

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 following:

- (1) Valuation of investments
- (2) Deferral of gain on sales of properties for tax purposes (Not permitted under U.S. GAAP)
- (3) Derivative instruments and hedge accounting
- (4) Pension and retirement benefit accounting (Underfunded obligations and overfunded obligations are recognized as assets, 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 March 31, 2008	As of March 31, 2007	Increase or [-] decrease
Consolidated subsidiaries	389	379	10
Equity-method affiliates	194	194	0
Total	583	573	10

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. 497 companies and 469 companies directly consolidated by subsidiaries as of March 31, 2008 and March 31, 2007, respectively, are excluded from this total.

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

[Consolidated subsidiaries]

New: NOSAN CORPORATION (transferred from equity-method affiliates), KENTUCKY FRIED CHICKEN JAPAN (transferred from equity-method affiliates) and others
(43 companies in total)

Excluded: MURAKAWA and others (33 companies in total)

[Equity-method affiliates]

New: YONEKYU CO., ENERGI MEGA PRATAMA, ENCORE ENERGY,
NIKKEI MC ALUMINUM (transferred from consolidated subsidiaries),
P.T. KRAMA YUDHA TIGA BERLIAN MOTORS (transferred from consolidated subsidiaries),
and others (26 companies in total)

Excluded: SAKHALIN ENERGY INVESTMENT and others (26 companies in total)

3. Application of New Accounting Standards

Effective from April 1, 2007, the Company adopted Financial Accounting Standards Board (FASB) Emerging Issues Task Force (EITF) No. 06-9, "Reporting a Change in (or the Elimination of) a Previously Existing Difference Between the Fiscal Year-End of a Parent Company and That of a Consolidated Entity or Between the Reporting Period of an Investor and That of an Equity Method Investee." EITF No. 06-9 requires that a parent or an investor report a change to (or the elimination of) a previously existing difference between the parent's reporting period and the reporting period of a consolidated entity or between the reporting period of an investor and the reporting period of an equity method investee in the parent's or investor's consolidated financial statements as a change in accounting principle in accordance with provisions of Statement of Financial Accounting Standards ("SFAS") No. 154, "Accounting Changes and Error Corrections—a replacement of APB Opinion No. 20 and

FASB Statement No. 3.” SFAS No. 154 generally requires voluntary changes in accounting principles to be reported retrospectively unless it is impracticable. In accordance with this, the Company has accounted for subsidiaries that changed their fiscal year-ends in the year under review to March 31 as if their fiscal year-ends in prior years were March 31 and has restated prior-year consolidated financial statements. As a result, the previous fiscal year’s consolidated balance sheet, consolidated statement of income, consolidated statement of shareholders’ equity and comprehensive income (loss), consolidated statement of cash flows, segment information, geographic segment information and earnings per share information have been restated. Adjustments to consolidated net income, total shareholders’ equity and total assets in line with this restatement are as follows.

(Million Yen)

	Pre-restatement	Adjustment	Restated
Consolidated net income	415,895	-377	415,518
Total shareholders’ equity	2,950,931	6,797	2,957,728
Total assets	11,485,664	9,863	11,495,527

4. Loss From Discontinued Operations

The Company has reported losses related to discontinued operations that it has sold or has plans to sell as “loss from discontinued operations” on its consolidated statement of income in accordance with SFAS No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets.” The Company has partly revised and restated the previous fiscal year’s consolidated statement of income with regard to operations discontinued up to the end of March 31, 2008.

The operations discontinued in the consolidated fiscal year under review were a U.S. chemical products manufacturing business belonging to the Chemicals Segment.