrastructure

We contribute to the development of countries and the creation of better lives through the long-term, reliable supply of indispensable social infrastructure such as power, gas, water, railways and logistics infrastructure. We provide sales, financing, lease, transportation and logistics, and investment in various areas, including large-scale plants, marine resource development facilities, ships, aerospace, railways, motor vehicles, and mining / construction / industrial machinery.



Infrastructure Projects Business Unit



Integrated Transportation Systems Business Unit I



Integrated Transportation Systems Business Unit II

## Chemicals

Our chemicals business encompasses trade and investment in a range of industries, from upstream and midstream chemicals such as basic chemicals and fertilizer and inorganic resources, to downstream chemicals which meet diverse market needs, including functional materials, electronics materials, fertilizers, agrochemicals, feed additives, flavorings, and specialty chemicals. We are also pursuing new initiatives in food science, tank terminals and carbon fiber.



Basic Materials Business Unit



Performance Materials Business Unit



Nutrition & Agriculture Business Unit

# Business Areas

Providing new value across a wide range of industries, leveraging our business engineering capabilities and diverse experience.



## Energy

Through upstream development, logistics and trading of energy resources such as oil, natural gas/LNG, coal and uranium, we contribute to the stable supply of energy vital to both industry and society. In addition, as part of efforts to achieve a low-carbon society, we are actively involved in environmental and renewable energy businesses.



Energy Business Unit I



Energy Business Unit II

## Lifestyle

Adapting to changes in consumption and lifestyles while meeting consumers' diverse needs, we provide value-added products and services, develop businesses and make investments in business fields such as food resources and food products, retail services, healthcare, outsourcing, fashion and textiles, forestry plantation resources, and real estate-related business.



Food Business Unit



Food & Retail Management Business Unit



Healthcare & Service Business Unit



Consumer Business Unit



Healthcare network providing full spectrum of healthcare services/Columbia Asia (Malaysia)

## Innovation & Corporate Development

Through our IT, Finance and Logistics business, we work on a diverse range of projects aimed at developing innovative business and expanding our business field. We aim to strengthen our company-wide earnings base by pursuing new business, capturing changes in technology such as IoT and AI, promoting digital transformation, and providing advanced capabilities across multiple fields.



IT & Communication Business Unit



Corporate Development Business Unit

6 business areas and 16 headquarters business units

- Connecting ideas, information, customers, partners, and businesses across the planet to create new business opportunities

## Marketing

While maintaining sensitivity to the changing times, we are making use of our powerful information gathering and analysis expertise to create new markets, drawing on sales capabilities developed in extensive experience aligned with various business practices and legal systems worldwide.

## Project management

We are working to cultivate and develop projects by utilizing management resources such as personnel, funds, information and networks. The sharing of management resources and capabilities across every company in our group is continuing to lead to the creation of highly competitive businesses.

## Finance

We offer and advise on various financial functions necessary for the expansion, cultivation, and promotion of business, from fund procurement and financial structuring to trade finance.

## Risk management

By utilizing know-how accumulated over many years, we propose risk reduction and control methods such as hedging measures and various insurance systems.

## Digital transformation

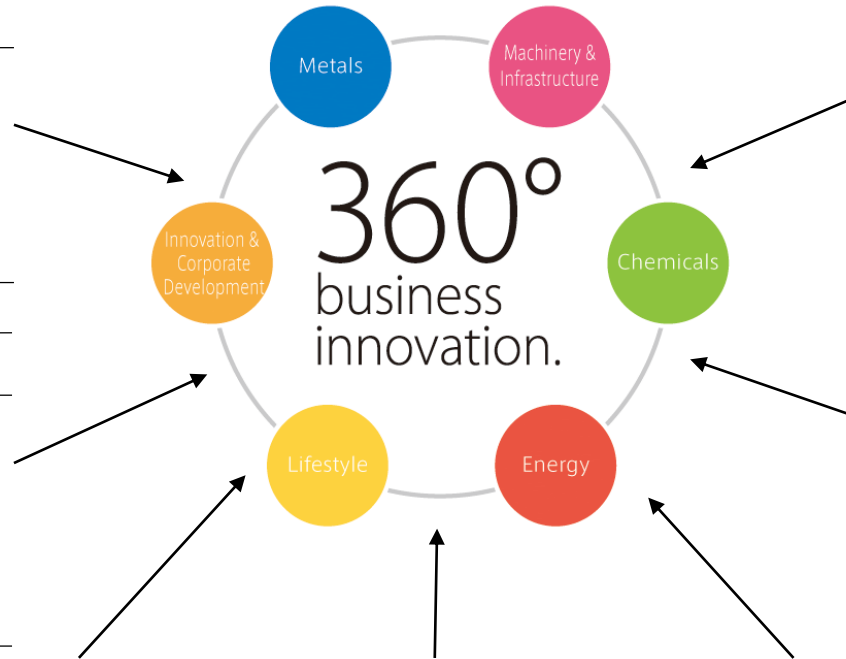
We are working to create a new era of business by utilizing AI and IoT to optimize processes and revolutionize company models.

## Business development

We are continuing to cultivate new business models and projects through the pursuit of new opportunities, effective project management, and utilization of our comprehensive capabilities and global network.

## Logistics

We are continuing to offer SCM, DCM and other logistics solutions to meet a wide range of needs for both transportation and cost efficiency.





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# Control Framework



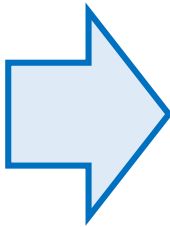
## International Level

- (1) International Treaties and Conventions
- (2) International Export Control Regimes
- (3) UN Security Council resolutions



## Country Level (Japan)

Export Control Law and Regulations governed by Ministry of Economy, Trade and Industry (METI)

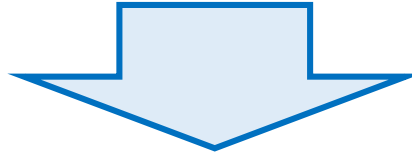


## Company Level

Internal Compliance Program (ICP)

# What is Export Control for us?

- Comply with applicable law and regulations.
- Obtain the license required by law.



- Building an effective control system governed by certain internal rules.

Internal Compliance  
Program (ICP)

## ICP's Key Elements:

1. Principles
  2. Policy
  3. Organization
  4. Control structure and process
- The style and contents of the ICP differ among individual companies, which depends on the business style, scale, production items etc..
  - The Special General Bulk license holder is required to establish the ICP with sufficient content by METI. As a result, the company is delegated a part of the control responsibility by METI on condition that internal control is implemented effectively based on the ICP content.

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for Security Trade Controls in Mitsui**
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# Internal Compliance Program (ICP)



## Contents

1. Principles
2. Policy
3. Security Trade Control Structure
4. Transaction Screening
5. Export License Application
6. Shipment Control
7. Internal Audit
8. Education and Training
9. Record Keeping
10. Affiliated Companies
11. Reports
12. Penalty

The ICP expresses “Export Control”  
as “Security Trade Control”.  
“STC”

7.8.9. are mandatory for the company  
who holds  
Special General Bulk license from METI.

10. is necessary to implement properly  
for the company who has  
affiliated companies based on  
requirement from METI.

# Internal Compliance Program (ICP)



## 1. Principles

- Purpose:  
to maintain international peace and security.
- Scope:  
any business transaction related to
  - (1) exports of goods  
(including domestic biz in which the goods involved will apparently be exported through customers and transfers of technology)  
(also including samples and hand-carried items)
  - (2) transfers of technology in Japan or in foreign countries  
to non-residents
  - (3) brokering services of goods
  - (4) brokering services for technology
- Chief STC Officer may take emergency step to respond to change in the international security situation.

# Internal Compliance Program (ICP)



## 2. Policy

Mitsui's employees shall:

- Never violate the law and regulations when conducting exports, or brokering services for goods or technology.
- Establish an appropriate corporate system to implement security trade controls in order to comply with the law and regulations.
- ✓ A single incident could lead to jeopardizing company's entire business.
  - 3 years prohibition for export transaction.
  - Cancellation of Special General Bulk license.
  - Loss of social credibility.
- ✓ "Integrity" is a keyword for recent ethics.

### **Criminal Penalty**

- No more than ten years of imprisonment
- No more than one billion yen or no more than five times in value of the items

### **Administrative Penalty**

- Prohibition of exports for no more than three years

### **Publication**

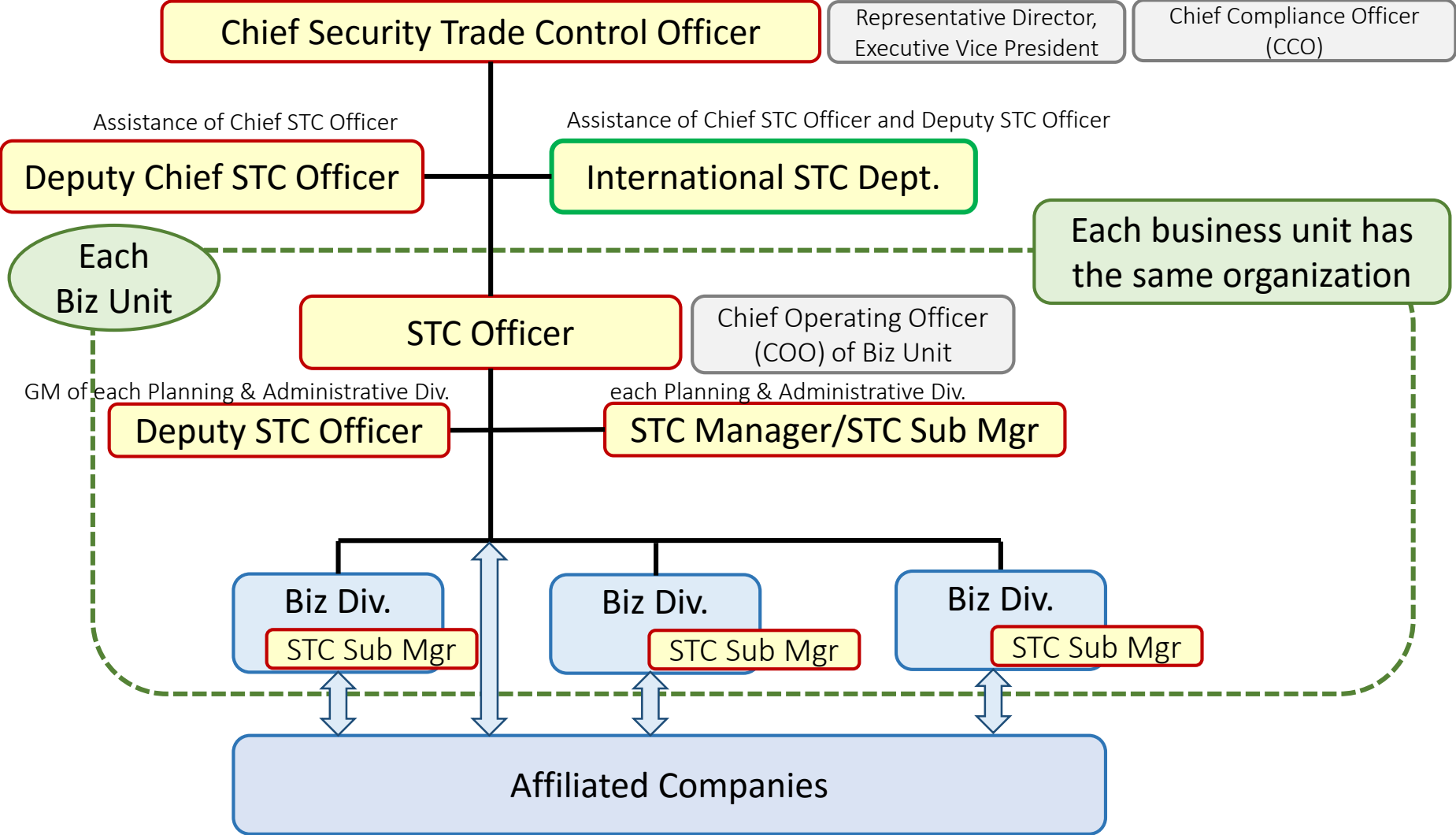
- METI may issue a warning, which would be made public on the METI website



# Internal Compliance Program (ICP)



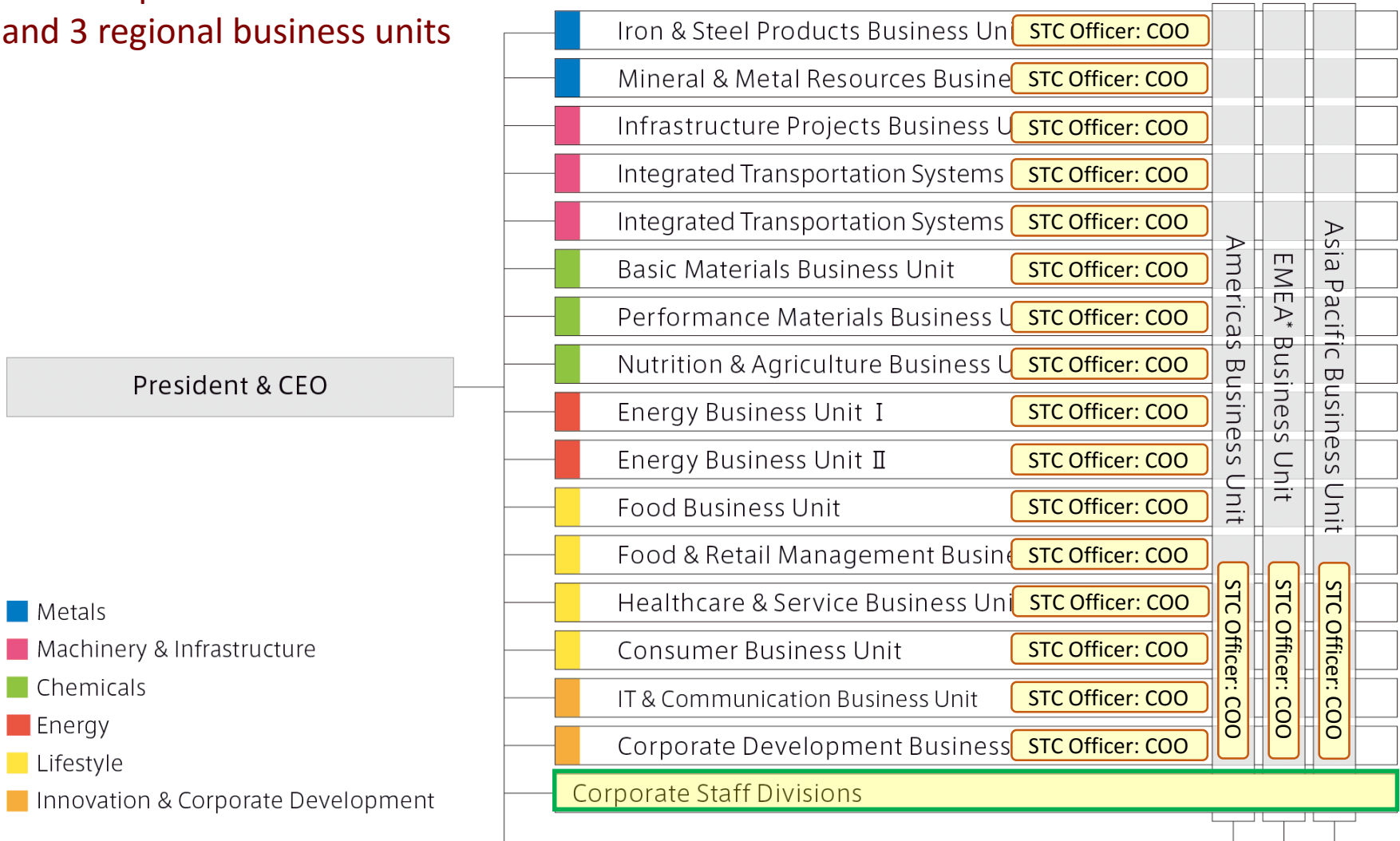
## 3. Organization of STC



# Organization Overview



16 headquarters business units  
and 3 regional business units



- Metals
- Machinery & Infrastructure
- Chemicals
- Energy
- Lifestyle
- Innovation & Corporate Development

As of April 1, 2017

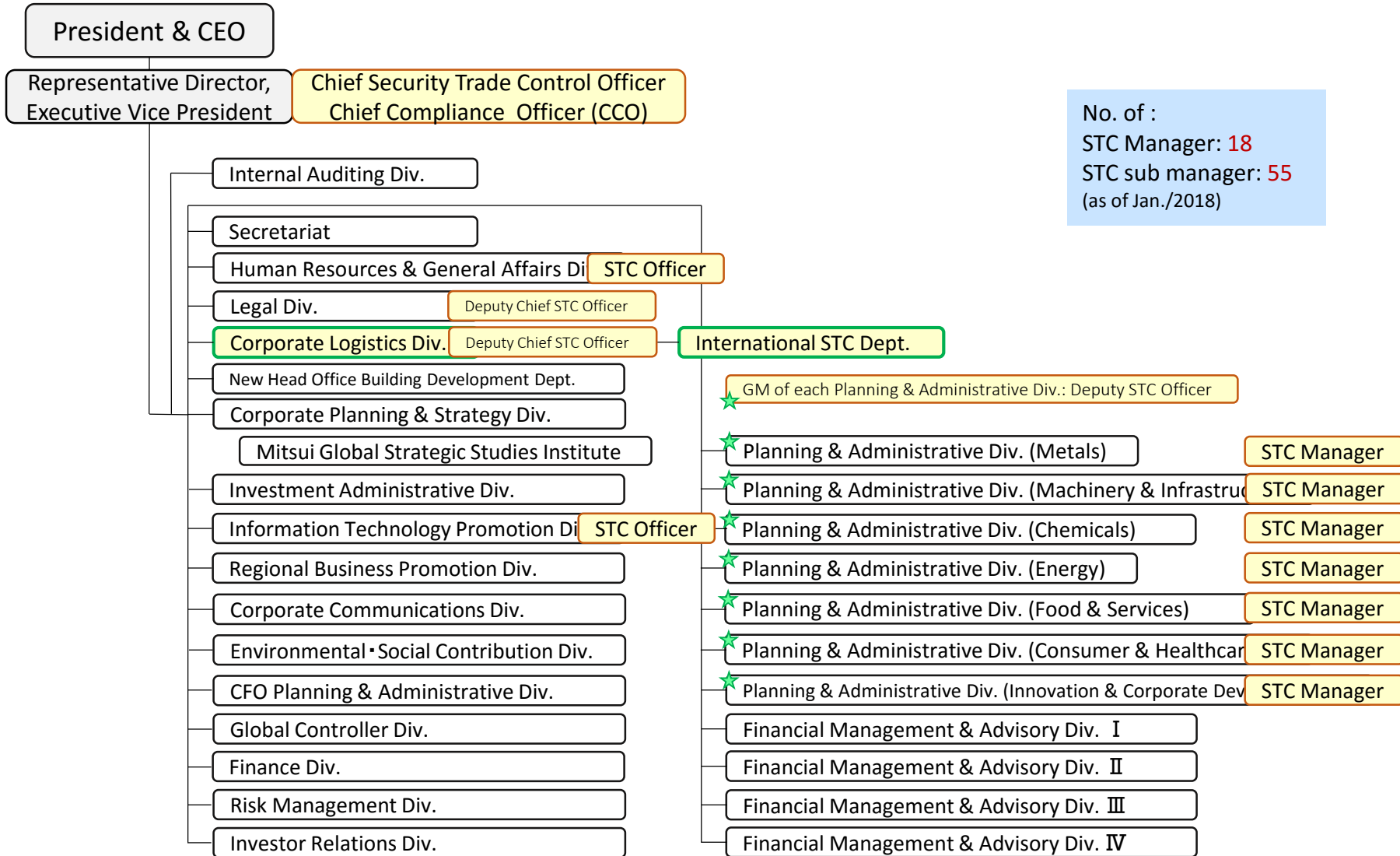
\*EMEA: Europe, the Middle East and Africa

Note: China, Taiwan, South Korea, and the CIS region report directly to the Head Office

# Organization Overview



## Corporate Staff Divisions & Business Supporting Unit

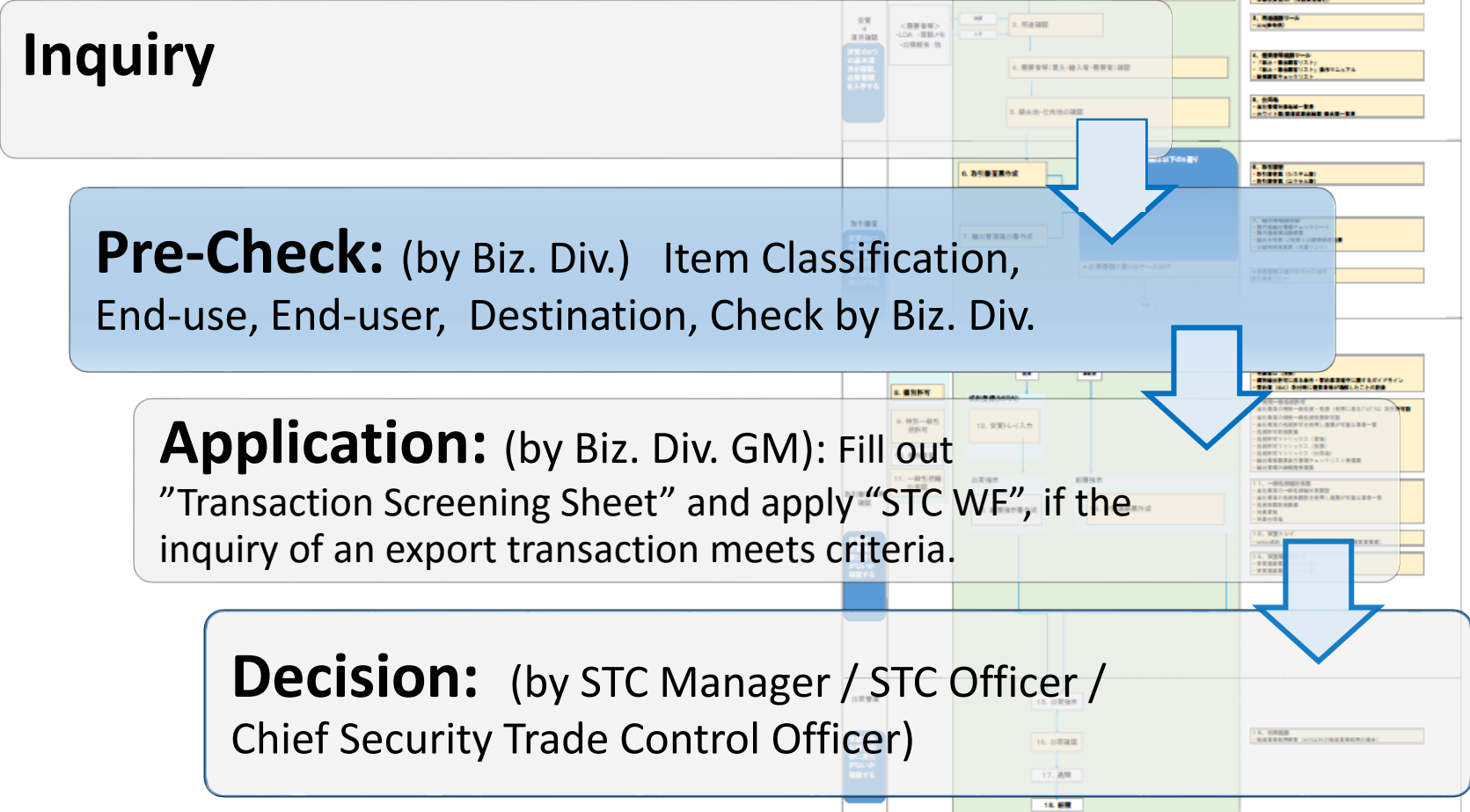


No. of :  
 STC Manager: 18  
 STC sub manager: 55  
 (as of Jan./2018)

# Internal Compliance Program (ICP)



## 4. Transaction Screening Procedure



# Internal Compliance Program (ICP)



## Transaction Screening Pre-Check

When an inquiry comes, do Pre-Check by Biz Div.

Check the following:

Fill out “Transaction Screening Sheet”.

- (1) Classification of Items
- (2) End-Use Check
- (3) End-User Check
- (4) Destination Check

In cases where the inquiry of an export transaction, etc. **meets any of the above-mentioned criteria**, the GM of Biz Div. shall submit the form of security trade workflow (STC WF) to the STC Manager concerned.

安貿取引審査票／安貿連絡票

(採用に際し最新版であることを確認ください)

輸入品		軍物番号		輸出品		輸出品	
品名		軍物番号		輸出品		輸出品	
品名		軍物番号		輸出品		輸出品	
品名		軍物番号		輸出品		輸出品	

輸出品		輸出先	
品名		輸出先	
品名		輸出先	
品名		輸出先	

品目	用途	輸出先	輸出先
1 貨物等(貨物又は技術)が、 1. 輸出令別表第1の1～15項に該当。(輸送料定が不明の場合を含む) 2. 外為令別表の1～15項に該当(輸送料定が不明の場合を含む) 3. 輸出令別表第2に該当。(商社名義の輸出のみ)		( ) 該当しない	該当の場合は、WFを申請してください
2 キャッチオール規制用途要件に該当しますか？ ●核兵器、軍用の化学剤・細菌剤、ロケット・無人航空機 ●原子炉、核融合の研究、重水の製造、核燃料・核原料物質 ●放射線 ●軍・国防に關連する者が行う又はそれらの委託で行う場合であつて以下の用途である場合 ・輸出令別表第1の3の項(1)に該当する貨物の開発・製造用 ・農業、畜産、肥料、殺虫剤の開発・製造用 ・衛生学・医学の開発・製造・使用若しくは貯蔵用 ・宇宙に關する研究用		( ) 該当しない	( ) 該当する
3 キャッチオール規制需要要件に該当しますか？ 「客先又は需要者等(買主・輸入者・需要者・技術提供者)が、 ●禁止・懸念顧客リスト(含む外国ユーザーリスト)に掲載されていること。 ●核兵器等の開発等を行うこと、若しくは行ったことが入手した資料等に記載されている又はその情報があること。 ●軍・要否・国防関連。 ●原子力発電所・原子力研究所・核燃料・核原料関連 (製錬・製造・加工・貯蔵・再処理・廃棄) ●客先が需要者を明かせない理由に懸念がある。		( ) 該当しない	( ) 該当する
4 仕向地又は経由地がB-1国・地域にありますか？ アフガニスタン、エジプト共和国、キューバ、エリトリア、イラン、イラク、北朝鮮、レバノン、リビア、ソマリア、スーダン、シリア、中央アフリカ <small>※B-1国・地域は輸出令別表第1の15項に規定されています。 ※B-1国・地域は輸出令別表第1の15項に規定されています。 ※B-1国・地域は輸出令別表第1の15項に規定されています。</small>		( ) 該当しない	B-1国・地域 ( ) 該当する

輸出管理届出書 (安貿WF) 申請不要 ( )	輸出管理届出書 (安貿WF) 申請必要 ( )
輸出管理届出書 (安貿WF) 申請必要 ( )	輸出管理届出書 (安貿WF) 申請必要 ( )

輸出先	輸出先
輸出先	輸出先
輸出先	輸出先

## Transaction Screening

### (1) Classification of Items: Checks below-mentioned ➤.

- Goods of Categories 1 through 15 of the Attachment List No. 1 to the Export Trade Control Order (ETCO).
- Technologies of 1 through 15 of the Attachment List to the Foreign Exchange Order (FEO).
- Goods related to the Attachment List No. 2 to the ETCO.
- The U.S. export controls under the Export Administration Regulation (EAR).
  
- ✓ Obtain certified documents of classification from the item's supplier.
- ✓ Verify if the classification was done correctly based on the latest version of the law and regulation. The certified documents do not fulfill our requirement, request the item's supplier revision/re-consideration.
- ✓ In case the item's supplier cannot issue sufficient documents of classification properly, do the classification himself based on existing documents with consulting to international STC Dept., CISTEC, and so on.

# Internal Compliance Program (ICP)



## Transaction Screening

### (2) End-Use Check: Checks below-mentioned ➤.

- If those are **list controlled items**, check whether or not:
  - (a) the items will be, could be, or are suspected of being used for WMD activity,
  - (b) the items will be, or are suspected of being used for other military end-use.

(Letter head)  
 (name) Div.  
 (name) Unit  
 (name) Unit

LETTER OF ASSURANCE

1. Importer  
 Full Name:  
 Full Address:
2. End-user  
 Full Name:  
 Full Address:
3. Name of the goods,
4. Place where the goods will be used, consumed or processed  
 Full Name:  
 Full Address:

- If those are **catch-all controlled items**, check whether or not:
  - (a) the items could be used for WMD activity,
  - (b) the items could be used for conventional weapons activity.

5. Use of the goods
6. Assurance of the end-user  
 We assure you that we shall use the goods provided by you for the above use only.  
 We will not use the goods for any military purpose including the development, manufacture or use of  
 chemical, biological, nuclear, or other weapons, or for any other military systems  
 such as missiles, or for any other military ends.
7. Whenever we re-export the goods we shall obtain prior written approval from you.

Name of End-user (Company): \_\_\_\_\_  
 Title of Signer: \_\_\_\_\_  
 (Signature): \_\_\_\_\_  
 Date: \_\_\_\_\_

# Internal Compliance Program (ICP)



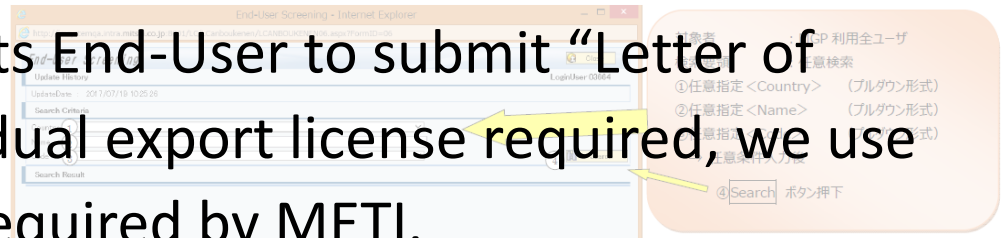
## Transaction Screening

### (3) End-User Check: Checks below-mentioned ➤.

Check the **opposite party of the transaction** who signs the contract, as well as the **importer, consignee, or the end-user** in respect of the following point.

- Whether or not the end-user is on the List of Denied/Concerned Parties published by the GM of STC Dept. (including the **End-User List published by the METI.**)
- Whether or not the documents obtained through the business operation indicate that the end-user will be or has been engaged in any WMD activity, or there exists such information.

After Pre-Check, Biz Div. requests End-User to submit “Letter of Assurance” practically. If individual export license required, we use “End Use Certificate” which is required by METI.





## Transaction Screening

### (4) Destination Check: Checks below-mentioned ➤.

Check whether or not the **ultimate destination** or the **place of transit** if any is on the list of countries/regions subject to control which is set out by the GM of STC Dept.

#### ➤ Prohibited/Concerned Countries/Regions

countries/regions (ex. **North Korea, Iran, Iraq, Syria**, etc.) in following lists and so on.

- ETCO attachment No. 3-2: countries to which weapons exports are banned by U.N. resolutions.
- ETCO attachment No. 4.: METI's designated countries.
- U.S.A.: a state sponsors of terrorism, etc.
- Others.

# Internal Compliance Program (ICP)

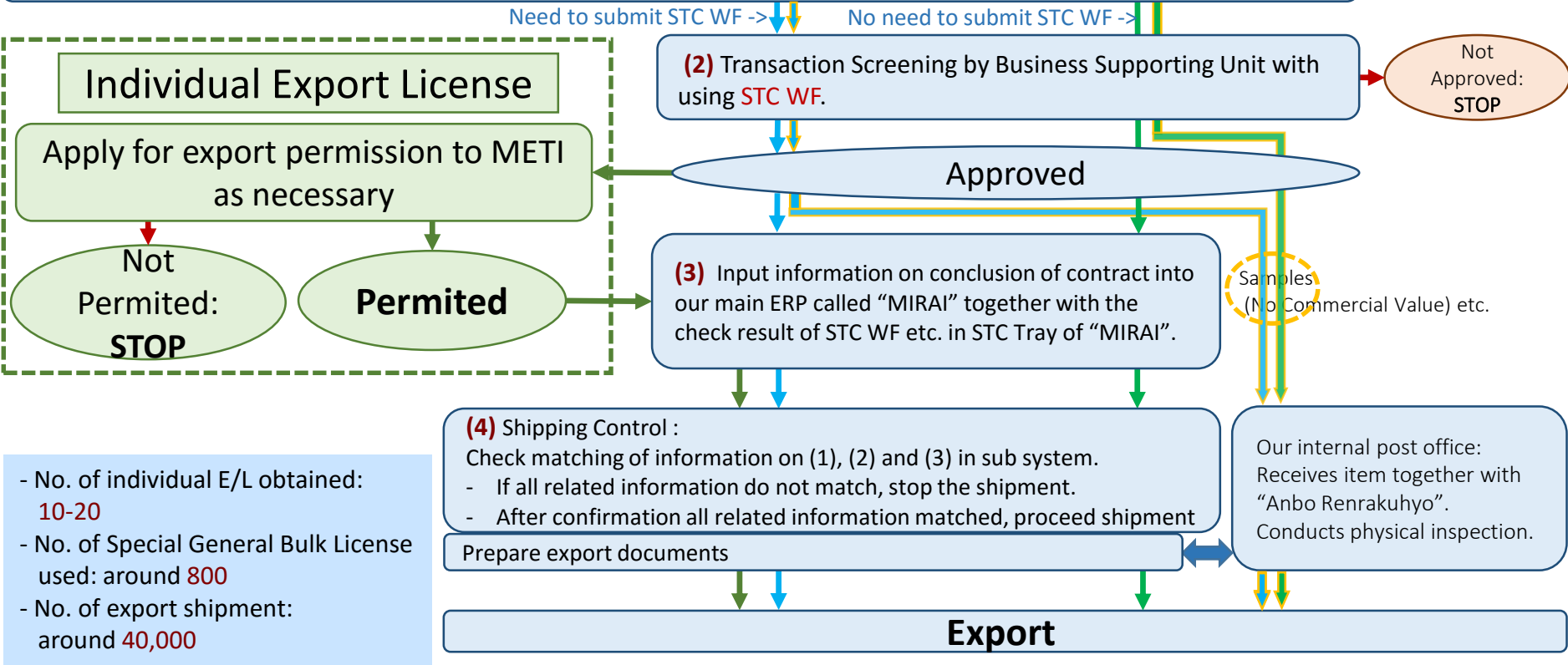


## Procedure Overview

**(1)** For an inquiry, **transaction screening for 4 criteria by biz div.**  
(transaction screening sheet)

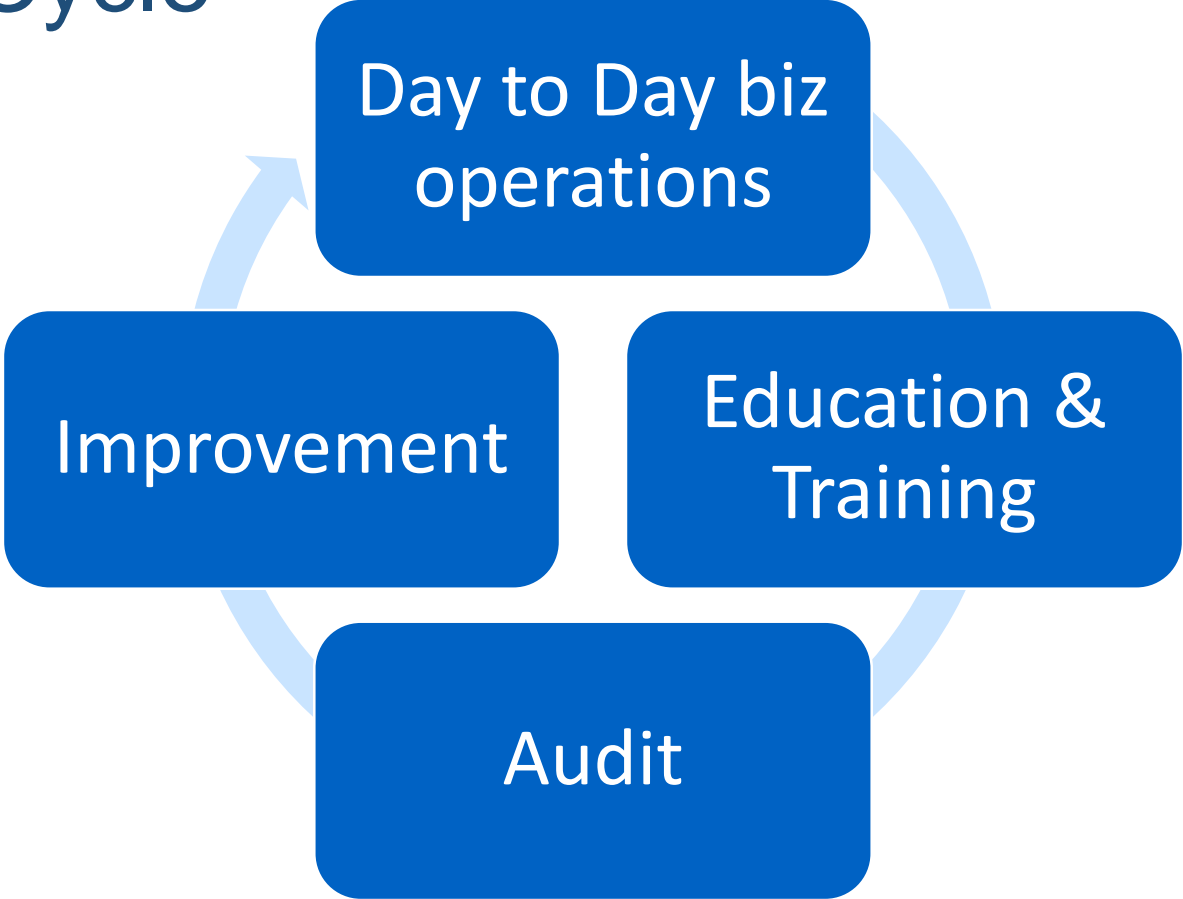
- Classification of item**  
Attachment List No. 1 & 2 to ETCO.
- End-Use Check**  
WMD activity, Conventional weapons activity
- End-User Check**  
importer  
consignee  
end-user
- Destination Check**  
Prohibited/Concerned Countries/Regions

If the inquiry of an export transaction, etc. meets any of the above-mentioned criteria, GM of biz div. submit the form of **STC WF**.



- No. of individual E/L obtained: **10-20**
- No. of Special General Bulk License used: around **800**
- No. of export shipment: around **40,000**

## PDCA Cycle



No. of our seminars has held: **around 60.**

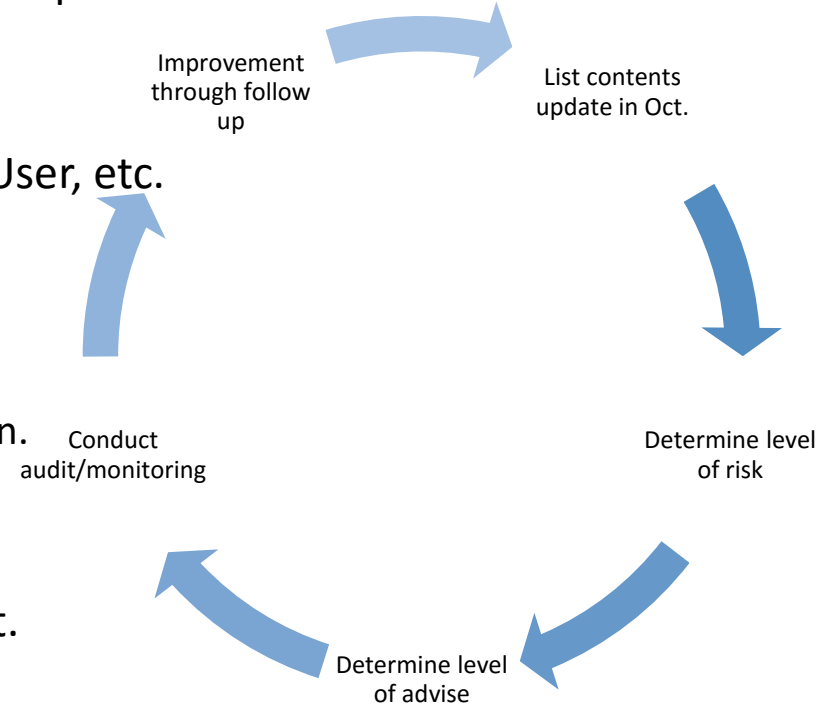
# Internal Compliance Program (ICP)



## Affiliated Companies

The Chief STC officer (in parent company) shall give appropriate instructions and advice to affiliated companies.

- ✓ How to establish ICP
- ✓ How to check Item classification End-Use and End-User, etc.
- ✓ Training (through seminar, etc.)
- ✓ Support for Audit (as request)
- ✓ We have quarterly meeting among important affiliated companies for purpose of exchanging updated information.



Based on Guidelines for advice to affiliated companies,

- Based on the list at the end of September, STC Dept. starts update of the list through STC manager.
- Determine level of risk (A-C) and advise (1-7).
- Based on confirmed level for each affiliated company, conduct audit/monitoring.
- Improvement through follow up.

Number of affiliated company (head office supervise):  
- Subsidiary: **455** (including sub-consoli Co. = Grandchild Co.)  
- Associated company: **83**, in total: **538** (as of end/Sept/2017)

# Agenda

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# Export Control System (Overseas Offices)



As of June 16, 2017

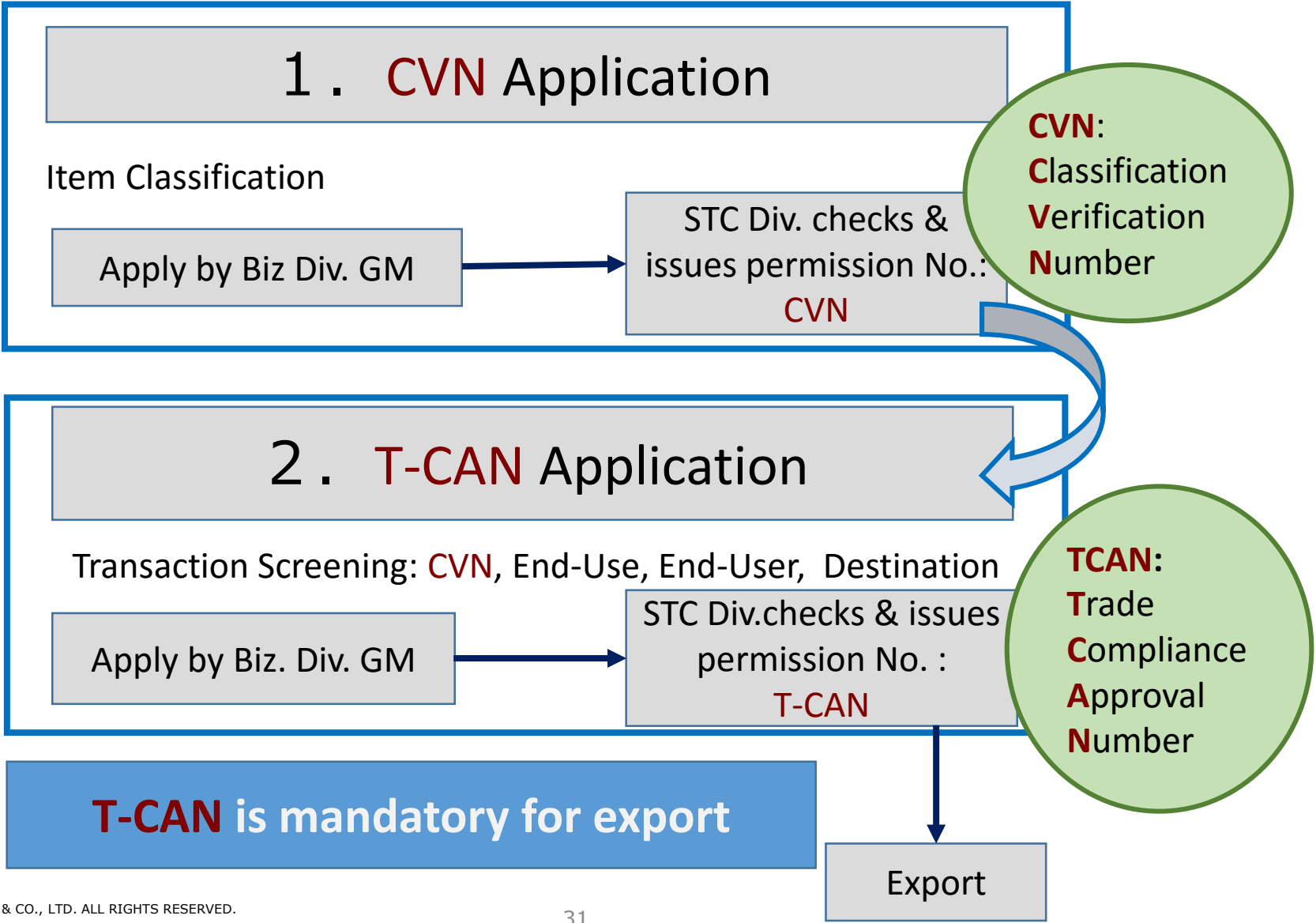


“Export Control System” has been successfully implemented at overseas offices.

## <Implementation in 23 Countries>

USA, Canada, UK, France, Italy, Belgium, Spain, Germany, Norway, Dubai, Singapore, Thailand, **Malaysia**, China, Hong Kong, Taiwan, Korea, Philippines, Vietnam, India, Indonesia, Australia, and New Zealand

# Outline of System



Finally, it would be helpful to establish win-win relationship between a nation and a private company through voluntary activities by paying careful attention to followings;

- Unusual inquiry (new customer, huge quantities), even if domestic biz in which the goods involved will apparently be exported through customers and transfers of technology.
- Sanctions related resolutions by U.S.A.
- EAR regulations, etc..

# Thank you !

## 360° business innovation.



MITSUI & CO.