

## **Management Policies**

### **1. Medium-term Management Plan—INNOVATION 2007**

In July 2004, Mitsubishi Corporation launched a four-year medium-term management plan called INNOVATION 2007. Covering the period from fiscal 2005, ended March 31, 2005, to fiscal 2008, ending March 31, 2008, INNOVATION 2007 envisioned a triple jump growth process—“hop,” “step” and “jump.” The first two years of the plan, fiscal 2005 and fiscal 2006, were designated as the “hop” period, with the subsequent two years, fiscal 2007 and fiscal 2008, the “step” stage. For this four-year period, Mitsubishi Corporation’s management policy was to set the stage for sustained growth in the subsequent “jump” stage by embracing change.

Subsequently, in April 2006, Mitsubishi Corporation revised the numerical targets and investment plans for INNOVATION 2007 for the “step” period, while leaving the vision and basic concepts of this plan unchanged. By leveraging its strong financial position to increase new investments and strengthen existing businesses, Mitsubishi Corporation is targeting sustained growth.

In April 2007, Mitsubishi Corporation established the Business Innovation Group and the Industrial Finance, Logistics & Development Group. This move involved progressively reorganizing the Innovation Center, New Business Initiative Group and other related groups after Mitsubishi Corporation newly designated three fields—New Energy and the Environment, Medical Health Care, and Finance—as “Next-Generation Core Businesses” that should be developed by the entire company into key core businesses of the future. This organizational restructuring means that Mitsubishi Corporation now has seven business groups: Business Innovation; Industrial Finance, Logistics & Development; Energy Business; Metals; Machinery; Chemicals; and Living Essentials.

Under this new framework, Mitsubishi Corporation will push steadily forward with its plans in fiscal 2008, the final year of INNOVATION 2007, to lay the groundwork for sustained growth in the “jump” period.

#### **(1) The Vision**

INNOVATION 2007 reflects the vision of Mitsubishi Corporation as “a new industry innovator.”

This vision entails leveraging the company’s participation in all manner of industries on a global basis, one of its defining strengths. The objectives are to create new paradigms by changing industries based on market needs and to support the creation of new, next-generation industries. In this way, the company will help customers and contribute

widely to industries and society at large. Mitsubishi Corporation is therefore aiming to be “a new industry innovator” that contributes to society by growing while opening pathways to the future.

## **(2) Three Basic Concepts**

As it aims to be “a new industry innovator,” Mitsubishi Corporation will take management actions to achieve the following three basic concepts of INNOVATION 2007.

1) Grasp Change and Open Up A New Era for MC

(Medium- to Long-term Growth Strategy)

2) Develop Human Assets

(Retain and Nurture Human Resources and Enhance Their Business Sensitivity)

3) Reinforce Internal Systems

(Continuously Strengthen the Management System)

### **1) Grasp Change and Open Up A New Era for MC**

#### **(Medium- to Long-term Growth Strategy)**

During the “hop” period, Mitsubishi Corporation made investments totaling approximately 700.0 billion yen. In the “step” period, having positioned it as a period for building on our achievements thus far to achieve sustained growth, we plan to invest around 1,200.0 billion yen over 2 years, mainly in the 2 fields below. We invested 450.0 billion yen of this amount in fiscal 2007 and plan to invest the remaining 750.0 billion yen in fiscal 2008. Our plan is to continue to strengthen our earnings base by expanding existing businesses, developing value chains, broadening our geographic reach, extending successful models to neighboring industries and taking other actions. At the same time, we will strengthen our trading capabilities.

#### **a. Company-wide Promotion Fields**

We have designated fields that are expected to grow in the future and where we can display our outstanding capabilities as Next-Generation Core Businesses. We will thus take a company-wide approach in developing these fields to grow them into businesses that generate earnings of a scale befitting a business group or division over the medium and long terms. Specifically, these three fields are New Energy and the Environment, Medical Health Care, and Finance. Efforts in this regard are being spearheaded by the Business Innovation Group and the Industrial Finance, Logistics & Development Group, which were established in April this year.

#### **b. Strategic Fields**

The energy, metal resources, metal products, overseas IPP, automobile, chemical products, food, paper-related and retail businesses have for many years been core

businesses of Mitsubishi Corporation. Having identified these as Strategic Fields, we will concentrate human and capital resources in these areas, which we expect to remain the backbone of our earnings going forward.

## **2) Develop Human Assets**

### **(Retain and Nurture Human Resources and Enhance Their Business Sensitivity)**

Mitsubishi Corporation is putting in place personnel systems and creating the environment for retaining and nurturing employees to support growth, motivating them further and enhancing their business sensitivity.

Specifically, we are giving top priority to developing reliable people with the ability to build businesses meeting customer needs, while at the same time securing and grooming people with the ability to function as CEOs and CFOs of our subsidiaries and affiliated companies. These activities are being led by the Center for Human Resources Development, which is advancing the development of human resources across the group on a global basis in an integrated manner.

Furthermore, by improving performance evaluation and remuneration systems, refining and establishing training programs and enhancing support systems for employees who are pregnant, raising children or have other family responsibilities, we are also endeavoring to create an environment in which it is even easier for many different types of people to work.

## **3) Reinforce Internal Systems**

### **(Continuously Strengthen the Management System)**

To support its growth strategy, Mitsubishi Corporation is strengthening its management system by implementing the following sorts of initiatives.

a. Mitsubishi Corporation is strengthening management of its business portfolio by continuously putting in place structures to support management and in particular the prioritization of strategic business fields. Initiatives to date have included the introduction of balance sheet management methods; Mitsubishi Corporation Value Added (MCVA), a proprietary management indicator that measures a BU's degree of contribution to raising corporate value; and the Business Unit (BU) system, which categorizes BUs by strategic mission.

b. Regarding internal control systems, the Chief Compliance Officer is leading ongoing efforts to ensure compliance on a consolidated basis. At the same time, company-wide efforts are being made to maximize efficiency in business operations while upgrading risk management.

Furthermore, to further enhance the reliability of financial reporting, Mitsubishi Corporation has been proceeding with work on a consolidated basis to establish a framework for documenting, evaluating and improving the company-wide internal control system and processes for the preparation of financial statements based on the Financial Products Exchange Law and the U.S. Sarbanes-Oxley Act of 2002.

c. Mitsubishi Corporation is also refining management systems using IT and establishing systems that provide accurate group management information on a timely basis. We will continue to concentrate on these efforts through to fiscal 2010.

### **(3) INNOVATION 2007 Medium-term Numerical Targets**

Mitsubishi Corporation's goal is ultimately to be a company that can consistently deliver consolidated net income of at least 400.0 billion yen\* during the "jump" period following the end of INNOVATION 2007 by making new investments of around 1,200.0 billion yen and strengthening existing businesses in the "step" period.

We will also focus on ROE as a key management yardstick with the aim of achieving an average of 15% over the medium and long terms.

\*This goal assumes no major change in the current economic environment. We may revise our target if there is such a major change.

### **(4) Progress With Investment Plan**

In the first half of fiscal 2008 in the energy and metal resources fields, Mitsubishi Corporation made investments of 235.0 billion yen including the acquisition of working interests in oil and gas fields in Indonesia and the Gulf of Mexico, U.S.A., and expansion and development in a steel raw materials business in Australia. In addition, we took a number of proactive steps involving the investment of around 450.0 billion yen. We strengthened food businesses by making Nihon Shokuhin Kako Co., Ltd., Nitto Fuji Flour Milling Co., Ltd. and Nosan Corporation subsidiaries, as well as additional purchase of shares in SPDC Ltd. and made investments in real estate development funds.

At the same time, we realigned our asset portfolio through various actions such as selling some shares in Sakhalin Energy Investment Co., Ltd. As a result, our investment assets, such as fixed assets and investment securities, increased approximately 260.0 billion yen during the interim period.

Mitsubishi Corporation and subsidiaries  
CONSOLIDATED BALANCE SHEETS (US GAAP)  
September 30, 2007 (unaudited) and March 31, 2007

ASSETS	Millions of Yen		
	Sept. 30 2007	Mar. 31 2007	Increase or [-]decrease
Current assets:			
Cash and cash equivalents	958,547	754,776	203,771
Time deposits	10,631	12,736	-2,105
Short-term investments	91,453	129,343	-37,890
Receivables-trade:			
Notes and loans	635,155	601,881	33,274
Accounts	3,026,891	2,828,042	198,849
Affiliated companies	222,605	232,741	-10,136
Allowance for doubtful receivables	(37,775)	(35,779)	-1,996
Inventories	992,514	913,383	79,131
Advance payments to suppliers	136,904	164,103	-27,199
Deferred income taxes	35,516	40,712	-5,196
Other current assets	206,305	229,881	-23,576
Total current assets	6,278,746	5,871,819	406,927
Investments and non-current receivables:			
Investments in and advances to affiliated companies	1,107,149	1,304,817	-197,668
Other investments	2,544,273	2,177,320	366,953
Non-current notes, loans and accounts receivable-trade	496,872	477,704	19,168
Allowance for doubtful receivables	(39,145)	(46,164)	7,019
Total investments and non-current receivables	4,109,149	3,913,677	195,472
Property and equipment- net	1,604,341	1,380,203	224,138
Other assets	337,058	319,965	17,093
Total	12,329,294	11,485,664	843,630