

Industrial Finance, Logistics & Development Group



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(Concurrently)
Division COO,
Merchant Banking,
M&A Division

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Division COO,
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Division



Industrial Finance, Logistics & Development Group Organizational Structure

Industrial Finance, Logistics & Development Group CEO Office
Industrial Finance, Logistics & Development Group Controller Office

Merchant Banking, M&A Division

- Merchant Banking & Investment Unit • M&A Unit

Asset Finance & Business Development Division

- Financial Services Unit • Real Estate & Project Finance Unit
- Leasing & Finance Unit • Airline Business Unit

Development & Construction Project Division

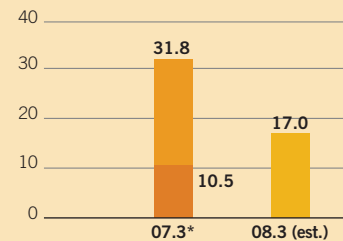
- Commercial Property Development & Management Unit
- Urban & Residential Development Unit • Construction & Building Equipment Unit • Overseas Property & Project Development Unit

Logistics Services Division

- Risk Engineering Unit • Logistics Business Unit
- Tramp Chartering Business Unit • Tank Terminals Business Unit

Industrial Finance, Logistics & Development Group Net Income

(¥ billion)



* Figure restated based on new organization

■ After deducting gain on sale of Diamond City shares

Group CEO's Message

Formation of a New Business Group

This group was formed on April 1, 2007 from the reorganization of the former New Business Initiative Group. Specifically, we have united our financial and logistics related businesses with the development & construction project, airline and domestic auto leasing related business from the Machinery Group. As a result of this reorganization, our group is made up of four divisions—Merchant Banking, M&A Division, Asset Finance & Business Development Division, Development &

Introduction to a Key Business—J-REITs

Mitsubishi Corp.-UBS Realty Inc. (MCUBSR) was established in a joint venture with UBS AG, a preeminent European financial institution to manage and offer REITs. Since 2002, MCUBSR has been managing Japan Retail Fund Investment Corporation (JRF), a J-REIT focused on retail facilities. Total assets under management at February 2007 stood at ¥480 billion. As the 51% shareholder of MCUBSR, centered on the Asset Finance & Business Development Division and Development & Construction Project Division, MC is providing various forms of support to MCUBSR such as seconding staff and evaluating properties.

At present, MCUBSR is making preparations for the launch of a unique new REIT, Industrial & Infrastructure Fund Investment Corporation. This REIT will invest in industrial assets such as logistics centers, plants and other manufacturing facilities and infrastructure facilities where there is thought to be much business potential and strong appetite among investors. MCUBSR plans to launch this new REIT during fiscal 2008. The Industrial Finance, Logistics & Development Group will support this new REIT by drawing on the expertise and insight of its divisions. The Asset Finance & Business Development Division boasts know-how in securitization

and asset management derived from the launch and management of JRF, while the Development & Construction Project Division has expertise in project development. The Logistics Services Division, meanwhile, will lend its expertise in facility management.

In addition to this sort of asset finance business backed by MC's strengths, the Industrial Finance, Logistics & Development

Group seeks to strengthen and expand an asset management business that utilizes networks and knowledge in financial market garnered through investment activities over the decades. The Industrial Finance, Logistics & Development Group will engage in finance businesses as "A New, Industry Innovator," the embodiment of MC's vision under its INNOVATION 2007 plan.



Distribution Facilities

Construction Project Division and Logistics Services Division—and group staff organizations. As of April 1, we had a staff of approximately 450 on a non-consolidated basis and total assets of approximately ¥700 billion.

Sogo shosha have tended to use finance as a function, or "tool," in the business value chain. But the financial environment is undergoing major change that is expanding the possibilities for new finance businesses. The asset finance business is one example. In the case of real estate investment trusts (REITs), MC integrates finance with real estate, where MC has strength in the business value chain. Based on the underlying trends in the financial market, MC has designated "Finance" as one of its Next-Generation Core Businesses in its growth strategy for the second year of INNOVATION 2007's "step" period and beyond. This is a field where MC can leverage its contact with a broad range of industries and global network. We are appropriately allocating people, assets and other management resources to this area.

In fiscal 2007, the Industrial Finance, Logistics & Development Group recorded consolidated net income of ¥31.8 billion based on restated business group figures under MC's new organizational structure. The primary contributors to this result were gain

on the sale of Diamond City Co., Ltd. shares as well as strong performances by the real estate-related fund business, aircraft leasing business and logistics business, notably Mitsubishi Corporation LT, Inc., which was established in April 2006 and provides total logistics solution.

Group Strategy and Fiscal 2008 Outlook

The Industrial Finance, Logistics & Development Group aims to generate consolidated net income of ¥17.0 billion in fiscal 2008. This would represent a ¥6.5 billion (roughly 60%) year-on-year increase based on a pro-forma net income of ¥10.5 billion for fiscal 2007 that excludes the gain on the sale of Diamond City shares. We expect the primary driver of this increase comes from real estate- and lease-related businesses' earnings.

Our strategy is to strengthen existing businesses such as real estate finance, where we have played a pioneering role in the industry in Japan. Beyond that though, in order to further drive growth, we will also expand shosha-type industrial finance businesses, which integrate finance with MC's expertise in assets and industries that are reinforced by stronger collaboration between this group and other MC business groups than before. Some of the specific areas we

are targeting are a new type of REIT that invests in industrial assets, infrastructure funds specializing in infrastructure facilities, a healthcare fund that purchases medical institutions' loans and receivables, and overseas leasing businesses such as the launch of a joint venture in Saudi Arabia.

In fiscal 2008, we plan to build up our assets with risk diversification in order to expand our earnings platform. At the same time, we will also consider reallocating management resources to selectively invest them in strategic projects.



Ken Kobayashi
Executive Vice President
Group CEO, Industrial Finance,
Logistics & Development Group

Merchant Banking, M&A Division

We are providing a distinctive investment business founded on our contact with all industry domains, diverse global workforce and sophisticated expertise.

Japanese companies have seen the business environment change vastly over the last decade. One illustration is the increasing presence of investment funds and other new players in various industries as providers of capital. The Merchant Banking, M&A Division was established to develop a financial business founded on MC's unique network that responds to client needs and, at times, anticipates such needs.

A key field in fiscal 2008 for this division is our buyout investment business, which falls under the concept of nurturing businesses. In this business, we support the development and growth of businesses through the provision of risk capital and services to various companies in industries that are expected to undergo restructuring or consolidation. Besides seeking a return as an investment business, our aim is to expand and enhance our own value chain by participating in business model reform of companies in many industries.

Concurrently, we plan to continue promoting investments in quality global funds such as private equity and hedge funds, where we can expect stable income streams based on diversification of risk through an investment portfolio approach. MC has an extensive network and expertise in global financial markets built up over many years and we will leverage these "assets" to good effect in providing distinctive financial services such as asset management operations. We will also develop new financial products as we seek to create new financial businesses.



Investing in Greater China

The Merchant Banking, M&A Division conducts a global investment business. For example, subsidiary MC Capital Asia Pacific Ltd. manages a private equity fund that invests in promising companies in the Greater China region, encompassing China, Hong Kong and Taiwan.

Asset Finance & Business Development Division

We are providing a financial services business that combines our expertise in assets and services with our asset management and finance know-how.

The Asset Finance & Business Development Division is promoting a "shosha"-type industrial finance business, which has a wider and deeper focus than traditional finance businesses. This business targets various needs triggered by structural changes occurring around the world, such as investment diversification needs and increasing demand for support to improve management efficiency.

For fiscal 2008 in the real estate finance field, we plan to tap our experience with Japan Retail Fund Investment Corporation (JRF), a leading Japanese REIT specializing in commercial properties, to launch an industrial REIT focusing on logistic centers and other industrial-related facilities. Also, we have begun promoting an overseas infrastructure fund business.

In the lease business field, through realignment of our domestic automobile leasing operations, Mitsubishi Auto Lease Holdings Co., Ltd. has made a smooth start as one of the largest companies in the industry, and we are expanding our business base. We have also begun businesses that leverage our global knowledge and network as a "sogo-shosha". One example is our general leasing business in Saudi Arabia.

In aircraft leasing, we already boast the biggest fleet of any Japanese company. In addition, we have a proven track record in importing, exporting and marketing aircraft equipments and in providing related services. We aim to wed financial solutions with these and other existing businesses in a bid to provide more expansive solutions to the airline industry, and in the process expand our business.

The provision of new financial solutions will extend to other fields too. We are managing a healthcare business fund, and, amid diversification of investment products and financial services driven by innovations occurring in the financial markets, we will also provide new financial solutions in the re-insurance and retail finance sectors.

Our overriding goal is to actively invest our resources in order to create and expand industrial finance businesses as "A new, Industry Innovator".



Saudi Arabian General Leasing Business

MC has teamed up with Mitsubishi UFJ Lease & Finance Company Limited, and leading local companies, Riyadh Bank and the Zahid Group to enter into a general leasing business in Saudi Arabia.

Development & Construction Project Division

This division is building a value chain extending from development to securitization of assets by adding finance to the development of diverse real estate assets, such as retail properties, housing, office buildings, healthcare and multipurpose facilities.

The Development & Construction Project Division sees itself as an innovator in revitalizing cities and the property development field. In this capacity, we will continue to strengthen and refine our services and value chain.

REITs and private equity funds are looking to expand their asset portfolios and diversify their investments into other assets. In response, we will actively engage in real estate securitization projects where we also undertake development of the properties that are eventually securitized. Using our wealth of success in these areas will be key. We are moving forward with the development and operation of urban retail facilities through Mitsubishi Corporation Urban Development, Inc., which was established in May 2007.

In urban and residential development, maintaining the stability of our core condominium development business is one theme. We will also develop rental housing where we can quickly exit and recoup our investment. Development and securitization of large-scale complex facilities and housing for senior citizens is another aspect of our activities in the urban and residential development field.

In the construction and building equipment field, our sights are trained on demand for the construction and refurbishment of newspaper printing plants, a key area for this division. We intend to convert this demand into new orders for the construction of facilities and the supply of equipment. The private finance initiative (PFI) business, mainly targeting hospitals, and medical solutions business are two other areas of focus. Moreover, by strengthening cooperation with business investee Japan Facility Solutions, Inc. we will actively develop the energy service company (ESCO) business.

Overseas, through U.S. subsidiary Diamond Realty Investments, Inc., we will continue investing in apartments, logistics facilities and other assets in the key U.S. market. We are also investing in new fields, as illustrated by our investment in Fairfield Residential LLC, a U.S. property developer, as we strive to achieve stable growth in our U.S. real estate business. Furthermore, in London, U.K., we

are working toward the completion of an office redevelopment project, and in Shanghai, China, we are steadily advancing a housing development business. In a new endeavor, we are looking to invest in quality overseas real estate funds in collaboration with this business group's Asset Finance & Business Development Division.



Development and Real Estate Securitization Project

Pictured is the Sapporo Hassamu Shopping Center, which opened in October 2006. Developed by MC, this shopping center is an example of our ongoing efforts to securitize real estate that we develop.

Logistics Services Division

The strength of this division lies in our comprehensive logistics and insurance solutions underpinned by a worldwide network of 170 bases integrated into value chains, and accumulated knowledge.

Our basic strategy is to create logistics and insurance businesses unique to MC by providing high-value-added solutions.

In recent years, we have extended the reach of our logistics business through bases overseas in China, Russia and elsewhere. In fiscal 2008, while continuing to expand this network, we will focus on two strategic fields that we believe are vital for improving profitability: apparel and automobile distribution. In February 2007, we established Shanghai Lingxiang Inspection Technology Co., Ltd. to inspect, distribute and process apparel and obtained an inspection license from the Chinese government, making us one of a few Japanese companies with this accreditation in China. Moving forward, we will strive to make further improvements in the efficiency of logistics between Japan and China.

The tramp chartering business is one of the distinctive businesses of MC's logistics operations. In this business, we are strengthening collaboration in MC's value chains in the transportation of steel raw materials and other raw materials. Through this approach, we are looking to expand business in terms of the transportation of specific cargo and transportation on specific routes. These operations help Japan to secure a stable supply of raw materials.

Meanwhile, our tank terminals business is working to respond to the trend toward stricter environmental and safety management regulations.

In the insurance business sector, we are increasing the use of captive reinsurance, usually the provision of reinsurance capacity to the fronting insurance companies covering the risks of MC Group companies. And taking the amendment to the Insurance Business Law of Japan to be an opportunity to develop a new insurance businesses, we established MC Small-claim Short-term Insurance (Preparatory) in January 2007, through which we will endeavor to create a new business model.

This division is also involved in the industrial REIT business in conjunction with other divisions of the Industrial Finance, Logistics & Development Group. We intend to step up our activities in the industrial finance field by drawing on our expertise in logistics and insurance.



Nishiura Logistics Center

This modern, large-scale logistics center in Funabashi, near Tokyo, is owned by a Japanese REIT specializing in industrial property. It is an example of the type of asset solution MC is working to provide to the logistics industry.