

Basis of Consolidated Financial Statements

1. Basic Accounting Policies

The accompanying consolidated financial statements of Mitsubishi Corporation (*the Company*) and its subsidiaries (collectively, *the companies*) have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

The significant differences between U.S. and Japanese accounting standards applicable to the companies relate to the followings:

- (1) Valuation of investments
- (2) Deferral of gain on sales of properties for tax purpose (Not permitted under U.S. GAAP)
- (3) Derivative instruments and hedge accounting
- (4) Pension and retirement benefit accounting (Unfunded obligations are recognized as liabilities and other comprehensive income (loss) for U.S. GAAP)
- (5) Accounting for business combinations and goodwill and other intangible assets

2. Scope of Consolidation and Application of the Equity Method

- (1) Number of consolidated subsidiaries and equity-method affiliates

	As of Sept. 30, 2006	As of Mar.31, 2006	Increase or [-] decrease
Consolidated subsidiaries	363	365	-2
Equity-method affiliates	190	185	5
Total	553	550	3

Note: The total number of consolidated subsidiaries and equity-method affiliates represents companies which the Company directly consolidates or to which it applies the equity method. 470 companies and 453 companies directly consolidated by subsidiaries as of September 30, 2006 and March 31, 2006, respectively, are excluded from this total..

- (2) Changes in scope of consolidation and application of the equity method

[Consolidated subsidiaries]

New: Kinsho Corporation, MMC AUTOMOVILES ESPANA and others (12 companies in total)

Excluded: Sphere, MC MACRO FUND, GAS DIANA TRANSPORT. and others (14 companies in total)

[Equity-method affiliates]

New: Hokuetsu Paper Mills, ONEENERGY LIMITED, Nippon Resibon Corporation,

Astomos Energy Corporation (reclassified from subsidiary) and others (10 companies in total)

Excluded: Diamond City and others (5 companies in total)

3. Change in Fiscal Year ends of Subsidiaries

In fiscal year ended March 2006, certain subsidiaries changed their fiscal year ends to March 31 mainly from December 31, to increase the timeliness and clarity of the companies' consolidated financial position and results of operations. The periodic accounting of earnings and losses for the months that exceeds 12 months were directly credited or charged through the unappropriated retained earnings in order to maintain the comparability of periodic earnings.

4. Application of New Accounting Standards

The company adopted Emerging Issues Task Force("EITF") No.04-6, "Accounting for Stripping Costs Incurred During Production in the Mining Industry," as of April 1, 2006. EITF No.04-6 requires that stripping costs incurred during production phase of the mine be account for as variable production costs that should be included in the costs of the inventory produced during the period that the stripping costs are incurred.

In accordance with EITF No.04-6, the cumulative effect of initially adopting this consensus was accounted for as an adjustment to the opening balance of unappropriated retained earnings in the period ended September 30, 2006. As a result, "Unappropriated retained earnings" decreased by 4,563 million yen.