

# 三菱商事 株主通信

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Mitsubishi Corporation INVESTORS' NOTE



## To Our Stakeholders



Yorihiro Kojima  
President and CEO

小島 順彦

I'm pleased to report that Mitsubishi Corporation (MC) achieved record-high consolidated net income for the fifth consecutive year in fiscal 2008. Our bottom line grew 11% year on year from ¥415.5 billion to ¥462.8 billion. This was an impressive result considering various factors that had a negative impact on our earnings, including a lower year-on-year sales price for coking coal in our Australian operations and the absence of fiscal 2007 share sale gains. We achieved this double-digit earnings growth by increasing earnings across a wide range of businesses, including non-resource fields. Our projection for fiscal 2009 consolidated net income calls for more earnings growth, to ¥580.0 billion. The global economy is experiencing a slowdown, but we are optimistic that our past investments and efforts to expand business will produce returns for us.

In consideration of our stellar performance, we decided to pay an annual dividend per share of ¥56 applicable to fiscal 2008, ¥10 higher than

the ¥46 dividend for fiscal 2007. Providing we achieve our consolidated net income forecast of ¥580.0 billion, we plan to raise the dividend again to ¥72 per share for fiscal 2009.

April 2008 saw us embark on a new medium-term management plan, INNOVATION 2009. This two-year plan carries on the same basic stance as INNOVATION 2007, which we operated under for the past four years. Our goal is to contribute to the continuous advancement of society while sustaining our growth and raising consolidated corporate value as a global business enterprise. Through global growth initiatives and while balancing earnings growth, capital efficiency and financial soundness, we plan to sustain our growth and maximize corporate value. We will continue to utilize retained earnings for growth investments, with the aim of achieving average ROE of at least 15% over the medium and long terms. In terms of our dividend policy, we aim to increase the annual dividend per share in step with earnings growth, with a targeted consolidated payout ratio of 20%, and thereby increase shareholder returns.

I see the next two years as a period for consolidating on our position for the future. In this sense, the prioritization of business resources, efforts to enhance internal control systems and other actions that have defined management of MC will remain the hallmark of our management approach going forward.

We are redoubling our efforts to grow MC even more and look forward to your continued support and understanding.

June 2008

# Medium Term Management Plan “INNOVATION 2009 ~Opening Up A New Era~”

— Aiming to Help Create a Sustainable Society —

MC has unveiled a new medium term management plan called “INNOVATION 2009.” The new plan covers the 2-year period from April 2008 through March 2010. Carrying on the same basic stance as under “INNOVATION 2007,” MC aims to contribute to the continuous advancement of society while sustaining the company’s growth and raising consolidated corporate value as a global business enterprise. In an era high in uncertainty, MC regards the next two years as a period for both building on its achievements thus far and consolidating on its position for the future. In line with this thinking, it will create future growth drivers while enhancing the quality of its business portfolio by prioritizing resources more than ever before.

## Vision and Basic Concepts

In its aim to be “a New Industry Innovator,” MC will devise and execute various initiatives that continue to adhere to the following three basic concepts: “Grasping Change and Opening Up a New Era for MC (Promoting Growth Strategy), ” “Developing Human Assets (Developing and Utilizing Human Resources), ” and “Solidifying Our Ground (Continuously Strengthening Management Foundations) .”



### INNOVATION 2009 ~Opening Up A New Era~

#### <Vision>

Sustain growth along with society by seizing upon global change to create new-era trends.

### A New Industry Innovator

#### <Basic Concepts>

##### Promoting Growth Strategy

#### Grasping Change and Opening Up A New Era

- (1) Tapping Into Global Growth
- (2) Promoting Innovation in New Fields, etc.
- (3) Strengthening Structures & Systems in Support of Growth

##### Developing & Utilizing Human Resources

#### Developing Human Assets

- (1) Developing & Utilizing HR on Consolidated and Global Basis
- (2) Dynamically Relocating HR
- (3) Creating an Energetic Organization and Corporate Culture

##### Continuously Strengthening Management Foundations

#### Solidifying Our Ground

- (1) Increasing Efficiency and Effectiveness in Consolidated Management
- (2) Developing Systems for Internal Control and IT, and Reforming Administrative Process

## **Promoting Growth Strategy** **(Grasping Change and Opening Up a New Era)**

### **1. Tapping into Global Growth**

MC has strengthened its companywide framework by appointing a Corporate Functional Officer (Global Strategy), whose job is to comprehensively identify constant change around the world and propose strategies based on this information, and Executive Vice Presidents (EVPs) for each region outside Japan and a Senior Executive Vice President (SEVP) for Japan, who will assist with those efforts from a management standpoint. MC has also appointed Chief Regional Officers, who will reflect information provided by front-line operations in a timely manner in business strategy.

### **2. Promoting Innovation in New Fields**

To create future earnings pillars, MC is currently developing businesses centered on three fields it calls Next Generation Core Businesses: New Energy & the Environment, Medical Healthcare, and Finance. The company will continue to enhance its systems and structures to further facilitate actions in new fields.

### **3. Strengthening Structure & Systems in Support of Growth**

From the perspective of strengthening companywide management functions, MC has appointed Senior Executive Vice Presidents (SEVPs) who will be responsible for important management themes as assistants to the President from an operational perspective. MC will also revamp the Executive Committee, Board of Directors and other management meetings. In another change, MC has reviewed the role of its Business Group CEOs (GCEOs) so as to create a framework that enables them to concentrate on management execution in their Business Groups. This involves handing more authority to GCEOs, thereby facilitating faster and enhanced management decision-making and execution. As a result, management and execution will be even more clearly demarcated at MC.

## **Developing & Utilizing Human Resources** **(Developing Human Assets)**

MC is committed to building systems and environments in which its unique, multi-skilled workforce can excel, across both consolidated and global operations. These systems and environments will aid MC in retaining and nurturing employees who can support its growth, and in motivating its people. Moreover, to effectively utilize a finite workforce, MC will dynamically deploy and reassign people with the necessary skills to areas and regions that are expected to grow. MC hopes that this will stimulate both the organization and the career aspirations of its people.

## **Continuously Strengthening Management Foundations** **(Solidifying Our Ground)**

While fostering a greater sense of unity as a group of companies, MC is committed to creating a corporate group linked by a “chain of trust and responsibility,” and strengthening the management base of each company. To this end, MC will enhance the functions of its offices worldwide and further refine compliance, internal controls, process reform and system infrastructure on a Group-wide basis. The goal is to increase the overall corporate value of MC on a consolidated basis and sustain growth, and in this way contribute to the advancement of society.



## Environment & CSR

To respond to ever-increasing societal demands, MC also plans to step up activities to fulfill its corporate social responsibilities (CSR). Focusing on environmental fields, such as businesses with environmental benefits, MC will develop projects that help society to achieve sustainable development and growth.

## Environmental and CSR Initiatives

**Develop businesses that help society to continue advancing and growing**

<CSR and Environmental Affairs Committee, and CSR and Environmental Affairs Advisory Committee have been established.>

### Key areas of focus

#### Environment

- ▶ Businesses that help conserve the environment
- ▶ CO<sub>2</sub> reductions and emission credit acquisition (carbon offsets)
- ▶ Environmental evaluation and analysis in business development
- ▶ Environmental preservation activities (Tropical Forest Regeneration Experimental Project, Global Coral Reef Conservation Project)

#### Society

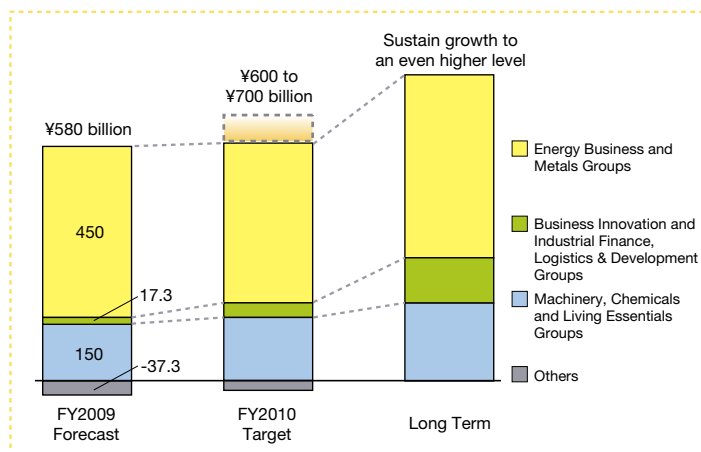
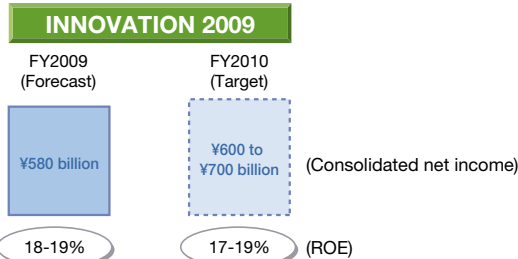
- ▶ Identification of human rights and labor issues in supply chains
- ▶ Promotion of diversity across the Group
- ▶ Support activities (Support for the poor in Africa, etc.)

#### Social Contribution Activities

- ▶ Volunteer activities (Friendship Camp for Mothers and Children, etc.)
- ▶ Programs around the world
- ▶ Welfare & education (Exchange student scholarships, etc.)
- ▶ Arts & culture (Support for budding young artists, etc.)

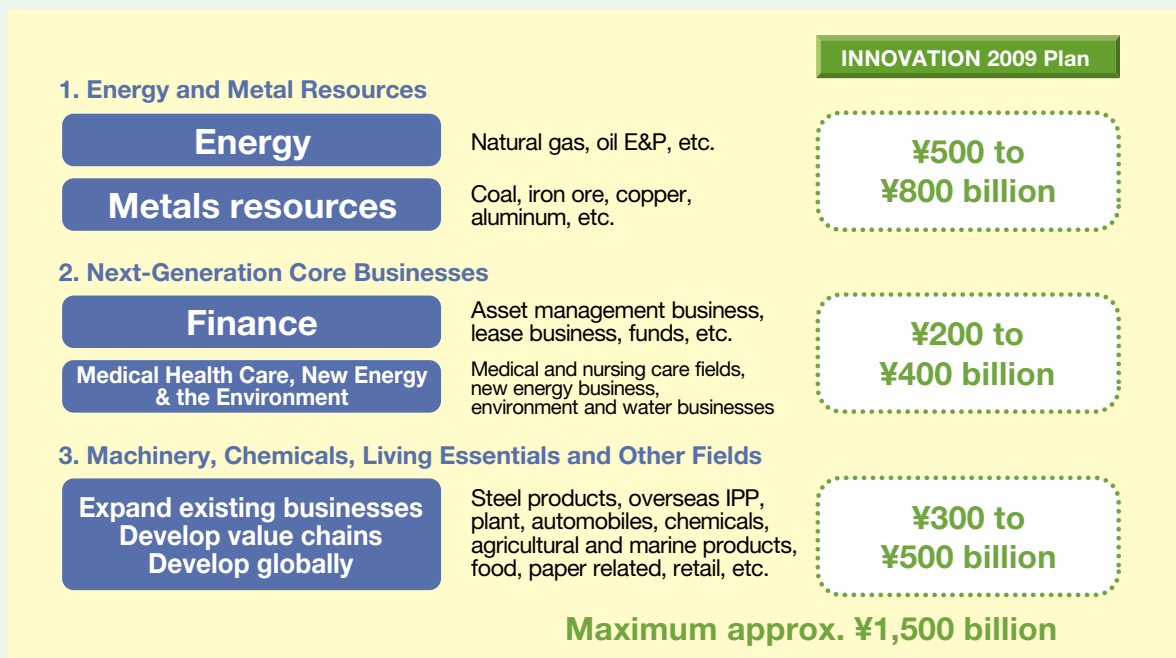
## Numerical Targets

MC has set specific numerical targets for the new plan so as to continue delivering at least 15% ROE on average over the medium and long terms. For the fiscal year ending March 2009 (FY2009), the company's target is consolidated net income of 580 billion yen. Furthermore, provided there is no major change in the present economic environment, such as in resource prices, we aim to increase consolidated net income to between 600 and 700 billion yen for the fiscal year ending March 2010 (FY2010).



## Investment Plan

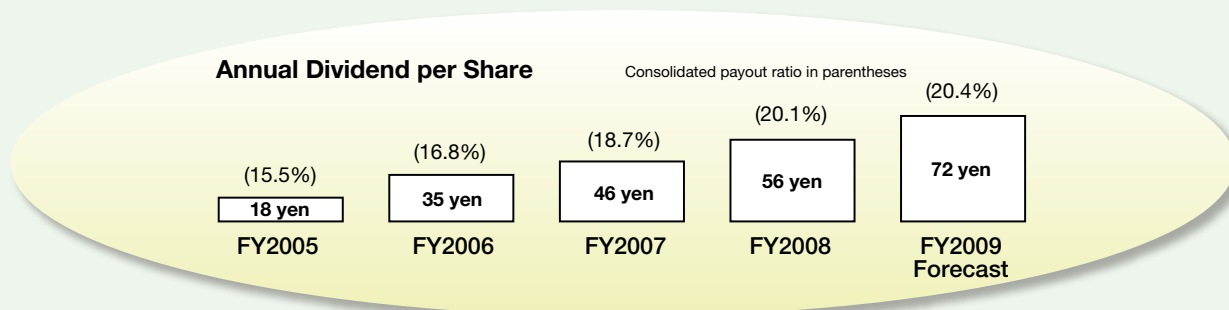
Sustain growth even after “INNOVATION 2009” by making selective investments in prime projects with high earnings potential, while maintaining financial soundness and a balanced portfolio.



## Capital Structure and Dividend Policy

Maximize corporate value while balancing earnings growth, capital efficiency and financial soundness. Continue to allocate retained earnings towards investments to promote sustainable growth, while aiming to achieve average ROE of at least 15% over the medium and long terms.

Increase annual dividend per share through earnings growth with a targeted consolidated payout ratio of 20% and thereby increase shareholder returns. Also may buy back shares depending on earnings growth, progress with investment plans and other factors.



# Business Innovation Group



**Koichi Komatsu**

Executive Vice President  
Group CEO,  
Business Innovation Group

The Business Innovation Group is developing, nurturing and expanding competitive businesses in future growth and industrial fields. Importantly, these businesses will contribute positively to society and the environment.

## Developing Businesses for the Future With Society and the Environment in Mind

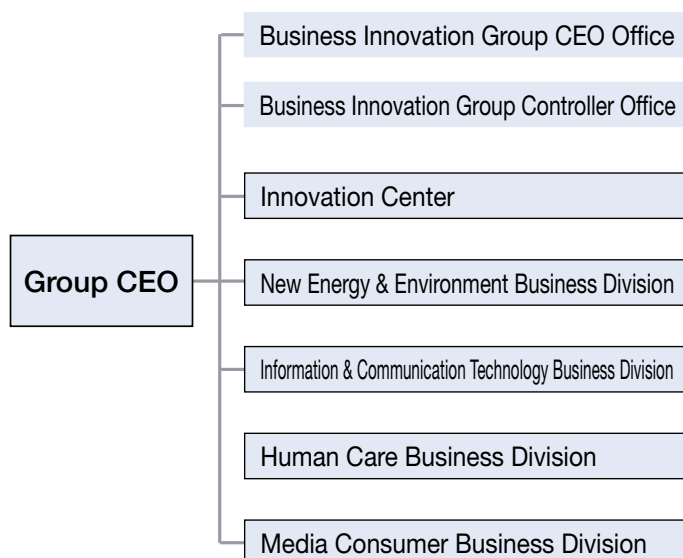
The Business Innovation Group is playing a central role, in collaboration with other business groups, in developing businesses in the areas of “New energies & the environment” and “medical health care,” two of the growth sectors that MC has designated as Next-Generation Core Businesses. MC is allocating a sizeable share of business resources to this business group.

The “New energies & the environment” business will respond to change catalyzed by measures to combat global warming, to ensure food and energy security, to address worldwide water resource issues and to promote the uptake of environmentally friendly vehicles. The “medical health care” business, meanwhile, will focus its efforts on supporting hospital management in an increasingly difficult operating environment. The Business Innovation Group is also developing

other businesses: the information and communication technology business, which supports all types of industry domains; and the media consumer business, where we are focused on responding to changes in distribution models that are increasingly being driven more by consumers than producers. Furthermore, spearheaded by the Innovation Center, we are carrying out forward-looking activities from a Companywide perspective that transcend individual business groups. We have set themes for creating future pillars of MC’s growth.

In a business environment characterized by rapid technical innovation and dynamic shifts in the structure of industries on a global scale, we see our mission as creating future earnings streams through activities involving the development and incubation of businesses that can generate profits and at the same time contribute to society and the environment.

## Business Innovation Group Organization



## Main MC Group Companies

MC Silicon Valley Inc. (U.S.A.)  
Lithium Energy Japan (LEJ)  
Battelle-Japan Corporation (Japan)  
Forest Energy Hita/Kadogawa (Japan)  
IT Frontier Corporation (Japan)  
Nihon Hospital Service Co., Ltd. (Japan)  
Nippon Care Supply Co., Ltd. (Japan)  
d-rights Inc. (Japan)

## Establishing New Businesses and Expanding Earnings Through Development

The Innovation Center, in collaboration with laboratories, universities, private-sector companies and other parties, makes upfront investments in new technologies, materials and business models that will create the pillars of MC's growth. These efforts will continue to unearth and develop new business opportunities.

The New Energy & Environment Business Division is actively engaged in businesses that will help create a sustainable society. These include new energy businesses, centered on solar power and biofuels, environment and water businesses, and emission credit trading based on know-how we began acquiring in this sector in the late 1990s when it was very much a frontier field.

The Information & Communication Technology Business Division, which is

responsible for information, communications and systems-related services, is concentrating on strengthening upstream consulting services and providing a broad suite of IT services to customers.

The Human Care Business Division, which is underpinned by its strength in management support and outsourcing services for hospitals, aims to provide wide-ranging services related to health. By introducing cutting-edge technologies via venture funds, developing value-added dispensing pharmacies and taking other actions, this division is building a value chain in the healthcare field.

Amid acceleration in moves by manufacturers, wholesalers and retailers to sell products directly to the consumer via various media, the Media Consumer Business Division is creating platforms for mail-order shopping, purchasing support, settlement-related services and loyalty points, and content, so that consumers can purchase goods in confidence.



## Businesses of the Business Innovation Group

The Business Innovation Group is made up of one center and four divisions. We conduct our activities with the aim of developing new fields, improving the global environment, innovating in the fields of IT and networks, reforming the healthcare environment and enhancing lifestyles.

### Innovation Center

With a medium- to long-term vision, the Innovation Center works to cultivate new businesses which will become new earnings pillars for MC. In specific terms, as industrial structures change and technological innovation continues, the Innovation Center strives to give life to new business ideas by seizing opportunities stemming from change and investing in these opportunities in the early stages before markets are established.

Organizational Structure

**Technology & Business Development Department**



Cosmetics containing fullerenes

Fullerenes are a nanocarbon material



Wood pellets, a type of biofuel, are attracting attention in the new energy domain.

### New Energy & Environment Business Division

This division is working on global environment businesses in three main areas: new energy, emissions reduction, and environment and water. The mission of the division is to address increasingly grave global environmental issues through its businesses. We will take a leading role in MC's business activities to improve the global environment.

Organizational Structure

**New Energy Business Unit A**  
**New Energy Business Unit B**  
**Emissions Reduction Business Unit**  
**Environment & Water Business Unit**

### Information & Communication Technology Business Division

This division aims to be customers' business solution partner by building and developing new core businesses that utilize and link MC's related functions and expertise in ICT fields as well as consulting, design, construction, operation and services for IT systems for corporations, networks, and information security.

Organizational Structure

**ICT Service Business Unit A**  
**ICT Service Business Unit B**  
**IT Solution Unit**  
**Information Security Business Unit**



Employing around 1,600 people, IT Frontier Corporation has its head office in Harumi Island Triton Square.

## Human Care Business Division

In the Human Care Business Division, MC provides total solutions from management support to peripheral services in the fields of disease prevention and health promotion, and medical care and nursing care, which are experiencing deregulation and an infusion of vitality from private enterprise. Through these activities, we are contributing to improved service quality and greater efficiency in these fields.

Organizational Structure

Healthcare Business Unit  
Hospital Solution Business Unit  
Life Care Business Unit



Artist's impression of the Tokyo Metropolitan Cancer and Infectious diseases Center Komagome Hospital, which is being renovated and operated under a private finance initiative (PFI) scheme.



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d-rights Inc. was involved both as a production studio and investor in the creation of the latest Studio Ghibli animated feature, Ponyo On A Cliff.

## Media Consumer Business Division

The Media Consumer Business Division views the dramatic changes in product distribution and diversifying consumer lifestyles, enhanced by information technology and the Internet, as business opportunities. The division intends to further develop and invest in businesses incorporating the consumer's perspective, extending from entertainment-driven to security-driven aspects of life.

Organizational Structure

Commerce Business Unit  
Marketing Business Unit  
Solution Business Unit  
Contents Business Unit

## Helping Create Environmentally Friendly Cars

### Automotive-Related Business Unit

This business unit has teamed up with Mitsubishi Motors Corporation and GS Yuasa Corporation to establish Lithium Energy Japan (LEJ) in a bid to help create environmentally friendly cars. LEJ is working to develop and manufacture large lithium-ion batteries, which are ideal for electric vehicles. Plans call for these lithium-ion batteries to be incorporated in the i MiEV electric vehicle, which is attracting attention as an environmentally friendly eco car.



Mitsubishi Motors' i MiEV electric vehicle

LEV50 large lithium-ion battery packs

## Cultivating regional business in the growing Indonesian market



Mitsubishi Corporation has identified Indonesia as an important overseas market. As the economy of Indonesia has steadily expanded, the company has been working over many years to develop businesses in the country. One person who is well positioned to discuss the situation in Indonesia, and future prospects for business in this important market, is Mr. Motonobu Teramura, Executive Vice President of Mitsubishi Corporation as well as Deputy Executive Vice President for Asia & Oceania (ASEAN) (Concurrently) and General Manager of the Jakarta Representative Office.

### Motonobu Teramura

Executive Vice President,  
Deputy Executive Vice President for Asia & Oceania (ASEAN) (Concurrently),  
General Manager of the Jakarta Representative Office

### Healthy growth in both exports and internal demand aresupporting economic expansion

Japan has a long history of good relations with Indonesia, the largest and most populous country in the area covered by the Association of South East Asian Nations (ASEAN). Business relationships between the two countries have been very brisk. The people are friendly and hard-working, and the very diverse and unique cultures make it a vibrant and extremely interesting country.

Indonesia is an important supplier of many natural resources to Japan, accounting for large shares of Japan's imports of LNG, crude oil, coal, copper, nickel and other resources. It is also the largest single recipient of Japan's Official Development Assistance (ODA), accounting for around 20% of total outlays. From Indonesia's perspective, meanwhile, Japan is the largest export market and the second-largest supplier of imports. And not only is Japan a principal trading partner, it also is the largest source of investment.

Indonesia is a very important market for Japan, and with a population of 230 million, its market potential is tremendous. The GDP growth rate is

expanding steadily, supported by strong exports and internal demand. Indonesia exports a wide range of products from primary products like palm oil, coal, copper and rubber to manufactured goods including automobiles, electronics and electrical machinery, industrial equipment and plastics. Meanwhile, the domestic economy is also expanding, as shown by the pace of growth in auto sales. In 2007, 434,000 vehicles were sold-an increase of over 36% year on year.

### Working to strengthen the partnership with Indonesia

As one of Mitsubishi Corporation's most important markets, Indonesia has been assigned more employees than any other overseas market except the U.S., China and Thailand. Our fourth-largest overseas work force supports the company's investment in some 40 local companies, involved in industries ranging from automobiles and steel products to chemicals and energy.

In 2007, Mitsubishi Corporation invested US\$352 million in one of Asia's largest private-sector energy companies, PT. Medco Energi Internasional Tbk. ("MedcoEnergi"), which is involved in businesses such as electric power generation and chemicals.





Mitsubishi Corporation's local offices and major oil and gas projects in Indonesia



Signing ceremony for the Memorandum of Understanding which set up a program to help small and medium-sized companies develop websites (From left to right: Mr. Sato, Interim Chargé d'Affaires, Embassy of Japan; Mr. Motonobu Teramura, General Manager of the Jakarta Representative Office; Mr. Fauzi Azis, Director General for Small and Medium Scale Industry; Mr. Fahmi Idris, Minister of Industry)



Weekend scene at a bustling shopping mall

Mitsubishi Corporation indirectly acquired approximately 20% of total issued shares, and also forged a strategic business alliance with MedcoEnergi. The two companies intend to cooperate in building an expanding business in countries and regions worldwide, focusing on upstream and downstream segments of the oil and gas industries, electric power generation and chemicals.

In addition to oil and gas-related projects, Mitsubishi Corporation is developing business in metal resources, steel-related projects, electric power plants, automobile operations and chemicals. The company is building businesses with close ties to the regions in which it operates, and is seeking to develop new businesses that can generate future growth.

Mitsubishi Corporation also has an active corporate responsibility program that contributes to many aspects of Indonesian society. For example, the company supports the activities of the Bogor Botanical Garden, in its effort to protect rare plants, and is a corporate donor to Darma Persada University. This year, as the two countries celebrate the 50th anniversary of the establishment of diplomatic relations, Mitsubishi Corporation is playing a part in various efforts to promote bilateral relations. Last year it began a program to help small and

medium-sized Indonesian companies establish Internet websites which already has attracted 300 participating companies. In the future, there are plans to translate all of these sites into Japanese, in order to help these companies boost exports to Japan. By helping to cultivate ties between Indonesian and Japanese companies, Mitsubishi Corporation hopes to lend support to small and medium-sized companies in Indonesia. The company also plans to offer scholarships to allow Indonesian students to study in Japan, in an effort to help train and educate the young people who will be responsible for building Indonesia's future. In this way, Mitsubishi Corporation hopes to give future Indonesian leaders a deeper understanding of Japan, and to promote friendly relations between the two countries. The parent company is not the only member of the MC Group that makes active contributions to Indonesian society. Car distributor P.T. Krama Yudha Tiga Berlian Motors (KTB) donated many trucks to the relief effort and reconstruction that followed a severe earthquake and tsunami in the region, and our ammonia manufacturing affiliate, PT. Kaltim Parna Industri (KPI), donates school supplies to local elementary schools. Mitsubishi Corporation hopes to continue building a strong relationship of trust with the people of Indonesia, strengthening our partnership with local companies and communities while expanding business operations in the country.

## Oil and Gas-related Businesses

### Kangean area oil and gas-related business-taking the lead in development and production as an equity partner

Indonesia is the largest producer of oil and natural gas in Southeast Asia. This makes it a very important strategic region for Mitsubishi Corporation's upstream energy-related businesses.

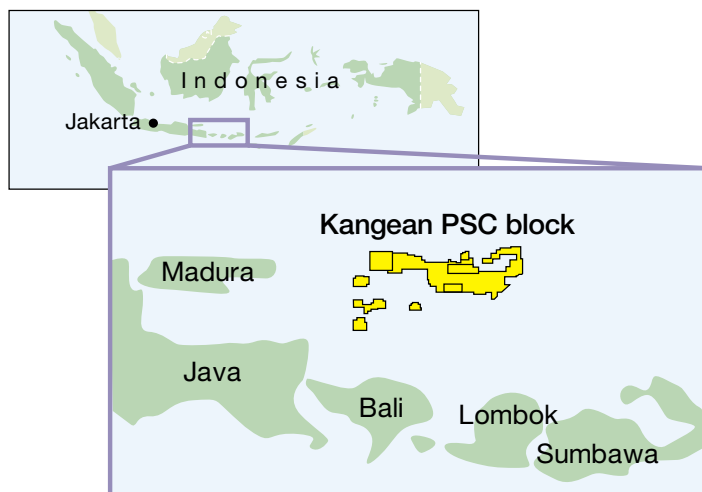
The Kangean block is located offshore East Java and is roughly 4,500 square kilometers in size. In 2007, average production at this field amounted to roughly 40 million cubic feet of natural gas per day, and approximately 600 barrels of crude oil per day (on a crude oil conversion basis, that is the equivalent of 8,000 barrels/day in total). Future plans call for additional exploration and extraction of natural gas and oil at several sites in the area. By 2010, it is estimated that total output in this area (on a crude oil conversion basis) will amount to 60,000 barrels/day. There are also expectations that new oil and gas deposits will be located in the same site area. Both Mitsubishi Corporation and Japan Petroleum

Exploration Co., Ltd. (JAPEX) have taken 25% capital stakes in the site operator, Energi Mega Pratama Inc. (EMPI), worth US\$180 million each, for a total investment of US\$360 million in the Kangean area project. Mitsubishi Corporation intends to work with JAPEX to continue exploration, development and extraction in this area.

Since the Kangean project is also intended to provide Indonesia with a stable supply of natural gas for electric power generation and industrial use, the two companies' efforts are contributing to the Indonesian economy and local society, as well.



View of gas processing plant (Pangerungan Island)



Offshore drilling rig

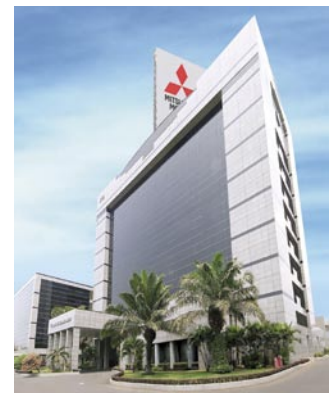


# Auto Business

## Building a value chain in the auto industry, centered on auto import and sales operations of KTB

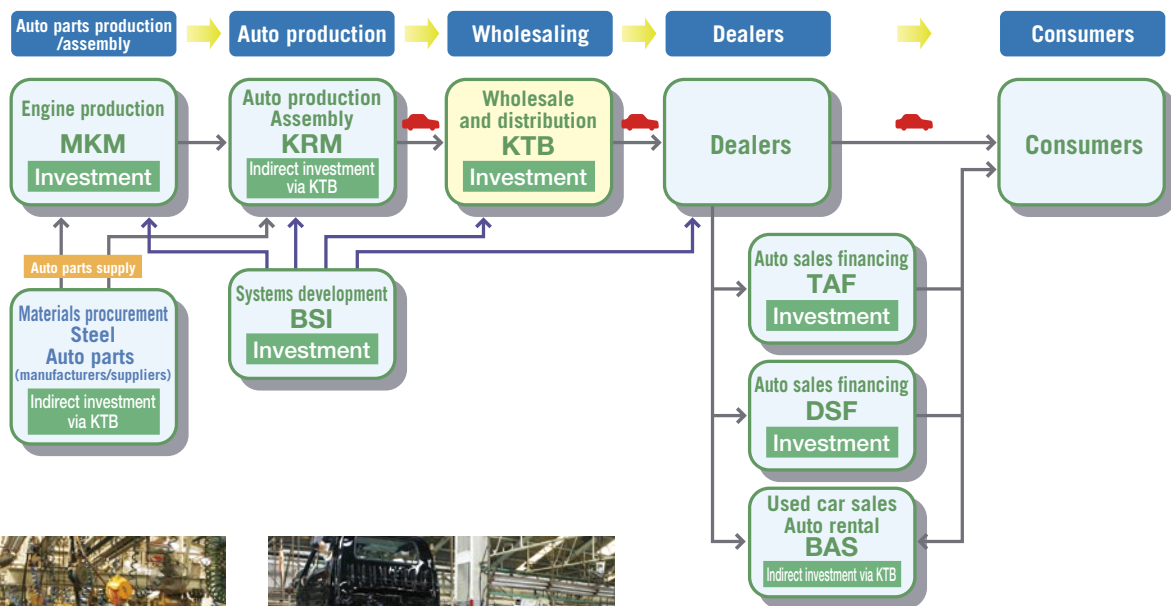
Indonesia is viewed as one of the most important markets for Mitsubishi Corporation's automotive business. Operations in Indonesia center on P.T. Krama Yudha Tiga Berlian Motors (KTB), a local wholesaler and distributor. Mitsubishi Corporation not only handles local production and sales of vehicles for Mitsubishi Motors Corporation and Mitsubishi Fuso Truck & Bus Corp., but also offers a full assortment of other automotive services along the value chain such as sales financing, used car sales and car rental operations. Between 1971, when KTB sold its first car, and 2007, the company has sold 1.58 million automobiles. Between 2002 and 2007,

alone, total sales amounted to 440,000 units, including a roughly 60% share of the market for commercial vehicles and 40% of the light commercial vehicle market. In the future, the company intends to steadily improve product quality and service and strengthen its product lineup in an effort to better address market needs as it aims to establish an even firmer position in the Indonesian auto industry.



KTB headquarters building

### Value chain in the Indonesian auto industry



MKM (auto parts production and assembly plant)



KRM (auto production plant)

# Items of Interest in Indonesia

The Indonesian Archipelago is the largest chain of islands on earth, and the unique cultural characteristics of each individual island make it a very intriguing place to visit.



Borobudur



Prambanan Temple Compounds

## Sightseeing

### Yogyakarta

Yogyakarta is the historical center and birthplace of Javan culture. This city is home to the Borobudur Temple complex, the largest collection of Buddhist architecture in the world, which was supposedly built in the eighth century AD, as well as the Hindu-influenced Prambanan

Temple Compounds, which host traditional dance performances of the Ramayana Ballet, on the night of the full moon during the months of May through October.



Odalan

### Bali

The island of Bali has earned a variety of lavish nicknames, including “The Last Paradise on Earth” and “Island of the Gods.” The island is home to over 20,000 temples which minister to a unique local form of Balinese Hinduism. On any given day, one of these temples is bound to be holding an “Odalan” or religious festival which includes gamelan music and dancing.

## Food



Nasi Campur

Some of the best-known dishes in Indonesian cuisine are Nasi Campur, made from white rice, meat, fish, eggs and a variety of vegetables, and Gado-gado, an assortment of boiled beans, sprouts, cabbage and fried tofu covered with a delicious but hot peanut sauce dressing. Each island has

its own local specialties and characteristics, such as the mild Javan cuisine which uses an abundance of coconut milk or the heavily-spiced Sumatran cuisine which uses lots of chili peppers and sesame.



Gado-gado





Ondel-ondel

The Betawi tribe-the original inhabitants of Jakarta-are one of several hundred different ethnic and cultural groups found in Indonesia. Many of the activities that take place even today, in Jakarta, are remnants of Betawi cultural traditions. Every year in June, a festival is held to celebrate the founding of Jakarta. The festival includes giant human effigies drawn from Betawi tradition, called ondel-ondel. The figures, which are some 2.5 meters tall and have large faces and curly golden hair, bring great delight to the festival participants.

 Recreation



Kecak dance

Bali is home to a number of very well-known traditional arts, including the “Kecak dance,” in which a group of bare-chested men dance in formations in front of a temple making sounds and gestures that imitate monkeys; and the “Legong dance,” a graceful dance performed by two women. The “Saman dance,” which comes from the Aceh region, is often referred to as the “1000-hand dance.” The dancers kneel in a straight line, and only move the upper half of their bodies. Other dances include the “Punjari dance” from the Banyuwangi region of Eastern Java, and many others which reflect the cultures of each region.




Mitsubishi Corp. employees perform a Saman dance



Legong dance

In December of each year, KTB holds a party for employees to celebrate the founding of the company. Japanese staff working at the company performed a traditional Indonesian Punjari dance.



 Shopping and souvenirs

Indonesia is famous for its fabrics, which come in a multitude of patterns and designs. One of the most famous is “batik,” a type of Javan-dyed cotton which is dyed in various patterns. The colors and designs found in Indonesian fabrics are as numerous and varied as the local cultures that make up the country, and they are ideal for making clothing, curtains, bedcovers, napkins and more.



Batik

# Domestic Operations

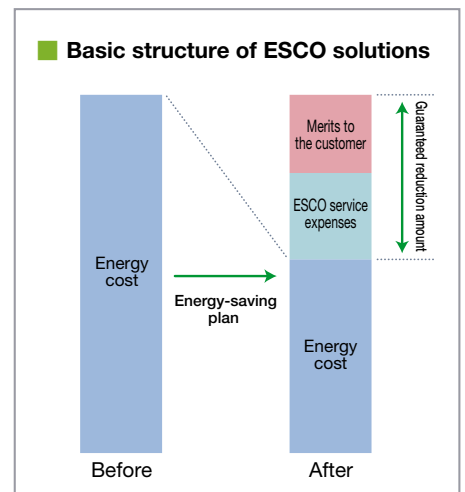
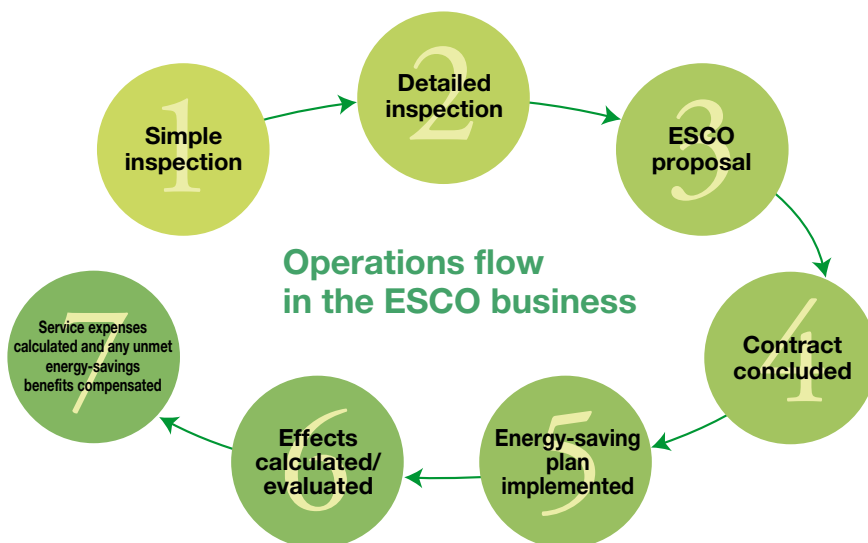
Contributing to the fight against global warming,  
through the ESCO business

Mitsubishi Corporation is aggressively pursuing new businesses which address concerns about the environment, and expects them to make important contributions in the future. One of these is the ESCO business, which aims to help reduce carbon dioxide emissions by cutting energy consumption. The cornerstone of Mitsubishi Corporation's ESCO business is MC Group Group affiliate, Japan Facility Solutions, Inc. (specifically, the Development & Construction Project Division's Construction & Building Equipment Unit, a part of the Industrial Finance, Logistics & Development Group).

## What is ESCO?

The ESCO business is an "Energy Service Company" which helps the operators of buildings, hospitals, factories and other structures install more energy-efficient equipment in order to reduce the amount of energy they consume, and thus, cut CO<sub>2</sub> emissions. The ESCO business can offer a comprehensive package of services (energy-savings consultation, design, construction, implementation and maintenance, operations management and capital procurement) to help a client introduce energy-saving solutions that reduce their environmental footprint. The introduction of these services also help clients to reduce their overall utilities costs (electric power, gas, oil and water), and this cost reduction is the source of earnings in the business, while also contributing to society and preserving the environment.

This business structure was first adopted in the US, in the 1980s, but in the latter half of the 1990s the business model was imported to Japan. As concerns about energy savings and global warming intensify, the ESCO business' focus on helping clients improve energy efficiency is attracting ever-keener attention. In Japan, the current legal structure related to energy efficiency does not apply to small-scale offices and buildings such as convenience stores or family restaurants. However, the government is considering changes to the applicable laws, which would subject such buildings to restrictions. This would affect a multitude of businesses throughout Japan, and represent a very important business opportunity for the ESCO business.



## The Leader in ESCO Operations

# Japan Facility Solutions, Inc. (JFS)

In the 7 years since Japan Facility Solutions entered the ESCO business, the company has concluded contracts for over 70 projects and introduced energy-saving measures which have cut CO<sub>2</sub> emissions by roughly 21,000 tons per year. These accomplishments make JFS one of the top companies in the ESCO business, with a successful business model. The Tokai University-affiliated Isehara Hospital, which the company worked on in 2005, has helped improve the hospital's financial condition by reducing energy costs. This project also attracted attention as the first of its type in Japan whereby the project company provided comprehensive energy supply services.

In 2006, JFS started a six-year contract to upgrade facilities and provide ESCO services to Tokyo Metropolitan Hiroo Hospital (this was the first ESCO contract in Tokyo open to public bidding). The project involved a number of energy-saving improvements to the facilities at Hiroo Hospital: the refrigeration and boiler systems were replaced with highly efficient

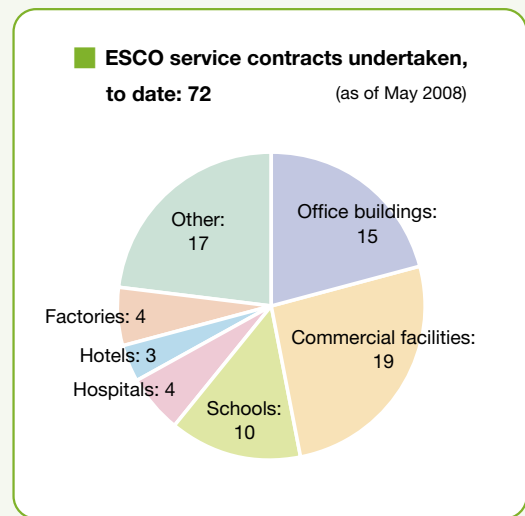
heat sources; the cooling tower, which formerly stood idle in the winter, is now used to produce cold water via a "free cooling" system; and the air conditioning system was replaced with an air-conditioning air flow control system, which controls the volume of air circulated according to the load. These measures have reduced energy consumption by over 27%, cut annual utilities expenses by approximately ¥85 million and reduced CO<sub>2</sub> emissions by around 2,750 tons-equivalent to the annual carbon uptake that would be achieved by planting a forest roughly 68 times the land area occupied by Hiroo Hospital (about 150 hectares). JFS was also one of the first companies in Japan to begin combining its ESCO business with carbon emissions trading, and to offer a dual guarantee on ESCO services, not only guaranteeing clients a minimum reduction in energy costs, but also a minimum volume of reduced CO<sub>2</sub> emissions. The company is now taking active steps to broaden its horizons and expand ESCO operations overseas, particularly in China where energy conservation has become an issue of increasingly intense interest.



Energy Center at the Isehara Campus of Tokai University



Tokyo Metropolitan Hiroo Hospital





# Strengthening Environmental and CSR-related Activities

In order to help build the most affluent societies possible, MC is committed to growing together with each community it operates in throughout the world. This is a fundamental part of our corporate culture. In response to greater and greater expectations from society, MC is stepping up its environmental and CSR-related activities, promoting businesses aimed at sustainable growth and development.

In April 2008, MC appointed a Senior Executive Vice President in charge of CSR & Environmental Affairs. While officers have been assigned to cover these fields in the past, this is the first time they have been clarified as specific officer duties.

The company has also newly established its “CSR & Environmental Affairs Committee” and two sub-committees, the “Environmental Policy Committee” and “Social Contributions Committee.” From hereon even greater attention will be focused on certain issues, such as reassessing the company’s business domains from environmental and CSR-related perspectives, promoting environmental and CSR activities through

our business, and confirming our overall stance on environmental activities.

Another newly-established organization is the “CSR & Environmental Affairs Advisory Committee,” which will provide advice and proposals on the environmental and CSR activities of the MC Group from an external viewpoint. In addition to holding internal discussions on these fields, the company needs to factor in the opinions of outside experts. As MC continues to develop its operations on a global scale and in concert with the needs of its stakeholders, such considerations are becoming more and more important.

The first meeting of the committee



was held in March, 2008. The members voiced a variety of opinions on CSR and environmental activities, such as the need to further promote these areas within the company’s own business domains, and how more is expected of shosha functions in order to help create sustainable businesses. The issues raised and conclusions derived from this meeting will be applied in the company’s future activities.



**Members of the CSR & Environmental Affairs Advisory Committee**  
 (From front left)  
 Keiko Katsu (Freelance Newscaster)  
 Hiroshi Kito (Professor of Economic History and Historical Demography, Sophia University)  
 Mizue Unno (Managing Director, So-Tech Consulting, Inc.)  
 Yasushi Hibi (Director of Japan Program, Conservation International)  
 (From back left)  
 Yukio Ueno (Senior Executive Vice President)  
 Takejiro Sueyoshi (Special Advisor to the UNEP Finance Initiatives in the Asia Pacific Region)  
 Eiichiro Adachi (Research Chief, The Japan Research Institute, Ltd.)  
 Peter D. Pedersen (Chief Executive, E-Square)  
 (Not shown in photo)  
 James Brumm (Executive Advisor, Mitsubishi International Corporation)

## Examples of MC Activities

CSR & Environmental Affairs is one of the key themes under MC’s new medium term management plan, “INNOVATION 2009.” In particular, efforts are being focused in environmental and social fields, and on social contribution activities.

### Environmental Fields

Fully aware of the gravity of environmental problems, MC is striving to preserve and improve the global environment through its corporate activities.

“Alpac Forest Products Inc.,” a MC investment in Canada, carries out sustainable management of natural forests.



### Social Fields

MC is actively supporting human rights and labor issues in supply chains, and working hard to help the poor in Africa.

Maternity hospital established in Senegal



### Social Contribution Activities

MC is involved in a wide scale of CSR-related activities, both in Japan and around the world. Areas in which we are contributing include welfare, education, culture, and the arts.

The “Friendship Camp for Mothers and Children” gives single mothers and their kids a chance to meet others and experience nature.

