

Energy Business Group



*front row
from left* : **Masayuki Mizuno**
Senior Vice President,
Division COO,
Petroleum Business Division

Seiji Kato
Executive Vice President,
Group CEO,
Energy Business Group

Jun Yanai
Executive Vice President,
Group COO,
Energy Business Group

*back row
from left* : **Tetsuro Kuwabara**
Senior Vice President,
Division COO,
Natural Gas Business
Division B

Ryoichi Hayashi
Senior Vice President,
Division COO,
Carbon & LPG Business
Division

Takahiro Mazaki
Senior Vice President,
Officer for E&P,
Energy Business Group

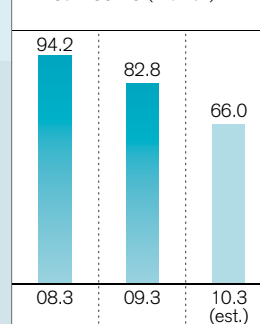
Kazuyuki Mori
Division COO,
Natural Gas Business
Division A



Organizational Structure

- Energy Business Group
CEO Office
- Energy Business Group
Controller Office
- Exploration & Production Unit
- Energy Business
Development Unit
- Natural Gas Business
Division A
- Natural Gas Business
Division B
- Petroleum Business Division
- Carbon & LPG Business
Division

Net Income (¥ billion)



Group CEO's Message

Fiscal Year Ended March 31, 2009 Performance

The Energy Business Group aspires to make a valuable contribution to society by providing stable supplies of energy. Our business activities rely on wide-ranging partnerships developed over many years with users both in Japan and overseas, with countries that have oil and natural gas resources, and with the oil majors.

The business group posted consolidated net income of ¥82.8 billion in the fiscal year ended March 31, 2009, a year-on-year decline of ¥11.4 billion, despite prices of oil and natural gas soaring in the first half of the fiscal year. The overall result reflected a sudden downturn in the global economy following the collapse of U.S. investment bank Lehman Brothers in the second half of the fiscal year and the effect on earnings of overseas resource-related subsidiaries of fixed asset write-downs and other factors.

New business development efforts yielded several notable results in the fiscal year ended March 31, 2009. LNG shipments began from Sakhalin II (annual capacity: 9.6 million tonnes) and from the fifth liquefaction train at the North West Shelf (NWS) Project in Western Australia (annual capacity: 4.4 million tonnes).

We also began full-scale marketing activities for natural gas following MC's earlier capital investment in U.S.-based energy marketing firm CIMA Energy Ltd.

Fiscal Year Ending March 31, 2010 Outlook and INNOVATION 2009

In our business philosophy, we aim "to create a rich energy society in everything we do—aiming to be a unique and sustainable energy business." This expresses our strong belief in realizing the energy society of tomorrow through MC's business activities today. These must focus on securing energy resources and ensuring stable supplies of energy while also taking the global environment into consideration.

The fiscal year ending March 31, 2010 is the final year of the INNOVATION 2009 medium-term business plan. Amid contraction in demand for oil and gas due to the global economic downturn, we are seeing moves to defer, revise or even shelve plans to develop high-cost oil and gas fields or to construct LNG trains, new oil refineries and other major projects that are no longer

cost-competitive. Within this harsh business environment, the short-term focus of the Energy Business Group will be on maintaining and reinforcing existing operations based on a rigorous approach to risk management. We aim to make steady progress with new LNG projects in the development and planning phase at Tangguh and Donggi-Senoro in Indonesia. We will continue developing new LNG projects and unconventional natural gas-related businesses as well, in anticipation of a recovery in energy demand over the medium and long terms. In our petroleum, carbon and LPG trading businesses, we aim to continue expanding the scope of our trading operations by forging stronger relationships with business partners.

We expect the business group's consolidated net income to decline to ¥66.0 billion in the fiscal year ending March 31, 2010, which would represent a year-on-year fall of ¥16.8 billion. This forecast mainly reflects the projected impact of lower oil prices, although currency-related and other factors also imply a considerable degree of residual uncertainty.



Seiji Kato
Executive Vice President,
Group CEO,
Energy Business Group

Contributing to Our World Through Business

Brunei Solar Photovoltaic Power Generation Demonstration Project

In August 2008, MC and the Energy Division, Prime Minister's Office (EDPMO) of Brunei signed a memorandum of understanding to undertake a large-scale solar photovoltaic power generation demonstration project. This project involves installing a solar photovoltaic power generation system with a nominal capacity of 1.2 MW, the largest in Southeast Asia, at Seria Power Station in the Belait District, Brunei. EDPMO, the Department of Electrical Services and MC will jointly carry out verification tests and evaluations over a three-year period after commissioning. The installment of this system is the first such undertaking in Brunei. To help Brunei develop solar photovoltaic power generation, MC will provide capital for the demonstration project, as well as contribute through technology transfers and personnel training.

MC and Brunei have been conducting business together for many years. In fact, the business relationship stretches back 40

years to 1969 when MC was involved in Brunei's first LNG project. Aiming to build up its oil and gas reserves in Brunei, MC is also active in the E&P field in the country.



The signing ceremony for the joint solar photovoltaic power generation demonstration project.

Energy Business Group



Natural Gas Business Division A

- Brunei Project Unit
- Alaska Project Unit
- Malaysia Project Unit
- Australia Unit
- Indonesia Project Unit

This division handles around 40% of the LNG imported into Japan by volume. MC boasts strong capabilities in executing LNG projects based on experience gained over many years.

This division is developing business across many parts of the LNG value chain. MC produces and liquefies natural gas and ships the resulting LNG from the world's main exporting countries and regions of Alaska, Brunei, Malaysia, Australia and Indonesia (the Arun and Tangguh projects). MC is also an LNG import agent for the Japanese market. The aim is to continue building the earnings base from the LNG business by adding to gas reserves within the existing franchise while also seeking to enhance the division's functional strengths in the LNG value chain further.

Key achievements in the fiscal year ended March 31, 2009 included offshore exploration in the state of Sarawak, Malaysia, and the start of LNG production in September 2008 from the fifth train at the Karratha gas liquefaction facility in the NWS Project in Western Australia.

In other developments, MC is undertaking a large-scale solar photovoltaic power generation demonstration project in Brunei. As well as contributing capital for the demonstration project, MC also plans to help Brunei develop solar photovoltaic power generation through technology transfers and personnel training.



Increased production capacity at the NWS Project promises secure supplies of energy for regions such as Northeast Asia.

Natural Gas Business Division B

- Oman Project Unit
- Sakhalin Project Unit
- Business Development Unit
- Global Gas Unit
- Donggi-Senoro Project Unit

Besides involvement in gas projects in Russia (Sakhalin II) and Oman, this division is working to capitalize on growth in the global LNG market through the establishment of innovative business models.

Shipments of LNG from Sakhalin II began in March 2009. This project has an annual LNG production capacity of 9.6 million tonnes from 2 liquefaction trains, of which around 60% will be supplied to Japan. In Indonesia, MC has taken up the challenge of developing the Donggi-Senoro LNG project as the overall business operator. At the same time, the division is pursuing a number of new LNG business projects, not only in Asia/Oceania but also in South America, the Middle East and Africa. In addition, MC is actively developing unconventional sources of natural gas such as coal bed methane and oil shales as well as offshore LNG production based on the concept of FPSO (Floating, Production, Storage and Offloading system) technology.

In the fiscal year ended March 31, 2009, achievements included MC's acquisition in January 2009 of access rights to the Freeport LNG Terminal in Texas, U.S. Leveraging this with the 2008 investment in U.S.-based energy marketing firm CIMA Energy, MC is aiming to expand global trading in natural gas further.



LNG shipments from Sakhalin II have begun, offering the Asia-Pacific region stable supplies of energy from a greater diversity of sources.

Petroleum Business Division

- Petroleum Supply & Sales Unit
- Industrial Petroleum Marketing Unit
- Utility Feedstock Unit
- Orimulsion Unit
- Petroleum Feedstock Unit
- International Petroleum Unit

This division is engaged in diverse transactions in midstream and downstream petroleum businesses and boasts a substantial presence, especially in Japan and other markets in Asia.

MC is involved in the trading of crude oil and petroleum products; in petroleum refining on a contract basis through an equity stake in Showa Yokkaichi Sekiyu Co., Ltd., the operation of oil tankers and petroleum terminals, sales of petroleum products to electric utilities and industrial firms; and in the operation of a fuel retailing business through a national network of approximately 1,200 service stations (SS) in Japan owned by Mitsubishi Shoji Sekiyu Co., Ltd. and other subsidiaries. MC is thus developing a wide range of businesses across the entire value chain. In these operations, MC deals with overseas oil-producing nations and corporate oil majors as well as a wide range of domestic customers, including electric utilities, petroleum wholesalers, industrial firms, and service station operators.

Although demand is in structural decline in Japan due to factors such as a falling population and the orientation to a low-carbon society, demand for oil is projected to continue expanding in growth markets such as developing nations in Asia. While reinforcing its area of principal strength in sales of petroleum products within the Japanese market, the division also aims to leverage MC's unique network to expand trading of crude oil and petroleum products within the Asia-Pacific region.



MC is working to reinforce its transport capacity for crude oil through the operation of a fleet of super-tankers such as *Diamond Aspire* (pictured). A second vessel that is owned by MC is expected to join the fleet in the fiscal year ending March 31, 2010.

Carbon & LPG Business Division

- Carbon Materials Unit
- Petroleum Coke Unit
- LPG Business Unit
- Namikata Terminal Business Unit

Carbon Business

The division handles a vast and varied range of carbon materials and products. MC's aim is to expand this business through involvement across the entire value chain.

In the carbon business, MC handles exports and imports as well as overseas trading and domestic trading transactions for a broad range of carbon materials and products, including petroleum cokes, coal cokes, tar and tar distillates. MC is pursuing a dual-track expansion strategy for this business based on increased trading of key products alongside business investments in high-value-added carbon materials and related products.

Major achievements during the fiscal year ended March 31, 2009 included progress in developing the business for aluminum-related carbon materials and products. MC established a joint venture with Zhenjiang Cokes Co., Ltd., China's largest specialist coke manufacturer, and preparations were made to begin producing anodes for aluminum smelting. In the carbon fiber insulation materials sector, MC's joint venture with Kureha Corporation increased production capacity for these products at one of its manufacturing bases.

LPG Business

The division is targeting further growth in the LPG (liquefied petroleum gas) business through Astomos Energy Corporation, which is the LPG industry leader in Japan. Building on the experience and know-how that MC has cultivated over many years, Astomos Energy is looking to expand its business overseas by marketing LPG as an environmentally superior fuel with high potential utility in times of disaster. The firm is also building on its strong partnerships with domestic distributors to develop operations in Japan.

Efforts are under way to boost demand for LPG in connection with the promotion of residential fuel cell systems under the ENE-FARM brand name. MC is actively promoting adoption of this system by Japanese households in an alliance of six companies comprising Astomos Energy, Tokyo Gas Co., Ltd., Osaka Gas Co., Ltd., Toho Gas Co., Ltd., Saibu Gas Co., Ltd. and Nippon Oil Corporation, which was announced in January 2009.



In a world-first initiative, Astomos Energy has partnered with leading companies such as Tokyo Gas to begin selling "ENE-FARM" residential fuel cell systems.

Exploration & Production Unit

The Energy Business Group is building MC's oil and natural gas exploration, development and production (E&P) operations around the world in conjunction with subsidiary Mitsubishi Corporation Exploration Co., Ltd. Oil and natural gas E&P operations are positioned as a core business in MC's INNOVATION 2009 plan. The aggressive development of these operations is aimed at establishing future earnings streams.

MC is conducting offshore E&P activities on the west coast of Africa near to Gabon and Angola, in the U.S. Gulf of Mexico, in the U.K. North Sea, and in Indonesia. MC has also taken an equity stake in P.T. Medco Energi Internasional, a leading Indonesian energy company.

During the fiscal year ended March 31, 2009, MC wholly owned subsidiary MPDC Gabon Co., Ltd. discovered the Loche East Marine oil field within the Ebene license off the southwest shores of Gabon. MPDC Gabon owns a 50% production interest in this license. Full-scale development work on

the new field has begun, with production expected to surpass 2,000 barrels per day.



Recoverable reserves at the new oil field discovered in Gabon are projected to rise to around 7.5 million barrels within 10 years of initial production. Lifetime production estimates for the field are up to around 14 million barrels.

Energy Business Development Unit

Seizing opportunities created by major change in the energy business environment, MC is working to develop new energy-related business models.

The Energy Business Development Unit is actively engaged in the development of new businesses. These include the supply of secondary energy sources through the establishment of Frontier Energy Niigata and on-site power generation ventures; initiatives in sectors relating to both solid and liquid fuels; and businesses based on exploiting underutilized coal resources.

Biopellets are a solid biofuel that offer a useful means of helping to cut greenhouse gas emissions. Demand for this fuel is expected to grow in the future as an alternative to coal. In Japan, where coal-fired boilers burn around 100 million tonnes of coal every year, interest in switching to solid biofuels is expected to grow, especially among the electric utilities that are now legally obliged to introduce alternative forms of energy. Partnering with leading biopellet manufacturers and woodchip makers in Japan and overseas, the Energy Business Development Unit is working to stimulate demand for this emerging type of fuel.