Mitsubishi Corporation

Annual Report 2008

for the year ended March 31, 2008

What is MC's Value?

Contents

Forward-Looking Statements
This annual report contains forward-looking statements about Mitsubishi Corporation's future plans, strategies, beliefs and performance that are not historical facts. They are based on current expectations, estimates, forecasts and projections about the industries in which Mitsubishi Corporation operates and beliefs and assumptions made by management. As the expectations, estimates, forecasts and projections are subject to a number of risks, uncertainties and assumptions, they may cause actual results to differ materially from those projected. Mitsubishi Corporation, therefore, wishes to caution readers not to place undue reliance on forward-looking statements. Furthermore, the company undertakes no obligation to update any forward-looking statements as a result of new information, future events or other developments.

Risks, uncertainties and assumptions mentioned above include, but are not limited to, commodity prices; exchange rates and economic conditions; the outcome of pending and future litigation; and the continued availability of financing, financial instruments and financial resources.

Suppose you are an investment analyst. How would you analyze Mitsubishi Corporation for investment purposes?


AN EVALUATION OF MC'S CORPORATE VALUE

Evaluating Mitsubishi Corporation's Corporate Value

Mitsubishi Corporation has chalked up a string of record-breaking performances over the past several years. But where does its corporate value and competitiveness originate from? And can the company sustain such growth going forward? To explore these questions, this feature section analyzes and evaluates Mitsubishi Corporation as follows:

1. **Evaluate Mitsubishi Corporation's working interests in natural resources and its natural resources-related businesses**
2. **Analyze Mitsubishi Corporation's financial condition**
3. **Evaluate Mitsubishi Corporation's non-resource-related businesses and business model reforms**
4. **Analyze Mitsubishi Corporation's investment performance and risk management**
5. **Conclusion**

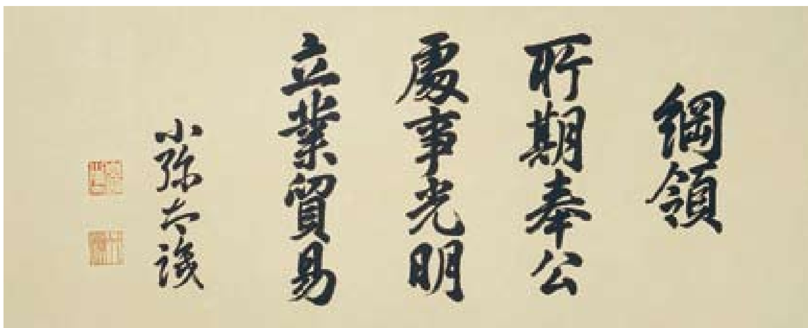
This analysis, "Evaluating Mitsubishi Corporation's Corporate Value," constitutes the feature section of Mitsubishi Corporation's 2008 annual report. It was designed in the style of a hypothetical corporate analysis report to help foster an objective understanding of Mitsubishi Corporation's corporate value among readers. Please understand that this is a corporate communication from Mitsubishi Corporation to readers of this annual report.

Corporate Profile

Mitsubishi Corporation (MC) is Japan's largest general trading company (*sogo shosha*) with over 200 bases of operations in approximately 80 countries around the world, including Japan. With seven Business Groups and more than 500 subsidiaries and affiliates, we serve customers around the world in virtually every industry.

Moving forward, we remain determined to grow even stronger while contributing to the enrichment of society through business activities firmly rooted in the principles of fairness and integrity.

Corporate Philosophy—Three Corporate Principles



Corporate Responsibility to Society "Shoki Hoko"

Strive to enrich society, both materially and spiritually, while contributing towards the preservation of the global environment.

Integrity and Fairness "Shoji Komei"

Maintain principles of transparency and openness, conducting business with integrity and fairness.

International Understanding through Trade "Ritsugyo Boeki"

Expand business, based on an all-encompassing global perspective.

(The modern day interpretation of the Three Corporate Principles, as agreed on at the Kinyokai meeting of the 28 companies that constitute the so-called Mitsubishi group in January 2001.)

The Three Corporate Principles were formulated in 1934, as the action guidelines of Mitsubishi Trading Company (Mitsubishi Shoji Kaisha), based on the teachings of Koyata Iwasaki, the fourth president of Mitsubishi. Although Mitsubishi Trading Company ceased to exist as of 1947, the principles were adopted as MC's corporate philosophy, and this spirit lives on in the actions of today's management and employees. The Three Corporate Principles also serve as the cornerstone of the management ethos of the so-called Mitsubishi group of companies. Active in many business fields and united by a common history and philosophy, the Mitsubishi group companies continue to grow through a strong spirit of friendly competition with one another.

Corporate History

● Foundation to 1970s

In 1954 the new Mitsubishi Shoji was founded, and that same year was listed on both the Tokyo and Osaka stock exchanges. In 1967, the company announced its first management plan, and in 1968, in response to its expanding organizations and businesses, introduced its Business Division System. Also that year, the company committed to a large project in Brunei to develop LNG (liquefied natural gas). This was its first large-scale investment, and was undertaken to help secure a stable supply of energy to Japan. Not content with mere trade-based activities, the company began expanding its development and investment-based businesses on a global scale, as evidenced by iron-ore and metallurgical coal projects in Australia and Canada, and salt field business in Mexico. In 1971, the company made "Mitsubishi Corporation" its official English name. Two years later, in 1973, MC established what was ultimately to become its CSR & Environmental Affairs Office, clarifying a firm commitment to CSR (Corporate Social Responsibility).

● The 1980s

The Japanese economy entered a recession due to the recent oil shock, meaning MC needed to construct new systems to generate profits. The company began streamlining its established businesses and developing more efficient operations. In 1986 the company firmly entrenched a new policy, shifting its focus from operating transactions to profits. That same year a new management plan was drawn up. The "K-PLAN" placed emphasis on rebuilding commercial rights, selecting key business domains, and developing high "value-added" functions. In 1989, MC was listed on the London Stock Exchange.

● The 1990s

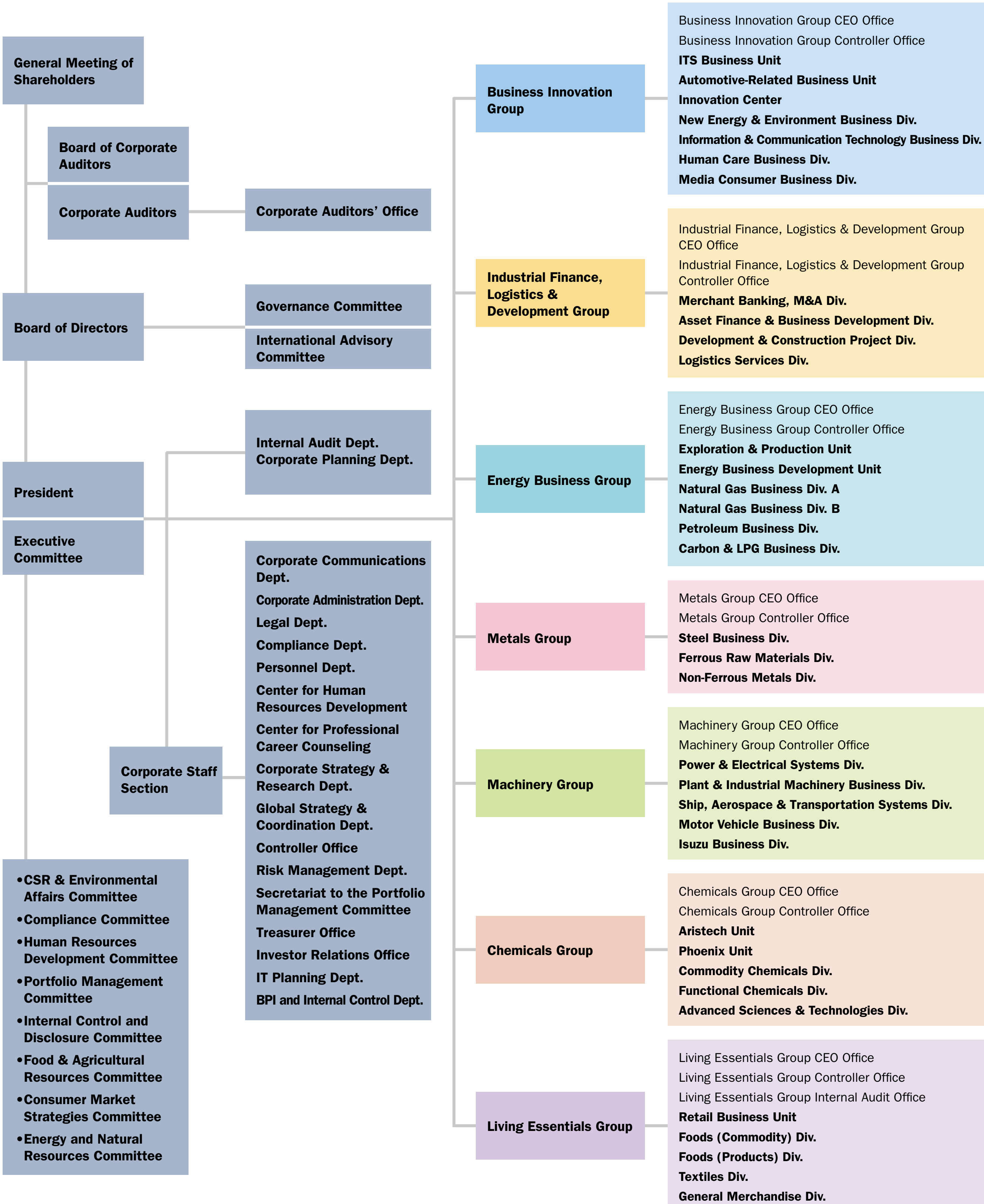
With the 1990s came accelerated globalization, and in 1992 MC announced a new management policy: namely to reinvent the company as a "Sound, Global Enterprise." MC began placing greater focus on its consolidated operations and increasing the value of its assets. More efforts were made to globalize the company's operations and its people. Amid uncertainty about Japan's financial system, MC established "MC2000" in 1998. The aim of this new management plan was "Self-reform for the 21st Century." MC2000 introduced a "Select & Focus" approach to business, strengthened strategic fields, and emphasized customer-oriented policies. The new plan was instrumental in shoring up the company's foundations and paving the way to a prosperous future.

● Into the New Millennium

In 2001, MC updated its management plan in response to an increasingly global economy. "MC2003" came with a new theme: "Driven to Create Value." The new plan introduced an aggressive new blueprint for growth, involving an expansion of the company's value chains, a strengthening of its profitability, and focused strategies to create new businesses. The same year, the Business Unit (BU) System was introduced to the Business Groups, which clarified the strategic mission of each of their BUs, the smallest units for organizational control and earnings management. Meanwhile, a new standard, MCVA (Mitsubishi Corporation Value Added), was adopted to make performance evaluation more relevant, and the company's business portfolio was reshaped to allocate management resources more appropriately. In 2004, "INNOVATION 2007" was unveiled. This new management plan sought to establish MC as a "New Industry Innovator," with an aim to open up a new era and grow hand in hand with society. In 2007, MC selected the three fields of New Energy & the Environment, Medical Healthcare, and Finance, as "Next Generation Core Businesses," and increased its Business Groups to seven by newly establishing the Business Innovation, and Industrial Finance, Logistics & Development Groups. The company continues to refine its systems to ensure active involvement in next-generation, growth fields. In April 2008, MC announced its latest management plan, "INNOVATION 2009."

Organizational Structure

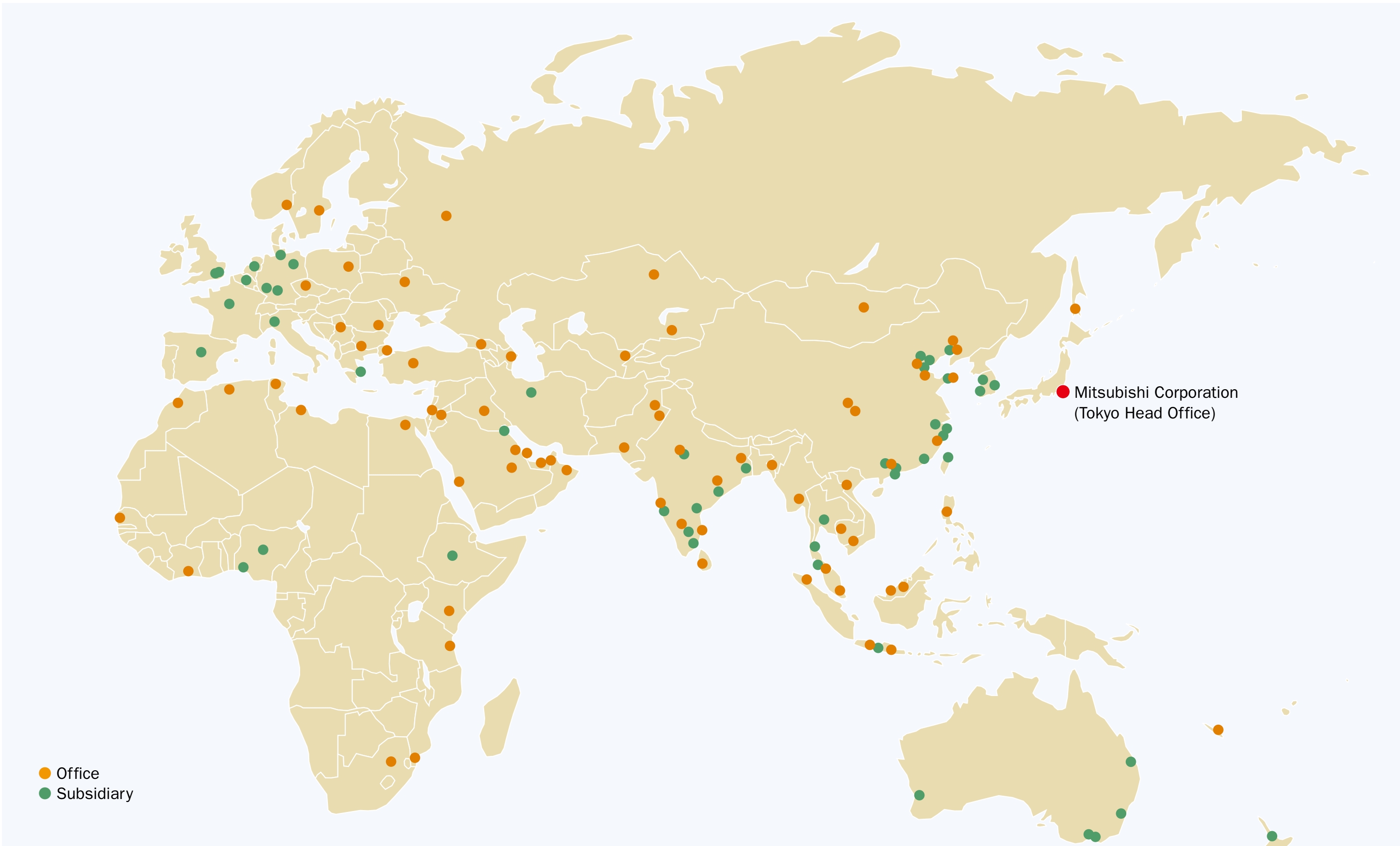
(As of July 1, 2008)



Network

(As of April 1, 2008)

Including its offices in Japan, MC has more than 200 bases of operations in 80 countries around the world.



Offices

In Japan: 37

Overseas: 121 (In addition, there are 39 regional subsidiaries in various countries around the world. Together, the main and branch offices of these subsidiaries total 82.)

Domestic Network

Tokyo
Sapporo
Sendai
Nagoya
Niigata
Toyama
Shizuoka
Osaka
Takamatsu
Hiroshima
Fukuoka
Oita
Nagasaki
Naha

Overseas Network

North America

■ **Subsidiaries**

Mitsubishi International Corporation
New York
San Francisco
Seattle
Silicon Valley
Los Angeles
Houston
Chicago
Washington, D.C.
Dallas
Pittsburgh
Boston
Tucson
Detroit

Mitsubishi Canada Limited
Vancouver
Toronto

Mitsubishi de Mexico S.A. de C.V.
Mexico City

Latin America

■ **Offices**

Guatemala City
San Salvador
Quito
La Paz
Asunción

■ **Subsidiaries**

Mitsubishi International, S.A.
Panama City

Mitsubishi Peru S.A.
Lima

Mitsubishi Colombia Ltda.
Bogotá

Mitsubishi Chile Ltda.
Santiago

Mitsubishi Venezolana C.A.
Caracas
Puerto Ordaz

Mitsubishi Argentina S.A.C. y R.
Buenos Aires

Mitsubishi Corporation do Brasil, S.A.
São Paulo
Rio de Janeiro

Europe

■ **Offices**

Oslo
Prague
Stockholm
Warsaw
Bucharest
Beograd
Sofia
Istanbul
Ankara

■ **Subsidiaries**

Mitsubishi Corporation International N.V.
London

Mitsubishi España S.A.
Madrid

Mitsubishi Corporation (UK) PLC
London

Mitsubishi France S.A.S.
Paris

Mitsubishi Nederland B.V.
Amsterdam

Mitsubishi International G.m.b.H.
Düsseldorf
Frankfurt
Hamburg
Berlin
Brussels

Mitsubishi Italia S.p.A.
Milano

Mitsubishi Hellas A.E.E.
Athens

CIS

■ **Offices**

Kiev
Moscow
Yuzhno-Sakhalinsk
Baku
Tashkent
Astana
Almaty
Tbilisi

Africa

■ **Offices**

Johannesburg
Dakar
Casablanca
Abidjan
Algiers
Tunis
Maputo
Nairobi
Dar es Salaam

■ **Subsidiaries**

Mitsubishi Shoji Kaisha, (Nigeria) Ltd.
Abuja
Lagos

Mitsubishi Ethiopia Trading Private Limited Company
Addis Ababa

No. of Consolidated Employees, Consolidated Subsidiaries and Equity-Method Affiliates by Operating Segment (As of March 31, 2008)

	No. of Employees	No. of Consolidated Subsidiaries and Equity-Method Affiliates
Business Innovation Group	4,054	46
Industrial Finance, Logistics & Development Group	2,600	92
Energy Business Group	2,024	67
Metals Group	11,254	25
Machinery Group	9,460	134
Chemicals Group	4,194	61
Living Essentials Group	24,143	113
Corporate Staff Section	2,935	12
		Regional Subsidiaries 33
Total	60,664	583

• Number of employees at parent company: 5,454
• Companies affiliated with MC subsidiaries are not included in the number of consolidated subsidiaries and equity-method affiliates.

Middle East

■ Offices
Tripoli
Cairo
Tel Aviv
Ramallah
Amman
Riyadh
Jeddah
Al Khobar
Baghdad
Doha
Abu Dhabi
Dubai
Muscat

■ Subsidiaries
Al-Masat Al-Thalath Trading Company (Mitsubishi) K.S.C.
Kuwait
Mitsubishi International Corp. (Iran), Ltd.
Tehran

Asia

■ Offices
Karachi
Islamabad
Lahore
New Delhi
Mumbai
Kolkata
Chennai
Bangalore
Bhubaneswar
Colombo
Dhaka
Yangon
Kuala Lumpur
Bintulu
Singapore
Phnom Penh
Hanoi
Ho Chi Minh City
Jakarta
Medan
Surabaya
Bandar Seri Begawan (Brunei)
Manila
Ulaanbaatar
Beijing
Chengdu
Chongqin
Guangzhou
Tianjin
Qingdao
Shanghai
Dalian
Shenyang

■ Subsidiaries
Mitsubishi Corporation India Pvt. Ltd.
New Delhi
Chennai
Mumbai
Kolkata
Bangalore
Hyderabad
Bhubaneswar
Mitsubishi Company (Thailand), Ltd.
Bangkok
Haadyai
Thai MC Company Limited
Bangkok
Haadyai
Sinar Berlian Sdn. Bhd.
Kuala Lumpur
PT. MC Indonesia
Jakarta
Mitsubishi Corporation China Co., Ltd.
Shanghai
Beijing
Mitsubishi Corporation China Commerce Co., Ltd.
Beijing
Mitsubishi Corporation (Guangzhou) Ltd.
Guangzhou
Mitsubishi Corporation (Tianjin) Ltd.
Tianjin
Beijing
Mitsubishi Corporation (Qingdao) Limited
Qingdao
Mitsubishi Corporation (Shanghai) Limited
Shanghai
Nanjing
Ningbo
Mitsubishi Corporation (Dalian) Ltd.
Dalian
Mitsubishi Corporation (Hong Kong) Ltd.
Hong Kong
Xiamen
Shenzhen
Mitsubishi Corporation (Taiwan) Ltd.
Taipei
Mitsubishi Corporation (Korea) Ltd.
Seoul
Kwangyang
Pohang

Oceania

■ Office
Noumea

■ Subsidiaries
Mitsubishi Australia Limited
Melbourne
Sydney
Perth
Brisbane
Mount Waverley
Mitsubishi New Zealand Ltd.
Auckland

* *Project offices and annex offices of the Head Office are not included in this data.*

1. Evaluate Mitsubishi Corporation's working interests in natural resources and its natural resources-related businesses

The energy and metals resources markets are today characterized by tight supplies and steeply rising prices. This section evaluates the working interests owned by Mitsubishi Corporation in natural resource projects and the company's natural resource-related businesses.

Mitsubishi Corporation's Natural Resources Working Interests

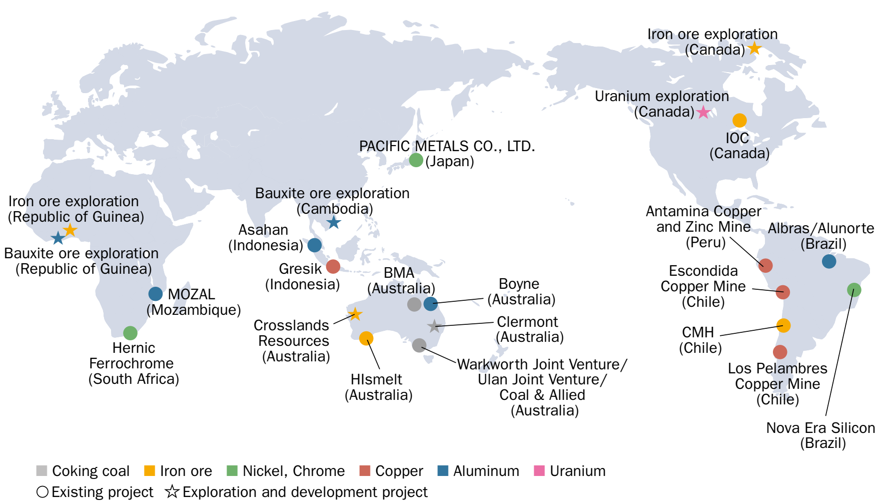
Insatiable demand from emerging economies, most notably China and India, has led to soaring prices for energy and metals resources. Mitsubishi Corporation began its natural resources-related businesses with the goal of ensuring a stable supply of resources for Japan because the country has few natural resources of its own. The company is today investing heavily around the world in coal, iron ore, copper, aluminum and other metals resources as well as in energy resources such as crude oil, natural gas and liquefied natural gas (LNG) in anticipation of future demand and supply. The company clearly has a natural resource side to it.

The working interests Mitsubishi Corporation owns in metals resources and energy are analyzed below.

—Working Interests in Metals Resources—

Mitsubishi Corporation owns working interests in coal, iron ore, raw material for stainless steel, copper, aluminum and uranium, among other metals resources, in countries around the world. The company has a particularly strong hand in coal. It started investing in coal resources back in 1968 when it established Mitsubishi Development Pty Ltd (MDP), a wholly owned Australian subsidiary. Over the ensuing 40 years, Mitsubishi Corporation has continued to invest through ups and downs in the market as it keeps its eye on the goal of ensuring a reliable supply of resources. In 2001, the company made a major move to increase rights to coking coal, which is used to make steel, as it saw this resource as one that would be in high demand in the future. Through MDP, Mitsubishi Corporation invested nearly ¥100.0 billion in BMA, a coal joint venture (which is equally owned by MDP and BHP Billiton Ltd.) to increase its portfolio of working interests. To put this into perspective, the investment exceeded the company's net income at the time. Given the size of the investment, it clearly entailed a sizable risk. But it has paid off. BMA is now the world's largest supplier of coking coal, boasting annual exports of approximately 50 million tonnes—or about 23% of the world's seaborne coking coal trade. Mitsubishi Corporation has seen its earnings from coking coal rise substantially as the price of this resource has soared. The company is reinvesting these earnings in other coking coal and metals resources projects to ensure stable supplies into the future.

Investments in Metals Resources



Equity Share of Metals Resources Production

	Fiscal 2008
Coal*1	27.6 million tons/year
Iron ore	6.3 million tons/year
Copper*2	148 thousand tons/year
Aluminum	240 thousand tons/year

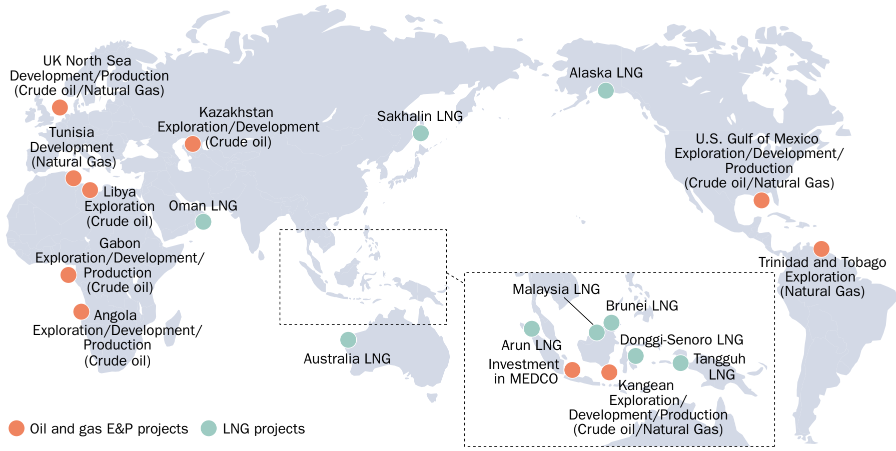
*1 Coal is the total of coking coal (hard coking coal and slightly coking coal) and thermal coal.
*2 Copper is the company's equity share of production in three South American copper mining companies.

—Working Interests in Energy—

Mitsubishi Corporation also owns working interests in oil and natural gas as well as LNG in various parts of the world. LNG is a particular strength of the company. Mitsubishi Corporation's LNG business dates back to the 1960s when it was involved in importing LNG from resource-rich Alaska to resource-poor Japan. The ocean transport of LNG was a first for Japan and an ambitious undertaking at the dawn of the world LNG industry. The company's next project was in Brunei. Here, Mitsubishi Corporation made a huge investment that dwarfed its capital at the time. But this move helped to provide greater energy security for Japan. Mitsubishi Corporation has since gone on to participate in promising new LNG projects being developed in Malaysia, Australia and elsewhere. With these investments, the size of Mitsubishi Corporation's pioneering LNG business has grown to the point, in fact, where it handles roughly 40% of Japan's LNG imports. Japan is the world's largest importer of LNG, accounting for around 40% of the world's LNG imports.

The worldwide seaborne LNG trade, currently 180 million tons, is expected to double over the next decade as demand rises in emerging countries in Asia and elsewhere as well as in the U.S. Mitsubishi Corporation is already working on plans to ramp up production based on this forecast and with the view to securing a stable LNG supply. It currently produces 4.95 million tons of LNG a year based on its equity interests in production, but plans to raise this capacity by around 40% in the near term.

Investments in Energy Resources



Equity Share of Energy Resources Production

	Fiscal 2008
Natural gas	41,000 bpd*[1]
Crude oil and condensate	48,000 bpd*[1]
Total	90,000 bpd*[1]
LNG	4.95 million tons/year*[2]

*[1] Yearly average, oil equivalent, total includes non-consolidated entities.
*[2] Production capacity.

Mitsubishi Corporation's Natural Resources-Related Businesses

Mitsubishi Corporation's energy- and metals resources-related businesses are not confined to supplying and selling the various resources produced from the rights the company owns to users. A perfect example is the steel field. Mitsubishi Corporation provides a stable supply of coking coal, iron ore and other raw materials to steelmakers. Besides that, however, the company processes, distributes and markets steel products manufactured by steelmakers. A main player here is Metal One Corporation—a Mitsubishi Corporation subsidiary and one of the industry's largest steel products trading companies. Spearheaded by Metal One, Mitsubishi Corporation supplies processed products to automakers and other end users. This value chain is important in another sense, too, in that it gives Mitsubishi Corporation information such as demand and supply forecasts on which the company can base its decisions to invest in upstream resource fields. This is characteristic of Mitsubishi Corporation's natural resources-related businesses and the source of the company's expert judgment and ability to execute decisions. Mitsubishi Corporation generated ¥252.4 billion* in net income through its resource-related businesses in fiscal 2008.

* The total of the fiscal 2008 net income of the Energy Business and Metals groups.

Mitsubishi Corporation has made a series of substantial investments to acquire working interests in natural resource projects across the globe as it sought to secure stable supplies of energy and metals resources. Thanks to these well-considered investments, which carried with them a degree of risk, Mitsubishi Corporation is generating considerable earnings in its natural resources-related businesses.

What percentage of Mitsubishi Corporation's net income does ¥252.4 billion represent? The next section analyzes Mitsubishi Corporation's financial condition.

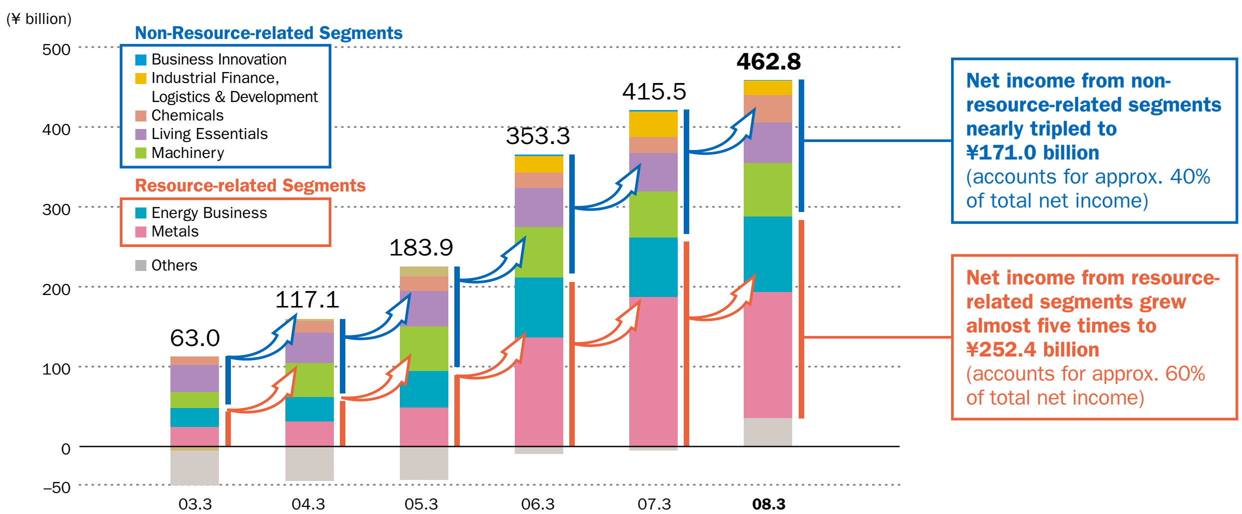
2. Analyze Mitsubishi Corporation's financial condition

Mitsubishi Corporation's financial condition has changed dramatically as its earnings have grown. This section looks at the company's earnings growth, capital efficiency and financial soundness.

Mitsubishi Corporation's Earnings Growth

Mitsubishi Corporation has now recorded double-digit earnings growth for 5 years in a row. Its fiscal 2008 consolidated net income rose 11.4% to a record-high ¥462.8 billion. The run-up in resource prices has had a beneficial effect on the company's earnings, but that is just part of the company's story. The company's results also reflect the benefits of concentrating investments in high-earnings fields in line with Mitsubishi Corporation's policy of prioritizing resources. Mitsubishi Corporation's resource segments have seen earnings grow five times over the past 5 years and they now account for a large 60% or so of the company's earnings. At the same time, non-resource segments have tripled their combined earnings, which represent most of the remaining 40% of consolidated net income. Non-resource segments are clearly growing, too. The company has a goal of achieving consistent growth based on a balance between resource and non-resource segments.

Net Income by Operating Segment

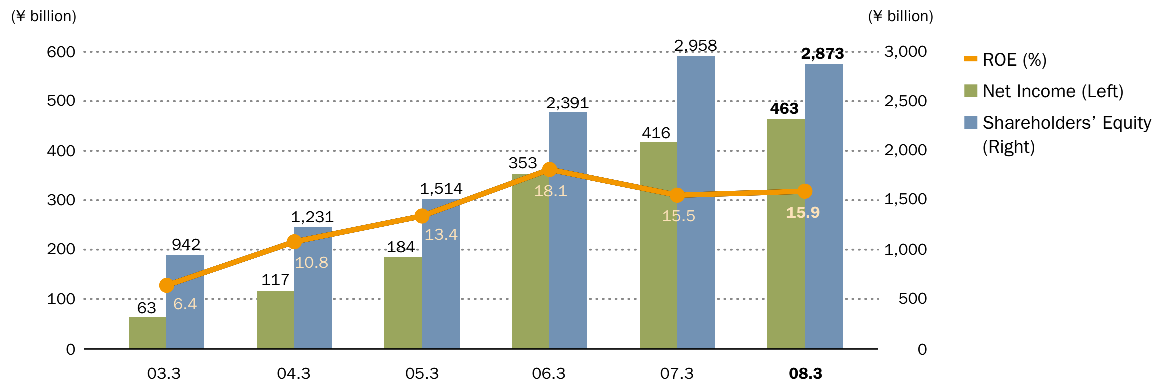


* 05.3 and prior years' figures are based on the former segment classifications. ■ New Business Initiative Group.

Mitsubishi Corporation's Capital Efficiency

Mitsubishi Corporation uses ROE as a key management yardstick of capital efficiency. Its management goal is ROE of at least 15% over the medium and long terms. Fiscal 2008 ROE was 15.9%, marking the third straight year it has exceeded 15%. Considering that shareholders' equity has risen steadily, 15% ROE is quite a high hurdle, but the company has managed to clear it with consistent earnings growth. This testifies to Mitsubishi Corporation's high capital efficiency.

ROE

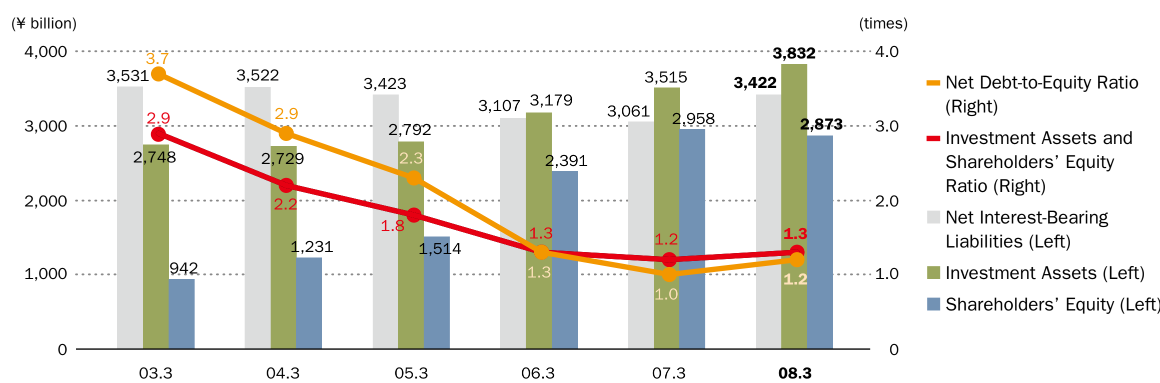


Mitsubishi Corporation's Financial Soundness

Mitsubishi Corporation has also set management standards for maintaining its balance sheet strength. The company aims to keep investment assets to within 1.5 times shareholders' equity and the net debt-to-equity ratio, interest-bearing liabilities divided by total shareholders' equity, to no more than 2.0 as it executes its plans. The company is managing increases in net interest-bearing liabilities and expansion in investment assets such as property and equipment and investment securities, by balancing them against shareholders' equity, a measure of its strength as a company.

As of March 31, 2008, Mitsubishi Corporation's investment assets stood at approximately ¥3.8 trillion and net interest-bearing liabilities were approximately ¥3.4 trillion, as a result of substantial new investments for sustaining growth. At the same time, total shareholders' equity rose steadily to finish fiscal 2008 at approximately ¥2.9 trillion. The net debt-to-equity ratio and ratio of investment assets to shareholders' equity were 1.2 and 1.3, respectively, with both figures within the upper limit of the company's management standards. Mitsubishi Corporation has thus managed to grow earnings while maintaining financial soundness.

Net Debt-to-Equity Ratio, Investment Assets and Shareholders' Equity Ratio



Mitsubishi Corporation has grown not just resource-related segments, but non-resource-related segments as well. It has also kept capital efficiency and financial soundness high.

Why has Mitsubishi Corporation been able to grow non-resource-related businesses?
The next section looks at how Mitsubishi Corporation has reformed its business models.

3. Evaluate Mitsubishi Corporation's non-resource-related businesses and business model reforms

As suggested by the term general trading company (*sogo shosha*), Mitsubishi Corporation has a diverse business portfolio. The company's natural resource businesses are attracting attention. But quietly in the background, Mitsubishi Corporation's non-resource-related business segments have been growing steadily as well. This section evaluates those businesses and the company's business model reforms.

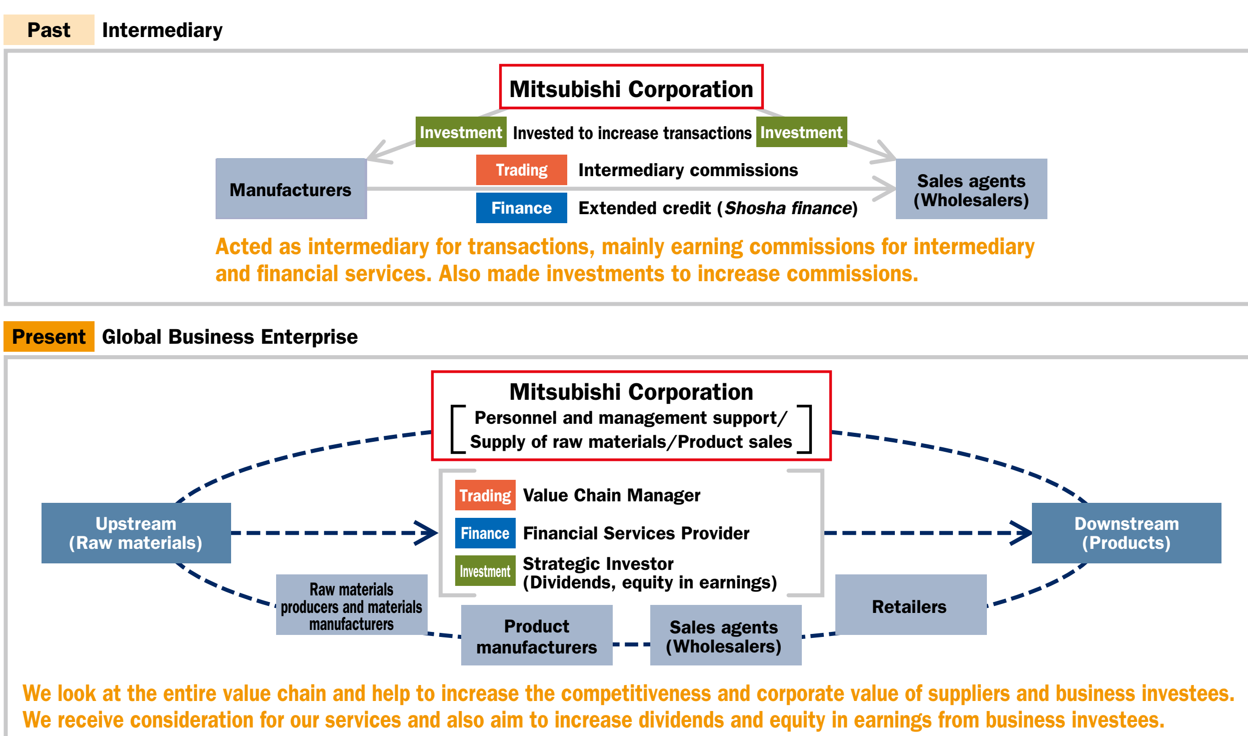
Mitsubishi Corporation's Non-Resource-Related Businesses

Some people like to characterize Mitsubishi Corporation as a natural resources play, partly because of how its earnings have benefited from the recent run-up in resource prices. But this is only one side of Mitsubishi Corporation and not a correct characterization. For sure, resource-related businesses have contributed heavily to the company's earnings growth in recent years and around 60% of the company's fiscal 2008 net income was generated by these businesses. But don't forget that approximately 40% of its earnings were still generated in other areas. These non-resource-related businesses encompass virtually every industry imaginable, from IPP businesses overseas, plants, ships and automobiles through chemicals and agricultural and marine produce and food, to paper-related, retail, finance, medical health care and environmental businesses to name a few. Whether resource or non-resource, the company's basic approach is the same—it leverages the insight and know-how obtained from its expansive worldwide network to target profitable and growing fields. This is one of the company's single greatest strengths.

Mitsubishi Corporation's Business Model Reforms

In the past, Mitsubishi Corporation's earnings came mainly from businesses centered on providing intermediary services, acting as a selling-buying agent, and extending credit to customers (*shosha finance*), irrespective of whether those businesses were of a natural resource or non-resource nature. Investing was at best complementary to these activities in the sense that it was designed to support expansion in trading.

Business Model Reform



Essentially, it was a business model centered on low-risk, low-return businesses. However, the company changed things around at the beginning of the 1990s in the face of a tougher business environment. The company purposely reformed its business models, prompted by customer requests to provide more sophisticated services going beyond trade facilitation as an intermediary.

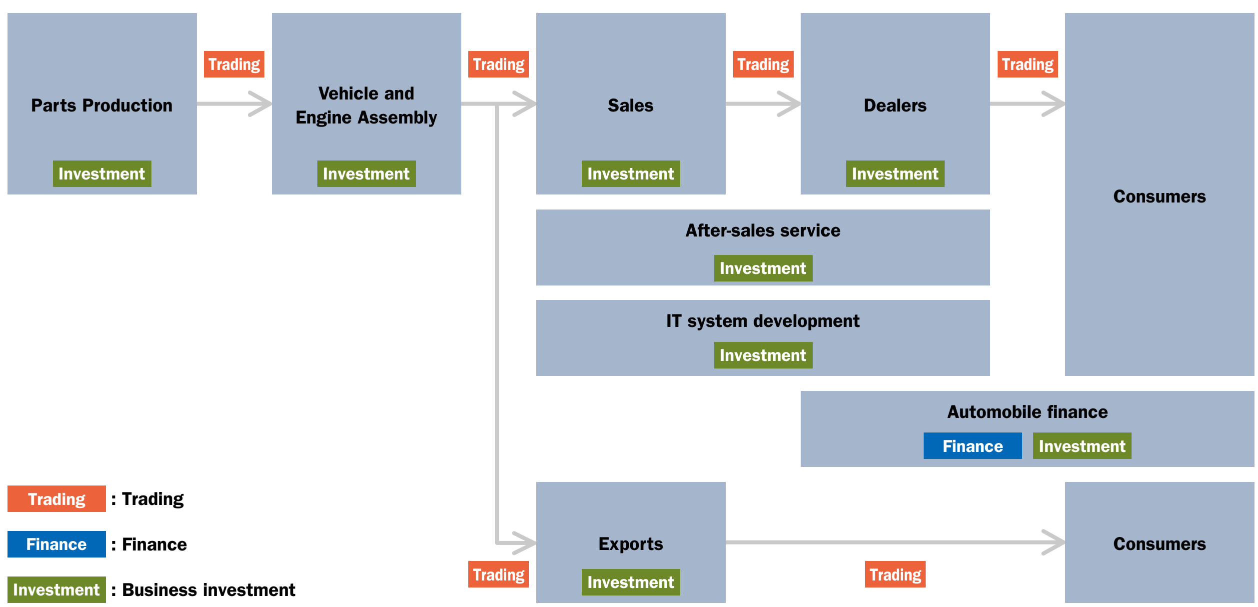
Nowadays the company makes effective use of the information, experience, insight and other advantages acquired over many years across entire businesses, from upstream to downstream areas, to provide functions and services where they are needed. For instance, in addition to acting as an intermediary, the company offers supply chain management, including support for helping customers develop more efficient distribution and information systems. Mitsubishi Corporation now also offers more sophisticated financial services, not simply trade credit. This includes cooperating in the establishment of joint ventures and with corporate acquisitions and assisting with the sale and securitization of real estate. Mitsubishi Corporation has also stepped up investing activities as a strategic investor with the aim of increasing dividends and equity in earnings. Mitsubishi Corporation also seeks to increase the corporate value of business investees by sending management personnel it has developed to fill key positions in these companies.

In short, Mitsubishi Corporation's business model today is to build value chains—a chain of added value—to increase earnings. The company continues to evolve from a low-risk, low-return intermediary into a global business enterprise that aims to generate higher returns while managing risk.

The company's value chain in the automobile field illustrates this point. This value chain centers on overseas distribution-related businesses of Mitsubishi Motors Corporation (MMC) and Isuzu Motors Limited brand vehicles. The company's network extends to all parts of the world, but is centered on Asia and Europe, with Indonesia and Thailand, in particular, positioned as strategically important regions for Mitsubishi and Isuzu vehicles, respectively. Mitsubishi Corporation has built a robust value chain in which it is involved in one way or another with everything from vehicle and engine assembly to automobile finance and dealerships downstream. Mitsubishi Corporation has augmented the value chain in Thailand by now exporting finished vehicles around the world.

Similarly, the company is playing a central role in the advancement and development of value chains in other non-resource fields such as petrochemicals, agricultural and marine products, and real estate. The same goes for resource fields such as steel raw materials and steel products, and LNG.

Automobile Field Value Chain



Mitsubishi Corporation is reinventing its business model. Now that it is a global business enterprise, it is aiming to build even stronger value chains in all fields.

What fields has Mitsubishi Corporation invested business resources in and how has it managed the risks associated with being a global business enterprise? The next section evaluates the company's investment performance and approach to risk management.

4. Analyze Mitsubishi Corporation's investment performance and risk management

With such a breadth of business activities around the world, Mitsubishi Corporation doesn't seem to be focused on any particular business domain. This section looks closer at Mitsubishi Corporation to show where it has invested business resources and how it has managed risk.

Mitsubishi Corporation's Investment Performance

Mitsubishi Corporation has designated certain fields to focus investment on as it strives to sustain growth. Under INNOVATION 2007, the company's previous medium-term management plan that covered the 4-year period ended March 31, 2008, it variously categorizes these fields. For one there is what the company calls Next-Generation Core Businesses—New Energy & the Environment, Medical Health Care and Finance. Then there are so-called Strategic Fields: energy, metals resources, overseas IPP, automobile, food, metal products, chemicals, paper related and retail. Mitsubishi Corporation invested approximately ¥1.9 trillion mainly in these fields. The company earmarks around one-third of total planned investments for investments in natural resource fields as it aims to strike a balance in its business portfolio between resource and non-resource fields.

INNOVATION 2007 Investments

			4-Year Total
Next-Generation Core Businesses*		New Energy & the Environment, Medical Health Care, Finance	198.0 billion
Strategic Fields	Resource fields	Energy	695.0 billion
		Metals resources	
		Overseas IPP	95.0 billion
		Automobile	192.0 billion
		Food	216.0 billion
		Metal products	504.0 billion
		Chemicals	
		Paper related	
		Retail	
Other		Other investments	
		Total (Gross)	1,900.0 billion

* Priority fields representing new earnings streams that the entire company will develop into businesses with earnings befitting a business group or division over the medium and long terms.

Mitsubishi Corporation's Risk Management

Mitsubishi Corporation's businesses are spread far and wide both in terms of industry and geography. The company is therefore exposed to various risks, which include changes in the global economy, and market fluctuations in exchange rates and commodity prices. However, the company analyzes and manages risk and return according to risk category for each individual business and project. At the same time, it regularly assesses risk for the company as a whole as it allocates management resources to execute business strategy aimed at achieving sustained growth.

—Risk Management for Individual Investments—

When making business investments, Mitsubishi Corporation runs simulations of future cash flows, which also take into account risk-related change, and uses that as the basis for determining the investment return required of each project. Moreover, to prevent or mitigate losses as well as to maximize earnings by existing investments either through sale of its interests or liquidation at the right time, it has established quantitative exit rules. Ultimately, it looks closely at whether to stay in an investment or exit it based on these rules as well as qualitative factors.

—Risk Management at the BU Level—

Mitsubishi Corporation has classified business units (BU) as the smallest unit for organizational control and earnings management and uses Mitsubishi Corporation Value Added (MCVA), a proprietary performance indicator, to measure and manage whether consolidated net income is covering the cost of capital associated with a given level of risk in each BU. This portfolio management approach was brought in from fiscal 2002. It enables the company to quickly identify businesses that could impair shareholder value and promotes the ongoing allocation of business resources to growth businesses in a selected and concentrated manner. This approach has clearly delivered results for the company. In fiscal 2002, total profits from profitable BUs were approximately ¥140.0 billion and total losses from unprofitable BUs were approximately ¥80.0 billion. In fiscal 2008, in contrast, the results were approximately ¥440.0 billion and approximately ¥20.0 billion, respectively.

Mitsubishi Corporation Value Added (MCVA): *Mitsubishi Corporation Value Added (MCVA) is derived from the EVA® concept, an indicator of whether value created exceeds shareholders' expectations.*

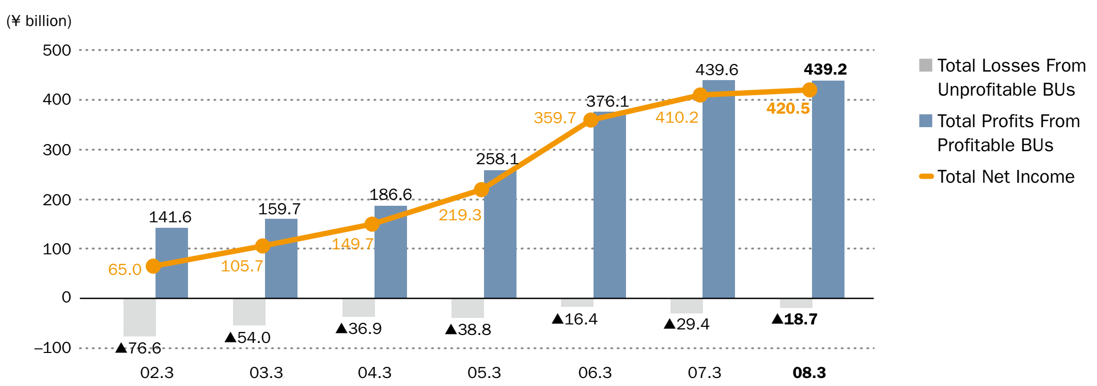
MCVA = Consolidated net income – (Risk capital x Cost of capital)

Consolidated net income: Gains or losses on the sale of listed shares are deducted from consolidated net income to show the underlying earnings power

Risk capital: Largest anticipated loss

Cost of capital: Estimated return required by shareholders from the company

BU Consolidated Net Income



—Risk Management for Mitsubishi Corporation as a Whole—

Risk management for Mitsubishi Corporation as a whole verifies whether risk capital, the largest anticipated loss, is less than shareholders' equity, a measure of its strength as a company. At the same time, as mentioned earlier, it aims to hold the ratio of investment assets, including property and equipment and investment securities, to shareholders' equity to 1.5 at most. Regular checks are made here as well to confirm that it is doing this.

Mitsubishi Corporation has designated key fields and is investing in a balanced manner. And it is managing risk from various perspectives and pursuing returns commensurate with risk, as it maintains its balance sheet strength.

5. Conclusion

How should one evaluate Mitsubishi Corporation's corporate value then?

1. **Mitsubishi Corporation has made a series of substantial investments to acquire working interests in natural resource projects across the globe as it sought to secure stable supplies of energy and metals resources. Thanks to these well-considered investments, which carried with them a degree of risk, Mitsubishi Corporation is generating considerable earnings in its natural resources-related businesses.**

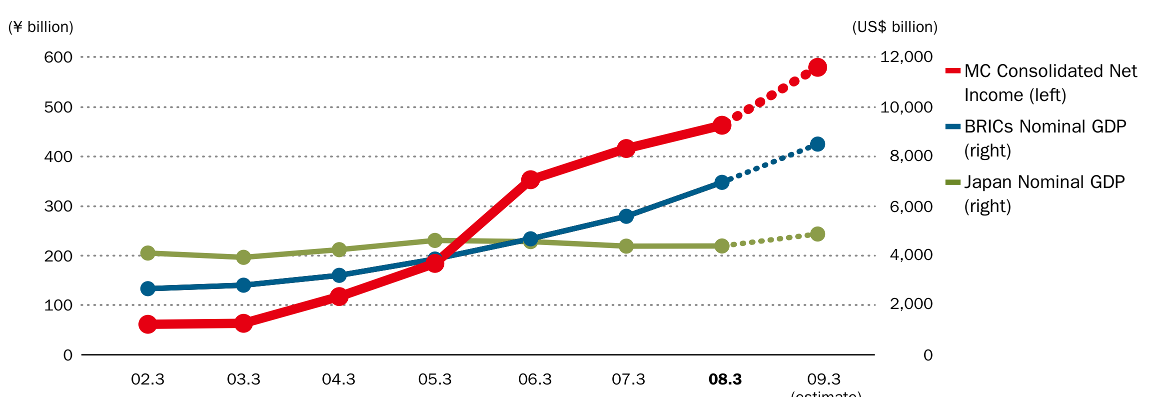
2. **Mitsubishi Corporation has grown not just resource-related segments, but non-resource-related segments as well. It has also kept capital efficiency and financial soundness high.**

3. **Mitsubishi Corporation is reinventing its business model. Now that it is a global business enterprise, it is aiming to build even stronger value chains in all fields.**

4. **Mitsubishi Corporation has designated key fields and is investing in a balanced manner. And it is managing risk from various perspectives and pursuing returns commensurate with risk, as it maintains its balance sheet strength.**

Mitsubishi Corporation is growing by harnessing global growth and everything suggests it has the potential to sustain growth going forward.

MC's Consolidated Net Income Versus Japan and BRICs Nominal GDP



*1 GDP based on International Monetary Fund (IMF) data
*2 BRICs Nominal GDP and Japan Nominal GDP are for calendar years (January through December).

Financial Highlights

Mitsubishi Corporation and Subsidiaries   Years Ended March 31

	Millions of Yen					Percent Change	Millions of U.S. Dollars
	2004.3	2005.3	2006.3	2007.3	**2008.3**	2008.3/2007.3	**2008.3**
Performance Measure:							
Operating transactions*[1]	¥15,177,367	¥17,122,034	¥19,069,181	¥20,526,570	**¥23,103,043**	12.6%	**$231,030**
Results of Operations:							
Gross profit	766,080	878,707	1,052,990	1,145,532	**1,172,222**	2.3	**11,722**
Operating income	130,069	185,192	352,215	410,304	**355,105**	–13.5	**3,551**
Income from continuing operations before income taxes	151,718	213,944	488,143	602,107	**544,505**	–9.6	**5,445**
Equity in earnings of affiliated companies	56,272	97,287	119,011	146,855	**148,958**	1.4	**1,489**
Net income	117,105	183,879	353,286	415,518	**462,788**	11.4	**4,628**
Core earnings*[2]	212,212	334,568	543,938	681,590	**623,138**	–8.6	**6,231**
Financial Position at Year-End:							
Total assets	8,409,922	9,086,031	10,375,304	11,495,527	**11,754,439**	2.3	**117,544**
Gross interest-bearing liabilities*[3]	4,107,130	4,040,199	3,763,741	3,827,760	**4,183,592**	9.3	**41,836**
Net interest-bearing liabilities*[3]	3,521,951	3,423,498	3,107,336	3,060,934	**3,421,924**	11.8	**34,219**
Total shareholders' equity	1,231,369	1,513,900	2,390,687	2,957,728	**2,873,210**	–2.9	**28,732**
Amounts per Share (yen and dollars)**:**							
Net income per share:							
Basic	¥ 74.80	¥ 117.45	¥ 217.38	¥ 246.30	**¥ 278.95**	13.3%	**$ 2.79**
Diluted	69.04	108.48	207.53	244.96	**277.71**	13.4	**2.78**
Shareholders' equity	786.54	966.89	1,418.16	1,751.89	**1,750.67**	–0.1	**17.51**
Cash dividends	12.00	18.00	35.00	46.00	**56.00**	21.7	**0.56**
Payout ratio (%)	16.0	15.3	16.1	18.7	**20.1**		
Stock price (year-end)	¥ 1,230	¥ 1,389	¥ 2,680	¥ 2,735	**¥ 3,010**	10.1%	**$ 30.10**

Notes: The U.S. dollar amounts represent translations, for convenience, of yen amounts at the rate of ¥100=$1.

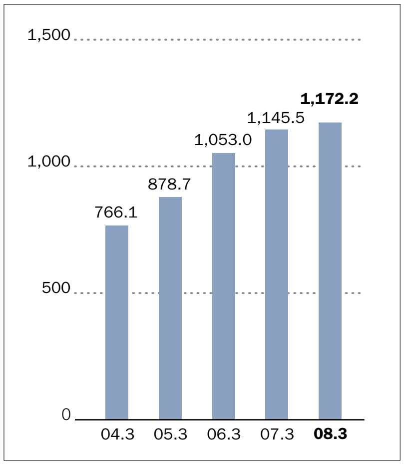
*[1] *Operating transactions is a voluntary disclosure commonly made by similar Japanese trading companies, and is not meant to represent sales or revenues in accordance with U.S. GAAP.*

*[2] *Core earnings = Operating income (before the deduction of provision for doubtful receivables) + Interest expense (net of interest income) + Dividend income + Equity in earnings of affiliated companies*

*[3] *Gross interest-bearing liabilities is defined as short-term debt and long-term debt, including current maturities, less the effect of markdowns on liabilities. Net interest-bearing liabilities is defined as gross interest-bearing liabilities minus cash and cash equivalents and time deposits.*

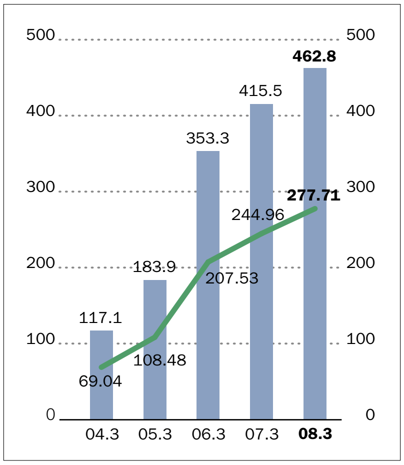
Gross Profit

(¥ billion)



Net Income and Diluted EPS

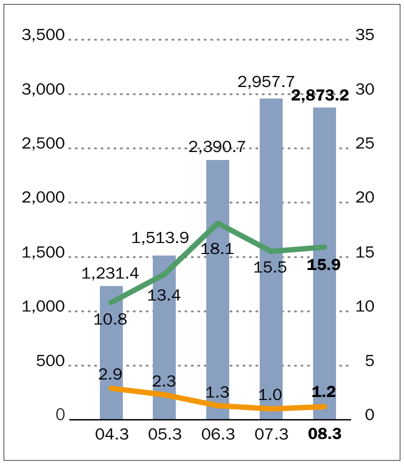
(¥ billion) (¥)



■ Net Income (Left)
▬ Diluted EPS (Right)

Total Shareholders' Equity, ROE, Net Debt-to-Equity Ratio

(¥ billion) (%, times)



■ Total Shareholders' Equity (Left)
▬ ROE (%) (Right)
▬ Net Debt-to-Equity Ratio (times) (Right)

FY2008 Highlights

Consolidated Net Income Rose by Double Digits for the Fifth Straight Year, Reaching a Record High

Consolidated net income rose by double digits for the fifth year running, increasing 11% year on year to ¥462.8 billion, despite the impact of a lower coking coal price, the absence of fiscal 2007 share sale gains and other factors that reduced earnings by more than ¥70.0 billion. This new record reflected higher earnings in all business segments, both resource and non-resource, assuming the exclusion of the aforementioned negative factors.

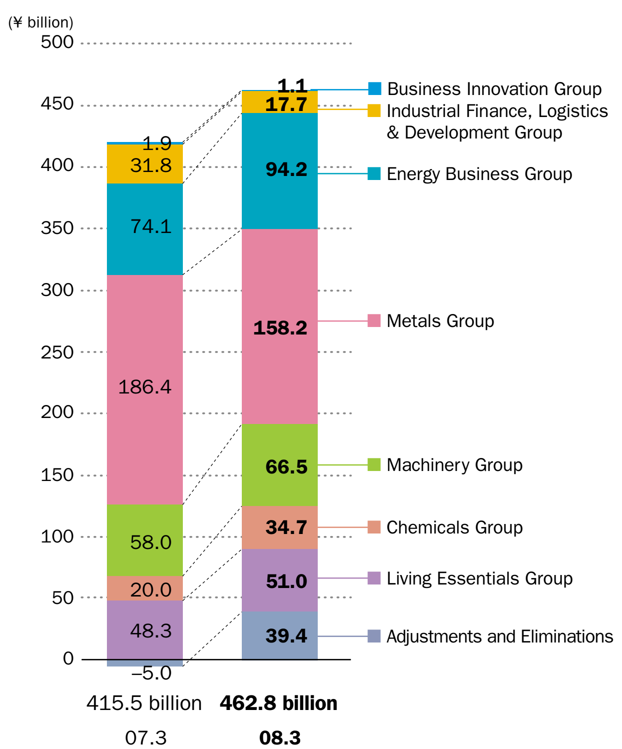
Achieved 15% ROE for Third Consecutive Year, and Net Debt-to-Equity Ratio Was 1.2

Shareholders' equity was largely unchanged from March 31, 2007 at approximately ¥2.9 trillion as of March 31, 2008. Based on this, ROE was 15.9%, the third consecutive year it has reached at least 15%. The net debt-to-equity ratio was 1.2.

¥56 Dividend per Share

MC paid a dividend per share applicable to fiscal 2008 of ¥56, up ¥10 year on year. This represented a consolidated payout ratio of 20.1%.

Net Income by Operating Segment



[Major Changes]

Business Innovation Group
Down 42%, reflecting absence of fiscal 2007 gains on sales of shares, etc.

Industrial Finance, Logistics & Development Group
Down 44% due to absence of fiscal 2007 gain on sale of Diamond City shares. However, the segment recorded higher gains on the sale of developed real estate and higher REIT-related earnings, as well as a strong overall performance in the logistics business.

Energy Business Group
Up 27%, reflecting the effect of rising crude oil prices at overseas natural resource-related subsidiaries, a gain on the sale of part of MC's equity interest in Sakhalin Energy Investment, and some foreign tax credits on overseas dividends.

Metals Group
Down 15% due to lower earnings at Australian coking coal subsidiary

Machinery Group
Up 15% due to new consolidations in overseas IPP business, as well as recovery of auto market in Asia and foreign exchange rate movements. Limiting an even higher increase was the absence of gains on the sales of shares recorded in fiscal 2007.

Chemicals Group
Up 74% due to tax benefits from higher equity interest in petrochemical business-related company and strong transactions at overseas subsidiaries.

Living Essentials Group
Up 6%, reflecting strong results in food-related businesses and other factors.

Rating Information (As of July 1, 2008)

Credit Agency	Long-Term (Outlook)/ Short-Term
Rating and Investment Information, Inc. (R&I)	AA–/a-1+ (Outlook positive)
Moody's Investors Service	A1/P-1 (Outlook stable)
Standard and Poor's (S&P)	A+/A-1 (Outlook stable)

From INNOVATION 2007 to INNOVATION 2009

I'm pleased to be writing to all shareholders and other stakeholders again this year.

For the past four years, we have implemented the INNOVATION 2007 medium-term management plan, which laid out our vision of MC as "A New Industry Innovator." This plan saw us take steps to strengthen core businesses, centered on what we call Strategic Fields, and fields that we see as strategically important for the future. These efforts culminated in record consolidated net income for the fifth straight year in fiscal 2008—we posted ¥462.8 billion. We also saw total shareholders' equity increase to approximately ¥2.9 trillion at March 31, 2008. Our credit ratings have improved as well. So, besides having increased earnings substantially, we are now much stronger operationally and financially. As we built shareholders' equity, we used it to make investments of approximately ¥1.9 trillion during the four-year INNOVATION 2007 period. These investments were made as part of stepped-up initiatives designed to ensure we sustain our growth. We looked beyond that, too, to develop new businesses that will drive growth over the medium term. Actions included establishing two new business groups: Business Innovation Group, and Industrial Finance, Logistics & Development Group. Developing and utilizing our people was another key focus. In this vein, we established the Center for Human Resources Development to develop human resources across the MC Group in an integrated manner. Besides these actions, we strengthened our internal control systems, enhanced our system infrastructure and took other actions to continuously strengthen our management system. If I were to grade our efforts under INNOVATION 2007, I would say we passed with flying colors.

In April this year, we launched a new two-year plan called INNOVATION 2009 to ensure we maintain our high standards of performance. INNOVATION 2009 carries on the same basic stance as its four-year predecessor. 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.

Pursuing More

INNOVATION 2009—Opening Up A New Era

INNOVATION 2009 covers the two-year period ending March 31, 2010. Our vision under this plan, as it was under INNOVATION 2007, is to be “A New Industry Innovator.” This means we will continue to grow along with society with the lofty ambition of opening up a new era. I think we live in an era in which this sort of thinking is needed more than ever before.

The past four years has seen strong economic conditions globally, with the rapid development of emerging nations driving unprecedented growth. However, the much-talked-about sub-prime loan crisis has triggered a worldwide economic slowdown. Add to this the growing severity of environmental problems, economic disparity and other social issues, as well as multipolarization on the political and economic fronts, and it is clear we live in an era of increasing uncertainty.

Yorihiko Kojima
President and CEO

Value Under INNOVATION 2009

MC has benefited from the run-up in natural resource prices and favorable global economic conditions, growing steadily to date. However, to sustain our growth in a difficult era of high uncertainty, we must accurately harness the forces of global change and turn this change into business opportunities. It will be important to respond to this change with speed and with a clear direction for the future. Rather than just react to change, one needs to anticipate societal and economic change and have the foresight, courage and conviction to take the first steps before others. Survival in a global economy depends on this.

This is also an era that demands more of companies in terms of fulfilling their corporate social responsibilities (CSR). This is particularly true of environmental affairs. MC is anchored by Corporate Responsibility to Society, one of its Three Corporate Principles. Guided by this philosophic touchstone, we are more strongly committed than ever to developing businesses that help create a sustainable society.

Accordingly, it will be increasingly vital to stay true to our goals of accurately harnessing world change, constantly reinventing ourselves to create new era trends and growing in step with society through businesses that are useful to the public and benefit the environment. With this ambition, we have reaffirmed our vision of being “A New Industry Innovator” in INNOVATION 2009.

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 Concept >

Promoting Growth Strategy — **Grasping Change and Opening Up a New Era**

(1) Tapping into Global Growth (2) Promoting Innovation in New Fields
(3) Strengthening Structure & 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

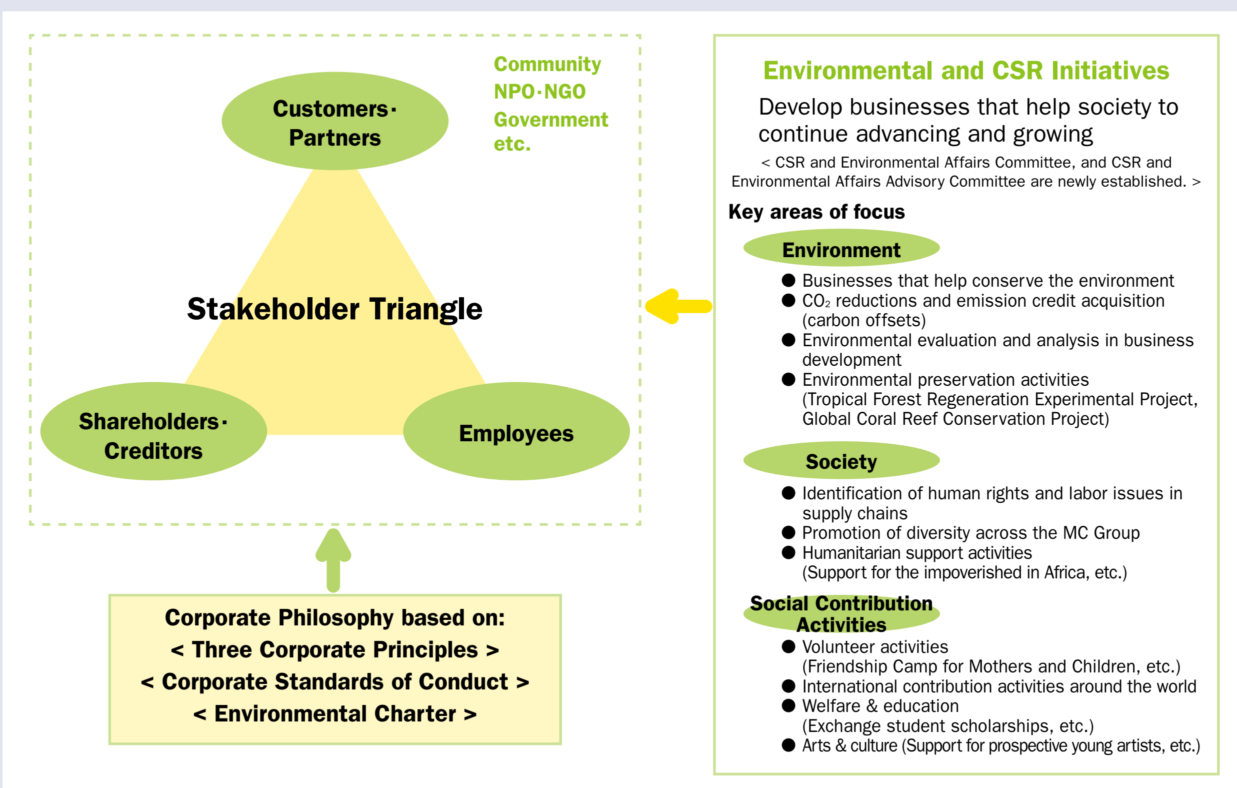
We regard the next two years as a period for both building on our achievements thus far and consolidating on our position for the future. We are thus not taking a short-sighted view of things. In terms of the first of these two points, we plan to strengthen and expand existing core business domains while pursuing even greater prioritization of resources. In concert with this, we will promote innovation across the company in a bid to create growth businesses of the future. Regarding the second point, we will steadily enhance Group management, our internal control systems and other aspects of our management system as the foundation for ensuring sustained growth. The basic concepts of INNOVATION 2009 are explained later in this section.

Stakeholder Triangle and Environmental Affairs and CSR

As always, we will be guided by our corporate philosophy, including the Three Corporate Principles. We will manage the company in a way that balances the interests of all stakeholders.

Coexisting with the environment is crucial for remaining viable in the 21st century. So, too, is fulfilling our responsibility to society as a corporate citizen. Not only are these two things necessary, but they can also become the source of a company's competitiveness. Recognizing this, we recently established the CSR and Environmental Affairs Committee. This committee's mandate is to look at our business fields and businesses and discuss whether they are appropriate from the perspective of helping create a sustainable society. An advisory committee formed at the same time will bring in the external viewpoints of experts from outside the company.

Stakeholder Triangle and Environment & CSR



INNOVATION 2009's Numerical Targets

Sustain growth while balancing earnings growth, capital efficiency and financial soundness

Our basic policy under INNOVATION 2009 is to sustain growth while balancing earnings growth, capital efficiency and financial soundness.

We plan to continuously grow consolidated net income by channeling business resources to high-growth fields. In terms of capital efficiency, we are placing emphasis on ROE as a key management yardstick. Continuing to deliver at least 15% ROE on average over the medium and long terms is our target here just like under INNOVATION 2007. In terms of measures of financial soundness, we want to keep investment assets to within 1.5 times shareholders' equity and the net debt-to-equity ratio to no more than 2.0 as we execute our plan.

Overview of numerical goals

We are forecasting consolidated net income of ¥580.0 billion for fiscal 2009 and our target for fiscal 2010 is between ¥600.0 billion and ¥700.0 billion. As I said, we see this two-year period as one for consolidating on our position so that we can grow still more in the future. To this end, we plan to prioritize business resources even more and enhance our internal controls among other ongoing measures. Our targets factor in costs associated with these measures and take into account uncertainties as regards the economic outlook.

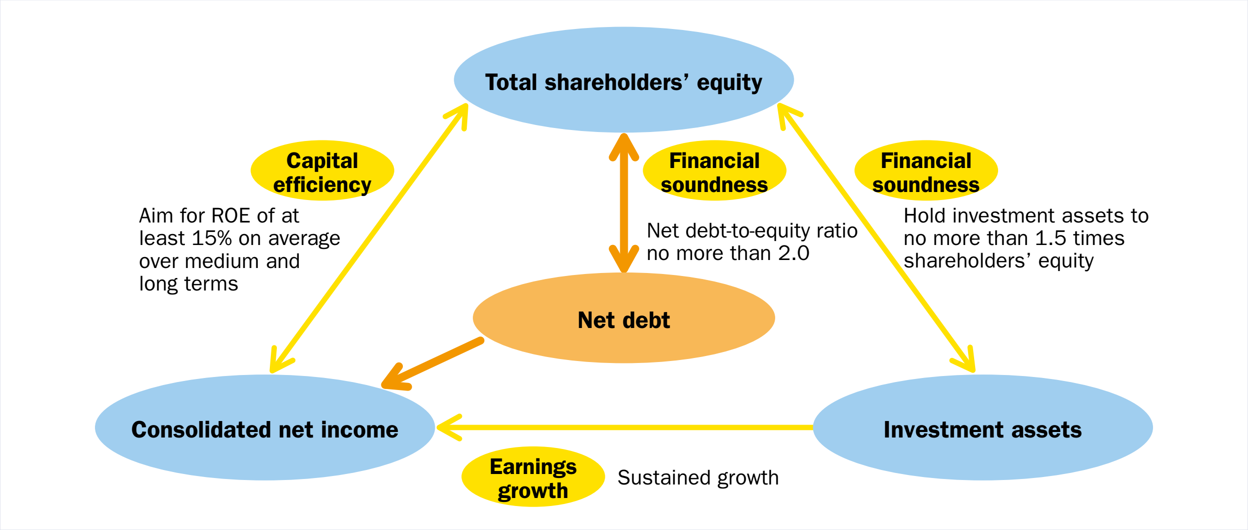
Assuming we can achieve our profit targets, we expect to see total shareholders' equity rise to around ¥3.3 trillion by the end of March 2009 and then to between ¥3.8 trillion and ¥3.9 trillion in March 2010. This would enable us to maintain ROE at no less than 15% in both fiscal 2009 and fiscal 2010.

In terms of investment assets, we see these increasing by roughly ¥1.5 trillion over the next 2 years. Our investment plans are explained later in this section.

Earnings plan

Due to a higher coking coal price and other factors, we expect to see a large rise in consolidated net income in the natural resource-related Energy Business and Metals groups in fiscal 2009. These two groups should account for about 70% of our earnings. In fiscal 2010, with increased consolidated net income in the Business Innovation and Industrial Finance, Logistics & Development groups, which are responsible for what we call our Next-Generation Core Businesses, and non-resource business

Sustain Growth Balancing Earnings Growth, Capital Efficiency and Financial Soundness



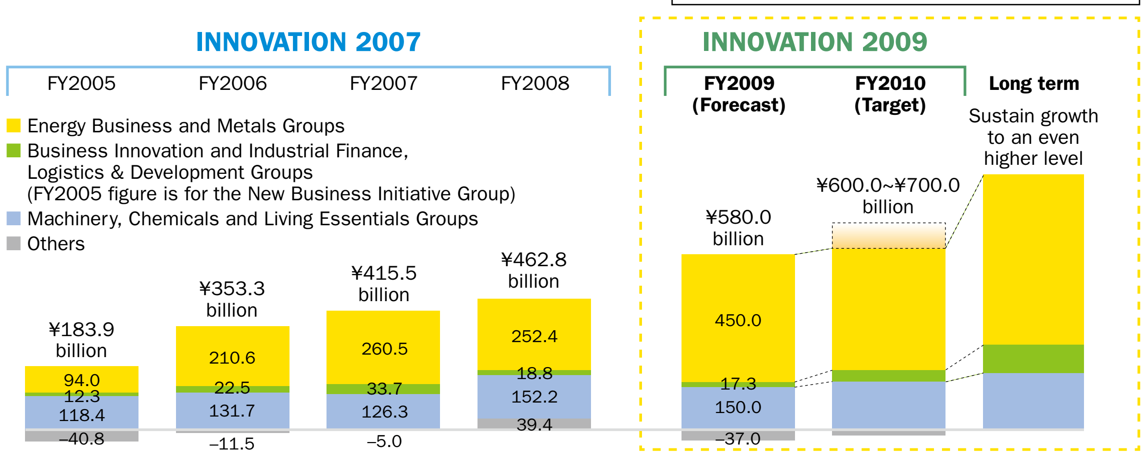
Overview of Numerical Targets

	INNOVATION 2007				INNOVATION 2009	
	FY2005	FY2006	FY2007	FY2008	**FY2009 (Forecast)**	**FY2010 (Target)**
[Consolidated net income]	¥183.9 billion	¥353.3 billion	¥415.5 billion	¥462.8 billion	**¥580.0 billion**	**¥600 to ¥700 billion**
[ROE]	13.4%	18.1%	15.5%	15.9%	**18~19%**	**17~19%**
[Total shareholders' equity]	¥1.5 trillion	¥2.4 trillion	¥3.0 trillion	¥2.9 trillion (Treasury stock –¥150.1 billion)	**Approx. ¥3.3 trillion**	**Approx. ¥3.8~¥3.9 trillion**
[Investment assets]	¥2.8 trillion	¥3.2 trillion	¥3.5 trillion	¥3.8 trillion	**Approx. ¥4.6 trillion**	**Approx. ¥5.4 trillion**
[Investment assets to shareholders' equity ratio]	(1.8)	(1.3)	(1.2)	(1.3)		**(No more than 1.5)**
[Net debt-to-equity ratio]	(2.3)	(1.3)	(1.0)	(1.2)		**(No more than 2.0)**
[U.S. credit rating agency ratings]	(A–)	(A)	(A)	(A+)		**(At least A+)**

Earnings Plan

[Assumptions and Sensitivities]

	FY2008	FY2009	FY2010
Crude Oil ($/bbl)	77.4	85.0	80.0
Foreign Exchange (¥/US$)	114.4	105.0	105.0
Interest (% TIBOR)	0.79	0.90	0.90



groups, namely the Machinery, Chemicals and Living Essentials groups, we believe we can generate consolidated net income of between ¥600.0 billion and ¥700.0 billion.

The share of earnings generated by natural resources and energy should rise for the time being. But we are also trying to grow other promising growth fields because I believe that achieving a balanced earnings structure as a global business enterprise, one that can leverage its collective strengths in wide-ranging fields, will sustain our growth.

Investment Plans

During the course of INNOVATION 2007, we made total investments of roughly ¥1,900.0 billion over 4 years, approximately ¥700.0 billion during the "hop" period and about ¥1,200.0 billion during the "step" period. The largest investments were made in the energy and metals resources fields, where we invested ¥695.0 billion. This was followed by investments totaling ¥504.0 billion in metal products, chemical and paper-related areas. In the food sector, we invested ¥216.0 billion and in new fields, including finance, we invested ¥198.0 billion. We also divested assets and incurred depreciation on property and equipment during this four-year period. Subtracting those factors, the net increase in investments was ¥1,150.0 billion during INNOVATION 2007.

Under INNOVATION 2009, our basic policy is to sustain growth by making selective investments in prime projects promising high returns. This should help us to achieve our ROE

INNOVATION 2007 Investments

		"Hop" Period Plan (FY2005~FY2006)	"Step" Period Plan (FY2007~FY2008) FY2007	FY2008	Total	4-Year Total
Next-Generation Core Businesses	New Energy & the Environment, Medical Health Care, Finance	¥10 billion	¥28 billion	¥160 billion	¥188 billion	¥198 billion
Strategic Fields	Energy Metals resources	¥235 billion	¥160 billion	¥300 billion	¥460 billion	¥695 billion
	Overseas IPP	¥85 billion	¥10 billion		¥10 billion	¥95 billion
	Automobile	¥170 billion	¥22 billion		¥22 billion	¥192 billion
	Food	¥85 billion	¥26 billion	¥105 billion	¥131 billion	¥216 billion
	Metal products Chemicals Paper related Retail	¥115 billion	¥204 billion	¥185 billion	¥389 billion	¥504 billion
Others	Other Investments					
	Total (Gross)	¥700 billion	¥450 billion	¥750 billion	¥1,200 billion	¥1,900 billion
	Divestments, etc.	–¥250 billion	–¥100 billion	–¥400 billion	–¥500 billion	–¥750 billion
	Net increase	¥450 billion	¥350 billion	¥350 billion	¥700 billion	¥1,150 billion
	Investment assets balance	¥3.2 trillion	¥3.5 trillion	¥3.8 trillion		

Companywide Investment Plan: Basic Policy

[Investments by Field]		INNOVATION 2009 Plan	INNOVATION 2007 Results: "Hop" Period Plan (FY2005~FY2006)	INNOVATION 2007 Results: "Step" Period Plan (FY2007~FY2008)
1. Energy and Metal Resources				
Energy	Natural gas, oil E&P, etc.	¥500 to ¥800 billion	¥235 billion	¥460 billion
Metals resources	Coal, iron ore, copper, aluminum, etc.			
2. Next-Generation Core Businesses				
Finance	Asset management business, lease business, funds, etc.	¥200 to ¥400 billion	¥10 billion	¥188 billion
Medical Health Care, New Energy & the Environment	Medical and nursing care fields, new energy businesses, environment and water businesses			
3. Machinery, Chemicals, Living Essentials and Other Fields				
Expand existing businesses Develop value chains Develop globally	Steel products, overseas IPP, plant, automobiles, chemicals, agricultural and marine products, food, paper related, retail, etc.	¥300 to ¥500 billion	¥455 billion	¥552 billion
		Approx. ¥1,500 billion	¥700 billion	¥1,200 billion

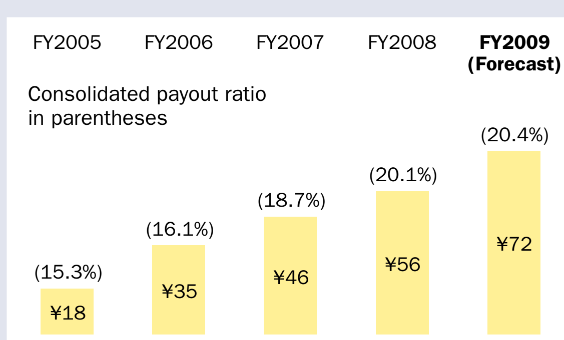
target of at least 15% in both fiscal 2009 and fiscal 2010. We will do this while maintaining the soundness of our balance sheet and a balanced portfolio. We have budgeted around ¥1,500.0 billion for investments over the next 2 years. Between ¥500.0 billion and ¥800.0 billion is earmarked for the energy and metals resources fields. Finance and other fields in Next-Generation Core Businesses will be allocated between ¥200.0 billion and ¥400.0 billion. And we plan to invest between ¥300.0 billion and ¥500.0 billion in non-resource fields like Machinery, Chemicals, and Living Essentials.

Capital Structure and Dividend Policy

As I mentioned earlier, we aim to maximize corporate value while balancing earnings growth, capital efficiency and financial soundness under INNOVATION 2009. We will utilize retained earnings as much as possible for investments to sustain earnings growth, while aiming to maintain average ROE of 15% over the medium and long terms. In terms of our dividend policy, we are targeting a consolidated payout ratio of 20% and are determined to increase returns to shareholders by increasing the per-share dividend via earnings growth. Providing we achieve our targeted earnings, we plan to pay a dividend per share applicable to fiscal 2009 of ¥72. This would be ¥16 more than the dividend for fiscal 2008.

And, depending on our earnings growth, progress with investment plans and other considerations, we will also look at buying back our shares as appropriate.

Annual Dividend per Share



INNOVATION 2009 Basic Concepts

1. Promoting Growth Strategies— "Grasping Change and Opening Up a New Era"

To sustain growth, we will strengthen and expand core business domains and develop Next-Generation Core Businesses. As the world becomes increasingly complex and uncertain, grasping changes in the business environment and promoting medium- to long-term growth are more important than ever. MC will harness global growth, strengthen its systems to propel innovation, and review the delegation of authority. And we will continue to reform internal systems to better concentrate resources on selected areas.

Tapping into global growth

Global change is creating opportunities and we want to capitalize on it.

That's why we have appointed a Corporate Functional Officer in charge of Global Strategy who is responsible for identifying ever-changing global trends in an integrated fashion, and proposing strategy direction. Executive Vice Presidents (EVPs) for each region outside Japan and a Senior Executive Vice President (SEVP) for Japan have also been appointed. Their role is to assist this Corporate Functional Officer from a management standpoint. And we have divided the world into 8 regions, and assigned a Chief Regional Officer (CRO) to each. The CROs will propose opportunities from their respective regions, which shall be reflected in MC's business strategies in a timely fashion.

Promoting innovation in new fields

MC has forged ahead with efforts to thoroughly strengthen existing core businesses. At the same time, we will work to create new earnings pillars for the 21st century.

We are currently developing Next-Generation Core Businesses—Medical Health Care, New Energy & the Environment, and Finance—and will continue strengthening systems to promote companywide efforts in entirely new fields.

Strengthening structures & systems for sustainable growth

As a measure to support growth, we have further demarcated management and execution roles and strengthened companywide management systems. Two SEVPs (Food, Agricultural Resources & Consumer Market Strategies, and Resources & Energy Strategies) have been appointed to assist the president

Senior Executive Vice President, Food, Agricultural Resources & Consumer Market Strategies

My mission is to develop a comprehensive policy and strategies for MC for the food and agricultural resources and consumer markets. On June 10, 2008, the Food and Agricultural Resources Comprehensive Policy Committee and Consumer Market Strategy Committee were established under the auspices of the Executive Committee to help with this work. I head both of these new committees. The food and agricultural resources field has seen prices soar and is confronting various environmental issues. It is a field that is the subject of much discussion around the world. I want to develop an expansive comprehensive policy that only MC can implement by fostering greater collaboration among related business units. This collaboration will allow us to develop businesses with a higher level of sophistication such as biofuels and also strengthen our capacity to procure food and agricultural resources. The consumer market, meanwhile, reflects new trends and developments in society and the economy. Leveraging our strengths as a *sogo shosha*, we can break new ground here by focusing on implementing our strategies.

Senior Executive Vice President
Takeshi Inoue

Senior Executive Vice President, Resources & Energy Strategies

The resources and energy fields are in a state of flux. Ensuring national security in terms of resources, energy and food as well as combating global warming are some of the issues catalyzing this tumultuous change. My job is to come up with policies and strategies for these fields as an assistant to the president. Through collaboration among related MC business units and stronger connections with industry, regions and government agencies, we should be able to grow business and raise our competitiveness. On April 1, 2008, MC reorganized certain internal bodies to form the Natural Resources and Energy Strategy Promotion Committee, which I chair. MC has many strengths in the resources and energy fields and I want to bring them to bear in developing our business in this regard.

Senior Executive Vice President
Hisanori Yoshimura

in executing key management issues. Management meetings, including the Executive Committee and Board of Directors, have been reviewed, too. Specifically, executive officers who serve concurrently as directors are now limited to officers with companywide responsibilities (namely the Chairman, President, SEVPs and Corporate Functional Officer). The Board of Directors is now made up only of in-house directors who are responsible for companywide management and outside directors; the number of directors has been reduced from 20 to 15 along with this. Meanwhile, the Executive Committee consists only of directors with companywide management responsibilities. Here, too, the number of members has been reduced from 12 to 8. And by redefining the responsibility of business group CEOs (GCEO), they can now focus more intently on managing their respective groups. In line with this, group CEOs have been handed more authority, which should enhance and expedite business group decision-making and execution.

The business group and BU systems that have served us so well won't change. However, divisions have now been designated as the key organizational unit for executing growth strategies, as we consider this the most appropriate level of the organization for devising expansive medium- to long-term strategies. In addition, in order to raise the quality of MC's businesses and realize medium- to long-term growth while making the most effective use of management resources, we have clarified the strategic mission of each division. Management resources will be shifted accordingly.

2. Developing and Utilizing Human Resources—Developing Human Assets

MC's greatest assets are its people. Indeed, it is essential for us to both attract and retain a very diverse pool of talent—the kind of people who grow by dedicating themselves to self-improvement and teamwork. But to ensure the most effective development of human resources, an energetic organization and corporate culture are also crucial. We are therefore committed to building systems and environments in which our unique, multi-skilled workforce can excel, across both consolidated and global operations. MC is also dynamically assigning and relocating its people, ensuring that the right employees are at the ready in growth fields and regions. In this way, we are making the most effective, companywide use of our people. From here on MC will be working to further invigorate each organization and employee. Furthermore, MC will execute specific measures to formulate optimum, individual career paths, and establish the kinds of environments in which each employee can work with greater motivation.

Developing and utilizing human resources globally

MC is committed to actively supporting the further growth and development of its employees worldwide as they hold the key to executing its policy of tapping into global growth. Personnel systems will be individually tailored to each region, and measures to support personnel exchange with Tokyo Head Office and career development will be accelerated. The ultimate aim is to provide working environments where our people can excel. Another key issue is helping employees at MC Group companies to further develop and succeed in their respective professional fields. These employees will determine how effective MC can be in raising its consolidated corporate value. As such, we plan to extend further assistance to improve personnel systems at MC Group companies. We will also enhance personnel exchange and training programs designed for these companies.

Dynamically reallocating human resources

As a companywide initiative, MC aims to optimally allocate human resources in accordance with its business strategy of concentrating business resources on selected fields more than ever. The most appropriate individuals will be assigned to growth regions and fields. MC will also make even greater efforts to transfer and reassign employees based on personalized career path development, as well as foster internal personnel exchanges across business group and business unit lines.

Creating an energetic organization and corporate culture

Through a variety of measures, we will work to create the most energetic organization and corporate culture possible. Plans call for strengthening management's capacity in organizational administration, further improving and running companywide training programs, implementing initiatives to support employees in attaining a good "work-life balance," and running programs to enlighten people on diversity. Ensuring that we make good use of long-serving employees is part and parcel of our overall plan too.

3. Continuously Strengthening Management Systems—Reinforcing Internal Systems

Our business model now revolves much more around investment than trading. As we evolve into a global business enterprise, management of the MC Group as a whole is taking on more importance.

MC therefore aims to develop a strong sense of unity throughout its consolidated companies, and shore up management systems of each company, as it aims to build a corporate group that is linked by bonds of "trust and responsibility." The goal is to raise overall corporate value on a consolidated basis and achieve sustainable growth, ultimately contributing to the continuous development of society.

Increasing management efficiency and effectiveness

MC will enhance the sophistication of its offices around the world, develop personnel systems and promote personnel exchange on a consolidated basis, and enhance group financing and other activities. MC Group companies will work in collaboration with MC to promote the establishment of internal control and other systems that meet or exceed a given standard. In this manner, MC will strengthen its management system on a consolidated basis.

Actions Concerning Mitsubishi Motors Corporation

We injected equity totaling ¥140.0 billion into Mitsubishi Motors Corporation (MMC) between June 2004 and January 2006, following requests by MMC. For fiscal 2008, ended March 31, 2008, the final year of the Mitsubishi Motors Revitalization Plan announced in January 2005, MMC posted consolidated sales of ¥2,682.1 billion, operating profit of ¥108.6 billion and net income of ¥34.7 billion. In February 2008, MMC announced a new mid-term management plan for building the foundations of growth.

In addition to having direct dealings with MMC, we conduct businesses with this automaker, mainly overseas, such as automobile-related distribution and sales businesses in Asia and finance businesses for automobile-related sales in Europe. As a business partner, Mitsubishi Corporation is determined to continuously support MMC's efforts to achieve a successful outcome to its new plan. Our total MMC-related risk exposure was roughly ¥420.0 billion as of March 31, 2008.

Actions Concerning the Sakhalin II Project

MC, together with OAO Gazprom (Gazprom), Royal Dutch/Shell Group and Mitsui & Co., Ltd., is participating in the Sakhalin II Project, an LNG and crude oil development project on Sakhalin, Russian Federation, through investment in a joint venture, Sakhalin Energy Investment Co., Ltd. MC and the two other original shareholders sold some of their shares in Sakhalin Energy Investment to Gazprom in April 2007. As a result, MC's shareholding in Sakhalin Energy Investment is now 10%. This project began first-stage development activities with the commencement of half-year (summer) oil production in July 1999, and a final investment decision for stage-two development activities (year-round production of crude oil and LNG production) was made in May 2003. As of March 31, 2008, stage-two development activities were more than 90% complete. MC is determined to continue working with the other shareholders to see this project through to successful completion. MC's total investment in Sakhalin Energy Investment as of March 31, 2008 was approximately ¥200.0 billion.

Developing systems for internal control and IT, and reforming administrative processes

MC will ensure that its operations are in compliance with the Financial Instruments and Exchange Law, which came into effect in 2008 and ushered in stricter internal controls on financial reporting. As part of this compliance process, we will standardize MC Group administrative procedures. This will ensure the correctness of administration on a consolidated basis and respond to the greater demands being placed on corporate activities.

MC revamped its existing systems infrastructure under INNOVATION 2007. However, in order to reinforce consolidated management, the scope of infrastructure reviews will be extended to cover consolidated operations. Meanwhile, systems will be integrated through the standardization and across-the-board implementation of administrative procedures.

INNOVATION 2007 and its various initiatives elevated MC to a new stage of excellence.

Under INNOVATION 2009, we want to sustain our growth to further elevate corporate and shareholder value. We want to do this as a global business enterprise, one that generates value through the interplay of varied businesses—and as a company that develops businesses with a strong awareness of fulfilling its responsibilities to society and the environment.

Yorihiko Kojima
President and CEO

Review of Operations

Business Groups at a Glance

Business Innovation Group

Amid rapid changes in the natural environment, structure of global industry, and development of advanced technologies, the Business Innovation Group is developing proactive, innovative and competitive businesses in high-growth industries. Providing significant benefits to society, our initiatives have great potential for future growth.

Industrial Finance, Logistics & Development Group

By MC's expertise in finance, real estate, construction, and logistics, the Industrial Finance, Logistics & Development Group is building a new model of industrial finance—one that, as a New Industry Innovator, responds to rapid changes underway in the business structure and environment on a worldwide basis.

Energy Business Group

In addition to developing and investing in oil and gas projects, the Energy Business Group trades in crude oil, petroleum products, LPG, LNG, carbon products and other products.

Metals Group

The Metals Group is building integrated value chains, from upstream raw materials to downstream products, and developing its business through trading and investments.

Machinery Group

Applying its network, credibility and expertise on wide-ranging business domain, the Machinery Group is broadening its value chains, from sales and financing, to business development and investment.

Chemicals Group

The Chemicals Group contributes to the creation of an affluent society by supplying essential chemicals and chemical products to numerous industries. These chemicals include raw materials for synthetic resins and fibers, chemical fertilizers, inorganic raw materials, industrial salts, plastics, electronics materials, and life science products.

Living Essentials Group

The Living Essentials Group handles food products and commodities, textiles, and materials, developing its businesses in a wide range of fields related primarily to food, clothing and housing, and thereby supporting the daily lives of consumers.

Main Products and Services

- Lithium-ion batteries, neodymium magnets, automotive parts (shock absorbers, batteries, motors, etc.);
- Fullerenes, electronics-related business, venture investments, affiliations between industry, academia, and government, R&D outsourcing;
- Solar power generation system (metallic silicon, poly-silicon, silicon wafers, cell-modules, solar power generation systems), fuel cells, biomass fuels related business, emissions reduction business, operation and maintenance of water treatment plant, resource recycling businesses;
- ICT solutions & service business, network services-related business, IT consulting business, information-security business, ASP business, BPO business;
- Bulk procurement of medical supplies and pharmaceuticals, inventory management, consulting for hospital construction & renovation, cutting-edge medical devices, consulting on improvements in hospital management, Private Finance Initiative (PFI) for hospitals, dispensing pharmacies, marketing & rental of nursing care equipment & items, food delivery, human resources & temporary staffing services;
- Contents creation, license management, mobile telephone sales, TV & catalogue shopping, outdoor advertisements, infrastructure for accounts settlements, point services, others

- Asset management business, buyout investment business;
- Real estate and infrastructure funds related business, leasing business, airline-related business, healthcare fund business;
- Real estate development, income-generating property portfolio, commercial facility development and operation, sales and leasing of houses and condominiums, construction, real estate consulting, equipment and energy saving solution (Energy Service Company (ESCO)) business, hospital revitalization, PFI business, overseas real estate investment;
- Parts and product distribution, tramp chartering (bulkers), terminal business, insurance solution business, others

- LNG (liquefied natural gas), LPG (liquefied petroleum gas), crude oil, gasoline, naphtha, kerosene, diesel oil, fuel oil, lubricating oil, asphalt, other petroleum products, anthracite, coal coke, petroleum coke, carbon black feedstock, coal tar and tar products, carbon fibers and activated carbon, artificial graphite electrodes, oil and gas exploration and production, others

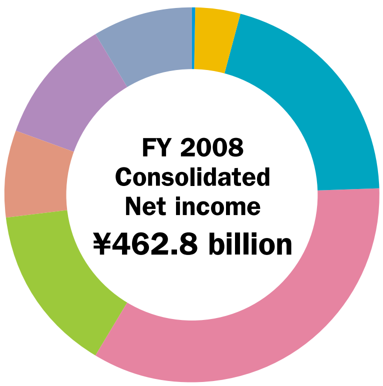
- Iron ore, coking coal, thermal coal, auxiliary materials, raw materials for stainless steel such as nickel and chrome, ferro-alloys, non-ferrous metal raw materials such as copper and aluminum, non-ferrous metals, precious metals, automotive body parts, pig iron, scrap steel, steel sheets and coils, steel tubes and pipes, stainless steel, other steel products, others

- Power generation equipment, power transmission and transformer facilities, transport and import of nuclear fuel, elevators and escalators, overseas IPP business, retail electricity sales in Japan, on-site power generation business in Japan;
- Plant equipment for oil, gas, chemical, steel, non-ferrous metals and cement industries, mining machinery, port facilities, off-shore marine structures, agricultural machinery, construction machinery, industrial machinery, tire production machinery, printing machinery;
- Ships and vessels, marine machinery, ship-owner business, rolling stock and related infrastructure and equipment, railway project development, traffic control systems, satellite communications, satellite imaging and mapping services, defense-related aircraft and equipment, defense-related electronic equipment, space-related equipment, space development;
- Production, export, sales and finance of motor vehicles (entire cars, assembly parts, spare parts), others

- Petrochemical products, fertilizers, inorganic chemical products, synthetic plastics and plastic products, functional materials, electronic materials, food and feed additives, pharmaceutical and agricultural chemical intermediates manufacturing, life science business, advanced materials, others

- Rice, wheat, barley, wheat flour, corn, sugar, starch, corn syrup and other sweeteners, corn grits, brewing malt, hop, soybean, rapeseed, sesame seed, oil and fat products, chicken and pork, processed meat products, vegetable protein, grain by-products, roughage, tuna, marine products, fruit and vegetables;
- Processed foods, soft drinks, raw tea products, canned foods, liquor, confectionery and confectionery ingredients, health foods, pet foods, frozen and chilled products, cheese, dairy products, coffee and cocoa ingredients, fruit juices;
- Textile raw materials, yarn and knitted fabric, fashion apparel, footwear, household goods, furniture, brand business, industrial textiles, enhanced materials;
- Raw materials for paper (including wood chips and pulp), paper, paperboard, packaging materials, construction materials, cement, glass raw materials, tires, electronic equipment;
- Retail management support, marketing research, logistics engineering, others

Fiscal 2008 Results



Business Innovation Group	0.2%
Industrial Finance, Logistics & Development Group	3.8%
Energy Business Group	20.4%
Metals Group	34.2%
Machinery Group	14.4%
Chemicals Group	7.5%
Living Essentials Group	11.0%
Adjustments and Eliminations	8.5%

Business Innovation Group

Operating transactions: ¥287,960 million
Gross profit: ¥44,599 million
Equity in earnings of affiliated companies: ¥1,802 million
Net income: ¥1,080 million
Segment assets: ¥197,017 million

No. of employees*1:
Consolidated: 4,054
Parent company: 394

No. of Consolidated Subsidiaries and Equity-Method Affiliates*2: 46

Industrial Finance, Logistics & Development Group

Operating transactions: ¥282,588 million
Gross profit: ¥60,471 million
Equity in earnings of affiliated companies: ¥2,294 million
Net income: ¥17,686 million
Segment assets: ¥799,698 million

No. of employees*1:
Consolidated: 2,600
Parent company: 391

No. of Consolidated Subsidiaries and Equity-Method Affiliates*2: 92

Energy Business Group

Operating transactions: ¥5,011,967 million
Gross profit: ¥81,641 million
Equity in earnings of affiliated companies: ¥45,410 million
Net income: ¥94,206 million
Segment assets: ¥1,705,803 million

No. of employees*1:
Consolidated: 2,024
Parent company: 515

No. of Consolidated Subsidiaries and Equity-Method Affiliates*2: 67

Metals Group

Operating transactions: ¥5,713,773 million
Gross profit: ¥282,010 million
Equity in earnings of affiliated companies: ¥41,679 million
Net income: ¥158,241 million
Segment assets: ¥3,281,536 million

No. of employees*1:
Consolidated: 11,254
Parent company: 311

No. of Consolidated Subsidiaries and Equity-Method Affiliates*2: 25

Machinery Group

Operating transactions: ¥3,903,645 million
Gross profit: ¥192,639 million
Equity in earnings of affiliated companies: ¥25,504 million
Net income: ¥66,532 million
Segment assets: ¥2,215,642 million

No. of employees*1:
Consolidated: 9,460
Parent company: 1,015

No. of Consolidated Subsidiaries and Equity-Method Affiliates*2: 134

Chemicals Group

Operating transactions: ¥2,480,473 million
Gross profit: ¥97,903 million
Equity in earnings of affiliated companies: ¥11,965 million
Net income: ¥34,728 million
Segment assets: ¥831,746 million

No. of employees*1:
Consolidated: 4,194
Parent company: 654

No. of Consolidated Subsidiaries and Equity-Method Affiliates*2: 61

Living Essentials Group

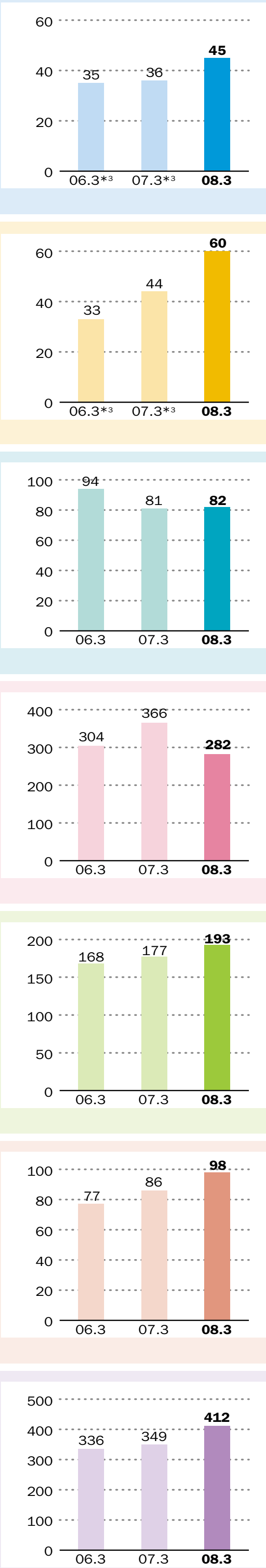
Operating transactions: ¥5,486,922 million
Gross profit: ¥411,978 million
Equity in earnings of affiliated companies: ¥21,129 million
Net income: ¥50,966 million
Segment assets: ¥2,274,109 million

No. of employees*1:
Consolidated: 24,143
Parent company: 837

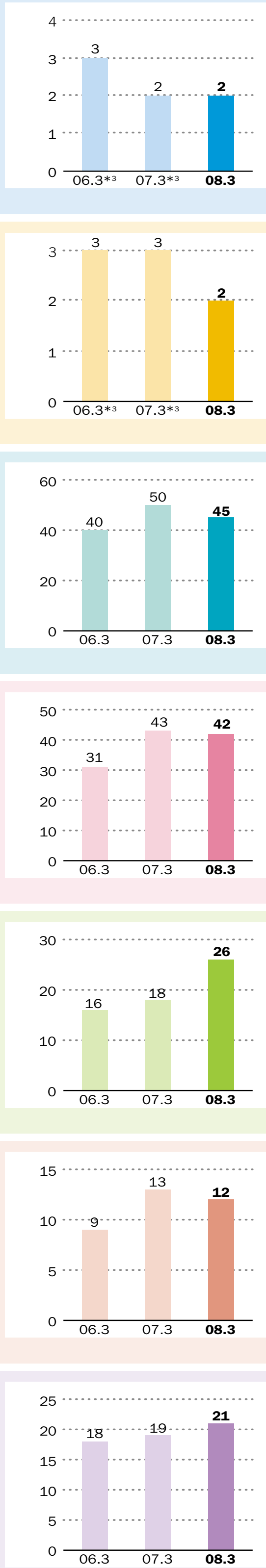
No. of Consolidated Subsidiaries and Equity-Method Affiliates*2: 113

*1 Data as of March 31, 2008. The number of Corporate Staff Section employees not shown on this page was 2,935 on a consolidated basis and 1,337 on a parent company basis. Accordingly, the total number of employees was 60,664 on a consolidated basis and 5,454 on a parent company basis.
*2 Data as of March 31, 2008. Figures do not include companies consolidated by subsidiaries. The number of regional subsidiaries and the number of consolidated subsidiaries and equity-method affiliates of the Corporate Staff Section not shown on this page were 33 and 12, respectively. Accordingly, the total number of consolidated subsidiaries and equity-method affiliates was 583.

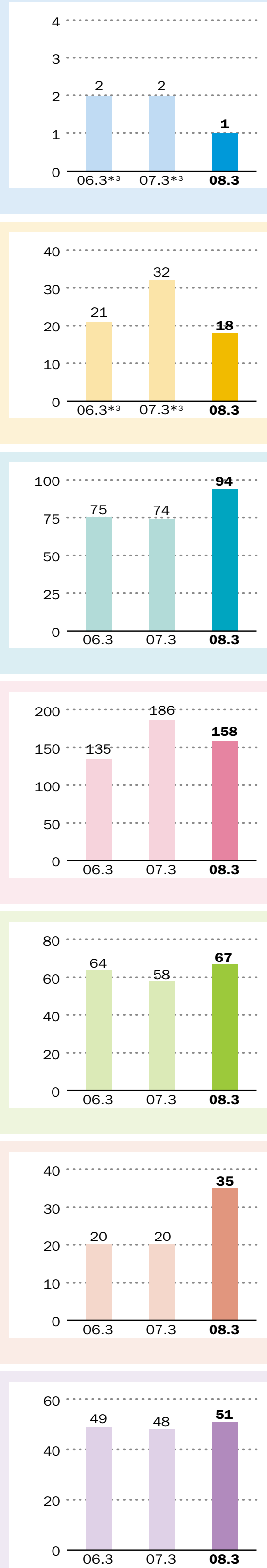
Gross Profit
(¥ billion)



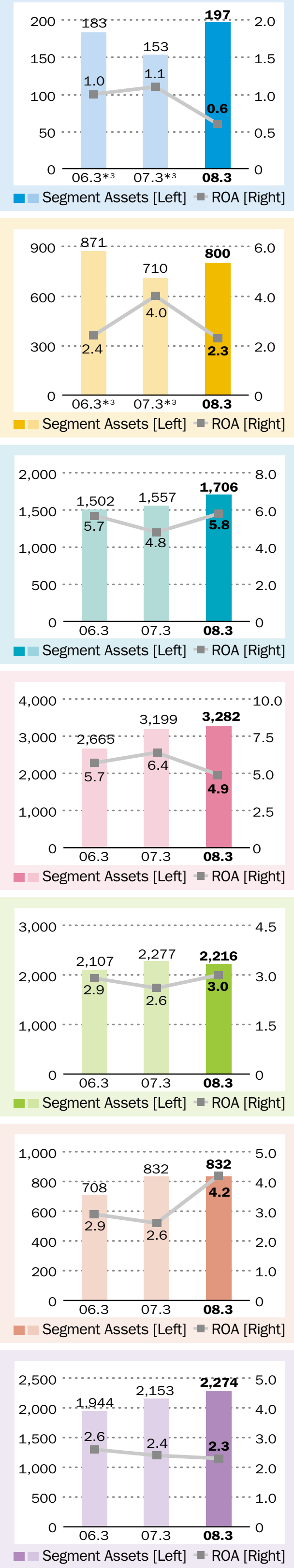
Equity in Earnings of Affiliated Companies
(¥ billion)



Net Income
(¥ billion)



Segment Assets, ROA
(¥ billion [Left], % [Right])



*3 The Business Innovation Group and the Industrial Finance, Logistics & Development Group were formed in April 2007. Figures for fiscal 2006 and 2007 are restated figures based on the new organizational structure after the formation of these two new groups.

Business Innovation Group

front row
Koichi Komatsu
Executive Vice President, Group CEO, Business Innovation Group

back row from left
Michiya Nakajima
Senior Vice President, General Manager, Innovation Center
Shigeki Kusaka
Senior Vice President, Division COO, Information & Communication Technology Business Division
Nobuaki Kojima
Senior Vice President, Division COO, New Energy & Environment Business Division
Sumio Ariyoshi
Senior Vice President, Division COO, Human Care Business Division (Concurrently) Division COO, Media Consumer Business Division

Organizational Structure

Business Innovation Group CEO Office
Business Innovation Group Controller Office

ITS Business Unit
Automotive-Related Business Unit

Innovation Center
- Technology & Business Development Dept.

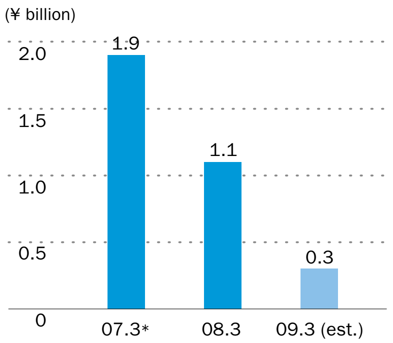
New Energy & Environment Business Division
- New Energy Business Unit A
- New Energy Business Unit B
- Emissions Reduction Business Unit
- Environment & Water Business Unit

Information & Communication Technology Business Division
- ICT Service Business Unit A
- ICT Service Business Unit B • ICT Solution Unit
- Information Security Business Unit

Human Care Business Division
- Healthcare Business Unit
- Hospital Solution Business Unit
- Life Care Business Unit

Media Consumer Business Division
- Commerce Business Unit • Marketing Business Unit
- Solution Business Unit • Contents Business Unit

Net Income



** Figure restated based on new organization*

Group CEO's Message

Fiscal 2008 Performance

In a business environment characterized by rapid technical innovation and dynamic shifts in the structure of industries on a global scale, the mission of the Business Innovation Group is to create future earnings streams in promising industrial fields by developing, nurturing and expanding competitive businesses. Importantly, these businesses will contribute positively to society and the environment. Many of our businesses represent long-term investments for the future, where time will be required to generate significant earnings contributions. That said, some of our businesses are already on a growth trajectory, including businesses in the healthcare and information and communication technology (ICT) fields. We are also working to establish MC as a leading global force in the emerging field of emissions reduction business.

This group posted consolidated net income of ¥1.1 billion in fiscal 2008. The drop in earnings from the previous year's figure of ¥1.9 billion was mainly due to the gains on the sale of shares that we recorded in fiscal 2007.

In fiscal 2008, we made several investments in new energy fields, including a bioethanol project in Hokkaido, and a bio-pellet project in Kyushu. In the medical healthcare arena, we invested in Emergent Medical Ventures, a venture fund based in Silicon Valley, California, that is promoting the development of innovative medical devices based on cutting-edge technology. We also made a full-scale entry into Japan's dispensing pharmacy business with investments in chains Qol Co., Ltd. and Yakuju Corporation.

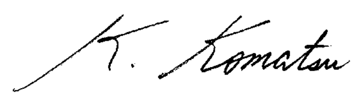
Group Strategy and Fiscal 2009 Outlook

"New energies & the environment" and "medical healthcare" are two of the growth sectors that MC has designated as Next-Generation Core Businesses. The Business Innovation Group is playing a central role in developing these businesses. Through stronger cooperation with other business groups within MC, we plan to expand our business base in these sectors so that MC can make a more significant social and environmental contribution overall.

In the medical healthcare sector, we plan to continue investing in advanced medical technology venture funds and to actively develop hospital management support and dispensing pharmacy businesses. In the new energies sector, we are focusing on developing businesses in three areas: biofuels made from wood chips or wheat that is not used as a food source; solar power generation; and lithium-ion batteries.

In environmental and water-related services, we plan to continue reinforcing our value chain. MC subsidiary Japan Water Corporation is playing a central role in developing our business in this field, having already secured several local government contracts to operate water treatment facilities. In the emission reduction business sector, we are the market leader in Japan, with UN-approved Clean Development Mechanism (CDM) projects now generating emissions reductions of approximately 13.7 million tons per year (in CO_2 equivalents). We have already adopted a comprehensive stance toward addressing the issue of global warming, well ahead of the revision of the global emissions framework for 2013 and beyond.

In fiscal 2009, we expect to incur a significant increase in expenses due to ongoing upfront investments to expand the business and energize business development activities. As a result, we expect consolidated net income to dip to ¥0.3 billion in fiscal 2009.



Koichi Komatsu
Executive Vice President
Group CEO, Business Innovation Group

Introduction to a Key Business—From Development to Commercialization

We aim to be a professional organization that is engaged in business development and commercialization activities in areas with strong potential for earnings growth and social contribution. We are focusing on two main areas: the development of future businesses, and the commercialization of businesses in our existing portfolio.

	Automotive-Related Business Unit	Innovation Center	New Energy & Environment Business Division	Information & Communication Technology Business Division	Human Care Business Division	Media Consumer Business Division
Development	Development of electric vehicles and light-weight vehicles Neodymium magnets	Identifying and evaluating areas worth developing in new business fields Fullerenes Electronics-related business Venture investments Affiliations between industry, academia, and government R&D outsourcing	Company wide Taskforce on New Energy & the Environment Fuel cells Bioethanol Bio-pellet Plastic pallets made from recycled materials Water related business Photovoltaic Poly-silicon	Business process outsourcing (BPO) business Application service provider (ASP) business	Cutting-edge medical devices Food delivery	Infrastructure for account settlements Point services TV & catalogue shopping
Commercialization	Lithium-ion batteries Auto parts (shock absorbers, batteries, motors, etc.)		Metallic silicon Silicon wafers Cell-modules Emissions reduction business	ICT solutions Provision of corporate systems Networking services IT consulting Information security Data center Call center	Dispensing pharmacies Consulting for hospital construction & renovation Bulk procurement of medical supplies & inventory management Private finance initiative (PFI) for hospitals Marketing & rental of nursing care equipment & items	Outdoor and web advertising Contents Mobile telephone sales

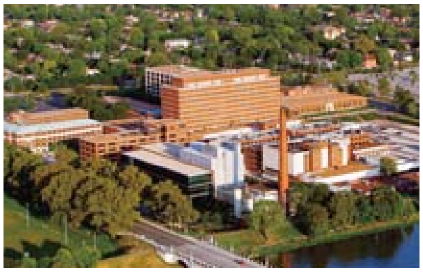
Innovation Center

Our roles are to promote business innovation in new areas to support MC's growth in the future and to be the standard-bearer for promoting related efforts across MC.

Leveraging the human and intellectual resources and networks of MC, the Innovation Center selects areas of focus and related projects for commercialization. We also conduct R&D on new materials and innovative technologies.

Currently, our major areas of focus are the development of businesses related to fields of technical innovation such as new energy, nanotechnology, and efforts to revitalize the primary industries in Japan. Through future-oriented R&D and business investment activities, we are actively trying to cultivate areas that will support growth at MC. Our R&D activities are conducted in partnership with U.S.-based Battelle Memorial Institute, along with leading Japanese industrial, academic and government research institutions such as Tokyo Institute of Technology. We also invest in venture funds as part of efforts to promote innovative technologies with commercial potential.

As an example of our approach, in November 2007 we concluded a joint agreement to establish a renewable energy laboratory in conjunction with Petronas, the state-owned national oil company of Malaysia, Battelle Memorial Institute and Battelle-Japan Corporation (an MC joint venture with this institute).



Battelle Memorial Institute
Battelle Memorial Institute is one of the world's largest independent research institutes. Through joint venture Battelle-Japan, MC is creating new businesses based on innovative technology in collaboration with major corporations, universities and research institutes.

New Energy & Environment Business Division

We are working to address and solve global environmental issues through new energy and environmental enterprises that leverage MC's proven ability in energy-related businesses.

The mission of this division is to contribute through enterprise to helping to address increasingly grave global environmental issues. Our efforts focus primarily on three areas: new energy; emission reduction business; and the environment and water.

In the emissions reduction field, which has attracted attention in recent years, we are making use of MC's overseas offices and external networks to discover and realize greenhouse gas emissions-reduction projects worldwide. MC currently holds about 6% of all UN-approved emissions credits, which places us first in Japan and among the top five players in the world.

We are also engaged in the development of new energies to replace or supplement fossil fuels, including solar power modules, fuel cells and biomass fuels.

In other areas, we are undertaking initiatives to promote a recycling-oriented society. For instance, we are involved in recycling waste plastics collected in Japan under the Containers and Packaging Recycling Law to manufacture pallets used in distribution. These pallets make use of "sandwich molding" technology to incorporate such recycled plastic.

Bio-pellet
In Oita and Miyazaki, we are commercially manufacturing and selling bio-pellets as an alternative to coal. This business makes effective use of biomass materials such as cedar bark that cannot otherwise be recycled easily.

Information & Communication Technology Business Division

Based on MC's broad business expertise, we aim to deliver wide-ranging services as a business solutions partner focused on information and communication technology (ICT).

This division supplies consulting, design, build and operational services to corporate clients covering such areas as ICT solutions, systems, networks and information security. We also aim to be an ICT-focused business solutions partner for customers through the development of new businesses that link our expertise in ICT-related fields with MC's wide-ranging functional capabilities.

In May 2008, we established SIGMAXYZ Inc. as a consulting firm to develop new business based on the concept of integrated IT services. Our plan is to provide such comprehensive services to customers through three firms: MC subsidiary IT Frontier Corporation, which builds and operates IT systems; Network Service And Technologies Co., Ltd., an MC affiliate that builds and operates network services; and SIGMAXYZ, which expands our presence in the field through upstream consulting capabilities.

This division also has overseas businesses in China, Brazil, the United States, and other Asian countries.

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

Human Care Business Division

In the fields of medical service, preventive healthcare and health promotion, we aim to contribute to higher quality of service and better efficiency by providing total solutions ranging from management support to peripheral services.

Traditionally, the fields of medical service, preventive healthcare and health promotion have involved varied services delivered independently of each other. This has tended to create issues such as operational inefficiency and user inconvenience. The Human Care Business Division provides customers with optimized solutions to address such issues by taking advantage of the total coordination abilities of a *sogo shosha* along with the services provided by strategic subsidiaries within the value chain.

In October 2007, Ebel Co., Ltd., a chain of dispensing pharmacies affiliated with MC, was merged into another firm, Qol Co., Ltd., in the process creating Japan's fifth largest chain of dispensing pharmacies. Furthermore, in February 2008, MC acquired a 25% equity stake in Yakuju Corporation, the ninth-ranked chain in the industry. Going forward, based on projected changes in the healthcare environment, we aim to build a new pharmacy chain that offers high-value-added services tailored to regional needs.

In other areas, we are promoting the introduction of advanced medical technologies through investments in a Silicon Valley medical device venture fund.

Hospital PFI Business
MC is involved in a private finance initiative (PFI) project to renovate the Tokyo Metropolitan Komagome Hospital while hospital operations continue. Overall management is being conducted via a project operations company, Komagome SPC, Inc.

Media Consumer Business Division

Working through various media from a customer-centric perspective, we aim to supply optimally tailored products, services, information and content.

This division sees the distribution revolution and lifestyle diversification caused by the Internet as a major business opportunity. Our aim is to supply optimized products and services from a customer-centric perspective spanning various lifestyle domains from entertainment to security.

Key areas of focus include: direct sales, offered by Digital Direct Inc. and other group firms; purchase support, offered by MCDecaux Inc., an out-of-home advertising company; settlement-related services and loyalty points, offered by e-milenet inc. through a business that uses JAL air miles as promotional sales incentives; and media content businesses such as d-rights Inc., which plans, produces and screens *anime* features as well as developing and marketing related merchandise.

Other businesses include MS Communications Co., Ltd., which sells mobile phones. In October 2008, we plan to merge this firm with Telepark Corp. to create T-Gaia Corporation, which will be the largest mobile phone handset sales company in Japan.

d-rights Inc.
This MC Group firm was involved both as a production studio and investor in the creation of the latest STUDIO GHIBLI animated feature, *Ponyo on the Cliff by the Sea*.

Automotive-Related Business Unit

This business unit is involved in strategic business development targeting the automotive sector. It brings together all of MC's automotive industry-related business capabilities within a single group of dedicated professionals.

Our role is to mix data on the automobile industry with the information gained from frontline salespeople working for various MC business groups to identify future trends within the industry. Based on this analysis, we develop and offer efficiency-boosting and corporate value-enhancing solutions to automakers, auto parts producers and other firms in automotive-related industries. We are also involved in some of our business initiatives in our own right.

In December 2007, in a joint venture involving MC, GS Yuasa Corporation and Mitsubishi Motors Corporation, we established Lithium Energy Japan (LEJ) to develop, manufacture and sell large lithium-ion battery packs for electric vehicles (EVs). LEJ plans to be one of the first companies worldwide to mass-produce such batteries, supplying them for use in environmentally friendly vehicles such as EVs and plug-in hybrids. Plans also call for developing these batteries as power storage devices to help promote a sustainable society.

Lithium Energy Japan
Mitsubishi Motors plans to incorporate the LEV50 lithium-ion battery packs due to be mass-produced by LEJ into its next-generation EV, the i MiEV.

Industrial Finance, Logistics & Development Group

front row from left

Ken Kobayashi
Executive Vice President,
Group CEO, Industrial Finance,
Logistics & Development Group

Hideshi Takeuchi
Executive Vice President,
Group COO, Industrial Finance,
Logistics & Development Group
(Concurrently) Division COO,
Merchant Banking, M&A Division

back row from left

Michio Izumi
Senior Vice President, Division COO,
Logistics Services Division

Yasuyuki Sakata
Senior Vice President,
Division COO, Asset Finance & Business
Development Division

Yasushi Ariyoshi
Senior Vice President, Division COO,
Development & Construction Project Division

Organizational Structure

Industrial Finance,
Logistics & Development Group CEO Office
Industrial Finance,
Logistics & Development Group Controller Office

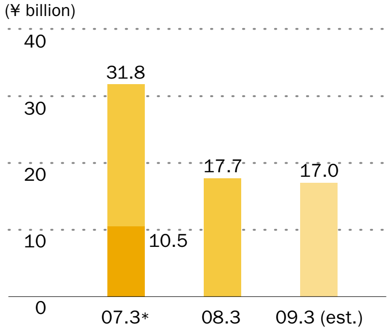
Merchant Banking, M&A Division
- Merchant Banking & Investment Unit
- Private Equity Investment Unit

Asset Finance & Business Development Division
- Financial Services Unit
- Real Estate & Project Finance Unit
- Leasing & Finance Unit
- Airline Business Unit

Development & Construction Project Division
- Commercial Property Development & Management Unit
- Urban & Residential Development Unit
- Construction & Building Equipment Unit
- Overseas Property & Project Development Unit

Logistics Services Division
- Risk Engineering Unit
- Logistics Business Unit
- Tramp Chartering Business Unit
- Tank Terminals Business Unit

Net Income



* Figure restated based on new organization
After deducting gain on sale of Diamond City shares

Group CEO's Message

Fiscal 2008 Performance

Integrating expertise in assets and businesses that MC has acquired as a *sogo shosha* with financial expertise, the Industrial Finance, Logistics & Development Group is developing *shosha*-type industrial finance businesses in areas such as asset finance.

Consolidated net income for fiscal 2008, this group's first year, was ¥17.7 billion, ahead of the initial target of ¥17.0 billion. This marked a year-on-year increase of ¥7.2 billion compared with the pro forma figure of ¥10.5 billion for fiscal 2007, which excluded the gain on the sale of shares in Diamond City Co., Ltd. (on paper, net income fell by ¥14.1 billion due to the latter effect). The growth in earnings was mainly due to gains on sales of developed real estate, increased earnings related to real estate investment trusts (REITs), and a solid performance in the logistics business.

We also built up our asset base with the view to generating future earnings through acquisition of aircraft leasing assets, and investments in overseas infrastructure funds and Asian property funds, income-generating properties in Japan and so on. In addition, Mitsubishi Corp.-UBS Realty Inc. (MCUBSR), a REIT management joint venture between MC and UBS AG., launched Industrial & Infrastructure Fund Investment Corporation (IIF) in October 2007. IIF, MCUBSR's second listed J-REIT, focuses on logistics facilities and other industrial infrastructure, while Japan Retail Fund Investment Corporation (JRF), MCUBSR's first listed J-REIT, specializes in retail facilities.

Group Strategy and Fiscal 2009 Outlook

Under INNOVATION 2009, MC has designated finance as one of its Next-Generation Core Businesses. The Industrial Finance, Logistics & Development Group seeks to further expand and develop *shosha*-type industrial finance, integrating our financial insight with expertise in such areas as real estate, construction and logistics, in cooperation with other MC business groups. In fiscal 2009, this business group's second year, we expect to begin entering the execution phase on a number of projects that we have been developing to expand the earnings platform for the medium and long term.

In our buyout investment business, we established Marunouchi Capital Co., Ltd. as a fund management company in a joint venture with Mitsubishi UFJ Financial Group, Inc. in April 2008. MC is committing ¥50 billion to the new buyout fund formed by this new company. The fund will mainly invest in domestic businesses and propose strategies for continuously raising their corporate value, while building relationships of trust with the management teams of these companies.

In the leasing business, we purchased additional shares newly issued by Mitsubishi UFJ Lease & Finance Company Limited, one of the largest leasing companies in Japan in April 2008. This move gave MC a 20% equity stake in the company. We expect that this investment would help further develop our relationship in order to jointly promote the leasing business both in Japan and overseas.

In the asset management business, in May 2008 MC acquired an equity stake of 19.5% in Aladdin Capital Holdings LLC (ACH), a U.S.-based investment management company that specializes in credit-related financial products. We are committing up to US$300 million as seed capital for funds to be established by the company. This move should increase ACH's assets and corporate value as well as expand MC's asset management business.

Elsewhere, while taking steps to strengthen our existing operations, we will also adopt a selective stance by focusing our resources on strategic projects with the aim of generating substantial income.

In fiscal 2009, while we expect higher income from the leasing business and some other sectors, gains from sales of developed real estate are likely to be lower than in fiscal 2008. We also expect an increase in operating expenses and interest expenses related to ongoing business development. Overall, consolidated net income for the group is forecast at ¥17.0 billion, on a par with the previous year.

Ken Kobayashi
Executive Vice President
Group CEO, Industrial Finance,
Logistics & Development Group

Introduction to a Key Business—Expansion of Leasing Operations

The Industrial Finance, Logistics & Development Group has positioned the leasing business as one of its major *shosha*-type industrial finance businesses.

In April 2008, MC purchased additional shares newly issued by Mitsubishi UFJ Lease & Finance, a company with which MC has had a close business relationship. By leveraging MC's expertise in assets and businesses in wide-ranging industry domains, and taking advantage of our global networks and financial know-how, we plan to develop the leasing business jointly with Mitsubishi UFJ Lease.

In Japan, the first step will be to reorganize automobile leasing operations via Mitsubishi Auto Leasing Holdings Corporation, a joint venture between MC and Mitsubishi UFJ Lease.

Overseas, we have established a general leasing business venture in Saudi Arabia with Mitsubishi UFJ Lease and local institutions. We continuously look for such business opportunities abroad.

Elsewhere, we are developing aircraft leasing operations, leveraging expertise and experience acquired in aircraft-related business transactions over many years. Our growing portfolio of aircraft lease assets, the largest in Japan, is currently worth around ¥200 billion.

Merchant Banking, M&A Division

We are developing a financial intermediation and investment business based on multi-industry contacts, global network and expertise gained as a *sogo shosha*.

Based on MC's strengths as a *sogo shosha*, this division seeks to develop financial intermediation businesses to cater to the varied needs of customers and investors, amid ongoing changes in financial markets worldwide. The two main businesses are asset management and buyout investments.

The asset management business involves MC acting as a financial intermediary to service the diversifying requirements of customers and investors. Amid the flow of funds from savings to productive investments in Japan, the division is engaged in the sale and purchase of wide-ranging financial products. This often involves the establishment of joint platforms with top-notch partners based on relationships developed over years of investment-related activities. In May 2008, as an example, MC acquired an equity stake of 19.5% in Aladdin Capital Holdings LLC, a U.S. investment management firm that specializes in credit-related securitized products. We have committed up to US$300 million in seed capital for a new fund being established by this firm.

In the buyout investment business, by supplying risk capital and related services, we seek to support the development and growth of enterprises in industrial sectors that are expected to undergo realignment. In January 2008, in partnership with Meiji Rubber & Chemical Co., Ltd., we acquired the Flexitech Group, which manufactures and supplies automotive brake hose products to top automakers in Europe and North America. Flexitech holds a world-leading share of the global market in these products.

In April 2008, we established Marunouchi Capital in a joint venture with Mitsubishi UFJ Financial Group. The division has committed ¥50 billion in investment capital to the establishment of buyout funds by this venture. This buyout fund will have the capacity to make large investments, be backed by the credibility of the Mitsubishi Group, and boast the capability to provide solutions as a business enterprise and as a financial institution.

Flexitech Holding K.K.
With the aim of leading industry realignment, we acquired the Flexitech Group, one of the world's largest automotive brake hose manufacturers.

Asset Finance & Business Development Division

We provide financial services that combine expertise in assets and services with asset management and finance know-how.

Aiming to create and expand *shosha*-type industrial finance businesses, this division seeks to seize the business opportunities generated by varied financial requirements arising from ongoing structural changes in the global marketplace.

In the real estate finance sector, our strategic subsidiary MCUBSR established Japan Retail Fund Investment Corporation (JRF) in 2002 as Japan's first REIT specializing in retail facilities. JRF now leads the retail REIT market in terms of asset value under management. In October 2007, MCUBSR formed another REIT, Industrial & Infrastructure Fund Investment Corporation (IIF), to invest in a broad industrial real estate portfolio spanning logistics facilities, factories, research and development facilities and other types of industrial properties. In addition to these two listed J-REITs, our subsidiary manages private real estate funds and we also make various investments in overseas property and infrastructure funds. Through these means, we are working to expand our assets in the real estate finance sector.

In the lease business sector, we are continuing to expand our leasing business base worldwide. We have reorganized our automobile leasing assets in Japan under Mitsubishi Auto Leasing Holdings, a joint venture between MC and Mitsubishi UFJ Lease. In April 2008, we further strengthened our partnership with Mitsubishi UFJ Lease by purchasing additional shares newly issued by this company. Meanwhile, we are continuing to build up our general leasing business in Saudi Arabia.

In the aviation sector, in addition to aircraft leasing, we plan to upgrade and expand our airline-related business by offering one-stop services such as marketing of aircraft and related equipment. In May 2008, we invested in Mitsubishi Aircraft Corporation, which was newly established for the development in Japan of commercial airliners named "Mitsubishi Regional Jet" (MRJ). Through this investment, we will promote the MRJ project.

Elsewhere, we continue to develop new asset finance businesses amid diversification in investment products and financial services driven by financial market innovation. These new ventures include the operation of a healthcare business fund and a reinsurance business.

Haneda Airport Maintenance Center (IIF)
IIF aims to boost the value of its broad-based industrial property portfolio, which includes logistics facilities and other infrastructure assets.

Development & Construction Project Division

This division is building a value chain extending from development to asset securitization by adding finance to the development of diverse real estate assets in Japan and overseas, including commercial property, housing, office buildings, healthcare and multipurpose facilities.

The Development & Construction Project Division continues to strengthen and refine MC's value chain by seeking to act as an innovator in the fields of urban revitalization and property development.

REITs and private real estate funds are looking to expand and diversify asset portfolios. In response, we are actively promoting the securitization of real estate development projects where MC is involved in the development of these properties. Through Mitsubishi Corporation Urban Development, Inc., which was established in May 2007, we are involved in the development and management of commercial properties in urban locations. Another promising area is the real estate leasing business from which we expect to generate stable earnings going forward.

In the urban and residential development field, we are involved in the condominium development business on an ongoing basis. We also develop and acquire property for lease or for short-term re-sale, including residential housing, offices, large-scale multifunctional complexes and housing for seniors. The securitization of real estate developments is another major focus in this sector.

In the construction and building equipment field, we are targeting demand for the construction and refurbishment of newspaper printing plants to secure orders for building construction and equipment supply contracts. The development of private finance initiative (PFI) projects, such as hospitals, and the medical solutions business are two other areas of focus. We are also actively building MC's presence in the energy service company (ESCO) sector through strengthened cooperation with Japan Facility Solutions, Inc., a joint venture with The Tokyo Electric Power Co., Inc.

Overseas, while closely monitoring market trends, we are investing in rental apartments, logistics facilities and other real estate assets in the important U.S. market via our local subsidiary Diamond Realty Investments, Inc. In Europe, in December 2007, we completed construction of Bow Bells House, a building in central London that provides office and commercial retail space. Plans call for further expansion of the division's property development business in Europe, led by the U.K. In other regions, we are mainly looking to invest in quality overseas real estate funds.

Bow Bells House
Construction completed in December 2007, this newly redeveloped building in the City of London combines office and commercial retail space.

Logistics Services Division

The strength of this division lies in our comprehensive logistics and insurance solutions, underpinned by expertise accumulated over many years and a global network of 170 operating bases that are highly integrated into value chains.

The Logistics Services Division seeks to develop logistics and insurance businesses that are unique to MC by offering high-value-added solutions that integrate expertise accumulated from front-line logistics with IT and financial know-how. The division is also working with other divisions of this group to develop the industrial REIT business.

In the logistics business, our strategic subsidiary Mitsubishi Corporation LT, Inc. (MCLT) continues to expand and upgrade overseas logistics bases with the aim of improving customer satisfaction. MCLT offers consulting and subcontract operational management services relating to supply chain optimization in the apparel, automotive and other fields.

In the tramp chartering business, amid tight supplies of shipping, we continue to help Japan secure stable supplies of raw materials such as coal, iron ore, cokes, salt, grain and so on. Working in close cooperation with MC's value chains, the division is expanding operations in freighters chartered to transport specific cargoes or to ply specific routes.

In the insurance sector, we are developing a number of businesses via subsidiaries. We are developing captive reinsurance operations through New Century Insurance Co., Ltd. to supply underwriting capacity to the fronting insurance companies covering the risks of MC Group firms. Operating as a comprehensive risk consultant, MC Insurance Center, Ltd. provides insurance solutions for both corporate and consumer risks.

Daikoku Logistics Center
This large, modern logistics facility is under development in Daikoku (Tsurumi Ward, Yokohama) to provide unique asset solutions for Japan's logistics industry.

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

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

Tetsuro Kuwabara
Senior Vice President, Division COO, Natural Gas Business Division A

Tetsuo Nishiumi
Senior Vice President, Division COO, Natural Gas Business Division B

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

Organizational Structure

Energy Business Group CEO Office
Energy Business Group Controller Office

Exploration & Production Unit
Energy Business Development Unit

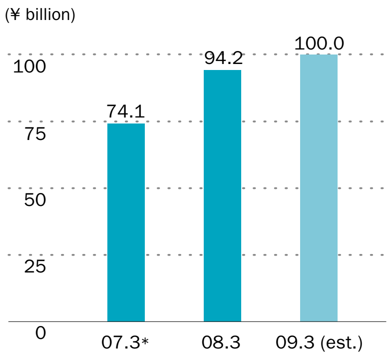
Natural Gas Business Division A
- Brunei Project Unit • Alaska Project Unit
- Malaysia Project Unit • Australia Unit
- Indonesia Project Unit

Natural Gas Business Division B
- Oman Project Unit • Sakhalin Project Unit
- Business Development Unit
- Global Gas Unit • Donggi-Senoro Project Unit

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

Carbon & LPG Business Division
- Carbon Materials Unit
- Petroleum Coke Unit • LPG Business Unit
- Namikata Terminal Business Unit

Net Income



* *Figure restated based on new organization*

Group CEO's Message

Fiscal 2008 Performance

The Energy Business Group aspires to make a valuable contribution as an enterprise to society through the provision of stable supplies of energy. These business activities rely on wide-ranging partnerships developed over many years with users in Japan and overseas, oil- and natural gas-producing nations and the oil majors.

High and rising prices for crude oil and natural gas along with mounting geopolitical risks have brought about major change within our operating environment. Boosted by high crude oil prices, this group posted consolidated net income of ¥94.2 billion in fiscal 2008. This new record for this group was ¥20.1 billion higher than the previous year's figure.

In fiscal 2008, we made four major investments related to oil and natural gas exploration and production (E&P): acquisition of working interests in the K2 Unit oil field in the U.S. Gulf of Mexico (approx. US$600 million); acquisition of oil and natural gas interests in the Kangean PSC block in Indonesia (approx. US$180 million); purchase of an equity stake in P.T. Medco Energi Internasional of Indonesia (approx. US$352 million); and acquisition of oil interests in the Dunlin oil field and surrounding oil fields in the U.K. North Sea.

Group Strategy and Fiscal 2009 Outlook

Following the start of the INNOVATION 2009 plan, we have adopted the business philosophy of “to create a rich energy society in everything we do — aiming to be a unique and sustainable energy business.” This expresses our belief that we must never lose sight of the need to shape the energy society of tomorrow through our business activities today. To increase our enterprise value further, we must focus on securing energy resources and ensuring stable energy supplies while also taking the global environment into consideration.

Going forward, we will continue to focus on developing our LNG business and our E&P business. Higher prices for crude oil and natural gas mean that it has become steadily harder to acquire quality new equity interests. Under such conditions, our aim is to make steady progress with existing production projects while at the same time seeking to realize additional earnings streams as quickly as possible from LNG projects in various stages of development and planning, notably Sakhalin II and the Tangguh and Donggi-Senoro projects in Indonesia. Moreover, we will also try to expand opportunities to participate in new projects by seeking to add unique value through MC’s value chain and in other ways. We aim to continue enhancing growth through our petroleum, carbon and LPG trading activities as well.

Although currency and other factors add uncertainty to our forecasts, we expect a further boost to earnings in fiscal 2009 from higher crude oil prices and increased dividend income. We project consolidated net income of ¥100.0 billion, a year-on-year rise of ¥5.8 billion.

Seiji Kato
Executive Vice President
Group CEO, Energy Business Group

Introduction to a Key Business—Increasing Reserves and Equity Interest in Production to Ensure Stable Supplies

Stable energy supplies are the foremost priority for the Energy Business Group since these are indispensable for industry and households alike. Against a backdrop of inexorably rising global demand for energy, each year production steadily depletes oil and natural gas reserves. Continually building up oil and natural gas reserves that are substantially free from external influence is thus vital for ensuring stable supplies of energy over the medium and long term. We are also trying to boost MC’s production interests in oil, natural gas and LNG projects.

Our plans for increasing oil and natural gas reserves and expanding production interests focus on those regions where we can make the best use of MC’s expertise, notably the Gulf of Mexico, Africa, Indonesia and the North Sea. In these regions, we are targeting exploration activities, production and development asset acquisitions and investments in companies owning interests in quality assets. In the LNG business, we are steadily increasing our production interests by bringing new projects on stream, including Sakhalin II, Tangguh and Donggi-Senoro and a fifth LNG train in Western Australia. We are also looking to increase our interests through participation in new projects.

Subsidiary Mitsubishi Corporation Exploration Co., Ltd. provides the technical capabilities required to undertake these various activities. Currently employing about 40 specialist engineers with qualifications in geology, geophysics and related disciplines, this firm provides technical support for this group’s upstream development program based on more than three decades of experience.

An offshore oil and gas production platform

This liquefaction plant converts gas into LNG

Natural Gas Business Division A

We handle approximately 40% of Japan's LNG imports. Our core strength lies in LNG project execution capabilities gained over many years of experience.

This division is developing business across many parts of the LNG value chain. We produce and liquefy natural gas and ship the resulting LNG from the major production countries and regions of Alaska, Brunei, Malaysia, Australia and Indonesia. We also act as an LNG import agent for the Japanese market. On a seaborne trade basis, annual LNG demand is forecast to roughly double over the next decade from the current level of 180 million tonnes. The major drivers of growth are economic expansion in emerging Asian markets and higher U.S. demand.

To respond to growth in LNG markets, we are expanding production at existing projects, including ramping up LNG liquefaction capacity in Western Australia. We are also pushing ahead with exploration activities in Western Australia, Malaysia and other areas in a bid to increase our gas reserves. In addition, preparations are now underway to bring the Tangguh LNG Project in Indonesia on stream in the second half of fiscal 2009. These initiatives promise to bolster the division's future earnings stream.

Tangguh LNG Project in Indonesia
Development is currently underway, with LNG production due to start in the second half of fiscal 2009. Projected annual production capacity is 7.6 million tonnes (MC has a 9.92% production interest).

Natural Gas Business Division B

Based on a wealth of experience along the entire LNG value chain, we aim to develop new LNG business models for existing and new projects.

This division is working to capitalize on growth in the global LNG market through the establishment of innovative business models based on value-added utilization of the LNG value chain. Specific projects include global trading initiatives based on the use of U.S.-based LNG receiving terminals at Lake Charles, Louisiana, and Freeport, Texas (the latter due to start operating in 2009). Another major project in which MC is participating is Sakhalin II, via an equity stake in Sakhalin Energy Investment Company Ltd. In April 2007, MC halved its interest in Sakhalin Energy Investment through the sale of a 10% stake to OAO Gazprom. Preparations remain underway ahead of the production start-up. In other developments, MC owns a majority interest in the Donggi-Senoro LNG project in Indonesia, which is currently in the planning stage. This project promises to break new ground for MC since we will in effect also act as the operator for the liquefaction phase. Through this project, we aim to acquire advanced development and operational expertise, and expand and diversify our LNG business. This should further strengthen our LNG business.

Sakhalin II Project in Russia
MC is participating in this project through an equity investment in Sakhalin Energy Investment Company Ltd. Production start-up preparations remain ongoing.

Petroleum Business Division

With extensive oil operations spanning midstream and downstream sectors, a broad customer base and diverse transactions, this division boasts a powerful presence in the Japanese and Asian marketplace in particular.

This division is developing MC's oil value chain in the midstream and downstream sectors. Besides trading crude oil and petroleum products, we undertake petroleum refining on a contract basis through an equity stake in Showa Yokkaichi Sekiyu Co., Ltd. We also operate a fuel retailing business with about 1,200 service stations (SS) across Japan through Mitsubishi Shoji Sekiyu Co., Ltd. and other subsidiaries. These operations involve dealing with numerous trading partners: overseas, with oil-producing countries and oil majors; and in Japan with electric utilities, industrial firms, petroleum wholesalers, and service station operators.

Although demand is in structural decline in Japan due to a declining population and environmental problems, demand for oil is projected to continue expanding in growth markets such as developing nations in Asia. While reinforcing oil trading activities in the Japanese market, where our principal strengths lie, we also aim to leverage MC's unique network to expand overseas operations especially within the Asia-Pacific region.

Diamond Tanker Pte. Ltd.
A fourth supertanker is expected to join the firm's operating fleet in fiscal 2009, with a fifth due to follow in fiscal 2010. These additions will substantially augment MC's ability to transport crude oil supplies for use by Japan's power utilities.

Carbon & LPG Business Division

Carbon Business

We handle a vast and varied range of carbon materials and products, and aim to expand this business through our involvement in the entire value chain.

Driven by economic expansion in China, India and other BRIC nations, and the Middle East, our principal target industries of steelmaking and aluminum smelting are experiencing a sustained boom. In fiscal 2008, we decided to make various business investments in carbon materials used in aluminum production and in carbon fiber insulation materials. Specifically, we established Jiangsu Suling Aluminum Smelting Electrodes Co., Ltd. as a joint venture with Zhenjiang Cokes Co., Ltd., China's largest specialized coke manufacturer. We also signed an agreement with a wholly owned subsidiary of Shanghai Baosteel Group Corporation, China's largest steelmaker, to build a new production plant for modified pitch, a material used in the manufacture of anodes for aluminum smelting. Separately, in line with our 15% stake in the project, we invested further capital when majority owner Kureha Corporation, Japan's leading supplier of pitch-derived carbon fiber products, decided to increase the capacity of an existing production facility for carbon fiber insulation materials.

Going forward, the division plans to continue expanding MC's carbon business, both through increased trading of key products such as petroleum coke, coal coke, tar and tar distillates as well as business investments in high-value-added carbon materials and products.

New Reformed Pitch Factory in China
We have agreed with Shanghai Baosteel Chemical Co., Ltd., a subsidiary of China's largest steelmaker Baosteel, to establish a new production plant for modified pitch. The facility is due to begin production in 2009.

LPG Business

We are working to expand our LPG business further through Astomos Energy Corporation, which commands a leading share of the Japanese market.

In fiscal 2008, Astomos Energy posted favorable results in its second year. It is now Japan's leading wholesaler of LPG. Having inherited MC's wealth of experience and know-how in the LPG business, the company is expanding overseas operations while reinforcing its lead in the domestic LPG market by building close relationships with a nationwide distributor network. The firm's fleet of LPG gas carriers transports approximately 20% of global seaborne LPG by volume. This is helping customers in Japan and other markets to benefit from stable energy supplies without being excessively dependent on the Middle East.

Going forward, LPG production will increase substantially as new gas fields come on stream across the world. We aim to achieve further growth of Astomos Energy by reinforcing our ongoing support for the domestic sales and overseas expansion efforts of Astomos Energy.

Exploration & Production Unit

We undertake exploration, development and production (E&P) activities for oil and natural gas worldwide with subsidiary Mitsubishi Corporation Exploration Co., Ltd.

Oil and natural gas E&P operations are positioned as a core business in the INNOVATION 2009 plan. We are aggressively developing this business to establish future earnings streams for the division.

Competition to secure quality upstream assets is becoming increasingly intense amid higher prices for crude oil and the emergence of resource nationalism.

Against this backdrop, in fiscal 2008 we secured interests in the K2 Unit oil field in the U.S. Gulf of Mexico, the Kangean PSC block in Indonesia and the Dunlin oil fields in the U.K. North Sea. We also acquired an equity stake in P.T. Medco Energi Internasional, a leading Indonesian energy company.

Provided by Anadarko

K2 Unit, Gulf of Mexico, USA
We expect to increase our reserves from this field, which is currently in development after the discovery of large deep-sea deposits of oil and gas in the exploration zone.

In fiscal 2009, we will continue to focus on exploration activities, acquisitions of production and development assets, and equity investments in E&P companies Our major policy remains to maintain and continue increasing reserves as well as net production.

Energy Business Development Unit

Seizing the opportunities created by a changing energy business environment, we are working to develop new energy-related business models.

This unit seeks to take advantage of major changes sweeping through the energy industry due to trends such as deregulation of electric and gas utilities, programs to tackle global warming and rising prices for fossil fuels. Seizing these opportunities, we are working to develop new businesses across various energy-related sectors.

Specific projects include: an equity interest in Frontier Energy Niigata, which is operating the world's first stand-alone thermal power station to burn petroleum coke; participation in an on-site power generation business in Japan with the Machinery Group; involvement in commercializing fuel cells, biodiesel and bio-pellets, with the Business Innovation Group; development of a new ethanol business with the Chemicals Group; and a new venture to commercialize the gasification of lignite, an underutilized form of coal.

Metals Group

front
Mutsumi Kotsuka
Executive Vice President,
Group CEO, Metals Group

back row from left
Shinichi Tana
Senior Vice President,
Division COO,
Non-Ferrous Metals Division
Jun Kinukawa
Executive Vice President,
Group COO, Metals Group
(Concurrently)
Division COO,
Ferrous Raw Materials Division
Tomohiro Kadokura
Senior Vice President,
Division COO,
Steel Business Division

Organizational Structure

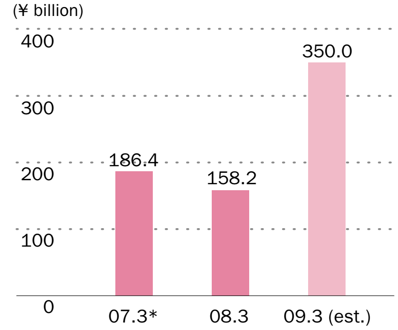
Metals Group Controller Office
Metals Group CEO Office

Steel Business Division
- Steel Products Business Unit
- Steel Investment and Business Development Unit
- Components Business Development Unit

Ferrous Raw Materials Division
- Ferrous Raw Materials Sales and Marketing Business Unit
- Thermal Coal Business Unit
- Iron Ore Business Unit
- Stainless and Specialty Steel Raw Materials Business Unit
- MDP Unit

Non-Ferrous Metals Division
- Base Metals Business Unit
- Aluminium Business Unit
- Bullion & Global Commodity Futures Business Unit
- Non-Ferrous Metals Marketing and Risk Management Unit
- Non-Ferrous Metals Business Development Unit
- TOT Project Unit

Net Income



** Figure restated based on new organization*

Group CEO's Message

Fiscal 2008 Performance

Supplies of metals resources tightened in fiscal 2008 against a backdrop of strong economic growth in China, India and other BRIC nations. In non-ferrous metals, particularly copper and aluminum, prices remained high throughout the year, reflecting tight supplies as well as escalating crude oil prices and continued inflows of speculative money.

The business group posted consolidated net income of ¥158.2 billion, down ¥28.2 billion, or 15%, on the ¥186.4 billion recorded in fiscal 2007. Notwithstanding this decrease, our earnings remained high and again made a significant contribution to MC's overall performance. The single biggest reason for the year-on-year decline was a ¥46.4 billion decrease to ¥61.7 billion in net income at Mitsubishi Development Pty Ltd (MDP), a wholly owned Australian metals resources subsidiary. MDP's lower earnings came about because of lower coking coal prices and torrential rains in the state of Queensland, which affected operations.

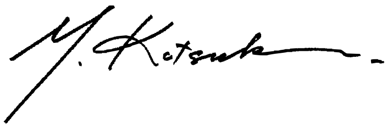
This business group is determined to deliver more growth. In the metals resources field, we will actively expand existing projects, including Iron Ore Company of Canada (IOC), an iron ore subsidiary in Canada in which we have a 26.18% equity interest. In a recent move, we decided to develop iron ore resources in the mid-west region of Western Australia. Trading is another field we are targeting for expansion. Here, for example, we made Kinsho Corporation, a non-ferrous metals trading company that became a subsidiary in fiscal 2007, a wholly owned subsidiary during the year under review.

Group Strategy and Fiscal 2009 Outlook

The Metals Group's basic strategy consists of two elements: improve strategic functions in two value chains (ferrous and non-ferrous metals), the core businesses of this group; and reinforce our operational foundation by improving the efficiency of management and prioritizing resources. As in fiscal 2008, we will pursue five management policies in fiscal 2009:
(1) strengthen strategic trading field;
(2) strengthen metals resources field;
(3) reinforce the consolidated management base;
(4) promote R&D;
(5) develop human resources.

In the trading field, we will strive to provide trading functions offering even higher added value in steel raw materials and non-ferrous metals, as well as strengthen the functions and sales capabilities of steel products subsidiary Metal One Corporation, in which we are a 60% shareholder. In metals resources, we intend to continue investing aggressively in strategic resources such as thermal coal, iron ore, stainless steel raw materials, copper and aluminum, as well as in expansion of coking coal operations in Australia. Our goal is to ensure a stable supply of metals resources for Japan, which has few of its own natural resources. Besides securing key metals resources, we will also actively explore and mine metals resources that are rare and unevenly distributed around the world in order to ensure a stable, long-term supply. These metals resources include rare metals such as platinum group metals, and rare earth metals that are expected to be in increasing demand for use in automobiles, home electronics and other consumer goods; and uranium and other metals resources that should see greater demand in line with booming nuclear power plant construction worldwide.

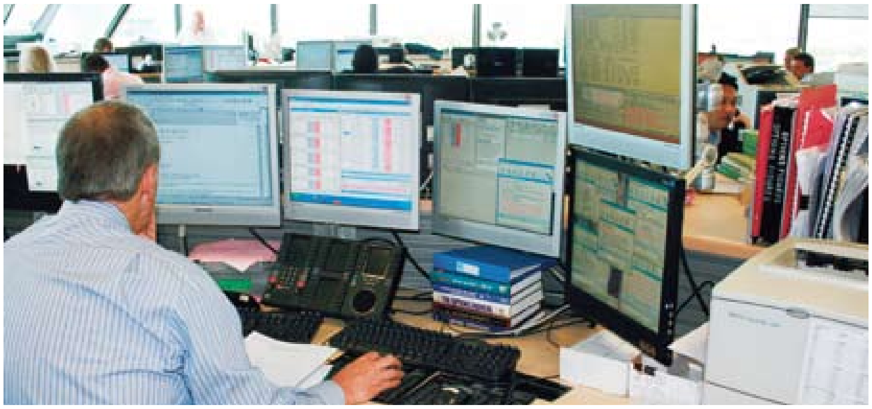
In terms of our fiscal 2009 earnings forecast, we are projecting consolidated net income of ¥350.0 billion, a ¥191.8 billion, or 121%, increase on fiscal 2008. MDP expects to achieve much higher earnings on the back of strong coking coal prices. The forecast also factors in continued strength in commodity prices. Our forecast would be a record for this business group and thus make another telling contribution to MC's overall bottom line.



Mutsumi Kotsuka
Executive Vice President,
Group CEO, Metals Group

Introduction to a Key Business—Trading

In addition to investing in metals resources to secure a stable supply, this business group regards the trading of steel products, steel raw materials and non-ferrous metals as a core business. In fact, we see the two as having a mutually beneficial and complementary relationship. Two of our key companies in our trading operations are Metal One, which trades in steel products, and Kinsho, a non-ferrous metals trading company. Neither company merely buys and sells products. Both boast manufacturing, processing, warehousing and just-in-time (JIT) capabilities. By upgrading these capabilities, Metal One and Kinsho aim to provide services of an even higher level to customers. The non-ferrous metals market, including copper, aluminum and precious metals, is witnessing soaring prices and change. In this market, we are providing unique services that leverage our derivatives expertise. We are also leveraging these capabilities in transactions of thermal coal for electricity generation. By offering more sophisticated value-added trading services like these, we are aiming to raise customer satisfaction.



MC subsidiary Triland Metals Ltd. is a commodity broker on the London Metal Exchange (LME).

Steel Business Division

This division includes Metal One, the industry's largest steel products trading company with customers in all industries. From the manufacture of steel products to the end user, we function right along the length and breadth of the value chain. Through management of subsidiary Metal One, which was established with the former Nissho Iwai Corporation (now Sojitz Corporation) in 2003, we are streamlining distribution and strengthening the value chain in steel products. And by forging stronger relationships with key customer industries we are able to quickly identify market needs and turn them into business. In the fiscal year ended December 31, 2007, Metal One recorded consolidated net income of ¥35.1 billion, the result of progress made reforming distribution and of rising prices for steel products, which reflected escalating resource prices.

The fiscal year ending March 31, 2009 will mark the end of Metal One's Second Mid-term Consolidated Management Plan, which was launched in 2006. The goal of this plan is to create a Metal One Group that is "strong but flexible, ethically and financially sound and has great growth potential through the building of a global value chain." Metal One has worked to lay the foundations for further growth guided by this goal. The Steel Business Division is determined to promote Metal One's sustained growth. In this regard, we will support efforts to put in place a structure for promoting efficient management to reinforce operations. On the supply side, we will help Metal One to strengthen its steel purchasing function such as by investing in overseas steel businesses with steelmakers. On the demand side, we will assist Metal One to strengthen sales through cooperation with the Machinery and Business Innovation groups to participate in businesses in key fields. One of these is the auto industry. And one vehicle for this is Thai-based autoparts manufacturer and distributor, DIA Modern Engineering (Thailand) Co., Ltd. (DMET). By developing businesses on both the supply and demand sides of steel distribution in this way, we will help strengthen Metal One's capabilities, thereby reinforcing the steel value chain.

The goals for fiscal 2009 in the Steel Business Division are the same as those for fiscal 2008: make further progress restructuring and streamlining steel distribution; support the efficient management of Metal One and other consolidated subsidiaries; and develop human resources with the aim of offering services of a higher quality. The steel products sales sector is currently in the middle of a restructuring phase. Overseas we are seeing the ongoing integration of major steel product manufacturers, while in Japan trading companies affiliated with steelmakers are grabbing a higher market share as the services of trading companies of old are called into question. This business division sees business opportunities in this shifting industry landscape. We intend to make the most of synergies created from our information network and business development capabilities as a *sogo shosha* to capitalize on these opportunities. By promoting the development of Metal One, we aim to create the biggest and best steel products sales organization, one that is without peer.

Metal One Corporation
In April 2008, the Metal One Forum was launched as a platform for discussing the approach to group management among group companies and employees sharing the same corporate philosophy. The forum's goal is to strengthen group management and the development of its employees.

Ferrous Raw Materials Division

This division invests in the development of a number of different types of minerals and materials, which it also sources, ships and markets. The division's worldwide operations supply essential minerals and fuel that help to meet the needs of global steel and electric power companies, and help to provide a stable supply. Our major products include coking coal, thermal coal, iron ore, stainless and specialty raw materials, and uranium. The Ferrous Raw Materials Division is making efforts to enhance both investment and marketing operations. The division's investment business serves as the main source of earnings supporting the division's continued growth. It is committed to the further growth of BMA, the world's largest coking coal producer, and is actively investing in a wide range of business activities, including the production of stainless steel raw materials and iron ore, as well as coal and uranium production for use as fuel for electricity generation. In the sales area, MC Resources Trade & Logistics, which was established in April 2006 as a 100% sales subsidiary, is responsible for MC's trade in such ferrous raw materials as coking coal, iron ore, and stainless and specialty raw materials and it sells them on a global scale.

Across the world, especially in China and other developing countries in Asia, demand for ferrous raw materials and fuel for electricity generation has been strongly supported by an ongoing, long-term growth trend. While keeping abreast of such worldwide trends, we intend to continue to proactively develop strategic businesses, through investing in resource development, and procuring, transporting, and selling raw materials to ensure a stable supply of raw materials and fuel to our global customers.

Since 2001, we have strengthened our ties with BHP Billiton Ltd., Australia's preeminent global resources company, through MDP, a Mitsubishi Corporation subsidiary formed in Australia. Having a strong relationship with major resources companies, MC widely participates in operations and other aspects of the business, effectively establishing itself as the first bona fide Japanese-owned coking coal producer. We have also implemented expansion projects such as establishing the No. 4 Furnace of HERNIC in South Africa (ferrochrome production capacity of 160,000 tons in 2005), and implemented development projects such as increasing iron ore production of CMH in Chile (increase of 400,000 tons in 2006) and IOC in Canada (increase of 900,000 tons in 2008). Recently, we have also made the decision to develop the Clermont Thermal Coal Mine in Queensland, Australia (starts production in 2010). Moreover, we are currently undertaking a business development project costing more than AUD$3 billion (approx. ¥300 billion) in partnership with Murchison Metals Ltd. that involves the development of rail and port infrastructure for iron ore resources in the mid-west region of Western Australia. We will keep making further progress with our business to be able to play the role of a *sogo shosha*-type resource company in the world.

Western Australia Iron Ore Development Project
MC formed 50:50 joint ventures with Murchison Metals Ltd. in September 2007, to develop iron ore resources as well as rail and port infrastructure in the mid-west region of Western Australia.

Non-Ferrous Metals Division

By expanding working interests in copper and aluminum, as well as by upgrading our functions in the trade of both metals and products, we will contribute to the development of the non-ferrous metals industry through our access to every phase of its value chain.

This division is engaged in activities to expand the non-ferrous metals business, including copper, aluminum and precious metals, on a global basis, from the four main angles below:
(1) expand earnings by increasing our share of production in the upstream resource field;
(2) strengthen our functions in the metal trading field;
(3) reinforce our business platform in midstream and downstream fields for non-ferrous products; and
(4) pursue every business opportunity through R&D in the rare metals and rare earth metals fields.

The principal themes of this division in fiscal 2009 are as follows.
(1) MC holds the largest participating interests worldwide of any Japanese company in the copper and aluminum resource fields. We seek to increase interests through expansion of existing projects and participation in new prime projects. Although the latter is becoming more difficult to achieve in the face of soaring metals prices, we will harness our global network as well as expertise in an effort to reach our goals.
(2) In the metal trading field, we will strengthen cooperation among our three main offices in Tokyo, London and New York, as we seek to upgrade our derivative transactions such as futures trading, while enhancing our risk management functions as well. This will allow us to meet the diversifying needs of our customers, and to provide them with more sophisticated services.
(3) In midstream and downstream fields, we continue to build a stable business platform with Kinsho, which became a wholly owned subsidiary in March 2008, as an operating axis for dynamic expansion of trading on a global basis. We will further pursue synergies from integration in the field of secondary aluminum alloy ingots in the second year of operations at NIKKEI MC ALUMINIUM CO., LTD., which is our joint venture with Nippon Light Metal Co., Ltd.
(4) Rare metals and rare earth metals have become more indispensable for ongoing technological innovation in the automotive and other industries. These metals are notable for their rarity and uneven distribution around the world, so we will pursue opportunities to participate in mining businesses overseas. We are also looking at getting into a so-called "Urban Mining" recycling business for these metals.

Mainly because of buoyant demand for non-ferrous metals, especially in emerging economies, our operations in both metals resources and trading, including futures trading, achieved strong growth in fiscal 2008. Looking ahead, we will continue to build a stronger business base to ensure stable earnings in the future as well as to strive to grow further with innovative ideas and action.

MOZAL Aluminum Smelter
The Mozal Community Development Trust (MCDT), established by the shareholders of MOZAL in Mozambique, is giving back to society by building schools, clinics and cultural facilities.

Machinery Group

front row from left

Hajime Katsumura
Executive Vice President,
Group CEO, Machinery Group

Hideyuki Nabeshima
Executive Vice President,
Group CO-CEO, Machinery Group

back row from left

Yasuo Nagai
Senior Vice President, Division COO,
Power & Electrical Systems Division

Seiji Shiraki
Senior Vice President, Division COO,
Plant & Industrial Machinery Business Division

Osamu Komiya
Senior Vice President, Division COO,
Ship, Aerospace & Transportation Systems Division

Ryo Sakata
Senior Vice President, Division COO,
Isuzu Business Division

Kozo Shiraji
Division COO, Motor Vehicle Business Division

Organizational Structure

Machinery Group CEO Office
Machinery Group Controller Office

Power & Electrical Systems Division
- Power Systems Unit
- Power Systems Export Unit
- Elevator & Escalator Operation & Marketing Unit
- Power Generation & Marketing, International Unit
- Power Marketing, Japan Unit

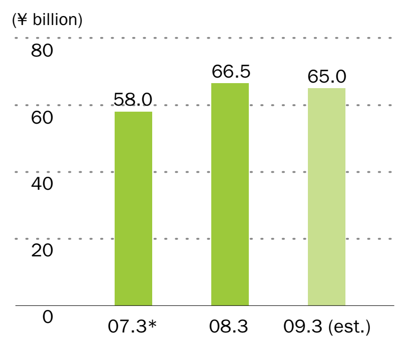
Plant & Industrial Machinery Business Division
- Energy & Chemical Projects Unit
- Plant & Heavy Machinery Unit
- Project Development Unit
- Industrial Machinery & Equipment Business Unit
- Rental & Construction Equipment Unit

Ship, Aerospace & Transportation Systems Division
- Ship Unit • Transportation Systems Unit
- Space & Spatial Business Unit • Defense Systems Unit

Motor Vehicle Business Division
- Motor Vehicle Asia & ASEAN Unit
- Motor Vehicle Europe, Middle East & Africa Unit
- Motor Vehicle Americas & Australia Unit
- Motor Vehicle Domestic Operation Unit

Isuzu Business Division
- Thai Business Unit
- Europe, Middle East & Africa, Americas Business Unit
- Asia & Oceania Business Unit

Net Income



* *Figure restated based on new organization*

Group CEO's Message

Fiscal 2008 Performance

The Machinery Group posted consolidated net income of ¥66.5 billion in fiscal 2008, which represented year-on-year growth of ¥8.5 billion, or 15%. The fiscal 2007 figure marked our fourth consecutive year of record earnings. Following a major internal reorganization, we have now set record earnings for five years running on a restated basis.

Although earnings dipped in fiscal 2008 following the substantial gains that we made on sales of shares in the previous year, various factors helped to boost overall profits. One was new consolidations in our Independent Power Producer (IPP) business. Others included a recovery in the auto market in Asia, increased transactions in our plant-related business and a buoyant shipping market. Positive currency translation effects also benefited our earnings.

Targeting sustained growth over the medium and long term, we took steps to review and improve our existing businesses. At the same time, as part of an ongoing drive to invest resources actively in areas with growth potential, we continued to promote the development of international operations to tap into global growth.

Specific areas where we focused on expanding our asset portfolio included the on-site power generation business, where we supply power and steam to corporate customers in Japan, and the FPSO business (equipment for floating production, storage and offloading in offshore oil and gas operations). We also further increased MC's equity stake in Nikken Corporation. Elsewhere, we reshaped our asset portfolio with the sale of shares in Space Communications Corporation.

Group Strategy and Fiscal 2009 Outlook

Our strategy is to target sustained growth by prioritizing investments of resources in businesses operating in growth sectors, while also continually upgrading and refining our trading functions—the bedrock of the Machinery Group's earnings base. In addition, by organically combining our trading capabilities with business investments, we aim to develop innovative business models so that we can provide customers and business partners with enhanced functional value. This promises to boost our earnings power and cultivate a stable profit base not easily affected by changes in resource prices. In concrete terms, we are implementing the following three strategies for growth.

(1) Promote growth from global operations

We plan to accelerate business development in emerging markets—particularly the BRIC nations—across all of our businesses, including our automobile and industrial machinery sales companies and our operations in railway systems and equipment, power-generating facilities and steelmaking plants. As a result, we aim to develop earnings bases in new markets so that we can benefit from global growth.

(2) Develop and promote new business models

We are looking to develop and promote new business models by cultivating capital tie-ups and strategic alliances to grow together with customers and business partners.

(3) Target strategic business sectors

We are upgrading our efforts to target strategic sectors to support growth in future years. These include wind and solar power, among other forms of renewable energy, and other environment-related businesses; areas of technical innovation where we can anticipate the needs of customers and business partners; and resource development projects around the world.

In fiscal 2009, we expect robust earnings growth from plant-related business and as a result of buoyant conditions within the shipping market. Offsetting this, we expect a rise in costs due to much higher raw materials prices and an earnings headwind from yen appreciation. Overall, we project consolidated net income of ¥65.0 billion in fiscal 2009, broadly on a par with the previous year.

Hajime Katsumura
Executive Vice President
Group CEO, Machinery Group

Hideyuki Nabeshima
Executive Vice President
Group CO-CEO, Machinery Group

Introduction to a Key Business—Promoting Railways Around the World

Railways are a relatively eco-friendly means of mass transportation. This has led to a global reassessment of the importance of their place in transport infrastructure. Around the world, many plans have been advanced to build railways or boost transport capacity on existing rail networks. Seeking to take advantage of this trend, the Machinery Group is actively promoting the development of railway projects in overseas markets in many different ways.

MC has a long history of exporting railway-related equipment from Japan. We were exporting electric locomotives to India in the 1950s and began exporting rolling stock to Egypt in the 1960s. Recently, we have been delivering rolling stock manufactured jointly with an Egyptian machinery manufacturer for the Cairo Metro subway. Elsewhere we are involved in delivering rolling stock to India, Hong Kong and other markets, as well as the construction of urban transport systems in Singapore and Dubai. We have also supplied locomotives used to pull shipping through the Panama Canal, a vital waterway for global commerce.

MC can supply equipment to satisfy multiple needs of railway operators worldwide. Besides actual rolling stock, we also handle electrical equipment and air-conditioning systems fitted to railway carriages, communications and signaling equipment, and other railway-related equipment such as automatic ticketing gates. Moreover, we also operate rolling stock maintenance and leasing businesses.


Dubai Airport


Dubai subway


Changi International Airport (Singapore)


Delhi Metro (India)


Cairo Metro Line 2 (Egypt)


High-speed express train (Taiwan)


Hong Kong subway


Sengkang Line (Singapore)

Power & Electrical Systems Division

Supported by employees operating from 32 offices worldwide, we are involved in the global trading of power generation plants, elevators and other equipment. We are also actively promoting the sale of power at the wholesale and retail levels.

Global demand for power grew robustly in fiscal 2008 despite the subprime crisis. This supported our trading business in power generation plant and machinery, which performed strongly. We also focused on developing our overseas IPP business, especially targeting strong demand in the U.S., Mexico and Southeast Asia. This generated several opportunities to acquire prime generation assets.

Going forward, we plan to expand our global sales of power generation plant and machinery by taking advantage of increasingly diverse supply sources for generating facilities and related equipment while reinforcing trading functions. In Japan, our main focus is to continue serving electric power utilities. Overseas, we plan to expand sales by targeting markets where demand for power-generating facilities is surging.

In the overseas IPP business, we are actively seeking to expand our presence. Besides U.S. and Mexican operations, in Asia—a critical market due to rapid regional power demand growth—we plan to use OneEnergy, a JV with CLP Holdings Limited (CLP) of Hong Kong, as our primary business development platform. In Japan, we plan to leverage MC's wide-ranging business capabilities to develop our new on-site power generation business. Diamond Power Corporation will continue to manage its sourced power portfolio with a view to maintaining an optimal scale of electricity retailing operations. In the elevator business, we are looking to continue expanding operations in global partnership with Mitsubishi Electric Corporation.

Power Generation Plant
In the Netherlands, we received a joint order with Mitsubishi Heavy Industries, Ltd. from the Dutch utility Nuon for a natural gas-fired gas-turbine combined-cycle power plant (total output: roughly 1,300MW). A separate proposal is also under consideration for a future conversion to an environmentally friendly integrated coal gasification combined-cycle facility.

Plant & Industrial Machinery Business Division

We aim to expand the value chain globally by integrating our trading and business investment activities.

Appetite for capital investment among customers worldwide stayed high in fiscal 2008. We were able to increase earnings largely as planned in plant-related operations despite the emergence of supply-side constraints for plant machinery. In our business where we sell machinery and equipment in large volumes, sales of industrial machinery in the U.S. market held up strongly despite an economic slowdown caused by the subprime crisis. In Japan, however, earnings fell short of plans mainly because of depressed agricultural equipment sales following a shift in government agricultural policy, and a negative impact on construction machinery rental revenues due to tax system changes.

During INNOVATION 2009, with the aim of creating new business, we plan to work with our core industry partners to reinforce sales and technical capabilities to realize joint growth. Based on the twin drivers of trading and enterprise investments, we will work with other MC business groups to expand the value chain across a number of sectors and industries. This approach will accelerate our global growth. For example, in April 2008 we underwrote a third-party increase in capital for Chiyoda Corporation to raise our stake to 33.4%. Besides seeking to boost the value of MC's investment by targeting growth within the plant engineering industry, this move also promises to generate synergies in our Energy Business and Chemicals groups.

Sakhalin II Natural Gas Liquefaction Plant
MC's affiliated partner firm Chiyoda Corp. is the lead contractor in building this gas liquefaction facility for the Sakhalin II Project.

Ship, Aerospace & Transportation Systems Division

This division's broad-based operations span equipment used in land, sea and air transportation, defense and aerospace systems, and products with applications related to positional or spatial information.

Divisional profits were higher in fiscal 2008. Conditions in the global marine transport and shipbuilding markets remained favorable. Demand for new railway construction and rolling stock was robust amid rising demand for mass transport systems. The division also secured more new projects in the national security and defense sectors. Going forward, MC aims to expand businesses by building on the trust-based relationships forged with customers.

MC continues to invest resources in the ship field in response to rising global marine freight demand. The division plans to pursue growth by using its own fleet of ships and joint ownership contracts. In the railway sector, besides actively developing the division's established business in railway-related equipment, we aim to develop a new business model involving managing public-private rail infrastructure projects overseas. Backed by private-sector capital, such projects are becoming increasingly popular outside Japan. In the defense and aerospace fields, we are working to expand earnings generated by existing businesses by developing a stronger organizational set-up. At the same time, we are looking to develop new businesses to cater to emerging social needs in areas such as national security and non-military uses of space.

Ship Management and Operation
Using its own fleet, MC is responding to continued growth in global marine freight transport demand. Favorable market conditions supported a strong fiscal 2008 performance.

Motor Vehicle Business Division

This division handles motor vehicles supplied by Mitsubishi Motors (MMC) and other manufacturers. Throughout these operations, MC aims to enhance the value added by building broad-based value chains based on business investments.

In Indonesia, new models in the mainstay light truck and pickup categories were launched. Particular efforts were made in the case of the light truck since this was the first new model launch in 10 years for Mitsubishi. This generated gains in both sales volume and market share. In other regions, reflecting market expansion, sales were generally higher in Russia, the Ukraine, China, Brazil and other markets in Latin America.

MC undertook further moves to expand and upgrade the value chain worldwide. In Japan, working with the Industrial Finance, Logistics & Development Group, the division focused on promoting the full-scale integration of Mitsubishi Auto Leasing Corporation and Diamond Auto Lease Co., Ltd. under the umbrella of Mitsubishi Auto Leasing Holdings Corporation, a 50:50 joint venture formed in 2007 with Mitsubishi UFJ Lease & Finance Company Limited. This move was designed to promote expansion of the business base and greater operational efficiency. In Italy, MC took an equity stake in the local Mitsubishi Motors sales company M.M. Automobili Italia S.p.A. (MMAI), part of efforts to expand sales and the global value chain.

In conjunction with the Business Innovation Group, the division helped establish Lithium Energy Japan (LEJ), a manufacturer of lithium-ion batteries. This move also formed part of MC's efforts to support sales in Japan and overseas of MMC's next-generation electric vehicle, "i MiEV." Plans call for the ongoing value chain development to support eco-conscious vehicle sales.

MC remains committed to playing an active role in supporting the revitalization of MMC via sales expansion efforts while targeting higher profitability. We plan to reinforce and expand the automobile-related business, which already has operations in some 20 countries. Another area of focus is in developing sales infrastructure in the high-potential BRICs markets.

M.M. Automobili Italia S.p.A.
We aim to expand MMC's sales in the Italian market through MMAI and build up the local vehicle-related value chain.

Isuzu Business Division

Centered on business investments engaged in manufacturing and selling Isuzu Motors vehicles and parts overseas, particularly in Thailand, this division exports Isuzu Motors products.

In Thailand, the division's key market, MC is developing a broad-based automobile business via the construction of a value chain spanning parts manufacture and vehicle assembly, and retail sales and finance operations.

At about 160,000 units, MC's sales of light trucks and pickups in the Thai market were down slightly in year-on-year terms in fiscal 2008. In contrast, exports of pickups from Thailand to markets in the Middle East, Europe, Latin America and the ASEAN bloc increased 23%, to around 60,000 units.

To develop future earnings streams, we are also actively investing in new operations in markets other than Thailand. Between April 2005 and March 2007, we set up two joint ventures with Isuzu Motors Limited to import and sell vehicles, in Mexico (Isuzu Motors de Mexico S. de R.L.) and in Germany (Isuzu Sales Deutschland GmbH). We also established Isuzu Automotive Europe GmbH as a marketing joint venture to formulate and execute sales strategy across European markets. All three companies are making progress in developing their respective operations.

Competition is expected to intensify in Thailand going forward. Working with Isuzu Motors, we plan to upgrade the competitiveness of the vehicle range and sales capabilities to achieve an even higher sales volume. Utilizing the expertise gained in Thailand in other regions, we also aim to expand sales of Isuzu vehicles in markets around the world. Our core policy remains to expand this business through closer cooperation with Isuzu Motors.

Isuzu Business Celebrates 50 years in Thailand
MC has been selling Isuzu motor vehicles in Thailand for 50 years. Plans call for the ongoing expansion of these operations.

Chemicals Group

front row

Masaaki Seita
Executive Vice President,
Group CEO,
Chemicals Group

back row from left

Tadahiko Igarashi
Senior Vice President,
Division COO,
Functional Chemicals Division

Jun Ikeda
Senior Vice President,
Division COO,
Advanced Sciences &
Technologies Division

Takahisa Miyauchi
Senior Vice President,
Division COO,
Commodity Chemicals Division

Organizational Structure

Chemicals Group CEO Office
Chemicals Group Controller Office

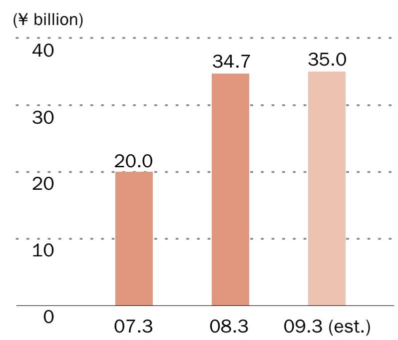
Aristech Unit
Phoenix Unit

Commodity Chemicals Division
- AALLC Project Unit • Olefins & Aromatics Unit
- Petrochemical Intermediates Unit
- Polyester Unit • Methanol Unit • Ammonia Unit
- Fertilizer Unit • Inorganic Chemicals Unit
- Chlor-Alkali Unit

Functional Chemicals Division
- Saudi Petrochemical Project Unit • PVC Unit
- Commodity Plastics Unit • Industrial Plastics Unit
- Pet Resin Unit • Coating Chemicals Unit
- Functional Polymers Unit • Functional Materials Unit
- Electronics Materials Unit

Advanced Sciences & Technologies Division
- Fine Chemicals Unit • Life Science Products Unit
- Life Sciences Business Unit
- Advanced Technologies Commercialization Unit

Net Income



Group CEO's Message

Fiscal 2008 Performance

The Chemicals Group posted consolidated net income of ¥34.7 billion in fiscal 2008, up sharply from ¥20.0 billion in the previous fiscal year. This was a record result for the sixth year in a row. Business investees producing resource-based chemicals in the upstream sector of this business group turned in solid performances. Notably, the Saudi Arabian petrochemical operations of MC affiliate SPDC Ltd. performed well, thanks to strong markets for polyethylene, ethylene glycol and other products. Transactions were also strong at overseas subsidiaries. Our September 2007 purchase of additional shares in SPDC Ltd., which raised our equity interest to just over 30%, brought with it an increase in equity method earnings and tax benefits, lifting our overall earnings.

Another key move during the past fiscal year was the August 2007 integration of three food science-related subsidiaries that manufacture and sell sweeteners, seasonings and other products, resulting in the establishment of Mitsubishi Shoji Food Tech Co., Ltd. In January 2008, in another move that highlighted our aggressive business development and investments, operations began at UBE-MC Hydrogen Peroxide Ltd. This co-managed joint venture with Ube Industries, Ltd. manufactures and sells hydrogen peroxide, which is used as bleach for pulp and paper and other applications.

Group Strategy and Fiscal 2009 Outlook

We expect to have to navigate some challenging conditions in fiscal 2009 amid the current economic uncertainty. Nevertheless, we plan to forge ahead with the execution of various initiatives designed to expand and enhance our business base with the goal of achieving at least the same level of earnings as fiscal 2008.

The Chemicals Group's operations revolve mainly around trading activities. However, we also make investments and have a network of 31 bases in 23 countries, which we intend to leverage as well to grow our business globally.

In addition to global development, we are focusing on strengthening transactions locally in growth markets. This combination of globalization and localization, or "glocalization," will drive our efforts to develop our trading and investment activities as well as our workforce.

As we pursue this vigorous development, we are conscious of the need to continuously strengthen our management systems. We handle hazardous materials, food-related items and other products and for this reason Responsible Care* and compliance are positioned at the very center of our approach to our businesses. The same is true of our response to REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals), a European Union regulation governing chemical substance management. The chemicals industry is involved in some form with all of the fields of food, clothing, and housing and we are committed to raising our presence as a *sogo shosha* and growing further in this industry.

* Voluntary activities to ensure environmental protection, safety and health with respect to chemical substances at every stage from development, production, distribution, and use, to final consumption and eventually disposal. This includes informing the public of the results of these activities.

Masaaki Seita
Executive Vice President,
Group CEO, Chemicals Group

Introduction to a Key Business—Mitsubishi Shoji Food Tech Co., Ltd.

On August 1, 2007, we established diversified food science company Mitsubishi Shoji Food Tech Co., Ltd. by integrating three Japanese food science subsidiaries: Towa Chemical Industry Co., Ltd., MC Foodtech Co., Ltd. and Chuo Foods Material Co., Ltd. This company is manufacturing and selling functional materials for food products. These include sugar alcohols (low calorie sweeteners), such as maltitol and xylitol, seasonings for preserved foods, and stabilizers.

The integration is expected to produce synergies from the consolidation of R&D know-how, sharing of customer bases and in other respects that should expand our business in the food science field. The new company will also look to construct a framework emphasizing the development of food materials to meet customer needs. Mitsubishi Shoji Food Tech is also pursuing global development of its various products, centered on the sugar alcohols business. A key subsidiary in this context is MC-TOWA International Sweeteners CO., LTD. located in Thailand which produces maltitol, using tapioca as a raw material.

Mitsubishi Shoji Food Tech Co., Ltd.

MC-TOWA International Sweeteners' Thai maltitol factory

Commodity Chemicals Division

This division functions on both the demand and supply sides of commodity chemicals markets on a global basis as an asset holding trader, one that trades as well as invests in businesses.

This division trades in commodity chemicals in the petrochemicals, natural gas derivatives, chlor-alkali, inorganic chemicals and fertilizer fields. We also invest in businesses related to these activities. Key business investees around the world are Venezuelan methanol producer Metanol de Oriente, METOR, S.A., Malaysian aromatics (benzene and paraxylene) manufacturer Aromatics Malaysia Sdn. Bhd., Indonesian ammonia manufacturer PT. Kaltim Parna Industri, and Mexican solar salt manufacturer Exportadora de Sal, S.A. de C.V.

Market interest in food safety is increasing, making it all the more important going forward to ensure product traceability. In the industrial ethanol field, we have invested in Usina Boa Vista S.A. (UBV), a Brazilian company that cultivates sugarcane and produces ethanol. We have also concluded a long-term sale and purchase agreement with UBV for fermented ethanol used in liquor, food products and chemicals. Ethanol fuel offers exciting growth prospects and we believe that the expertise and many advantages we have acquired from our involvement in the industrial ethanol business can be put to good use here. We are working to build a value chain from growing regions to end users. As we do so, we are aware of possible conflicts in terms of the environment and food supply and will take these in account as we continue to develop this business.

Worldwide demand in the chemical products sector is growing firmly, driven by growth in China and India. There is also a developing trend for production bases to be moved to the Middle East and other oil-producing nations and emerging countries and regions such as China and India. This division's business scope is thus expanding to all corners of the globe.

As this global expansion takes place, we aim to expand trading activities leveraging assets acquired through business investments as an asset holding trader. This division has two fundamental policies: expand trading volume and improve the quality of trading. Our strategy is to increase volumes to play a direct role in markets and thereby improve quality and reliability. Our customers expect us to also fulfill the role of a "supply-demand adjuster." To fulfill this role it is vital that we trade and make business investments underpinned by a high degree of specialization and ability to accurately "read" supply-demand dynamics. In this regard, we believe that it is important to be directly involved in the ever-changing and increasingly complex world of markets to improve our ability to spot changing market needs and trends.

Ramping Up Capacity at Metanol de Oriente, METOR
An ongoing expansion project is constructing an 850,000 ton/year facility adjoining an existing plant that is capable of producing 750,000 tons of methanol a year. Commercial operations at the new facility are scheduled to begin in the first quarter of 2010.

Functional Chemicals Division

Operating in the midstream and downstream sectors of the chemicals industry, this division is developing a value chain extending from raw materials and other materials to components and finished products.

The Functional Chemicals Division trades in everything from raw materials and other materials to components and finished products used in packaging, construction, coating, automobiles and office electronic equipment and other fields. We also invest in businesses involved with these fields. In all fields, value chains are becoming more global. Our basic strategy is to strengthen and expand value chains globally based on our ability to respond to customer needs.

A key development in fiscal 2008 was the January 2008 acquisition of a 49% stake in Kemira-Ube, Ltd. from Ube Industries, Ltd. and subsequent renaming of this hydrogen peroxide joint venture to UBE-MC Hydrogen Peroxide Ltd. (Ube-MC). Hydrogen peroxide is an extremely clean material because it decomposes into water and oxygen. As such, hydrogen peroxide is under much focus in the Japanese pulp and paper industry.

March 2008 saw us move to strengthen our business involving electronic materials with the acquisition of a 15% equity interest in Shin-Etsu Polymer India Private Limited, a silicone keypad manufacturer. The following month, we decided to merge MC consolidated subsidiaries Mitsubishi Shoji Plastics Corp. and Fujisangyo Co., Ltd. in a bid to boost competitiveness at the frontlines of responding to customer needs in the plastics value chain. The Saudi Arabian petrochemical operations of MC affiliate SPDC Ltd. are our most important business as a source of raw materials in the upstream part of the value chain in the packaging, film and PET resins fields. In September 2007, we raised our shareholding in SPDC to around 30%, making us the second largest shareholder behind Japan Bank for International Cooperation. SPDC's plant in Saudi Arabia is currently in the midst of third-phase expansion work scheduled for completion in the latter half of fiscal 2009. This project will double annual production capacity to the largest for a single plant in the world—2.5 million tons of ethylene, 1.6 million tons of polyethylene, and 1.5 million tons of ethylene glycol. Its ethylene production capacity alone will be equivalent to almost one-third of Japan's output. China has been the predominant sales destination to date, but SPDC is working to enhance its sales network with the view to expanding its markets once this new capacity is available.

UBE-MC Hydrogen Peroxide Ltd.
Hydrogen peroxide harbors considerable business potential. Its environmental qualities make it suitable for use as bleach for pulp and paper and beyond that in various other applications such as deodorizers, disinfectants or for preventing corrosion.

Advanced Sciences & Technologies Division

This division develops applications for and creates viable businesses out of new technologies in growth fields in the chemical products industry.

The Advanced Sciences & Technologies Division was established to actively incubate new businesses and develop new business models in response to increasing consumer awareness of safety, health and environmental issues. MC views these as future growth fields. We seek to create new value chains by pursuing synergies between existing and new technologies and businesses in response to market needs in growth fields. These growth fields include bio-technology, food science, healthcare, pharmaceuticals and diagnostic reagents, the environment and nanotechnology. Moreover, we are incubating new industries in the chemical products industry.

In the past fiscal year in the bio-technology field, BML Food Science Solutions, Inc. (BFS) announced a business alliance in February 2008 with Chinese company CCIC Shanghai Co., Ltd. in food hygiene consulting. China's logistics sector, which is growing atop the large volume of trade with Japan and other business, is seeing increasing demand for services to help the country manage the risks associated with food products. BFS will respond to these needs by providing its expertise in kitchens, plant hygiene inspections and microorganism testing, among other areas. BFS is a wholly owned subsidiary of BML Life Science Holdings Corporation, a company we established with BML, Inc., one of Japan's largest clinical testing firms.

In the food science field, August 2007 saw the establishment of diversified food science company Mitsubishi Shoji Food Tech Co., Ltd. by integrating three Japanese food science subsidiaries (see Introduction to a Key Business on page 55). This new company's marketing capabilities should prove crucial in a food science market that is tipped to expand further going forward.

In the fine chemicals field, in addition to providing support for drug discovery and helping create viable businesses out of biomedicines, we produce raw materials for pharmaceuticals and agrochemicals in India and China. Meanwhile, in the environmental field, we are endeavoring to make commercially available a biotechnology-based soil remediation system as well as a system for creating energy-efficient, environment-friendly commercial spaces. The nanotechnology field sees us working to commercially manufacture nanocomposite materials in a joint undertaking with a U.S. technology partner.

MC Invests in a Chinese Bio-Technology Venture Fund
MC has committed to investing US$3 million in BioVeda China Fund II, a bio-technology and life science venture capital fund targeting Chinese companies.

Living Essentials Group

front row

Masahide Yano
Executive Vice President,
Group CEO, Living Essentials Group

back row from left

Katsuya Ogawa
Senior Vice President,
Division COO, Textiles Division

Michio Kaga
Senior Vice President,
Division COO,
General Merchandise Division

Koichi Narita
Senior Vice President,
Division COO,
Foods (Products) Division

Takehiko Kakiuchi
Division COO,
Foods (Commodity) Division

Organizational Structure

Living Essentials Group CEO Office
Living Essentials Group Controller Office
Living Essentials Group Internal Audit Office

Retail Business Unit

Reorganization (As of April 1, 2008)

- Fresh produce-related domains of the Foods (Products) Div. were transferred to the former Foods (Commodity) Div. to concentrate three types of perishable food (marine products, fresh produce and meat products) in the current Foods (Commodity) Division.
- The former Life Style Division was split into the Textiles Division and the General Merchandise Division.

Foods (Commodity) Division
- Produce Unit • Grain Unit • Marine Products Unit
- Sweetener & Starch Products Unit
- Oil & Fats Unit • Feed & Meat Business Unit

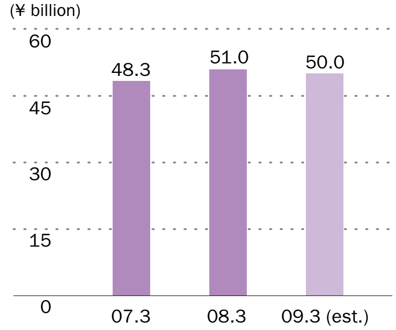
Foods (Products) Division
- Food Project Unit • Beverage Materials Unit
- Dairy Foods Unit • Processed Foods A Unit
- Processed Foods B Unit

Textiles Division
- Brand & Apparel Unit • S.P.A. A Unit
- S.P.A. B Unit • S.P.A. & Functional Material Unit

General Merchandise Division
- Living Materials Unit • Paper & Packaging Unit
- Housing & Construction Materials Unit

Net Income

(¥ billion)



Group CEO's Message

Fiscal 2008 Performance

Concerns about a slowdown in the Japanese economy emerged in fiscal 2008 due to rising commodity prices and the subprime loan problem. Meanwhile, the consumer market faced dizzying change in the operating environment, not the least because of a string of problems that called into question the social responsibility of corporations, amid increasing concern about the safety and reliability of foods and other products, and heightening interest in environmental protection. Under these conditions, we continued with our efforts to create frameworks in the fields of food, clothing and housing to ensure that our business group can consistently procure and provide the high-quality products and services consumers desire.

In fiscal 2008, we posted net income of ¥51.0 billion, ¥2.7 billion higher year on year. Strong food-related transactions and the increase in consolidated profits due to the additions of affiliated companies were the main reasons for the higher earnings.

During the past fiscal year, we improved our food procurement strength by making a subsidiary out of FGDI, a U.S.-based grain trading company. Three food processors, Nosan Corporation, Nitto Fuji Flour Milling Co., Ltd. and Nihon Shokuhin Kako Co., Ltd. as well as Kentucky Fried Chicken Japan, Ltd. also became subsidiaries via acquisition of additional equity interests during fiscal 2008. These consolidations have given us a powerful food value chain extending from procurement through manufacturing and retail operations. We also endeavored to expand the scope of our businesses in the fashion apparel, paper and packaging materials and construction materials fields by upgrading the functions of core subsidiaries.

Group Strategy and Fiscal 2009 Outlook

The global supply-demand balance for raw materials, such as agricultural resources and plantation resources, is undergoing a major change brought on by economic growth in BRICs and other emerging markets. Increasing demand for biofuels and the inflow of speculative money, meanwhile, have contributed to a rapid run-up in grain prices. At the same time, Japan, our main market, is witnessing heightening consumer interest in safety, reliability and environmental protection as well as facing competition to secure agricultural resources.

So that we can provide a flexible and fast response to these changes in our operating environment, in April this year, we reorganized our business group, creating four divisions out of the former three. Specifically, we partly reorganized the Foods (Commodity) Div. and Foods (Products) Div. and split the Life Style Div. into the Textiles Div. and General Merchandise Div. We regard these as strategic business units along with the Retail Business Unit, which is directly under my control.

This business group's strength is that it develops well-balanced businesses extending from the upstream to downstream sectors of value chains. In fiscal 2009, we plan to make further strides by broadening our raw material procurement capabilities—the very starting point of our value chains—and improving our logistics and services to respond flexibly to consumer demand. These actions should enhance our earnings base. In promising growth markets overseas, we will actively develop businesses that address consumer needs and take into account local characteristics.

For fiscal 2009, we are forecasting consolidated net income of ¥50.0 billion, roughly on a par with our fiscal 2008 performance. While we expect to generate higher earnings on food-related transactions, we are also projecting higher expenses in line with business expansion.

Masahide Yano
Executive Vice President
Group CEO, Living Essentials Group

Introduction to a Key Business—Coffee

Japan is the world's third largest importer of coffee behind the U.S. and Germany. Coffee is consumed in many different ways, as regular or instant coffee, in cans or as a chilled drink, for example, and consumption is expected to continue increasing going forward. MC believes that its mission is to consistently deliver safe, quality and delicious coffee to consumers.

The greatest strength of MC's coffee business is a solid global network that extends to the world's coffee-growing countries in the upstream part of the value chain. In Brazil, for example, we own a 100% stake in MC Coffee do Brasil Ltda (MCCB), a coffee bean exporter, and we account for around 20% of the coffee beans imported to Japan. This enables us to provide a detailed response to the needs of customers in various countries.

In January 2008, we strengthened our coffee value chain by advancing into the midstream coffee roasting business with the consolidation of ART COFFEE. We are also establishing coffee processing bases in China and Malaysia as we look to meet demand in the growing Asian market outside Japan.

Coffee beans

A factory belonging to MC Coffee do Brasil Ltda (MCCB)

ART COFFEE's Yamanashi plant

Foods (Commodity) Division

This division handles grains, fresh produce, marine products, meat and other products and is working to develop value chains centered on sectors from the procurement of food raw materials to processing and distribution.

The Foods (Commodity) Division took steps during fiscal 2008 to strengthen its integrated value chain, extending from the collection and handling of raw materials at farms to transportation, processing and distribution of products, as soaring prices of grains such as wheat and other raw materials grabbed everyone's attention. In June 2007, we made FGDI, a U.S.-based grain handling and sales company, a subsidiary in a bid to expand our U.S. grain handling and import operations. In Japan in April 2007, we became the leading shareholder of Yonekyu Co., Ltd. by purchasing additional shares in this company. The following June, we conducted tender offers for three companies that manufacture wheat flour, starch and animal feed, Nitto Fuji Flour Milling Co., Ltd., Nihon Shokuhin Kako Co., Ltd. and Nosan Corporation, respectively. These moves have strengthened our business base in raw materials processing.

This division's strategy going forward is to broaden and strengthen the value chain in Japan and abroad. Under this strategy, we will further strengthen our processing businesses by enhancing our structures for managing group companies. Moreover, with food supplies expected to stay tight worldwide, we will work to secure stable supplies by strengthening procurement capabilities in key growing regions like the U.S. and expanding procurement sources. And we will continue to target the growing Asian market outside Japan.

FGDI
The U.S. is one of the world's major exporters of grains. During fiscal 2008, we raised our shareholding in grain handling and sales company FGDI to 75%, thereby upgrading our grain handling capability.

Foods (Products) Division

This division has an expansive network in Japan and overseas, extending from the procurement of food raw materials to product sales. This network allows us to meet diverse consumer needs.

The food industry experienced a harsh operating environment in fiscal 2008, characterized by contracting demand in Japan as the country's population declines and ages, and soaring raw materials prices fueled by rapidly expanding global demand. This division, however, turned in a strong performance, thanks in particular to dairy product and marine produce-related transactions. Actions such as the acquisition of ART COFFEE, a coffee roasting and sales company, also boosted our processing capabilities as we made steady progress implementing our strategy.

Our operating environment will continue to experience major change going forward. The supply-demand balance is changing, companies must step up their response to safety and reliability concerns, and consumer interest in environmental issues is rising. This division is determined to address these and other changes reshaping its operating environment. We will strive to sustain our growth by strengthening our value chains while meeting customers' multifarious needs. Procuring food raw materials from overseas, in particular, is important as supplies are expected to tighten. With the aim of securing a stable and continuous supply of raw materials, we plan to expand supply sources of coffee, cocoa, juice, and dairy products, as well as deepen relationships with existing procurement bases. We will also continue to support our domestic food wholesale-related subsidiaries such as RYOSHOKU LIMITED and Meidi-ya Corporation as well as U.K. food manufacturing subsidiary Princes Limited in their efforts to broaden efficient distribution channels in consumer markets.

Kirin MC Danone Waters Co., Ltd.
This MC Group company is supporting activities to supply clean and safe drinking water in the Republic of Mali as part of the "Volvic 1L for 10L" program being run by France's Danone Group and UNICEF.

Textiles Division

From lifestyle-related products like clothes to raw materials, textile materials and high-function materials, this division provides wide-ranging products and comprehensive services worldwide.

This division handles not only lifestyle-related products such as fashion apparel, shoes, furniture and household goods but also fiber, yarn, fabrics and high-function materials like optical fiber. Its goal is to be an organization capable of responding flexibly and quickly to industry trends.

Fiscal 2008 was a challenging year for the apparel industry in Japan as a whole as the market saw major change. Some of the challenges included unseasonable weather, soaring raw materials prices and growing risk surrounding China. Under these conditions, we sought to raise customer satisfaction by providing comprehensive support, including introducing new fashion brands and new business models and supporting customers' overseas businesses, centered on the OEM business, which is a core business of this division.

Looking ahead, we plan to continue upgrading our OEM capabilities in the apparel field to supply outstanding products to markets in Japan and overseas. At the same time, in high-function material fields such as environment-related products and optical communications materials we will continue to aggressively develop business in growth markets overseas.

Mitsubishi Corporation Apparel Exhibition
During the past several years, we held this exhibition as a demonstration of our comprehensive functions and won strong support from many customers as a result. We will continue working to improve the quality and sophistication of this exhibition.

General Merchandise Division

This division has built an expansive value chain that extends from upstream raw materials, such as raw materials for paper, cement and lumber to downstream products familiar to consumers.

The General Merchandise Division, broadly speaking, has three core businesses. One is the paper-related business, which includes afforestation, woodchips, pulp, paper products, and packing materials. The other two are the housing and construction materials-related business, which includes cement, silica sand, kaolin clay, and lumber; and the lifestyle materials-related business, which handles tires, industrial rubber materials and other products.

In fiscal 2008, supported by firm market conditions in main business fields, this division outperformed its initial earnings plan. We also laid the foundations for further growth in the future. For instance, we decided to make an additional investment in a U.S. cement business.

Our operating environment is presenting us with various challenges in the form of price increases of raw materials and fuel and the appreciating yen against the U.S. dollar, to name but a few. On the other hand, global demand for paper, cement and tires, key products handled by this division, is forecast to continue growing by between 2% and 4% per year. For this reason, we see sufficient potential to grow our business over the medium and long terms.

Our strategy under the prevailing operating environment is to thoroughly strengthen core businesses, increase the corporate value of business investees, develop and utilize our people, and create new businesses. Steady execution of these and other measures will ensure our sustained growth.

Alpac Forest Products Inc.
This MC subsidiary is developing a pulp business in Canada in harmony with the local community by managing forests in a sustainable manner. In the fall of 2007, Alpac Forest Products was named as one of “Canada’s Top 100 Employers” by a Canadian publishing company.

Retail Business Unit

This unit invests in retail businesses, namely retailers and restaurants. It helps business investees increase their corporate value by providing various forms of support, ranging from the procurement of raw materials and products to management and store development.

The domestic market, the main market for this unit, is experiencing lackluster quantitative growth in consumption due to the nation’s low birth rate and aging population. Diversification and divergence in terms of consumer values are also bringing about major qualitative changes in the market. Add to this the spiraling prices of raw materials and rising store operating costs, and the retail business is an increasingly difficult area in which to operate. And the speed of change is only expected to accelerate, as evidenced by inter-company consolidations as companies battle for survival.

In fiscal 2008, key MC subsidiaries and affiliates in the Retail Business Unit—LAWSON, INC., Life Corporation and Kentucky Fried Chicken Japan Ltd.—delivered steady performances thanks to successful marketing initiatives that targeted consumer trends and addressed marketplace changes.

With the operating environment expected to undergo more change, we will continue to provide wide-ranging functions—including raw material and product procurement, product and store development, logistics, IT and marketing—as we develop our strategy of reinforcing our retail sector platform.

Kentucky Fried Chicken Japan Ltd.
In December 2007, we concluded a tender offer for shares in Kentucky Fried Chicken Japan Ltd. We now own voting rights of 65.39% in this subsidiary.

Global Strategies

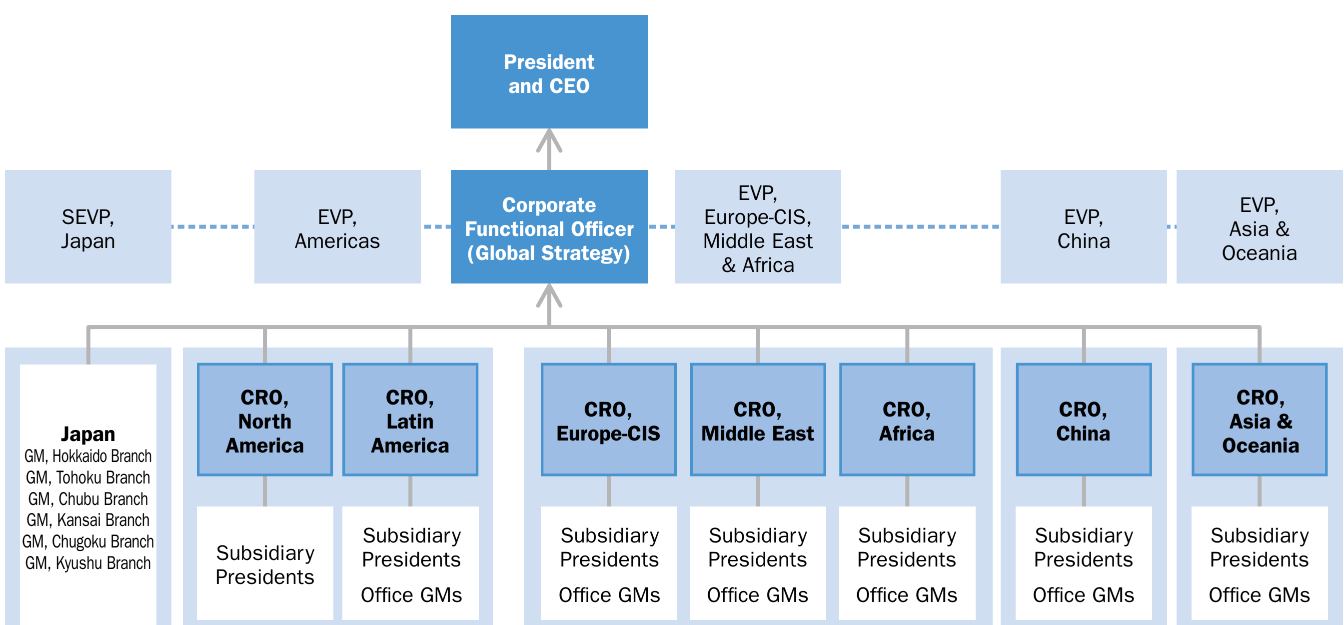
Under INNOVATION 2009, MC aims to consolidate its position for the future, creating the most efficient "Select & Focus" approach and enhancing the quality of its business portfolio. One of the main themes in the new management plan is "Tapping Into Global Growth," which defines the direction of MC's global strategies. The push has been to further accelerate such initiatives, to which end a new system to promote global strategies was introduced on April 1, 2008.

Under the new system, MC will consolidate its global strategy operations, led by the newly-appointed Corporate Functional Officer (Global Strategy). The company's global operations have been re-classified according to the following seven regions, with a CRO (Chief Regional Officer) assigned to each: North America, Latin America, Europe & CIS, the Middle East, Africa, China, and Asia & Oceania. The CROs will be in charge of providing more intelligence from their respective regions, and will be responsible for reflecting this in MC's business strategies within these regions in a timely fashion.

Meanwhile, a Regional SEVP (Senior Executive Vice President) or EVP (Executive Vice President) has been assigned to cover each of the following, more broadly-defined regions: Japan; the Americas; Europe, Africa, the Middle East, and CIS; China; and Asia & Oceania. While the Corporate Functional Officer (Global Strategy) is in charge of planning and promoting global strategies companywide, the Regional SEVP and EVPs will assist from a global perspective, providing intelligence from and with regard to their respective regions. At the same time, they will share information both within and outside their regions, and encourage stronger global networks and inter-regional collaboration.

Masatoshi Nishizawa
Executive Vice President
Corporate Functional Officer (Global Strategy)

Structure to Promote Global Strategy



Japan

Factoring in new market changes, MC is working to develop new business opportunities by collaborating with MC Group companies or affiliated companies in each locale, and by redoubling efforts to maintain and expand customer networks from the perspective of reinforcing the value chains that MC builds and participates in.

Takeshi Inoue
Senior Executive Vice President
Senior EVP, Japan

Yoshiaki Katayama
Executive Vice President
EVP, Japan

Middle East

MC continues to carry out business in resource-supplying nations that are essential to Japan. These activities include oil, LNG, chemicals, mineral phosphate, and others. Backed by rapidly developing economies in this part of the world, the company is also cooperating in infrastructure business, such as power generation and water desalination, and other diversifying industries. In addition, MC is paying more and more attention to environmental business in the Middle East.

Tetsuro Imai
Senior Vice President
CRO, Middle East

North America

MC views North America as the world's largest growth market, rather than as a mature market. We are therefore working hard to raise our consolidated corporate value in North America by strengthening existing businesses, developing entirely new businesses, and actively promoting investments. The company is also making a greater commitment to providing the kind of intelligence that will contribute to future business expansion and global corporate management. This includes developing groundbreaking business models and implementing CSR initiatives.

Ryoichi Ueda
Executive Vice President
CRO, North America
EVP, Americas

Africa

In Africa, MC is exploring new businesses in metals and energy resources, and expanding its commercial transactions of automobiles, tires, chemicals, foods, and other products. Aiming to coexist in harmony with local communities in Africa, the company is also making considerable contributions to CSR activities.

Kazuo Korenaga
Senior Vice President
CRO, Africa

Latin America

Latin America is one of the world's major suppliers of resources, including metals, energy, and food, which in recent years has rapidly become more and more valuable as a resource. MC has been aggressively promoting collaborative efforts by its Business Groups in Latin America, and is focusing on new resource-related projects, including foods and new energy sources. At the same time, the company is moving into IT fields, targeting the region's domestic markets that continue to exhibit significant growth.

Osamu Sasaki
Senior Vice President
CRO, Latin America

China

China is one of the most important markets for MC, and the company is working hard to identify new businesses and strengthen relationships with leading Chinese corporations. China is moving towards sustainable growth models that give due consideration to the natural environment and energy conservation, and towards economic growth led by domestic demand, thereby decreasing the country's reliance on exports and investments. MC is taking initiatives in line with this current reform policy, looking to tap into China's growth from a global perspective.

Hideto Nakahara
Executive Vice President
Chief Representative for China
(CRO, China/EVP, China)

Europe & CIS

In Western Europe, MC is strengthening its core businesses in metals, machinery, chemicals, and living essentials, while promoting innovation in a number of other fields, such as the environment, new energies, the automotive sector, and logistics. Furthermore, in response to their expanding consumer markets, MC also plans to step up efforts in emerging markets such as Central & Eastern Europe, Turkey, Russia, Ukraine, and so on.

Tsunao Kijima
Executive Vice President
CRO, Europe-CIS
EVP, Europe-CIS, Middle East & Africa

Asia & Oceania

In addition to continuous developments in metals and energy resources, MC is strengthening its core businesses in Asia & Oceania, and taking an active stance in infrastructure projects essential to regional growth. At the same time, the company is bolstering partnerships with leading customers, and forging a stronger profit base. Along with China, India in particular is a key market for MC. Here the company is mapping out action plans for infrastructure projects and aiming for new investments in promising fields.

Masatoshi Nishizawa
Executive Vice President
Corporate Functional Officer (Global Strategy)
CRO, Asia & Oceania
EVP, Asia & Oceania

Motonobu Teramura
Executive Vice President
EVP, ASEAN

Corporate Governance and Internal Control

MC's Corporate Governance

As chairman of the Board of Directors, I would like to report to stakeholders on the status of corporate governance measures at MC.

The Board of Directors recognizes that continuously increasing MC's corporate value through proper management based on the Three Corporate Principles, which embody MC's corporate philosophy, is vital for meeting the expectations of all stakeholders, including shareholders. Accordingly, we are working to strengthen corporate governance underpinning management soundness, transparency and efficiency. Over the past several years, MC has been taking a number of proactive steps to enhance the oversight function of the Board of Directors. These have included adopting an executive officer system, strengthening audit functions, increasing the number of outside directors, and putting in place a more robust system of checks and balances that brings in an external perspective through MC's Governance Committee and International Advisory Committee.

In 2008, we are striving to strengthen the Board of Directors' management oversight function by further separating the roles of management and execution and reducing the number of directors.

I believe that corporate governance is an important matter that serves as a cornerstone for a company's day-to-day operations. It is also an important element for giving form to a company's culture. Amid a changing operating environment, the mission and role required of a company will also continue to change. For these reasons, a governance system must be constantly reviewed and its functions strengthened. It is an ongoing process of improvement. We therefore remain committed to advancing and strengthening our corporate governance system as we endeavor to live up to stakeholders' expectations.

Mikio Sasaki
Chairman of the Board

Members of the Board

(As of July 1, 2008)

Mikio Sasaki

2004 *to present*
Chairman of the Board
1960 Joined Mitsubishi Corporation

Yorihiko Kojima*

2004 *to present*
President,
Chief Executive Officer
1965 Joined Mitsubishi Corporation

Yukio Ueno*

2008 Corporate Functional Officer
(Corporate Communications,
Corporate Administration, Legal),
Chief Compliance Officer,
CSR & Environmental Affairs
2005 *to present*
Senior Executive Vice President
1968 Joined Mitsubishi Corporation

Takeshi Inoue*

2008 Food, Agricultural Resources &
Consumer Market Strategies,
Senior Executive Vice President,
Japan
2006 *to present*
Senior Executive Vice President
1970 Joined Mitsubishi Corporation

Tsuneo Iyobe

2008 Executive Vice President
Corporate Functional Officer
(HR)
1973 Joined Mitsubishi Corporation

Kiyoshi Fujimura

2008 Executive Vice President,
Corporate Functional Officer
(CIO, BPI and Internal Control)
1972 Joined Mitsubishi Corporation

Tatsuo Arima**

2001 *to present*
Member of the Board,
Mitsubishi Corporation
1998 *to present*
Representative of the
Government of Japan
1997 *to present*
Councilor for the Ministry of
Foreign Affairs, Ambassador,
retired from the Ministry of
Foreign Affairs
1962 Joined the Ministry of
Foreign Affairs

Ichiro Mizuno*

2006 *to present*
Senior Executive Vice President
2003 *to present*
Chief Financial Officer
1966 Joined Mitsubishi Corporation

Hisanori Yoshimura*

2008 Resources & Energy Strategies
2007 *to present*
Senior Executive Vice President
1968 Joined Mitsubishi Corporation

Masatoshi Nishizawa*

2008 Corporate Functional Officer (Corporate Strategy & Research, Global Strategy), (Concurrently) Executive Vice President, Asia & Oceania, (Concurrently) Chief Regional Officer, Asia & Oceania
2005 *to present*
Executive Vice President
1971 Joined Mitsubishi Corporation

Yoshiaki Katayama*

2007 *to present*
Executive Vice President, Executive Vice President, Japan, (Concurrently) General Manager, Kansai Branch
1971 Joined Mitsubishi Corporation

Tomio Tsutsumi**

2004 *to present*
Member of the Board, Mitsubishi Corporation
1996 Retired from the Ministry of International Trade and Industry
1962 Joined the Ministry of International Trade and Industry

Tamotsu Nomakuchi**

2007 *to present*
Member of the Board, Mitsubishi Corporation
2006 *to present*
Chairman, Mitsubishi Electric Corporation
1965 Joined Mitsubishi Electric Corporation

Kunio Ito**

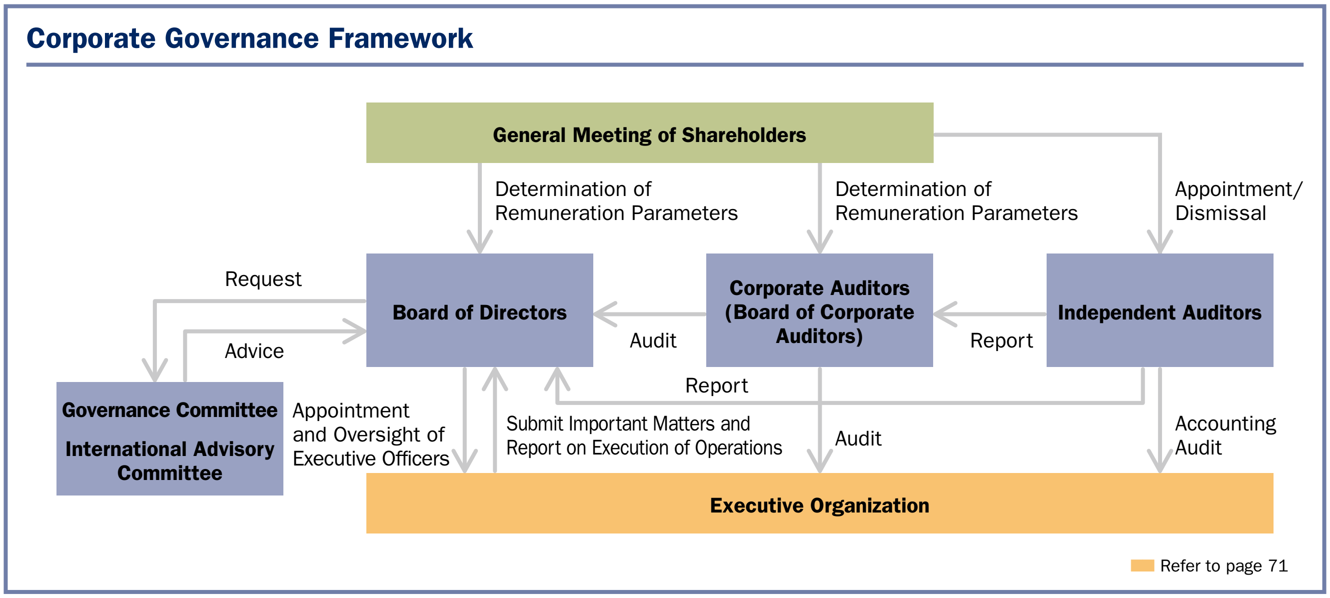
2007 *to present*
Member of the Board, Mitsubishi Corporation
2006 *to present*
Professor, Graduate School of Commerce and Management, Hitotsubashi University
1992 Professor, Department Commerce and Management, Hitotsubashi University

Kazuo Tsukuda**

2008 Member of the Board, Mitsubishi Corporation, Chairman, Mitsubishi Heavy Industries, Ltd.
1968 Joined Mitsubishi Heavy Industries, Ltd.

* Indicates a representative director.
** Indicates an outside director as provided for in Article 2-15 of the Corporate Law.

Corporate Governance Framework



MC's corporate philosophy is enshrined in the Three Corporate Principles—corporate responsibility to society, integrity and fairness, and international understanding through trade. Through corporate activities rooted in the principles of fairness and integrity, MC strives to continuously raise corporate value. The Company believes that by helping to enrich society, both materially and spiritually, it will also meet the expectations of shareholders, customers and all other stakeholders.

A key management theme in achieving these goals is to strengthen corporate management on an ongoing basis, as the foundation for ensuring sound, transparent and efficient management. MC is thus working to build a corporate governance system, based on the Corporate Auditor System, that is even more effective. To this end, the Company has strengthened supervision by appointing more outside directors, and also separated management and execution further by introducing the executive officer system.

MC's Board of Directors has 15 members, 5 of whom are outside directors. As a rule, the Board convenes once a month and is responsible for making decisions concerning important management issues and overseeing business execution.

In 2001, the adoption of an executive officer system clarified the separation of the roles and responsibilities of directors and executive officers. Furthermore, in 2004, the term of directors was reduced from two years to one year to provide greater flexibility in determining the composition of the Board of Directors. In 2006, the Articles of Incorporation were amended to allow the Board of Directors to approve resolutions in writing from the perspective of facilitating flexibility in how the Board operates. Moreover, to clarify and strengthen the function of outside directors and outside corporate auditors, in 2007 MC established standards for the selection of these directors and corporate auditors. In 2008, the number of directors was further reduced, strengthening the Board's oversight function.

The president, as the Company's Chief Executive Officer, manages the Company's business through the Executive Committee, a decision-making body of executive officers. Important management issues are first determined by the Executive Committee, which meets around twice a month, and then referred to the Board of Directors for deliberation and final determination.

MC has a Governance Committee and an International Advisory Committee, which are made up of certain corporate officers and outside directors and corporate auditors as well as other experts from outside the Company. These advisory bodies to the Board of Directors offer a broad range of advice from a third-party perspective. Since its establishment in 2001, the Governance Committee has met two or three times a year to discuss issues relating to corporate governance. In fiscal 2008, the Governance Committee discussed the use of diverse human resources, reviewed the remuneration structure for directors and corporate auditors, and looked at the Company's basic policy for environmental affairs and CSR.

The International Advisory Committee was also established in 2001 and discusses issues related to globalization of the Company's operations. This committee meets around once a year.

International Advisory Committee

front row from left

Herminio Blanco Mendoza
Former Secretary of Trade & Industry (Mexico)

Ratan N. Tata
Chairman, Tata Sons Limited (India)

Thomas S. Foley
Former U.S. Ambassador to Japan (America)

John Bond
Chairman, Vodafone Group Plc (U.K.)

Jaime Augusto Zobel de Ayala
Chairman and CEO, Ayala Corporation (Philippines)

back row from left

Tomio Tsutsumi
(Member of the Board)

Minoru Makihara
(Senior Corporate Advisor)

Mikio Sasaki
(Chairman of the Board)

Yorihiko Kojima
(President & CEO)

Tatsuo Arima
(Member of the Board)

The five corporate auditors, including three outside corporate auditors, utilize staff members of the Corporate Auditors' Office, which is under their direct control, in conducting their audits. At the same time, the corporate auditors attend meetings of the Board of Directors and other important meetings and hold discussions with internal departments, including important offices in Japan and overseas, as well as visit main subsidiaries that are important from the perspective of Group management to conduct audits.

Regarding internal audits, the Internal Audit Dept. conducts audits of the Company, overseas subsidiaries and affiliated companies from a Company-wide perspective. In addition, each business group has established its own internal audit organization, under which audits are carried out on a consolidated basis. These internal audits are conducted after selecting audit targets and are based on annual audit plans. The results of audits are reported to the president, corporate auditors and other concerned parties as well as regularly to the Board of Directors and the Executive Committee.

Directors' and Corporate Auditors' Remuneration

<table>
<tr><th>Title</th><th>No. of People</th><th>Remuneration</th><th>Remarks</th></tr>
<tr><td>Directors
(Incl. Outside Directors)</td><td>20
(5)</td><td>(¥ million)
2,116
(100)</td><td rowspan="3">1. The remuneration to the left is made up as follows:
(1) Monthly remuneration paid during fiscal 2008
The Company paid ¥979 million to 20 directors, including ¥100 million to the 5 outside directors.
The Company paid ¥133 million to the 5 corporate auditors, including ¥31 million to the 3 outside corporate auditors.
(2) Directors' bonuses approved at the June 25, 2008 Ordinary General Meeting of Shareholders
The Company paid bonuses totaling ¥365 million to 15 directors, excluding outside directors.
(3) Stock option-based remuneration
The Company paid ¥601 million to 15 directors, excluding outside directors.
(4) Reserved retirement remuneration approved at the June 25, 2008 Ordinary General Meeting of Shareholders
The Company plans to pay ¥170 million to 15 directors, excluding outside directors.
2. Retirement allowances (excluding executive pension) paid to the directors and corporate auditor who retired in fiscal 2008 were ¥344 million and ¥30 million, respectively, and are not included in the above remuneration figures. Furthermore, total amounts paid to the retired directors and corporate auditor as executive pension in fiscal 2008 were ¥278 million and ¥9 million, respectively. These amounts are not included in the above remuneration figures.
3. Retirement allowances were abolished with respect to outside directors and outside corporate auditors at the close of the 2005 Ordinary General Meeting of Shareholders and then for full-time corporate auditors at the close of the 2007 Ordinary General Meeting of Shareholders. Furthermore, the previous retirement allowances system for executive directors was abolished at the close of the 2007 Ordinary General Meeting of Shareholders and replaced by a new reserve system for retirement allowances. Regarding retirement allowances before these changes, proposals were approved at the particular Ordinary General Meetings of Shareholders to pay these allowances to incumbent directors and corporate auditors when they retire. The estimated amounts to be paid in accordance with these approvals are as follows. However, these amounts are not included in the above remuneration figures.
(1) In accordance with a proposal approved at the 2005 Ordinary General Meeting of Shareholders, the Company expects to pay a total of ¥39.5 million to 4 outside directors and ¥22.0 million to 3 outside corporate auditors.
(2) In accordance with a proposal approved at the 2007 Ordinary General Meeting of Shareholders, the Company expects to pay a total of ¥1,100 million to 10 executive directors and ¥80 million to 1 full-time corporate auditor.
Payments of retirement allowances in 2. above were based on (1) above and a proposal of the 2007 Ordinary General Meeting of Shareholders, which was passed before the abolishment of the retirement allowances system.</td></tr>
<tr><td>Corporate Auditors
(Incl. Outside Corporate Auditors)</td><td>5
(3)</td><td>133
(31)</td></tr>
<tr><td>Total
(Incl. Outside Directors and Outside Corporate Auditors)</td><td>25
(8)</td><td>2,249
(131)</td></tr>
</table>

(Amounts have been rounded down to the nearest ¥1 million.)

Corporate Auditors

(As of July 1, 2008)

Yuzo Shinkai

2001 *to present*
Senior Corporate Auditor

1962 Joined Mitsubishi Corporation

Eiji Oshima

2007 *to present*
Corporate Auditor

1973 Joined Mitsubishi Corporation

Shigeru Nakajima*

2004 *to present*
Corporate Auditor, Mitsubishi Corporation

1984 Admitted to the Japan Patent Attorneys Association

1983 Founded Nakajima Transactional Law Office

1979 Admitted to the Japan Bar

Eiko Tsujiyama*

2008 Corporate Auditor, Mitsubishi Corporation

2003 *to present*
Professor, Graduate School of Commerce, Waseda University

Eisuke Nagatomo*

2008 Corporate Auditor, Mitsubishi Corporation
Visiting Professor, Graduate School of Commerce, Waseda University

2007 *to present*
President, Chief Executive Officer, EN Associates Co., Ltd., retired from Tokyo Stock Exchange Inc.

2003 Managing Director, Tokyo Stock Exchange Inc.

1971 Joined Tokyo Stock Exchange

* Indicates an outside corporate auditor as provided for in Article 2-16 of the Corporate Law.

Message From the Senior Corporate Auditor

Yuzo Shinkai, Senior Corporate Auditor

MC has two full-time and three outside corporate auditors, all of whom have a wealth of experience in their respective fields. The senior corporate auditor heads the Board of Corporate Auditors and is also the specified corporate auditor stipulated by the law. Corporate auditors are assisted by the 5-member Corporate Auditors' Office, which is an independent organizational body.

Corporate auditors and staff of the Corporate Auditors' Office attend important in-house meetings, so as to keep channels of communication open with people in the company. Furthermore, we work to stay abreast of the company's circumstances through close contact and regular meetings with MC's independent auditors and Internal Audit Department. We also regularly exchange information with full-time auditors of main subsidiaries and affiliates in our efforts to create an environment conducive to auditing the corporate group. At the same time, we hold regular discussions with respected individuals from outside the company who give us their expert opinions.

MC is striving to sustain healthy growth while answering society's demands, and in this regard we want to contribute to strengthening the company's management base.

Message From Outside Corporate Auditor

Shigeru Nakajima, Corporate Auditor

I pay attention to two things in particular as an outside corporate auditor. One is to objectively and fairly monitor MC's business operations as an "outsider." Second is to connect with people in the company and understand the passion of people at the frontline as an auditor. I believe that only by approaching this responsibility from these two perspectives, can one accomplish the mission entrusted to an outside corporate auditor.

I meet regularly with the other corporate auditors and independent auditors and talk with the president and other executives whenever the opportunity arises. I also attend, as much as possible, meetings where corporate auditors of MC Group companies exchange information.

Based on insight into information gathered in this way, I use my attendance at Board of Directors' meetings to ask directors to take a closer look at certain points or recommend further discussion from a different perspective. Going forward, I am determined to play my part, however small, in helping to raise society's level of trust in MC.

Internal Control System

MC is building and operating an internal control system, as discussed below, so as to ensure that business activities are conducted properly and in conformity with law and its Articles of Incorporation. Efforts are ongoing to reform and improve this system.

Efficient Business Execution

The president delineates basic management policies and sets specific management goals. At the same time, the president formulates management plans and oversees progress in achieving targets efficiently. The organization is realigned and resources deployed as necessary so as to achieve management targets in the most efficient manner possible. Furthermore, the organizational chain of command is clearly laid out and authority delegated to managers and staff of organizational bodies to the extent necessary to accomplish targets. These people are required to submit reports regularly.

In fiscal 2008, MC completed the final year of its INNOVATION 2007 medium-term management plan and, at the same time, revamped part of its management system in preparation for the launch of its new plan, INNOVATION 2009.

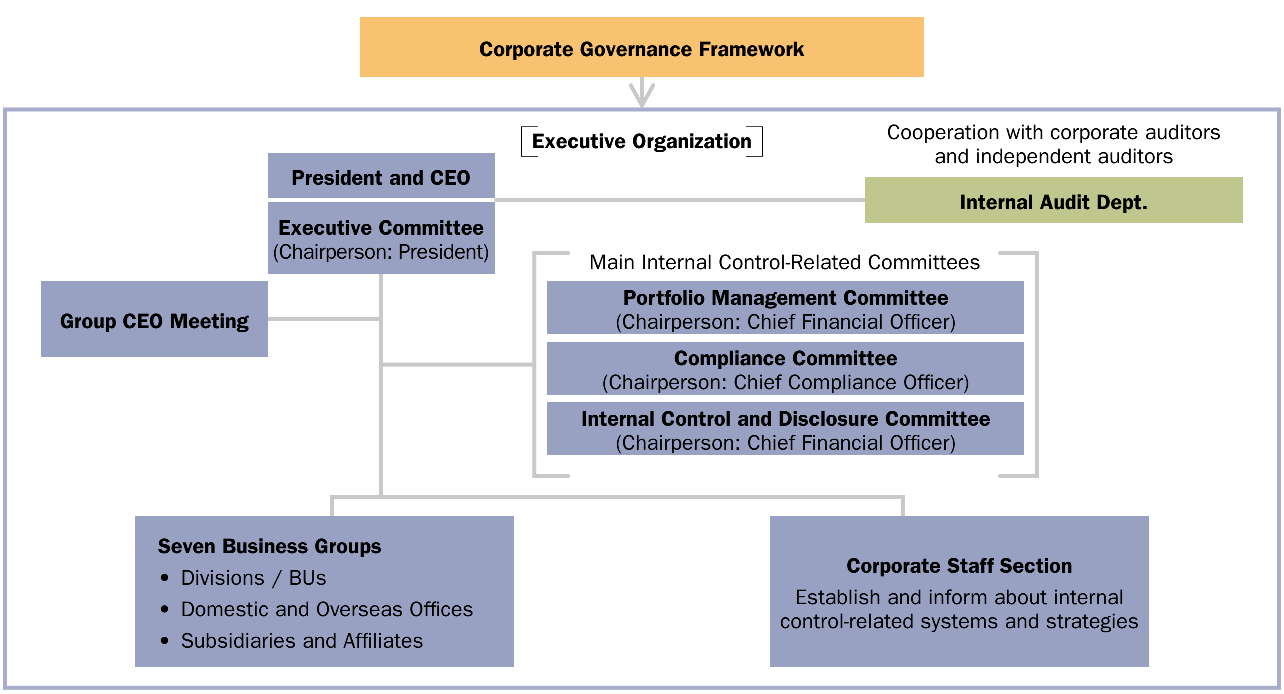
Compliance

Compliance, which is defined as acting in compliance with laws and regulations and in conformity with social norms, is regarded as a matter of the highest priority in conducting business activities. MC has formulated a Code of Conduct for all officers and employees, which specifies basic matters in relation to compliance. Efforts are made to ensure that all officers and employees are familiar with the Code of Conduct and that the Company's corporate philosophy is understood and practiced.

To promote compliance, MC has established a cross-organizational framework headed by the Chief Compliance Officer. MC is also taking preventive and corrective measures such as offering training regarding various laws and regulations. Moreover, in April this year, MC established a dedicated organization with the view to enhancing integrated Group-wide responses to compliance issues.

Regarding the status of compliance, in addition to a framework for receiving reports from all organizations throughout the Company, MC has established an internal whistleblower system. Through these structures and systems, MC identifies problems and shares information. Regular reports are also made to the Board of Directors on the status of compliance.

Internal Control Framework



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Risk Management

Regarding risks associated with business activities, MC has designated categories of risk—such as credit, market, business investment, country, compliance, legal, information management, environmental, and natural disaster-related risks—and has established departments responsible for each category. MC also has in place policies, systems and procedures for managing risk. Furthermore, MC responds to new risks by immediately designating a responsible department to manage such risks.

With respect to individual projects, the person responsible for the applicable department makes decisions within the scope of their prescribed authority after analyzing and assessing the risk-return profile of each project in accordance with Company-wide policies and procedures. Projects are executed and managed on an individual basis in accordance with this approach.

In addition to managing risk on an individual project basis, MC assesses risk for the Company as a whole with respect to risks that are capable of being monitored quantitatively and manages these risks properly, making reassessments as necessary.

Financial Reporting

To ensure the proper and timely disclosure of financial statements, MC has appointed personnel responsible for financial reporting and prepares financial statements in conformity with legal requirements and accounting standards. These financial statements are released after being discussed and confirmed by the committee responsible for financial reporting. Regarding the establishment of internal controls over financial reporting, MC has a dedicated internal organization, which documents, evaluates and improves Company-wide internal controls and administrative processes at important business locations based on the Financial Instruments and Exchange Law and the U.S. Sarbanes-Oxley Act of 2002.

Management and Storage of Information

Regarding information related to business activities, personnel responsible for managing business activities classify information individually in accordance with its degree of importance. These individuals also instruct users on the handling of this information. The aim is to ensure information security while promoting efficient administrative processing and the sharing of information.

Responsible personnel store for a predetermined period documents that must be stored by law and information that the Company specifies as important in terms of internal management. For all other information, responsible personnel determine the necessity and period for storage of information and store such information accordingly.

Ensuring Proper Business in Group Management

MC specifies a responsible department for the oversight of each subsidiary and affiliate and quantitatively monitors business performance, management efficiency and other operational aspects of each company every year. Efforts are also made to monitor qualitative issues such as compliance and risk management.

MC strives to ensure proper business conduct by subsidiaries and affiliates by sending directors to sit on their boards, executing joint venture agreements, exercising its voting rights and in other ways. In this way, and through various initiatives designed to sustain growth at each company, MC aims to raise corporate value on a consolidated basis.

Auditing and Monitoring

Each organization takes responsibility for reviewing and improving its business activities on a regular basis. In addition, to more objectively review and evaluate the business activities of each organization, MC conducts regular audits through an internal audit organization.

Corporate Auditors

Corporate auditors attend and express opinions at meetings of the Board of Directors and other important management meetings. In addition, corporate auditors gather information and conduct surveys, keeping channels of communication open with directors, employees and others who cooperate with these efforts.

If there is a risk of a certain level of financial loss or a major problem, the person responsible for the department concerned is required to immediately report to corporate auditors in accordance with predetermined standards and procedures.

To raise the effectiveness of audits conducted by corporate auditors, personnel are appointed to assist corporate auditors in carrying out their duties. Mindful of the need for independence, the opinions of corporate auditors are respected and other factors taken into consideration when evaluating and selecting people to assist them.

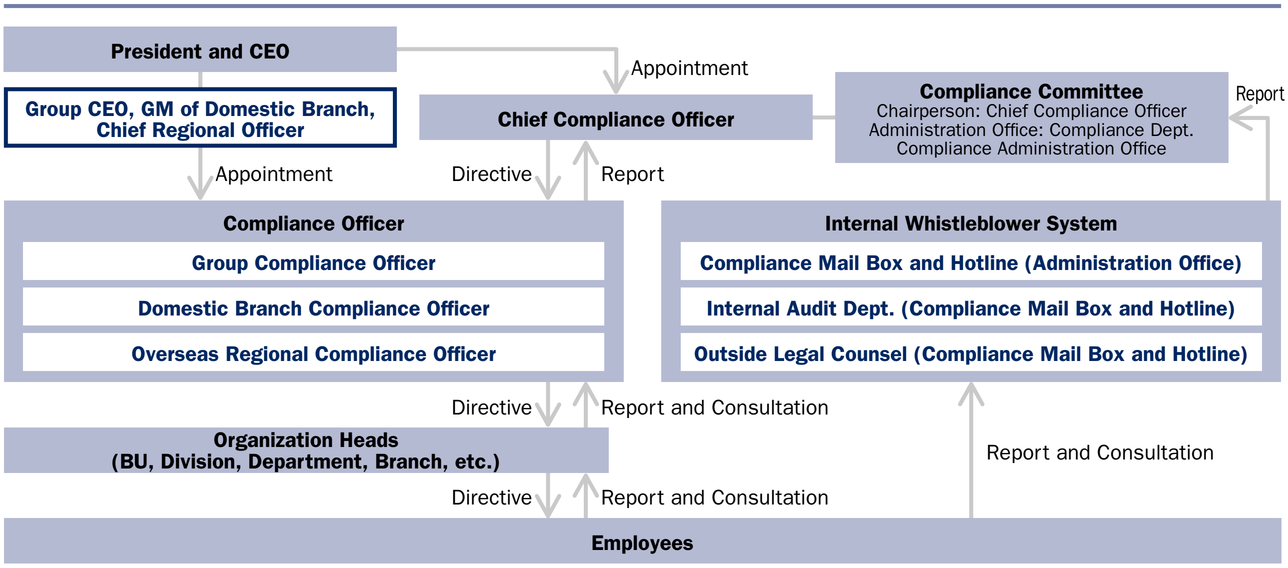
Compliance Framework

MC has long engaged in creating a framework to ensure that it continues to conduct business activities in a manner that is legal and fair. The cornerstones of this long-standing company-wide commitment are the Three Corporate Principles and the Corporate Standards of Conduct. Year after year, society is requiring companies to raise their standards of compliance. Concurrently with this trend, MC in September 2000 formulated its Code of Conduct and established several Compliance Officer posts. These and other actions have been taken to ensure legal compliance by each and every employee, as well as to instill an awareness of proper conduct that reflects social norms. In March 2006, the Code of Conduct was revised, and along with this all officers and employees are now required to sign, on an annual basis, a written commitment to this Code. This is part of ongoing actions to upgrade and reinforce our compliance system. Furthermore, in April 2008 MC established a Compliance Department, as an organizational body tasked with providing a unified response to all compliance duties.

As an important strategy for raising corporate value on a consolidated basis, we will continue to upgrade and reinforce compliance initiatives that are effective at instilling awareness of compliance issues in each and every employee, including employees of MC's subsidiaries and affiliated companies.

Yukio Ueno
Senior Executive Vice President,
Chief Compliance Officer

Compliance Framework



CSR (Corporate Social Responsibility) & Environmental Affairs

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 and Environmental Affairs Advisory Committee

front row from 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)

back row from left

Yukio Ueno
(Senior Executive Vice President)

Takejiro Sueyoshi
(Special Advisor to the UNEP Finance Initiatives in the Asia Pacific Region)

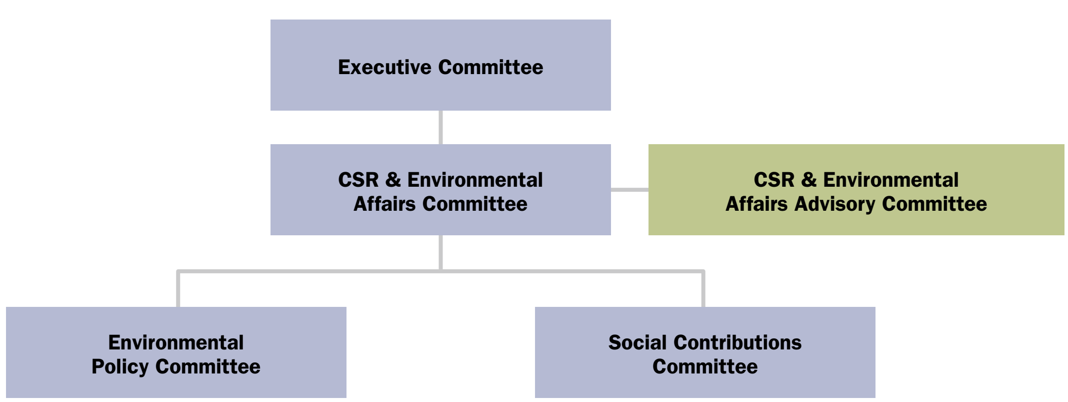
Eiichiro Adachi
(Research Chief, The Japan Research Institute, Ltd.)

Peter D. Pedersen
(Chief Executive, E-Square)

* Not shown in photo

James Brumm
(Executive Advisor, Mitsubishi International Corporation)

Overview of the New Organization Framework

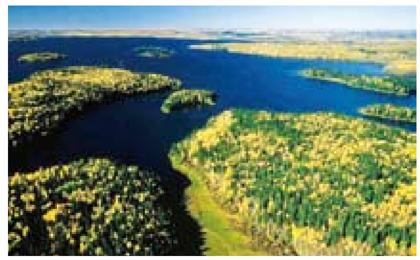


Examples of MC Activities

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.

Environment

- Businesses that help conserve the environment
- CO_2 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)



"Alpac Forest Products Inc.," an MC investment in Canada, carries out sustainable management of natural forests.

Society

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

This maternity hospital was established in Senegal and is one example of our international contribution activities.

Social Contribution Activities

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

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

Socially Responsible Investment (SRI) Indices

MC has earned a solid reputation for its CSR initiatives and transparency in the disclosure of information. Underscoring this is MC's inclusion in various socially responsible investment (SRI) indices. These include FTSE4Good, an SRI compiled by FTSE Group, a joint venture between the Financial Times of the U.K. and the London Stock Exchange; the Dow Jones Sustainability World Indexes (DJSI World) of U.S.-based Dow Jones; and the Morningstar Socially Responsible Investment Index (MS-SRI) of Morningstar Japan K.K. (as of July 2008).

FTSE4Good

MS-SRI

Dow Jones Sustainability Indexes
Member 2007/08

Sustainability Report

Further information on MC's approach to CSR and environmental affairs can be found in our sustainability report as well as on our website at:
http://www.mitsubishicorp.com/en/csr/report/sustain.html

Executive Officers

(As of July 1, 2008)

Yorihiko Kojima*
President,
Chief Executive Officer

[Senior Executive Vice Presidents]

Yukio Ueno*
Corporate Functional Officer (Corporate Communications, Corporate Administration, Legal), Chief Compliance Officer, CSR & Environmental Affairs

Takeshi Inoue*
Food, Agricultural Resources & Consumer Market Strategies, Senior Executive Vice President, Japan

Ichiro Mizuno*
Chief Financial Officer

Hisanori Yoshimura*
Resources & Energy Strategies

[Executive Vice Presidents]

Hajime Katsumura
Group CEO, Machinery Group

Masatoshi Nishizawa*
Corporate Functional Officer (Corporate Strategy & Research, Global Strategy), (Concurrently) Executive Vice President, Asia & Oceania, (Concurrently) Chief Regional Officer, Asia & Oceania

Tsunao Kijima
Executive Vice President, Europe-CIS, Middle East & Africa, (Concurrently) Chief Regional Officer, Europe-CIS, (Concurrently) Chairman and Managing Director, Mitsubishi Corporation International N.V., (Concurrently) Managing Director, Mitsubishi Corporation (UK) PLC

Mutsumi Kotsuka
Group CEO, Metals Group

Ryoichi Ueda
Executive Vice President, Americas, (Concurrently) Chief Regional Officer, North America, (Concurrently) President, Mitsubishi International Corporation

Koichi Komatsu
Group CEO, Business Innovation Group

Masahide Yano
Group CEO, Living Essentials Group

Masaaki Seita
Group CEO, Chemicals Group

Yoshiaki Katayama*
Executive Vice President, Japan, (Concurrently) General Manager, Kansai Branch

Hideshi Takeuchi
Group COO, Industrial Finance, Logistics & Development Group, (Concurrently) Division COO, Merchant Banking, M&A Div.

Seiji Kato
Group CEO, Energy Business Group

Ken Kobayashi
Group CEO, Industrial Finance, Logistics & Development Group

Hideyuki Nabeshima
Group CO-CEO, Machinery Group

Hideto Nakahara
Chief Representative for China, (Concurrently) President, Mitsubishi Corporation China Co., Ltd.

Motonobu Teramura
Executive Vice President, ASEAN, (Concurrently) General Manager, Jakarta Representative Office

Tsuneo Iyobe*
Corporate Functional Officer (HR)

Jun Yanai
Group COO, Energy Business Group

Shosuke Yasuda
General Manager, Nagoya Branch

Jun Kinukawa
Group COO, Metals Group, (Concurrently) Division COO, Ferrous Raw Materials Div.

Kiyoshi Fujimura*
Corporate Functional Officer (CIO, BPI and Internal Control)

[Senior Vice Presidents]

Osamu Komiya
Division COO, Ship, Aerospace & Transportation Systems Div.

Nobuaki Kojima
Division COO, New Energy & Environment Business Div.

Seiei Ono
General Manager, Corporate Planning Dept.

Takahisa Miyauchi
Division COO, Commodity Chemicals Div.

Tetsuro Kuwabara
Division COO, Natural Gas Business Div. A

Masayuki Mizuno
Division COO, Petroleum Business Div.

Hiroyuki Tarumi
Executive Vice President, Mitsubishi International Corporation

Seiji Shiraki
Division COO, Plant & Industrial Machinery Business Div.

Sumio Ariyoshi
Division COO, Human Care Business Div., (Concurrently) Division COO, Media Consumer Business Div.

Tetsuro Terada
General Manager, Metals Group CEO Office

Minoru Takei
President, Mitsubishi Corporation Financial & Management Services (Japan) Ltd.

Jun Ikeda
Division COO, Advanced Sciences & Technologies Div.

Tetsuo Nishiumi
Division COO, Natural Gas Business Div. B

Chikara Yamaguchi
Deputy Chief Representative for China, (Concurrently) President, Mitsubishi Corporation Shanghai Limited

Hironobu Abe
Deputy General Manager, Kansai Branch, (Concurrently) General Manager, Chugoku Branch

Tomohiro Kadokura
Division COO, Steel Business Div.

Ichiro Ando
Controller

Shigeki Kusaka
Division COO, Info. & Comm.Tech. Business Div.

Michio Kaga
Division COO, General Merchandise Div.

Tomohiko Fujiyama
General Manager, Corporate Strategy & Research Dept.

Shigeaki Yoshikawa
General Manager, Global Strategy & Coordination Dept.

Koichi Narita
Division COO, Foods (Products) Div.

Keiichi Nakagaki
Chairman & Managing Director, Mitsubishi Corporation India Pvt. Ltd.

Eiichi Tanabe
Treasurer

Toru Moriyama
Director, Senior Executive Vice President, LAWSON, INC.

Takahiro Mazaki
Officer for E & P, Energy Business Group

Yasuyuki Sakata
Division COO, Asset Finance & Business Development Div.

* Represents members of the Board

Corporate Section

General Information

Share Data

(1) Authorized share capital: 2,500,000,000 shares of common stock

(2) Number of shares issued and number of shareholders as of March 31, 2008

	Number of shares issued	Number of shareholders
As of March 31, 2007	1,689,902,896	188,925
Change	4,421,013	–27,335
As of March 31, 2008	1,694,323,909	161,590

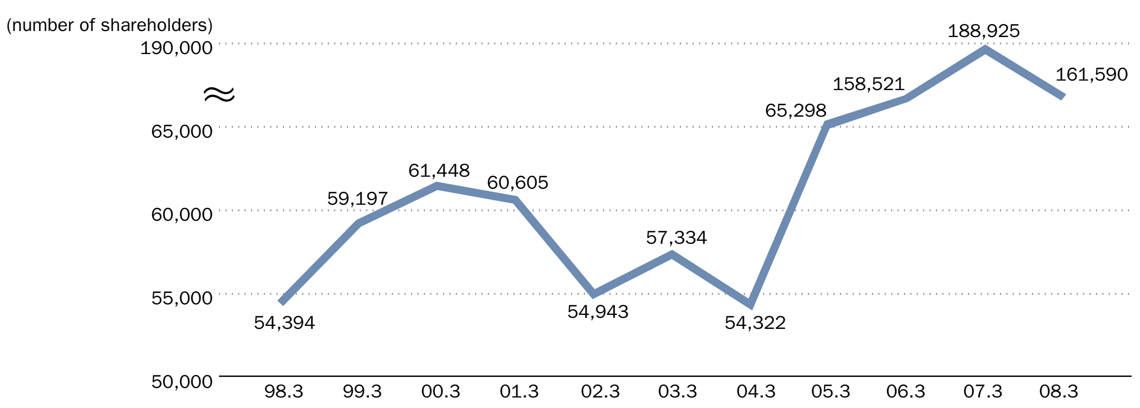
Note: The increase in the number of shares issued is due to the exercise of stock acquisition rights in the fiscal year under review.

(3) The company decided to reduce its Unit Stock from 1,000 shares to 100 shares on September 1, 2004.

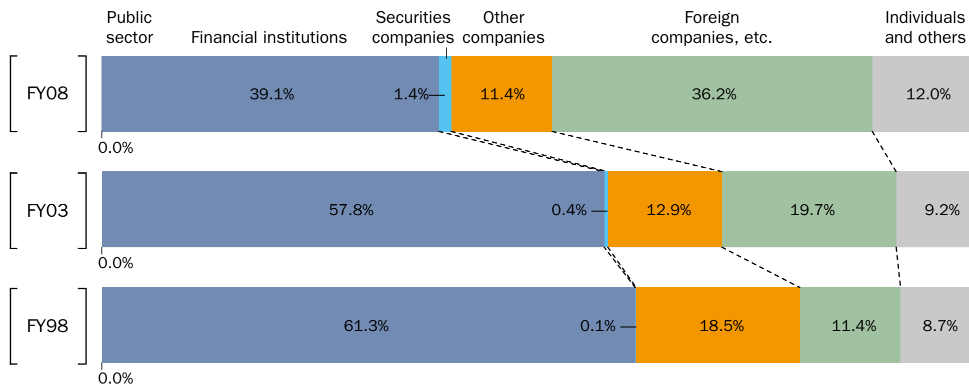
Principal Shareholders

	Shareholding (Rounded down to the nearest thousand shares)	
Name	Number of shares (thousands)	Shareholding (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	98,226	5.98
Tokio Marine & Nichido Fire Insurance Co., Ltd.	93,167	5.67
The Master Trust Bank of Japan, Ltd. (Trust Account)	89,673	5.46
Meiji Yasuda Life Insurance Company	72,052	4.38
Mitsubishi Heavy Industries, Ltd.	48,920	2.98
State Street Bank and Trust Company	47,644	2.90
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	42,701	2.60
State Street Bank and Trust Company 505103	26,241	1.59
Hero and Company	25,450	1.55
The Nomura Trust and Banking Co., Ltd. (Pension Benefit Trust Account, Mitsubishi UFJ Trust and Banking Corporation)	22,088	1.34

Number of Shareholders



Shareholder Composition

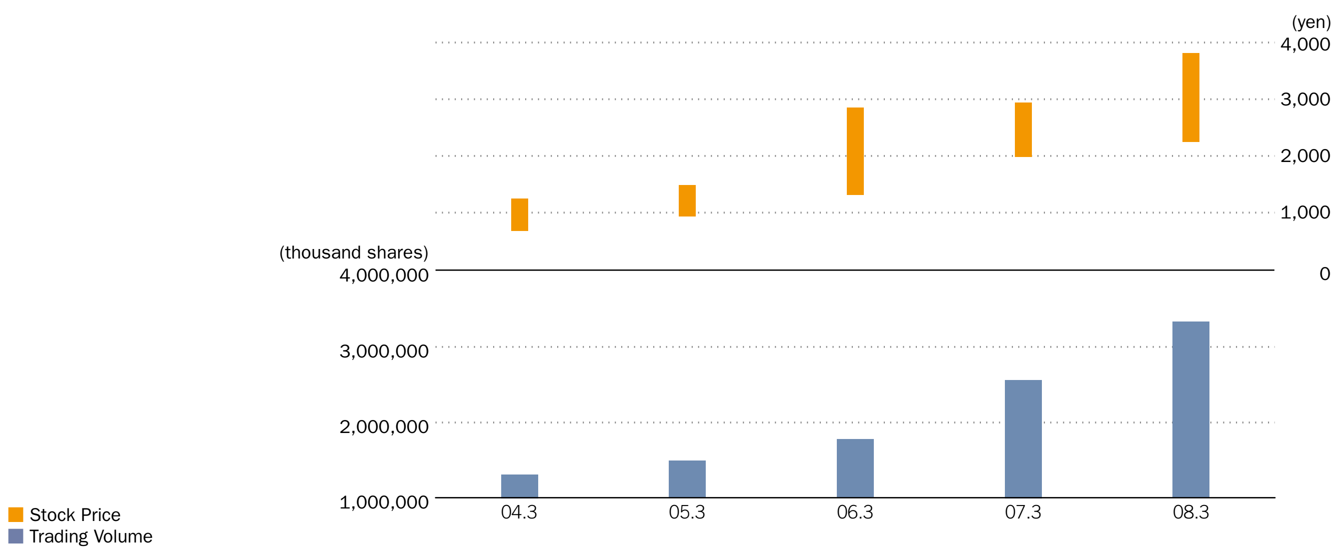


(One Unit Stock)

	Public sector	Financial institutions	Securities companies	Other companies	Foreign companies, etc.	Individuals and others	Total
Fiscal 2008	2	6,617,712	231,971	1,922,466	6,135,926	2,029,270	16,937,347
Fiscal 2003	0	901,619	6,267	201,447	307,325	143,506	1,560,164
Fiscal 1998	8	954,867	1,024	288,543	177,964	135,884	1,558,290

Note: Figures for fiscal 2008 represent Unit Stock (tangen), with 1 tangen equaling 100 shares.

Stock Price Range and Trading Volume



	Fiscal 2004	Fiscal 2005	Fiscal 2006	Fiscal 2007	Fiscal 2008
Trading volume (thousand shares)	1,313,535	1,493,690	1,778,788	2,562,875	3,332,397
High (yen)	1,245	1,490	2,850	2,940	3,810
Low (yen)	678	936	1,313	1,984	2,245

Note: The stock price range and trading volume are based on stock prices and volumes, respectively, on the Tokyo Stock Exchange (First Section).

Stock Acquisition Rights

(1) Stock Options

Fiscal Year Granted	August 7, 2000	August 1, 2001	August 15, 2002	August 15, 2003	August 13, 2004	August 10, 2005	August 10, 2006
Number of stock acquisition rights	—	—	274	656	835	10,909	13,600
Class and number of shares to be issued for the purpose of issuing stock acquisition rights	35,000 shares of Mitsubishi Corporation's common stock	532,000 shares of Mitsubishi Corporation's common stock	274,000 shares of Mitsubishi Corporation's common stock	656,000 shares of Mitsubishi Corporation's common stock	835,000 shares of Mitsubishi Corporation's common stock	1,090,900 shares of Mitsubishi Corporation's common stock	1,360,000 shares of Mitsubishi Corporation's common stock
Issue price of stock acquisition rights	Issued in gratis	Issued in gratis	Issued in gratis	Issued in gratis	Issued in gratis	Issued in gratis	Issued in gratis
Price per share due upon exercise of stock acquisition rights (Exercise Price)	¥903	¥1,002	¥809	¥958	¥1,090	¥1,691	¥2,435
Exercise period	From June 30, 2002 through June 29, 2010	From June 29, 2003 through June 28, 2011	From June 28, 2004 through June 27, 2012	From June 28, 2005 through June 27, 2013	From June 25, 2006 through June 24, 2014	From June 25, 2007 through June 24, 2015	From July 22, 2008 through June 27, 2016

Notes: 1. The Exercise Price may be adjusted in accordance with terms specified at the time of issue.
2. The "Number of stock acquisition rights" is the number remaining as of March 31, 2008.
3. The number of shares to be issued per stock acquisition right with regard to stock options from 2005 is 100 shares.

(2) Stock Options for a Stock-Linked Compensation Plan

Fiscal Year Granted	August 10, 2005	April 28, 2006	August 10, 2006	August 6, 2007	June 2, 2008	August 4, 2008
Number of stock acquisition rights	2,944	138	1,649	3,655	266	4,076
Class and number of shares to be issued for the purpose of issuing stock acquisition rights	294,400 shares of Mitsubishi Corporation's common stock	13,800 shares of Mitsubishi Corporation's common stock	164,900 shares of Mitsubishi Corporation's common stock	365,500 shares of Mitsubishi Corporation's common stock	26,600 shares of Mitsubishi Corporation's common stock	407,600 shares of Mitsubishi Corporation's common stock
Issue price of stock acquisition rights	Issued in gratis	Issued in gratis	Issued in gratis	Issued in gratis	Issued in gratis	Issued in gratis
Price per share due upon exercise of stock acquisition rights (Exercise Price)	¥1	¥1	¥1	¥1	¥1	¥1
Exercise period	August 11, 2005 through June 24, 2035	April 29, 2006 through June 24, 2035	August 11, 2006 through June 27, 2036	August 7, 2007 through June 26, 2037	June 3, 2008 through June 26, 2037	August 5, 2008 through June 25, 2038

Notes: 1. Regarding grants in 2005 and 2006, eligible persons may exercise their stock acquisition rights, provided this is done within 10 years from the day after losing their position as either a director or executive officer of the Company. Regarding 2007 and June 2008 grants, eligible persons may exercise their stock acquisition rights from the earlier of June 27, 2009 or the day after losing their position as either a director, executive officer or senior vice president ("riji") of the Company. However, if 10 years have passed from the day after losing their position as either a director, executive officer or senior vice president ("riji") of the Company, they cannot exercise such rights. Regarding August 2008 grants, eligible persons may exercise their stock acquisition rights from the earlier of June 26, 2010 or the day after losing their position as either a director, executive officer or senior vice president ("riji") of the Company. However, if 10 years have passed from the day after losing their position as either a director, executive officer or senior vice president ("riji") of the Company, they cannot exercise such rights.
2. The "Number of stock acquisition rights" is the number remaining as of March 31, 2008.

(3) Stock Acquisition Rights of Bonds With Acquisition Rights

Yen-Denominated Zero Interest Convertible Bonds With Acquisition Rights Due 2011

Issue date	June 17, 2002
Number of stock acquisition rights	474
Class and number of shares to be issued for the purpose of issuing stock acquisition rights	1,994,949 shares of Mitsubishi Corporation's common stock
Issue price of stock acquisition rights	Issued in gratis
Price per share due upon exercise of stock acquisition rights (Conversion Price)	¥1,188
Exercise period	From July 1, 2002 through June 3, 2011

Notes: 1. The Conversion Price may be adjusted in accordance with terms specified at the time of issue.
2. The "Number of stock acquisition rights" is the number remaining as of March 31, 2008.

Directors' and Corporate Auditors' Shareholdings

Title	Name	Number of shares held (thousands)	Title	Name	Number of shares held (thousands)
Chairman of the Board	Mikio Sasaki	132	Director	Tatsuo Arima	13
President, Chief Executive Officer	Yorihiko Kojima	97	Director	Tomio Tsutsumi	9
Director	Yukio Ueno	64	Director	Tamotsu Nomakuchi	3
Director	Takeshi Inoue	64	Director	Kunio Ito	–
Director	Ichiro Mizuno	71	Director	Kazuo Tsukuda	3
Director	Hisanori Yoshimura	66	Senior Corporate Auditor	Yuzo Shinkai	29
Director	Masatoshi Nishizawa	42	Corporate Auditor	Eiji Oshima	5
Director	Yoshiaki Katayama	41	Corporate Auditor	Shigeru Nakajima	–
Director	Tsuneo Iyobe	23	Corporate Auditor	Eiko Tsujiyama	–
Director	Kiyoshi Fujimura	9	Corporate Auditor	Eisuke Nagatomo	–

Note: The number of shares held is as of June 25, 2008. Shares have been rounded down to the nearest thousand shares.

General Meeting of Shareholders

The ordinary general meeting of the company's shareholders is convened in June each year. An extraordinary general meeting of shareholders is immediately convened whenever necessary.

Dividends

(1) Record date for payment of final dividend: March 31
(2) Record date for payment of interim cash dividend: September 30
(3) The company is not obliged to pay any final or interim dividends unclaimed for a period of three years after the date on which they are first made available by the company.

Handling of Shares

Regarding the handling of shares, including entry of a transfer in the register of shareholders, and the purchase and additional purchase by the company of fractional shares of less than One Unit Stock, please contact the company's transfer agent, Mitsubishi UFJ Trust and Banking Corporation. Non-resident shareholders are required to appoint a standing proxy in Japan for the purpose of communicating with the company.

(1) Postal Address / Telephone Number
Mitsubishi UFJ Trust and Banking Corporation
Stock Transfer Agency Department
10-11, Higashisuna 7-chome, Koto-ku, Tokyo 137-8081, Japan
Telephone: 0120-232-711 (within Japan)

(2) Request for Change of Address and Other Forms
Telephone: 0120-244-479 (within Japan)

IR Site

Mitsubishi Corporation makes investor information available on its website. Please use the following URLs.

(English)
http://www.mitsubishicorp.com/en/ir/
(Japanese)
http://www.mitsubishicorp.com/jp/ir/

Principal Subsidiaries and Affiliates

(As of March 31, 2008)

Business Innovation Group

COMPANY NAME	VOTING RIGHTS (%)	MAIN BUSINESS
<Subsidiaries>		
Bewith, Inc. (Japan)	100.00	Multi-channel (telephone and Internet) contact center
d-rights Inc. (Japan)	100.00	Creation of anime and other content, sale of broadcasting rights and licensing business
IT Frontier Corporation (Japan)	80.00	Business solutions, system integration services, IT management services and product marketing
Mates Holdings Co., Ltd. (Japan)	66.67	Personnel placement business
MC Silicon Valley Inc. (U.S.A.)	100.00	Investment in investment projects and management of marketable securities
MC Medical, Inc. (Japan)	100.00	Export and import as well as domestic sales of medical equipment and devices
Nihon Hospital Service Co., Ltd. (Japan)	66.00	Procurement of medical supplies, management of supply centers and back-office support for hospital management
Nippon Care Supply Co., Ltd. (Japan)	65.37	Rental and sale of nursing care equipment and items
<Equity-method affiliates>		
Create Restaurants Inc. (Japan)	43.86	Operation of restaurants based on various concepts under different brands in Japan
Frontier Carbon Corporation (Japan)	50.00	Production and sales of fullerenes
Memory-Tech Corporation (Japan)	25.19	Manufacturing and sales of CDs, DVDs and other optical discs
MS Communications Co., Ltd. (Japan)	50.00	Handling of subscriber contracts for various communication services, sales of handsets and equipment

Industrial Finance, Logistics & Development Group

COMPANY NAME	VOTING RIGHTS (%)	MAIN BUSINESS
<Subsidiaries>		
Alternative Investment Capital Ltd. (Japan)	61.00	Private equity fund investments
Diamond Realty Investments, Inc. (U.S.A.)	100.00	Real estate investment
Diamond Realty Management Inc. (Japan)	100.00	Asset management company for private funds, consulting and outsourcing services
Healthcare Management Partners, Inc. (Japan)	66.00	Fund management company
Lifetime Partners, Inc. (Japan)	97.92	Management support for hospitals and nursing care providers
MC Aviation Financial Services (Europe) B.V. (The Netherlands)	100.00	Aircraft leasing and finance
MC Capital Europe Ltd. (U.K.)	100.00	Investment and related activities
MC Capital Inc. (U.S.A.)	100.00	Investment and related activities
MC Finance International B.V. (The Netherlands)	100.00	Financial investment company
MC Financial Services Ltd. (U.S.A.)	100.00	M&A advisory and private equity investment
MC GLOBAL VOYAGER FUND LIMITED (Cayman Islands, British overseas territory)	100.00	Fund of funds
MC Insurance Center, Ltd. (Japan)	100.00	Insurance agency
MC Merchant Services Co., Ltd. (Japan)	100.00	Credit card merchant settlement services
MC Terminal Co., Ltd. (Japan)	100.00	Tankyard operation
MC Aircraft Management Ltd. (Japan)	100.00	Aircraft lease management services
Mitsubishi Corporation Capital Ltd. (Japan)	100.00	Investment banking and asset management
Mitsubishi Corporation LT, Inc. (Japan)	100.00	Warehousing and total logistics services
Mitsubishi Corp.-UBS Realty Inc. (Japan)	51.00	Asset manager of a Japanese real estate investment trust
New Century Insurance Co., Ltd. (Bermuda, British overseas territory)	98.80	Insurance business
PORT SOUTH AIRCRAFT LEASING CO., LTD. (Japan)	100.00	Aircraft leasing and finance
Seto Futo Co., Ltd. (Japan)	61.65	Harbor transport business, warehousing business
SKYPORT SERVICE CORPORATION (Japan)	100.00	Airport ground-handling services
TRM AIRCRAFT LEASING CO., LTD. (Japan)	100.00	Aircraft leasing and finance
YEBISU LIMITED (Cayman Islands, British overseas territory)	100.00	Aircraft leasing and finance
ZONNET AVIATION FINANCIAL SERVICES CO., LTD. (Japan)	100.00	Aircraft leasing and finance
<Equity-method affiliates>		
Mitsubishi Auto Leasing Holdings Corporation (Japan)	50.00	Auto leases, installment sales and other financial services through subsidiaries
Mitsubishi Ore Transport Co., Ltd. (Japan)	39.32	Operation and chartering of bulkers for coking coal, iron ore, automobiles and other products

Energy Business Group

COMPANY NAME	VOTING RIGHTS (%)	MAIN BUSINESS
<Subsidiaries>		
Ajoco Exploration Co., Ltd. (Japan)	55.00	Development and production of oil in Angola
Ajoco'91 Exploration Co., Ltd. (Japan)	55.00	Development and production of oil in Angola
Angola Japan Oil Co., Ltd. (Japan)	51.00	Exploration, development and production of oil in Angola
Diamond Gas Resources Pty. Ltd. (Australia)	100.00	Sales agent of JALP crude oil and condensate, reinvestment company
DIAMOND GAS SAKHALIN B.V. (The Netherlands)	100.00	Stockholding company for Sakhalin II project in Russia
Diamond Tanker Pte. Ltd. (Singapore)	100.00	Marine transportation, etc.
MC Energy, Inc. (Japan)	100.00	Marketing and sales of asphalt and petroleum products
MCX New Ventures, Ltd. (U.S.A.)	100.00	Exploration, development and production of oil and natural gas
Mitsubishi Shoji Sekiyu Co., Ltd. (Japan)	100.00	Marketing and sales of petroleum products
MPDC Gabon Co., Ltd. (Japan)	100.00	Exploration, development and production of oil in Gabon
Onahama Petroleum Co., Ltd. (Japan)	80.00	Oil import, storage and sales as well as land and facility leasing

Pacific Orchid Shipping S.A. (Panama)	100.00	Ownership of tankers for transporting crude and heavy oil
Petro-Diamond Japan Corporation (Japan)	100.00	Marketing and sales of petroleum products
Petro-Diamond Inc. (U.S.A.)	100.00	Marketing and sales of petroleum products
Petro-Diamond Singapore (Pte) Ltd. (Singapore)	100.00	Marketing and sales of petroleum products
<Equity-method affiliates>		
Astomos Energy Corporation (Japan)	49.00	Import, trading, domestic distribution and sales of LPG
Brunei LNG Sendirian Berhad (Brunei)	25.00	Manufacturing and sales of LNG
Brunei Shell Tankers Sendirian Berhad (Brunei)	25.00	Ownership of LNG tankers
ENCORE ENERGY PTE. LTD. (Singapore)	39.40	Stockholding company for the company engaged in exploration, development, and production of oil and natural gas mainly in Indonesia
ENERGI MEGA PRATAMA INC. (Indonesia)	25.00	Stockholding company for the companies engaged in exploration, development, and production of oil and natural gas in Indonesia
Japan Australia LNG (MIMI) Pty. Ltd. (Australia)	50.00	Development and sales of resources (LNG, LPG, condensate and crude oil)

Metals Group

COMPANY NAME	VOTING RIGHTS (%)	MAIN BUSINESS
<Subsidiaries>		
Hernic Ferrochrome (Pty) Ltd. (Republic of South Africa)	50.98	Production and sales of ferrochrome in South Africa
JECO Corporation (Japan)	70.00	Investment company for Minera Escondida Ltda. copper mines in Chile
Kinsho Corporation (Japan)	100.00	Trading company
M.C. Inversiones Limitada (Chile)	100.00	Investment company for Los Colorados iron ore mine
MC Copper Holdings B.V. (The Netherlands)	100.00	Investment company for Los Pelambres copper mine in Chile
Mitsubishi Corporation Futures And Securities Ltd. (Japan)	100.00	Commodity broker
MC Iron Ore Sales Inc. (U.S.A.)	100.00	Partner in partnership (IOC OS) selling Iron Ore Company of Canada iron ore
MC Resources Trade & Logistics (Japan)	100.00	Sales of ferrous raw materials and service business
Metal One Corporation (Japan)	60.00	Steel products operations
Mitsubishi Development Pty Ltd (Australia)	100.00	Metals resources investment company
Mitsubishi Shoji Light Metal Sales Corporation (Japan)	100.00	Trading of aluminum ingots and scrap
Petro-Diamond Risk Management Ltd. (U.K.)	100.00	Energy risk management
Ryowa Development Pty., Ltd. (Australia)	100.00	Investment company for BOYNE aluminum smelter and sales of aluminum
Ryowa Development II Pty., Ltd. (Australia)	100.00	Investment company for BOYNE aluminum smelter and sales of aluminum
Siam MCT Telecom Ltd. (Thailand)	100.00	Leasing of telecommunications equipment
Triland Metals Ltd. (U.K.)	100.00	Commodity broker on the London Metal Exchange (LME)
Triland USA Inc. (U.S.A.)	100.00	Commodity broker
<Equity-method affiliates>		
Iron Ore Company of Canada (Canada)	26.18	Iron ore production and sales
Mozal S.A.R.L. (Mozambique)	25.00	Production and sales of aluminum ingots
NIKKEI MC ALUMINIUM CO., LTD. (Japan)	45.00	Manufacturing and sales of secondary aluminum alloy ingots
<Metal One Subsidiaries>		
Isuzu Corporation (Japan)	56.60	Steel processing and sales
Kyushu Steel Corporation (Japan)	55.00	Steel (building materials) manufacturing
Kyushu Steel Center Co., Ltd. (Japan)	55.29	Steel (thick plates) processing
MC Metal Service Asia (Thailand) Co., Ltd. (Thailand)	100.00	Steel processing and sales
Metal One Holdings America, Inc. (U.S.A.)	80.00	Holding company of steel processing and sales business
Metal One SSS West Japan, Ltd. (Japan)	100.00	Steel (building materials) processing and sales
Metal One Ryowa Corporation (Japan)	100.00	Steel processing and sales
Metal One Specialty Steel Corporation (Japan)	100.00	Special steel processing and sales
Metal One Stainless (Asia) Pte. Ltd. (Singapore)	96.70	Steel (stainless) processing and sales
Metal One Steel Service Corporation (Japan)	67.33	Steel processing and sales
Metal One Structural Steel & Resource Corporation (Japan)	100.00	Steel (building materials) processing and sales
OTOFUJI Corporation (Japan)	100.00	Sales of steel pipes and accessories
Sus-Tech Corporation (Japan)	64.48	Steel (stainless) processing and sales
Tamatsukuri Corporation (Osaka) (Japan)	93.74	Steel (thick plates) processing and sales
<Metal One Equity-method affiliates>		
Koho CD Bars Service Center Co., Ltd. (Japan)	33.33	Steel (cold finished steel bars, special steel, etc.) sales
M.O. TEC CORPORATION (Japan)	39.41	Construction materials rentals and sales
Sanwa Tekko Co., Ltd. (Japan)	39.79	Steel processing and sales
Siam Hi-Tech Steel Center Co., Ltd. (Thailand)	50.00	Steel processing and sales

Machinery Group

COMPANY NAME	VOTING RIGHTS (%)	MAIN BUSINESS
<Subsidiaries>		
Auto Technic (Thailand) Co., Ltd. (Thailand)	100.00	Automobile maintenance
Constructora Geotermoelectrica Del Pacifico, S.A. DE C.V. (Mexico)	100.00	Construction and leasing of power plants
Diamond Camellia S.A. (Panama)	100.00	Ship owning & chartering
Diamond Generating Corporation (U.S.A.)	100.00	Independent power producer
Diamond Power Corporation (Japan)	100.00	Electricity retailing
Isuzu Operations (Thailand) Co., Ltd. (Thailand)	80.00	Distribution of automobiles
MAC Funding Corporation (U.S.A.)	100.00	Industrial machinery sales finance
MC Automobile (Europe) N.V. (The Netherlands)	100.00	Company overseeing European automobile operations

MC Automobile Holding Asia B.V. (The Netherlands)	100.00	Company overseeing Asia-ASEAN automobile operations
MC Machinery Systems, Inc. (U.S.A.)	100.00	Sales and service of machine tools and industrial machinery
MCE Bank GmbH (Germany)	100.00	Automobile finance
MC-V Beteiligung Verwaltungs GmbH (Germany)	100.00	Automobile-related holding company
Mitsubishi Corporation Machinery, Inc. (Japan)	100.00	Export, import and offshore trading of machine parts
Mitsubishi Corporation Technos (Japan)	100.00	Sales of machine tools and industrial machinery
MMC Automoviles Espana S.A. (Spain)	75.00	Distribution of automobiles
MMC Car Poland Sp. z o.o. (Poland)	100.00	Distribution of automobiles
MSK FARM MACHINERY CORPORATION (Japan)	100.00	Sales and service of agricultural machinery and facilities
Nikken Corporation (Japan)	96.83	Rental and sales of construction equipment and other machinery
NORELEC DEL NORTE, S.A. DE C.V. (Mexico)	100.00	Construction and leasing of power plants
Orient Gas Transport Inc. (Liberia)	100.00	Ship finance
PT. Dipo Star Finance (Indonesia)	85.00	Automobile finance
PT. Tigaberlian Auto Finance (Indonesia)	85.00	Automobile finance
Petro Dia I S.A. (Panama)	100.00	Ship finance
Petro Dia Two S.A. (Panama)	100.00	Ship finance
Spitalgate Dealer Services Ltd. (U.K.)	51.00	Automobile finance
Sun Symphony S.A. (Panama)	100.00	Ship finance
TEAM DIAMOND HOLDING CORP (Philippines)	51.21	Management of power generation assets
Thai Auto Sales Co., Ltd. (Thailand)	93.50	Automobile finance
Tri Petch Isuzu Sales Co., Ltd. (Thailand)	88.73	Importing and distribution of automobiles
<Equity-method affiliates>		
CURACAO ENERGY COMPANY, LTD. (Cayman Islands, British overseas territory)	50.00	Investment company for private power generation business
ELECTRICIDAD AGUILA DE TUXPAN, S. DE R.L. DE C.V. (Mexico)	50.00	Independent power producer
Isuzu Engine Manufacturing Co., (Thailand) Ltd. (Thailand)	15.00	Manufacturing of automotive engines
Isuzu Motors Co., (Thailand) Ltd. (Thailand)	27.50	Manufacturing of automobiles
Isuzu Philippines Corporation (Philippines)	35.00	Import, manufacture, and sales of automobiles, and contingent business
Kualapura (M) Sdn. Bhd. (Malaysia)	25.00	Automobile-related holding company
Mitsubishi Elevator Hong Kong Company Limited (Hong Kong)	25.00	Elevator import, sales, installation and maintenance
MMC Chile S.A. (Chile)	40.00	Distribution of automobiles
Mitsubishi Motors de Portugal, S.A. (Portugal)	50.00	Distribution of automobiles
OneEnergy Limited (Cayman Islands, British overseas territory)	50.00	Independent power producer
PT. Krama Yudha Tiga Berlian Motors (Indonesia)	40.00	Distribution of automobiles
PT. Mitsubishi Krama Yudha Motors and Manufacturing (Indonesia)	32.28	Manufacturing and distribution of automobile engines and sheet metal parts
The Colt Car Company Ltd. (U.K.)	49.00	Distribution of automobiles
Vina Star Motors Corporation (Vietnam)	25.00	Automobile assembly and distribution
ZAO Carnet 2000 (Russia)	40.00	Distribution of automobiles

Chemicals Group

COMPANY NAME	VOTING RIGHTS (%)	MAIN BUSINESS
<Subsidiaries>		
ARSH, Inc. (U.S.A.)	100.00	Holding company for chemicals businesses
Chuo Kasei Co., Ltd. (Japan)	100.00	Manufacturing and marketing of chemical products
Fujisangyo Co., Ltd. (Japan)	96.96	Buying and selling of synthetic resins and chemical products
KIBIKASEI CO., LTD. (Japan)	96.55	Wholesale and trading of synthetic resin raw materials and products made from these materials as well as industrial chemicals
Kohjin Co., Ltd. (Japan)	73.09	Manufacturing of specialty papers, plastic films, biochemicals and fine chemicals
MC Life Science Ventures, Inc. (U.S.A.)	100.00	Corporate venture capital and business incubation
MITENI S.p.A. (Italy)	91.11	Manufacturing of fluorochemicals
Mitsubishi Shoji Chemical Corp. (Japan)	100.00	Marketing of solvents, coating resins, flame retardants and monomers
Mitsubishi Shoji Food Tech Co., Ltd. (Japan)	100.00	Manufacturing and marketing of functional food ingredients
Mitsubishi Shoji Plastics Corp. (Japan)	100.00	Marketing of synthetic raw materials and plastics
<Equity-method affiliates>		
Aromatics Malaysia Sdn. Bhd. (Malaysia)	30.00	Manufacturing and marketing of benzene and paraxylene
Exportadora de Sal, S.A. de C.V. (Mexico)	49.00	Manufacturing of solar salt
Meiwa Corporation (Japan)	33.15	Trading company
Metanol de Oriente, METOR, S.A. (Venezuela)	25.00	Manufacturing and marketing of methanol
Nippon Resibon Corporation (Japan)	20.00	Grinding wheels, coated abrasive products, machinery and tools, materials and other businesses
PT. Kaltim Parna Industri (Indonesia)	50.00	Manufacturing of ammonia
SPDC Ltd. (Japan)	30.39	Investment and petroleum and petrochemicals-related businesses

Living Essentials Group

COMPANY NAME	VOTING RIGHTS (%)	MAIN BUSINESS
<Subsidiaries>		
AGREX, Inc. (U.S.A.)	100.00	Storage and marketing of grain
Alpac Forest Products Inc. (Canada)	70.00	Manufacturing and sales of wood pulp
Alpac Pulp Sales Inc. (Canada)	100.00	Sales of wood pulp

California Oils Corporation (U.S.A.)	100.00	Manufacturing and sales of specialty vegetable oils and fats
Cape Flattery Silica Mines Pty., Ltd. (Australia)	100.00	Mining and sales of silica sand
Dai-Nippon Meiji Sugar Co., Ltd. (Japan)	100.00	Manufacturing and wholesale of sugar products
Food Service Network Co., Ltd. (Japan)	100.00	Food wholesaling business for convenience stores
Foodlink Corporation (Japan)	99.39	Sales of meat and meat products
Green Houser Co., Ltd. (Japan)	100.00	Sales of wood products, construction materials and housing equipment
Indiana Packers Corporation (U.S.A.)	80.00	Processing and sales of pork
Kentucky Fried Chicken Japan Ltd. (Japan)	65.39	Fast-food restaurant chain and home-delivery pizza stores
Life Gear Corporation (Japan)	100.00	Sales and marketing of footwear
MC Beverage Foods Co., Ltd. (Japan)	100.00	Manufacturing and sales of beverage and canned foods
MC Knit Corporation (Japan)	100.00	Manufacturing and marketing of knitwear and wholesale of yarn for knitwear
M.C. Textile Co., Ltd. (Japan)	100.00	Marketing and sales of textiles
Meidi-ya Corporation (Japan)	80.00	Wholesale of food products
Mitsubishi Shoji Construction Materials Corporation (Japan)	100.00	Marketing of construction materials and construction work
Mitsubishi Shoji Packaging Corporation (Japan)	88.22	Marketing of packaging materials and paper, kraft liner boards, and cardboard as well as import and export of paper and paperboard
MRS Corporation (Japan)	100.00	Operation of ultra-low temperature transport vessels
Nihon Shokuhin Kako Co., Ltd. (Japan)	59.77	Manufacturing of corn starch and related processed products
Nitto Fuji Flour Milling Co., Ltd. (Japan)	64.02	Flour miller
Nosan Corporation (Japan)	56.22	Manufacturing and marketing of animal feed; stockbreeding and marine farming and sales
Princes Limited (U.K.)	100.00	Manufacturing of food products and soft drinks
Riverina (Australia) Pty., Ltd. (Australia)	100.00	Marketing of grains and manufacturing of animal feed and its marketing
RYOSHOKU LIMITED (Japan)	50.94	Wholesale of food products
San-Esu Inc. (Japan)	91.93	Wholesale of confectionery and bread products
Sanyo Foods Co., Ltd. (Japan)	100.00	Manufacturing and sales of food products
TH FOODS, Inc. (U.S.A.)	53.16	Manufacturing of rice crackers
TOSHO Co., Ltd. (Japan)	100.00	Wholesale of pet food and pet care products
Toyo Reizo Co., Ltd. (Japan)	80.82	Processing and sales of marine products
Tredia Fashion Co., Ltd. (China)	100.00	Sales and production control of textile products
<Equity-method affiliates>		
Atunes De Levante, S.A. (Spain)	49.00	Farming of tuna
Coca-Cola Central Japan Co., Ltd. (Japan)	22.71	Manufacturing and sales of soft drinks
Ensuiko Sugar Refining Co., Ltd. (Japan)	31.26	Manufacturing and wholesale of sugar products
Hokkaido Sugar Co., Ltd. (Japan)	27.16	Manufacturing of beet sugar
Hokuetsu Paper Mills, Ltd. (Japan)	24.09	Manufacturing, processing and sales of paper and pulp
Kadoya Sesame Mills, Inc. (Japan)	27.40	Manufacturing and sales of sesame oil and sesame
Kirin MC Danone Waters Co., Ltd. (Japan)	24.00	Manufacturing and sales of bottled mineral water
LAWSON, INC. (Japan)	32.68	Franchise chain of LAWSON convenience stores
Life Corporation (Japan)	21.29	Supermarket chain stores
Maruichi Co., Inc. (Japan)	20.01	Wholesale of food products
Matsutani Chemical Industry Co., Ltd. (Japan)	30.00	Processing of starch
MCC Development Corporation (U.S.A.)	30.00	Holding company of ready-mixed concrete companies
Mitsubishi Cement Corporation (U.S.A.)	28.71	Manufacturing and marketing of cement
The Nisshin OilliO Group, Ltd. (Japan)	16.63	Oils and meal, healthy foods and fine chemicals businesses
TOYO TYRE & RUBBER AUSTRALIA LIMITED (Australia)	25.60	Importing and sales of tyres
YONEKYU CO., LTD. (Japan)	23.55	Sales of meats, manufacture and sales of processed foods

Corporate Staff Section

COMPANY NAME	VOTING RIGHTS (%)	MAIN BUSINESS
<Subsidiaries>		
Business Trip International Inc. (Japan)	100.00	Travel agency
Human Link Corporation (Japan)	100.00	Personnel operation outsourcing services and consulting
MC Finance & Consulting Asia Pte. Ltd. (Singapore)	100.00	Professional services
MC Facilities Co., Ltd. (Japan)	100.00	Office building management and operation services
Mitsubishi Corporation Finance PLC (U.K.)	100.00	Treasury services
Mitsubishi Corporation Financial & Management Services (Japan) Ltd. (Japan)	100.00	Accounting, financial and foreign exchange services, credit control and management consulting
RED DIAMOND CAPITAL PARTNERS, LP (U.S.A.)	100.00	Investment fund

Main Regional Subsidiaries

COMPANY NAME	VOTING RIGHTS (%)	MAIN BUSINESS
<Subsidiaries>		
Mitsubishi Corporation International N.V.	100.00	Holding company for European subsidiaries
Mitsubishi Australia Limited	100.00	Trading
Mitsubishi Corporation (Hong Kong) Ltd.	100.00	Trading
Mitsubishi Corporation (UK) PLC	100.00	Trading
Mitsubishi Corporation (Korea) Ltd.	100.00	Trading
Mitsubishi International Corporation	100.00	Trading
Mitsubishi International G.m.b.H.	100.00	Trading
Mitsubishi Corporation (Taiwan) Ltd.	100.00	Trading
Thai MC Company Limited	65.80	Trading

Financial Section

The Three Corporate Principles and the Corporate Standards of Conduct, the cornerstones of our corporate philosophy, underpin our system for ensuring the fairness of financial information. These are the basis upon which we have established internal regulations and ensure that all employees comply with these regulations. Furthermore, we have made public a Corporate Disclosure Policy that prescribes our basic position with respect to the release of significant information in accordance with laws such as the Financial Instruments and Exchange Law and the Companies Act in Japan and regulations of the Tokyo Stock Exchange.

Furthermore, we maintain an effective framework for deciding on important management issues. Such issues are first discussed and decisions are reached by the Executive Committee, MC's highest-ranking decision-making body of executive officers, and then passed on to the Board of Directors for a final resolution. Moreover, the status of business execution and other important management information is reported to the Executive Committee and the Board of Directors. Regarding business processes and the status of management, the Internal Audit Dept. and internal audit organizations of individual business groups and overseas offices conduct internal audits, including of affiliated companies. The results of each internal audit are reported to the president, corporate auditors and other concerned parties as well as to the Board of Directors and Executive Committee.

Based on this internal framework, we have clarified the division of duties and responsibilities for preparing financial information. Accounting procedures are performed in accordance with internal regulations based on the maintenance of an adequate administrative system in each responsible division.

Since fiscal 2005, MC has had an Internal Control and Disclosure Committee, made up of representatives from internal departments associated with the preparation of financial reports. This committee, which I chair, evaluated the information contained in the financial section of this annual report for the year ended March 31, 2008 and confirmed that the content is adequate. Regarding the consolidated financial statements included in this annual report, we received an unqualified audit report from the independent auditors following a strict external audit.

Management is responsible for establishing adequate systems of internal control and financial reporting as above.

Ichiro Mizuno
Senior Executive Vice President,
Chief Financial Officer
Mitsubishi Corporation

Management's Discussion and Analysis of Financial Condition and Results of Operations

1. Results of Operations

In fiscal 2008, amid rising international commodity prices, the global economy grew steadily in the first half due to high growth in China, India and certain other countries, robust economic conditions in resource-producing nations and strong growth in industrialized nations. From midway through the fiscal year, however, there were growing concerns about the outlook for the world economy. It became increasingly clear that the U.S. economy was starting to flounder amid ongoing disruptions in international financial markets caused by the subprime loan problem, and there were concerns about the negative impact of this on the Chinese and Asian economies because of their relatively high level of exports to the U.S.

Japan's economy, which had been expanding at a moderate pace on the back of exports, looked increasingly to be heading for a slowdown too, with housing investment slumping and export growth tapering off. The yen's rapid appreciation toward the fiscal year end added to concerns about an economic slowdown in Japan.

Against this economic backdrop, we recorded consolidated net income of ¥462.8 billion in fiscal 2008, besting our record performance of the previous fiscal year. Without exception, all of our groups, resource- and non-resource-related alike, posted higher earnings assuming the exclusion of certain factors. While our coking coal business, one of our mainstay businesses, saw earnings decline due to a lower sales price, other businesses were supported in part by strong commodity prices. In May 2006, we updated our former INNOVATION 2007 medium-term management plan, setting the goal of generating net income of at least ¥400.0 billion in the plan's "jump" period, beginning on April 1, 2008. We achieved this goal for both of the years of the "step" period before that.

By segment, the Metals Group, which generated 45% of our consolidated net income in fiscal 2007, saw net income decline 15% year on year to ¥158.2 billion due to the lower coking coal price. On the other hand, the Energy Business Group recorded a steady increase in earnings on the back of soaring crude oil prices and other factors. Non-resource segments, namely the Machinery, Chemicals and Living Essentials groups, also posted higher earnings, contributing to the overall increase in consolidated net income. The Business Innovation and Industrial Finance, Logistics & Development groups saw earnings fall from the previous fiscal year when they recorded gains on share sales.

Core earnings* in fiscal 2008 declined ¥58.4 billion year on year, the result mainly of a drop in gross profit due to the lower coking coal price. Shareholders' equity was ¥2,873.2 billion, largely unchanged from March 31, 2007 and still close to the ¥3 trillion level.

* Operating income (before the deduction of credit (provision) for doubtful receivables) + Interest expense (net of interest income) + Dividend income + Equity in earnings of affiliated companies

Core Earnings

	Millions of Yen				
	2004	2005	2006	2007	**2008**
Gross profit—SG&A expenses	¥136,926	¥194,732	¥356,861	¥411,602	**¥351,196**
Interest expense (net of interest income)	(10,463)	(1,732)	(4,409)	(14,411)	**(12,292)**
Dividend income	29,477	44,281	72,475	137,544	**135,276**
Equity in earnings of affiliated companies	56,272	97,287	119,011	146,855	**148,958**
Core earnings	¥212,212	¥334,568	¥543,938	¥681,590	**¥623,138**

Fiscal 2008 vs. Fiscal 2007

1) Total Revenues

Consolidated total revenues were ¥6,030.8 billion, up ¥962.1 billion, or 19.0%, year on year. There was a ¥935.2 billion, or 21.5%, year-on-year increase in revenues from trading, manufacturing and other activities and a ¥26.9 billion, or 3.7%, rise in trading margins and commissions on trading transactions. The increase in revenues was mainly due to the following factors:

- The Energy Business Group saw revenues increase ¥304.3 billion, the result of higher revenues from trading, manufacturing and other activities due mainly to increased oil-related transactions at the parent company on the back of rising crude oil prices and the effect of new consolidation.
- The Machinery Group recorded a rise of ¥115.4 billion in revenues due to higher revenues from trading, manufacturing and other activities in Asian and European automobile businesses.
- The Chemicals Group posted a ¥167.1 billion rise in revenues, reflecting higher revenues from trading, manufacturing and other activities thanks to increased petrochemical products transactions at the parent company on the back of rising prices.

- The Living Essentials Group recorded an increase of ¥247.1 billion in revenues, the result of higher revenues from trading, manufacturing and other activities due to new food-related company consolidations and other factors.

2) Gross Profit

Gross profit increased ¥26.7 billion, or 2.3%, to a record ¥1,172.2 billion, despite the impact of a lower coking coal price. This growth was mainly due to generally firm commodity prices as well as new consolidations of food-related companies in the Living Essentials Group.

3) Selling, General and Administrative Expenses

Selling, general and administrative (SG&A) expenses rose ¥87.1 billion, or 11.9%, to ¥821.0 billion. In addition to the impact of new consolidations, this was mainly due to higher personnel expenses in line with business expansion.

4) Credit (Provision) for Doubtful Receivables

Credit for doubtful receivables was ¥3.9 billion, a ¥5.2 billion improvement on the ¥1.3 billion provision in the previous fiscal year. This improvement reflected the partial reversal of provisions and other factors.

5) Interest Expense (net of interest income)

Net interest expense was ¥12.3 billion, a ¥2.1 billion improvement on fiscal 2007. While rising yen interest rates increased interest expenses, higher interest income at overseas subsidiaries had a major impact, resulting in lower net interest expense.

6) Dividend Income

Dividend income decreased ¥2.2 billion, or 1.6%, to ¥135.3 billion. The main reason for this decline was lower dividends from natural resource-related projects.

7) Gain on Marketable Securities and Investments—Net

In fiscal 2008, we recorded a net gain of ¥48.7 billion, down ¥36.9 billion from ¥85.6 billion in fiscal 2007, when we booked a ¥43.8 billion gain on sale of Diamond City Co., Ltd. shares.

8) Loss on Property and Equipment—Net

We recorded a net loss on property and equipment of ¥5.9 billion, ¥2.8 billion more than the ¥3.1 billion net loss recorded in fiscal 2007, when we booked gains on the sale of land, ships and other property and equipment.

9) Other Expense (Income)—Net

We posted other income—net of ¥23.6 billion, a ¥37.4 billion improvement on fiscal 2007. This result was principally attributable to an improvement in foreign currency gains and losses at overseas subsidiaries.

10) Income From Continuing Operations Before Income Taxes

Income from continuing operations before income taxes decreased ¥57.6 billion, or 9.6%, from fiscal 2007 to ¥544.5 billion, despite the increase in gross profit, and improved net interest expense and other income—net. The overall decline reflected higher SG&A expenses, lower dividend income and decreased net gain on marketable securities and investments, and increased net loss on property and equipment.

11) Income Taxes

Income taxes decreased ¥107.4 billion compared with fiscal 2007. This was due to the decline in pre-tax income, the absence of the tax burden on large dividends in fiscal 2007 and tax credits in fiscal 2008. As a result, our effective tax rate was approximately 32%, down from fiscal 2007.

12) Minority Interests in Income of Consolidated Subsidiaries

Minority interests in income of consolidated subsidiaries rose ¥6.2 billion year on year to ¥51.4 billion, mainly as a consequence of new consolidations in the Living Essentials Group.

Dividend Income, Equity in Earnings of Affiliated Companies, Interest Expense (net of interest income)

	Billions of Yen		
	2006	2007	**2008**
Dividend Income	¥ 72.5	¥137.5	**¥135.3**
Equity in Earnings of Affiliated Companies	119.0	146.9	**149.0**
Interest Expense (net of interest income)	(4.4)	(14.4)	**(12.3)**

13) Equity in Earnings of Affiliated Companies

Equity in earnings of affiliated companies rose ¥2.1 billion, or 1.4%, to ¥149.0 billion due to business expansion in overseas IPP businesses and strong performances at petrochemical business-related companies.

14) Net Income

Net income climbed ¥47.3 billion, or 11.4%, to ¥462.8 billion, bettering the fiscal 2007 record result. As a result, ROE increased slightly from 15.5% to 15.9%.

Net Income per Share (Diluted EPS), Cash Dividends, Price Earnings Ratio (PER)

	2006	2007	**2008**
Diluted EPS (yen)	¥207.53	¥244.96	**¥277.71**
Cash dividends (yen)	35.00	46.00	**56.00**
ROE (%)	18.1%	15.5%	**15.9%**
PER (high) (times)	12.4	11.1	**10.8**
PER (low) (times)	1.9	1.6	**1.7**

Fiscal 2007 vs. Fiscal 2006

1) Total Revenues

Consolidated total revenues were ¥5,068.7 billion, up ¥256.6 billion, or 5.3%, year on year, due to a ¥221.0 billion, or 5.4%, rise in revenues from trading, manufacturing and other activities and a ¥35.6 billion, or 5.2%, increase in trading margins and commissions on trading transactions. The main reasons for this result were as follows:

- The Energy Business Group saw revenues decline ¥281.3 billion due to a decline in revenues from trading, manufacturing and other activities, which resulted from the separation and transfer of parent company LPG transactions to the newly established Astomos Energy Corporation.
- The Metals Group saw revenues increase ¥224.8 billion overall on higher revenues from trading, manufacturing and other activities, notably precious metals transactions at the parent company and at Mitsubishi Development Pty. Ltd. ("MDP").
- The Chemicals Group recorded an overall increase in revenues of ¥126.5 billion, resulting from higher revenues from trading, manufacturing and other activities due to increased petrochemical product and other transactions at the parent company because of higher prices.
- The Living Essentials Group saw revenues rise ¥113.0 billion, reflecting increased revenues from trading, manufacturing and other activities, which was attributable mainly to higher food-related transactions at the parent company and overseas food-related subsidiaries.

2) Gross Profit

Gross profit increased ¥92.5 billion, or 8.8%, to a record ¥1,145.5 billion. This growth reflected strong performances at natural resource-related subsidiaries due to higher coking coal and crude oil prices and the consolidation of an overseas automotive-related company, in addition to highly favorable food-related transactions at Mitsubishi Corporation and domestic subsidiaries.

3) Selling, General and Administrative Expenses

Selling, general and administrative (SG&A) expenses rose ¥37.8 billion, or 5.4%, to ¥733.9 billion, despite lower personnel and facility expenses at Mitsubishi Corporation. The increase in SG&A expenses was the result of new consolidations at a U.S. regional subsidiary, the consolidation of a European automotive-related company and higher costs accompanying the commencement of operations at a distribution center run by a food-related subsidiary.

4) Provision for Doubtful Receivables

Provision for doubtful receivables was ¥1.3 billion, ¥3.3 billion less than the ¥4.6 billion recorded in fiscal 2006.

5) Interest Expense (net of interest income)

Net interest expense was ¥14.4 billion, ¥10.0 billion higher year on year, the result mainly of an increase in interest expenses at Mitsubishi Corporation and subsidiaries due to higher interest rates on borrowed funds.

6) Dividend Income

Dividend income rose sharply to ¥137.5 billion, a ¥65.1 billion, or 89.8%, increase from fiscal 2006. This was the result of a large increase in dividends due to strong performances at resource-related companies consistent with increase in the prices of crude oil and non-ferrous metals.

7) Gain on Marketable Securities and Investments—Net

In fiscal 2007, we recorded a net gain of ¥85.6 billion, up ¥33.9 billion from ¥51.7 billion in fiscal 2006. The largest contributor was a ¥43.8 billion gain on the sale of Diamond City Co., Ltd. shares.

8) Loss on Property and Equipment—Net

We recorded a net loss on property and equipment of ¥3.1 billion, ¥1.0 billion more than the ¥2.1 billion net loss recorded in fiscal 2006.

9) Other Expense (Income)—Net

We posted other expense—net of ¥13.9 billion, compared with other income—net of ¥18.3 billion in fiscal 2006. The ¥32.2 billion change was primarily the result of higher foreign exchange losses at overseas subsidiaries.

10) Income From Continuing Operations Before Income Taxes

Income from continuing operations before income taxes climbed ¥114.0 billion, or 23.4%, to ¥602.1 billion, despite SG&A expenses, net interest expense, higher net loss on property and equipment—net and other expense—net. In addition to increased gross profit, this result reflected a rise in dividend income and a higher gain on marketable securities and investments—net.

11) Income Taxes

Income taxes increased ¥69.4 billion from fiscal 2006 in line with the increase in income from consolidated operations before income taxes and increased taxes due to additional dividend payments from subsidiaries. The effective tax rate was up slightly from the previous fiscal year to approximately 47%.

12) Minority Interests in Income of Consolidated Subsidiaries

Minority interests in income of consolidated subsidiaries rose ¥8.6 billion year on year to ¥45.2 billion, the result of higher earnings at Metal One Corporation ("Metal One"), JECO Corporation and other subsidiaries.

13) Equity in Earnings of Affiliated Companies

Equity in earnings of affiliated companies rose ¥27.8 billion, or 23.4%, to ¥146.9 billion. This was mainly attributable to higher earnings at equity method affiliates involved in LNG, petrochemical products and other areas due to strong commodities markets.

14) Net Income

Net income climbed ¥62.2 billion, or 17.6%, to a high of ¥415.5 billion, as we bettered the record result we posted in fiscal 2006. ROE decreased slightly from 18.1% to 15.5%.

2. Fiscal 2008 Segment Information

Operating Segments

1) Business Innovation Group

The group recorded net income of ¥1.1 billion, down ¥0.8 billion, or 42.1%, from fiscal 2007. While the conversion of a temporary staffing affiliated company into a subsidiary and healthy transactions at IT-related subsidiaries had a beneficial impact on earnings, the overall bottom-line result mainly reflected the absence of gains on share sales recorded in fiscal 2007.

2) Industrial Finance, Logistics & Development Group

This group posted net income of ¥17.7 billion, down ¥14.1 billion, or 44.3%, year on year, despite recording higher gains on the sale of developed real estate and higher REIT-related earnings, as well as a strong overall performance in the logistics business. The decline mainly reflected the absence of the gain on the sale of Diamond City shares in fiscal 2007.

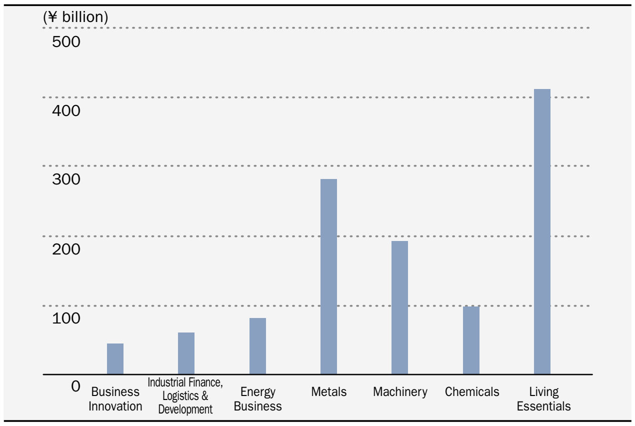
3) Energy Business Group

The Energy Business Group recorded net income of ¥94.2 billion, ¥20.1 billion, or 27.1%, higher year on year, the result chiefly of a gain on the effect of rising crude oil prices at overseas natural resource-related subsidiaries, the sale of part of equity interest in the Sakhalin II Project, and some foreign tax credits on overseas dividends.

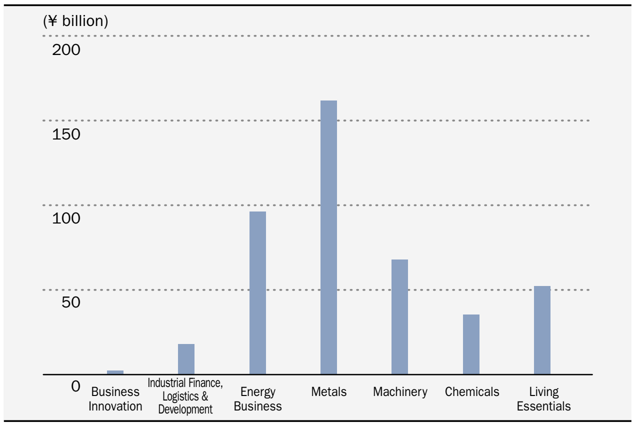
4) Metals Group

The Metals Group posted net income of ¥158.2 billion, down ¥28.2 billion, or 15.1%, from fiscal 2007, the result mainly of a large decline in net income at an Australian coal subsidiary due to a lower coking coal price and other factors. However, the decline in net income was limited by higher earnings at companies involved with other metal resources such as copper and ferrochrome.

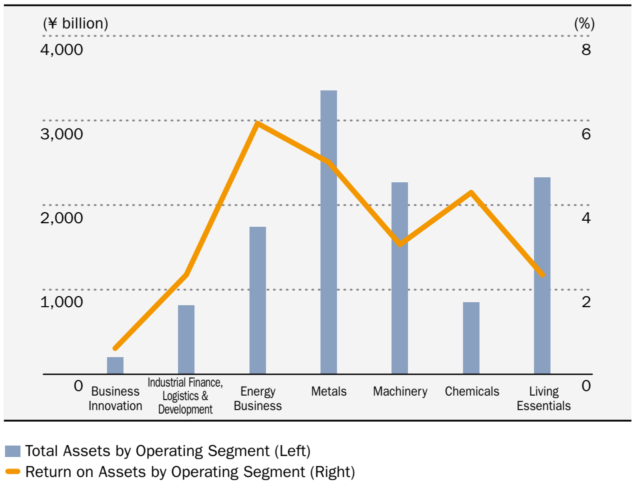
Gross Profit by Operating Segment (Year Ended March 31, 2008)



Net Income by Operating Segment (Year Ended March 31, 2008)



Total Assets and Return on Assets by Operating Segment
(As of March 31, 2008)



5) Machinery Group

This group posted net income of ¥66.5 billion, ¥8.5 billion, or 14.7%, more than in fiscal 2007, due to new consolidations in the overseas IPP business, as well as recovery of the auto market in Asia and foreign exchange rate movements. Limiting an even higher increase was the absence of gains on the sales of shares recorded in fiscal 2007.

6) Chemicals Group

This group recorded net income of ¥34.7 billion, ¥14.7 billion, or 73.5%, more than in fiscal 2007. The increase was due to tax benefits from a higher equity interest in a petrochemical business-related company and strong transactions at overseas subsidiaries.

7) Living Essentials Group

The group posted net income of ¥51.0 billion, ¥2.7 billion, or 5.6%, higher year on year, the result of strong performances in food-related businesses, including the effect of making some affiliated companies subsidiaries, and the effect of applying the equity method of accounting to a general merchandise-related company.

Performance of Consolidated Subsidiaries and Affiliates

	Billions of Yen		
	2006	2007	**2008**
Total profits	¥349.9	¥417.6	**¥423.7**
No. of companies reporting profits	443	457	**454**
Total losses	¥ (17.8)	¥ (30.4)	**¥(29.9)**
No. of companies reporting losses	107	116	**129**
Percentage of profitable group companies (%)	81%	80%	**78%**

Geographic Information

1) Japan

Operating transactions rose ¥1,940.3 billion, or 12.0%, to ¥18,150.6 billion due to higher metals- and machinery-related transactions at the parent company, increased transactions at Metal One and the effect of new consolidations. Gross profit rose ¥72.2 billion, or 10.4%, to ¥766.3 billion, reflecting mainly the effect of new consolidations of food-related subsidiaries.

2) U.S.A.

Operating transactions climbed ¥221.0 billion, or 16.0%, to ¥1,600.8 billion due mainly to the effect of converting some food-related companies into subsidiaries. Gross profit increased ¥11.5 billion, or 17.5%, to ¥77.4 billion due mainly to higher chemical product transactions at U.S. subsidiaries and the effect of new consolidations.

3) Other

Operating transactions increased ¥415.2 billion, or 14.1%, to ¥3,351.6 billion, the result of higher automobile-related transactions at Chinese and European subsidiaries, as well as the impact of a weaker yen on the yen-conversion of results at Thai automobile-related subsidiaries. Gross profit decreased ¥57.0 billion, or 14.8%, to ¥328.5 billion, primarily reflecting a lower coking coal price at an Australian natural resource-related subsidiary.

Note: "Operating transactions" is a voluntary disclosure solely for the convenience of Japanese investors (see Note 1 in the accompanying notes to the consolidated financial statements).

3. Fiscal 2007 Segment Information

Operating Segments

1) Business Innovation Group

The group posted net income of ¥1.9 billion in fiscal 2007, up ¥0.1 billion, or 5.6%, year on year. This mainly reflected improved performances at affiliated companies involved with mobile phones and IT solutions businesses.

2) Industrial Finance, Logistics & Development Group

This group posted net income of ¥31.8 billion in fiscal 2007, up ¥11.1 billion, or 53.6%, year on year. The group recorded large gains on the sale of Diamond City Co., Ltd. shares, which more than outweighed foreign currency exchange losses at an overseas finance subsidiary.

3) Energy Business Group

The group posted net income of ¥74.1 billion, down by ¥1.1 billion, or 1.5%, year on year. This result reflected an increase in development expenses accompanying progress with certain projects and the absence of gains on the sale of upstream interests recorded in the previous fiscal year. On the other hand, there was an increase in equity in earnings of companies engaged in the development and production of natural resources on the back of rising prices for crude oil and natural gas.

4) Metals Group

The group posted net income of ¥186.4 billion, up a sharp ¥51.0 billion, or 37.7%, from fiscal 2006. The main reasons for this much higher result were a marked increase in dividend income from copper-related business investees due to surging copper prices; higher equity in earnings of business investments engaged in aluminum-related businesses as the price of aluminum rose; and another strong performance continuing from the previous fiscal year from an Australian coking coal subsidiary. Continued robust market conditions at Metal One also contributed to the large increase in segment earnings.

5) Machinery Group

The group posted net income of ¥58.0 billion, down ¥5.5 billion, or 8.7%, from the previous fiscal year, mainly as a result of the absence of tax benefits relating to the write-off of Iraq trade receivables recorded in the previous fiscal year.

6) Chemicals Group

The group posted net income of ¥20.0 billion, up a slight ¥0.4 billion, or 2.0%, from the previous fiscal year. While there was a larger impairment provision at a U.S. consolidated subsidiary, gross profit increased at the parent company on the back of continued growth from fiscal 2006 in markets, particularly for petrochemical products, and higher equity in earnings of Malaysian and Venezuelan petrochemical-related companies.

7) Living Essentials Group

The group posted net income of ¥48.3 billion, almost the same as the previous fiscal year's result. Although the parent company recorded higher earnings due to strong food transactions and the consolidation of companies involved in general merchandise boosted earnings, food-related subsidiaries saw earnings fall.

Geographic Information

1) Japan

Operating transactions rose ¥473.5 billion, or 3.0%, to ¥16,210.3 billion due to higher transactions at the parent company on rising commodities prices and the effect of new consolidations. Gross profit rose ¥15.5 billion, or 2.3%, to ¥694.1 billion, reflecting higher earnings at Mitsubishi Corporation and Metal One due to strong metals prices.

2) U.S.A.

Operating transactions climbed ¥424.2 billion, or 44.4%, to ¥1,379.8 billion due to higher transactions at overseas subsidiaries and petroleum-related subsidiaries. Gross profit increased ¥12.5 billion, or 23.4%, to ¥65.9 billion due mainly to increased metals-related transactions at overseas subsidiaries and the effect of new consolidations.

3) Other

Operating transactions increased ¥559.7 billion, or 23.5%, to ¥2,936.5 billion due primarily to higher metals-related transactions at subsidiaries in Europe and the impact of a weaker yen on the yen-conversion of results of Asian automotive-related subsidiaries. Gross profit increased ¥64.6 billion, or 20.1%, to ¥385.5 billion due mainly to a strong performance at an Australian coking coal business and the effect of new consolidations.

Note: "Operating transactions" is a voluntary disclosure solely for the convenience of Japanese investors (see Note 1 in the accompanying notes to the consolidated financial statements).

4. Fiscal 2008 Operating Environment and Fiscal 2009 Outlook by Operating Segment

1) Business Innovation Group

The Business Innovation Group creates new products and services and develops and makes commercially viable new business models that look to capitalize on opportunities presented by evolution of the services industry, changes in the business environment, including the application of technology, and legislative amendments in Japan and overseas.

In the medical health care field, we provide total solutions extending from management support to peripheral services to hospitals that are outsourcing various tasks other than core medical treatment amid Japan's ongoing policy to curb medical expenditures. In December 2007, we concluded a business agreement with the Tokyo Metropolitan Government relating to a private finance initiative (PFI) for the Tokyo Metropolitan Cancer and Infectious Diseases Center Komagome Hospital. Through key subsidiaries, namely Nihon Hospital Service Co., Ltd. and Apprecia, Inc., we aim to win more PFI business targeting hospitals, as we strengthen services such as the procurement of medical supplies and pharmaceuticals and management of supply centers, as well as consulting on the procurement of medical equipment.

The Business Innovation Group is a key MC business group in the field of new energies & the environment. Here, amid heightening interest in the environment around the world, governments in various countries, particularly in Europe, are promoting the adopting of new energies, as highlighted by EU-ETS, Feed-in Tariff, the RPS Law and mandatory adoption of biofuels. Laws related to the recycling of resources have also come into force.

New energy-related markets are gradually taking shape, especially in Europe, and we aim to stake out a position in these markets. To this end, we will further strengthen our emission credit business while participating in solar power generation, the manufacturing of biofuels and other areas. To help improve the environment, we also plan to engage in recycling- and water-related businesses.

In regards to solar power generation, we will strengthen our value chain. In the upstream sector, we will take actions such

Performance of Main Consolidated Subsidiaries and Affiliates (Profits over ¥1.0 billion or losses over ¥0.5 billion)

Companies Reporting Profits

Group	Company Name	Share-holding (%)	Equity in earnings (¥ Billion) FY2008	FY2007	Main Business
Domestic:					
Metals	JECO Corporation	70.00	26.1	26.0	Investment company for Menera Escondida Ltda. copper mines
Metals	Metal One Corporation	60.00	21.0	23.9	Steel products operations
Chemicals	Saudi Petroleum Development	30.39	8.5	5.2	Investment and marketing of petroleum and petroleum products
Living Essentials	LAWSON, INC.	32.68	7.0	6.5	Franchise chain of LAWSON convenience stores
Energy	MPDC Gabon Co., Ltd.	100.00	5.6	6.0	Exploration, development and production of oil in Gabon
Innovation	MS Communications Co., Ltd.	50.00	2.7	2.6	Sales of mobile communications services and handsets
Energy	Astomos Energy Corporation	49.00	1.8	1.5	Import, trading, domestic distribution and sales of LPG
Industrial Finance, Logistics & Development	Mitsubishi Corporation LT, Inc.	100.00	1.7	1.9	Warehousing, leasing and real estate operations
Innovation	IT Frontier Corporation	80.00	1.6	1.2	IT-related business solutions, system integration services, IT management services and product marketing etc.
Chemicals	Mitsubishi Shoji Plastics Corp.	100.00	1.5	1.2	Marketing of synthetic raw material and plastics
Metals	MC Resources Trade & Logistics	100.00	1.5	1.5	Sales of ferrous raw materials and services business
Living Essentials	Mitsubishi Shoji Packaging Corporation	88.22	1.4	1.0	Marketing of packaging materials and paper, kraft liner boards, and cardboard as well as import and export of paper and paperboard
Machinery	Mitsubishi Corporation Technos	100.00	1.4	1.3	Industrial machinery and equipment sales
Living Essentials	RYOSHOKU LIMITED	50.94	1.3	0.1	Wholesale of food products
Living Essentials	Nosan Corporation	56.22	1.2	0.2	Manufacturing and marketing of animal feed; stockbreeding and marine farming and sales
Living Essentials	Hokuetsu Paper Mills, Ltd.	24.09	1.1	0.6	Manufacturing, processing and sales of paper and pulp
Energy	Angola Petroleum	51.00	1.1	0.6	Exploration, development and production of oil in Angola
Industrial Finance, Logistics & Development	Mitsubishi Ore Transport Co., Ltd.	39.32	1.1	0.7	Operation and chartering of bulkers for coking coal, iron ore, automobiles and other products
Living Essentials	Nitto Fuji Flour Milling Co., Ltd.	64.02	1.0	0.4	Flour miller
Overseas:					
Metals	Mitsubishi Development Pty Ltd (Australia)	100.00	61.7	108.1	Investment company for coal mining projects
Metals	MCA Metals Holding GmbH (Austria)	100.00	13.9	16.1	Investment company for MOZAL aluminum smelter
Energy	Diamond Gas Resources Pty., Ltd. (Thailand)	100.00	11.3	10.6	Sales of crude oil and condensate
Machinery	Tri Petch Isuzu Sales Co., Ltd. (Thailand)	88.73	11.1	7.1	Distribution of automobiles
Corporate	Mitsubishi International Corporation	100.00	11.0	6.4	Trading
Metals	M.C. Inversiones Limitada (Chile)	100.00	7.9	7.0	Investment company for Chilean iron ore mine
Metals	MC Copper Holdings B.V. (The Netherlands)	100.00	7.5	6.8	Investment company for Los Pelambres copper mine in Chile
Metals	Iron Ore Company of Canada (Canada)	26.18	5.9	7.1	Iron ore production and sales
Living Essentials	Princes Limited (U.K.)	100.00	5.4	5.0	Wholesale of food products
Machinery	Isuzu Operations (Thailand) Company Limited (Thailand)	80.00	4.8	4.0	Distribution of automobiles
Machinery	OneEnergy Limited (Cayman Islands, British West Indies)	50.00	4.2	—	Independent power producer
Machinery	Isuzu Motors Co., (Thailand) Ltd. (Thailand)	27.50	3.9	2.0	Manufacturing of automobiles
Corporate	Mitsubishi Corporation (Shanghai) Ltd.	100.00	3.1	1.1	Trading
Living Essentials	Alpac Forest Products Inc. (Canada)	70.00	2.9	1.1	Manufacturing and sales of wood pulp
Machinery	P.T. Krama Yudha Tiga Berlian Motors (Indonesia)	40.00	2.8	1.7	Distribution of automobiles
Chemicals	Metanol De Oriente, METOR, S.A. (Venezuela)	25.00	2.6	3.1	Manufacturing and marketing of methanol
Metals	Triland Metals Ltd. (U.K.)	100.00	2.6	2.0	Commodity broker
Living Essentials	MCC Development Corporation (U.S.A.)	30.00	2.6	2.7	Holding company of ready-mixed concrete companies
Metals	Ryowa Development 2 Pty Ltd. (Australia)	100.00	2.3	2.4	Investment company for BOYNE aluminum smelter and sales of aluminum
Machinery	Diamond Generating Corporation (U.S.A.)	100.00	2.3	2.1	Independent power producer
Metals	Hernic Ferrochrome (Pty) Limited (Republic of South Africa)	50.98	2.2	(0.7)	Production and sales of ferrochrome in South Africa
Living Essentials	AGREX Inc. (U.S.A.)	100.00	1.9	0.5	Storage and marketing of grain
Corporate	Mitsubishi Corporation (Hong Kong) Ltd.	100.00	1.6	0.7	Trading
Corporate	Mitsubishi Corporation International N.V.	100.00	1.6	3.2	Trading
Machinery	MCE Bank GmbH (Germany)	100.00	1.4	1.3	Dealer finance, leasing and consumer finance of automobiles
Energy	Diamond Tanker Pte. Ltd. (Singapore)	100.00	1.4	1.2	Marine transportation, etc.
Corporate	Mitsubishi Australia Limited	100.00	1.4	0.5	Trading
Metals	Ryowa Development Pty Ltd. (Australia)	100.00	1.3	1.5	Investment company for BOYNE aluminum smelter and sales of aluminum
Living Essentials	Mitsubishi Cement Corporation (U.S.A.)	28.71	1.3	1.3	Manufacturing and marketing of cement
Industrial Finance, Logistics & Development	Diamond Realty Investments, Inc. (U.S.A.)	100.00	1.3	1.5	Real estate investment
Machinery	MC Machinery Systems, Inc. (U.S.A.)	100.00	1.2	1.4	Distribution and servicing of industrial machinery
Corporate	Mitsubishi International G.m.b.H.	100.00	1.1	0.9	Trading
Corporate	Mitsubishi Corporation (Taiwan) Ltd.	100.00	1.0	1.0	Trading

Companies Reporting Losses

Group	Company Name	Share-holding (%)	Equity in earnings (¥ Billion) FY2008	FY2007	Main Business
Domestic:					
Machinery	MSK Farm Machinery Corporation	100.00	(2.0)	(0.1)	Sales and service of agricultural machinery and facilities
Living Essentials	Meidi-ya Corporation	80.00	(2.5)	(2.9)	Wholesale of food products and liquor
Overseas:					
Metals	MC Iron and Steel Pty Ltd. (Australia)	100.00	(1.5)	(1.1)	Steel manufacturing
Innovation	Mitsubishi Corporation Finance (U.K.)	100.00	(2.3)	1.9	Investment banking and asset management

as investing and trading in raw materials, while downstream we will participate in IPP businesses based on existing cell and module transactions. In other areas, we are making upfront investments in bio-pellet manufacturing in Oita and Miyazaki prefectures and bio-ethanol manufacturing in Hokkaido.

Information and communication (ICT) and media and consumer businesses are another focus of this business group. The business landscape here is being shaped by various developments. These include the increasing sophistication and complexity of the ICT features required by business infrastructure nowadays; and expanding business related to the refinement of internal control systems accompanying J-SOX, which came into force effective from the fiscal year beginning April 1, 2008. Advances in various media are also prompting more direct sales to consumers. Centered on IT Frontier Corporation, we provide IT systems for corporations. We are also upgrading our consultation capabilities so that we can propose and implement optimal solutions that address issues facing customers. In parallel, we will work to develop platforms for directly connecting producers with consumers, including TV shopping, shopping point sharing schemes and settlement systems.

We are also developing fields with an eye on the future. Eyeing the uptake of environmentally friendly cars, we will help manufacture lithium-ion batteries, engage in business related to neodymium magnets and look at other areas.

2) Industrial Finance, Logistics & Development Group

Formed on April 1, 2007, the Industrial Finance, Logistics & Development Group aims to develop finance, which MC's business groups have used as a tool supporting supply chains, as a business in its own right.

Growing uncertainty triggered by the subprime loan problem in the U.S. from midway through 2007 affected not just financial markets but also the global economy as a whole in the past fiscal year. Up to this point, financial institutions, particularly in the U.S. and Europe, are reported to have booked subprime-related losses amounting to tens of trillions of yen. Close attention also needs to be paid to how this problem will unfold going forward. Some temporary adjustments notwithstanding, there has been no fundamental change in the medium- to long-term trends shaping the financial market environment in Japan. One trend is the emergence of institutions other than banks that are meeting corporate finance needs, such as non-banks and funds. Another market dynamic is the increasing propensity of Japanese people to invest rather than save their money. Thirdly, the flow of private-sector capital into the debt-ridden public sector continues unabated. We view these changes as business opportunities. Leveraging our strengths as a general trading company (*sogo shosha*)—that is, our knowledge of various assets, our involvement in all industries and our extensive global network—we are focused on building unique value chains and developing a new finance business model using different approaches than financial institutions.

Mitsubishi Corporation has been a pioneer in real estate securitization and liquidation-related businesses in Japan. Linking MC Group finance, development and construction and logistics services, one of our major business investees, Mitsubishi Corp.-UBS Realty Inc. (MCUBSR) publicly listed in October 2007 Industrial & Infrastructure Fund Investment Corporation, a J-REIT (Japanese real estate investment trust) that targets investments in logistics facilities, factories and other manufacturing facilities and other industrial real estate.

In finance businesses outside real estate-related fields, we are active in leasing operations where we can make use of our knowledge of goods and supply chains. In leasing operations during the past fiscal year, we acquired aircraft leasing assets from a major U.K. bank in the latter half of fiscal 2008. In April 2008, we purchased additional shares in Mitsubishi UFJ Lease & Finance Company Limited in response to a private placement to increase capital. The buyout business is another field where we can draw on our collective strengths as a *sogo shosha*. In April 2008, we joined forces with Mitsubishi UFJ Financial Group, Inc. to establish Marunouchi Capital Co., Ltd. to conduct buyout investments principally in Japan. Additionally, we are involved with funds targeting overseas infrastructure, overseas real estate funds and asset management businesses.

In the development and construction field, taking our cue from trends in the real estate market and the impact of amendments to The Building Standard Law of Japan, we will build up a portfolio of quality assets balancing assets for sale and those for leasing. This will see us leverage our competitive advantage in having a value chain extending from development through management and operation to securitization. We will also engage in the real estate business overseas, particularly in North America, taking a cautious approach to markets.

In the logistics field, a fine-tuned response is now more important than ever as companies offer an increasing and varied range of products and services. In this changing environment, we will advance sophisticated trading company logistics services based on our wealth of information on customer needs and by leveraging a worldwide network of distribution bases.

3) Energy Business Group

Crude oil prices remained at a high level in fiscal 2008, above those of fiscal 2007. The average price in 2007 of West Texas Intermediate (WTI) crude oil on the New York Mercantile Exchange (NYMEX) exceeded US$72 per barrel, rising more than US$6 per barrel above the previous year's average. Since the beginning of 2008, the price has broken through the US$100 barrier and continues to march upward.

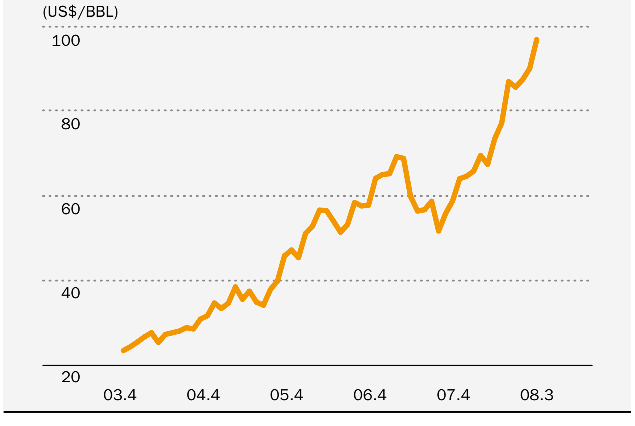
Behind the run-up in crude oil prices is a robust demand for oil accompanying steady expansion in the world economy. Growth in demand is particularly rapid in China, India and the U.S. At the same time, concerns about future supply combined to create a sense of tight supplies. These included geopolitical risks centered on the Middle East, limited surplus production capacity among OPEC (Organization of the Petroleum Exporting Countries) member countries, and escalating costs associated with the development and production of new oil fields. Additionally, in recent years there has been a large inflow of speculative money from hedge funds and other investors into the crude oil futures market. The active movement of these speculative funds has driven the price of oil much higher.

The depreciation of the U.S. dollar, which was triggered by the subprime loan problem from the second half of 2007, has accelerated from the beginning of 2008. This has seen speculative money begin moving in droves from U.S. dollar-denominated financial products such as shares and bonds to real assets such as oil and grain. This large shift in investment focus has led to a large increase in the price of oil on the futures market and further driven up the crude oil price.

Tight supplies in the world oil market and the movement of speculative money into oil futures, effectively a financial product, is expected to continue from April 2008 onward, meaning the price of crude oil is likely to remain at a high level. Several market observers are predicting that the average annual price on the NYMEX in 2008 will be considerably higher than in 2007.

Our fiscal 2009 net income projection for this business group assumes a crude oil price of US$85/BBL (Dubai spot price). The Energy Business Group owns upstream rights to LNG and oil and liquefaction facilities in Western Australia, Malaysia, Brunei, the U.S., including the Gulf of Mexico, Gabon, Angola and other parts of the world. Therefore, our operating results are subject to the effect of fluctuations in the price of crude oil. A US$1/BBL change in the price of crude oil has an approximate ¥1.0 billion effect on net income, mainly through a change in equity method earnings. However, because of timing differences, this price fluctuation might not be immediately reflected in our operating results in the fiscal year in which it occurs.

Crude Oil Price (Dubai Spot Price)

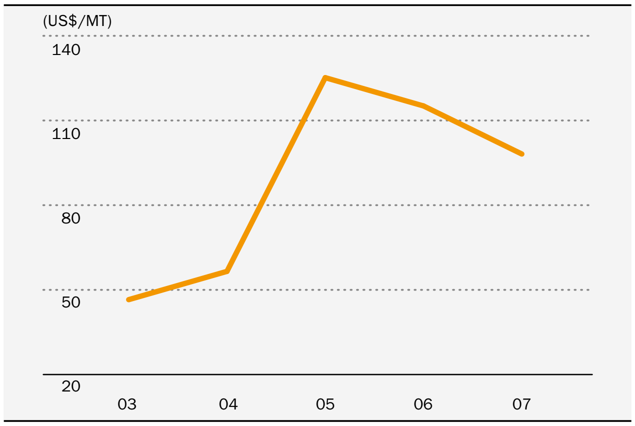


4) Metals Group

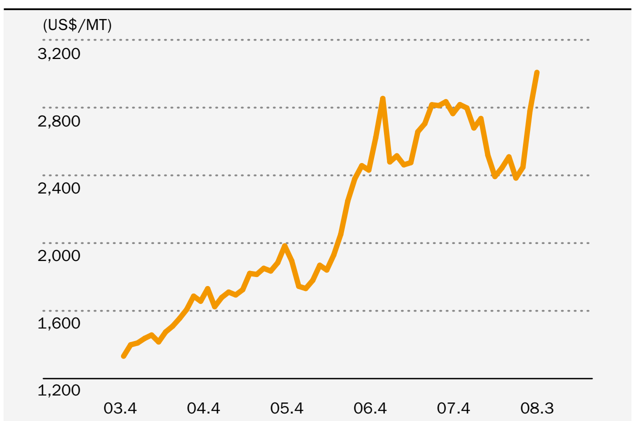
In the metals and mineral resources business, supplies of metal resources have been remarkably tight since the latter half of 2003 due to rapid economic growth in the BRIC countries, especially China and India. This trend continued in fiscal 2008. In non-ferrous metals, particularly copper and aluminum, prices remained high throughout the past year due to escalating crude oil prices and continued inflows of speculative money. The average annual price of copper cathode in fiscal 2008 rose from US$3.20 per pound to US$3.40 per pound. Meanwhile, the price of primary aluminum ingots was US$2,624 per MT, largely unchanged from US$2,665 per MT for fiscal 2007. Reflecting these high prices, we continued to record a high level of dividend income from copper- and aluminum-related business investees. On the other hand, MDP, a key consolidated subsidiary that conducts coking coal operations in Australia, saw its fiscal 2008 net income drop ¥46.4 billion to ¥61.7 billion, the result of a lower coking coal price and the impact of torrential rain on operations in the state of Queensland. While this brought down earnings in the metals and mineral resources business, consolidated net income remained at a high level.

Reflecting current tight supplies and soaring prices, a number of mine expansions have been announced in the metals and mineral resources field. However, because a lead time of several years is required before the benefits of increased production will show through, and because expansion of capacity at smelters is not keeping pace with mine expansion, supplies are expected to remain tight in 2008.

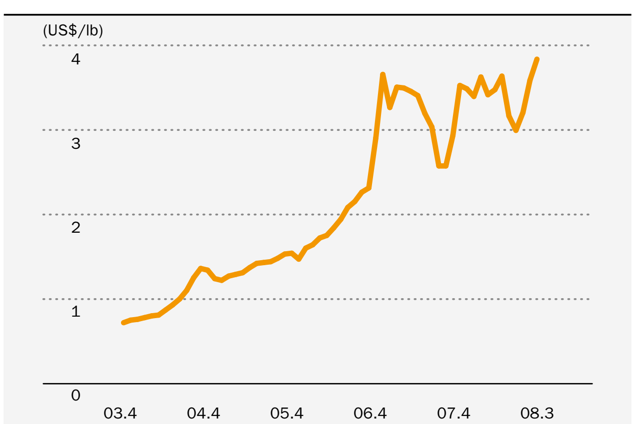
FOB Price of Australian Coking Coal Shipped to Japan



Aluminum Price



Copper Price



The increasing difficulty in realizing viable projects due to rising project costs, such as much higher prices for materials and equipment, is exacerbating this situation. In terms of projected results for the metals and mineral resources business in fiscal 2009, we are forecasting consolidated net income to remain high due to an expected sharp increase in earnings at MDP on a higher coking price, in addition to continued strength in commodity prices.

In the steel products business, which has been driven by rapidly rising demand for steel in China, world raw steel production in 2007 topped 1.3 billion tonnes, up 7% year on year, and prices of steel products surged. Under these market conditions, Metal One which was established in January 2003 by joint investment of Mitsubishi Corporation (60%) and Sojitz Corporation (40%), recorded net income for the fiscal year ended December 31, 2007 of ¥35.1 billion, down from ¥39.9 billion in the corresponding period of the previous year when it recorded extraordinary gains (the company recorded net income of ¥39.1 billion for the 15-month period ended March 31, 2008 due to a change in balance sheet date). Although net income decreased, earnings remained high.

For fiscal 2009, with volumes and prices for steel products both expected to hold firm on continued robust demand in Japan, Metal One is forecasting earnings to remain favorable.

5) Machinery Group

The Machinery Group's operating environment felt the effects in some quarters of the U.S. economic slowdown in the wake of the subprime loan problem as well as rising resource and materials prices and the yen's appreciation in the fiscal year's second half. The overall operating environment, however, was strong, as it benefited from generally favorable growth in the world economy; there was brisk demand for facilities in emerging economies and elsewhere and maritime shipping and shipbuilding markets were buoyant.

In the plant business, as in fiscal 2007, on the back of continued favorable conditions mainly in Asia, the Middle East and Europe, we won a large number of orders for power generation plants, underground electricity transmission line projects and other projects as we diversified our suppliers. Furthermore, orders were strong for chemical plants, steelmaking plants and transportation systems. These strong orders helped lift overall plant orders in the Machinery Group above the ¥1 trillion mark in fiscal 2008 as they did in fiscal 2007. With this highly favorable demand for facilities and infrastructure expected to last through 2010, we expect to receive many more orders as we bolster our functions to meet this demand.

In our business where we sell machinery and equipment in large volumes, sales of industrial machinery put up a brave fight in the face of the subprime loan fallout, thanks to business development extending from the supply of machinery to after-sales service through business investees in Japan and overseas. However, changes in Japan's agricultural policy and the impact of a one-off increase in depreciation expenses due to tax code revisions had an impact in some sectors.

Conditions in the maritime shipping and shipbuilding markets remained favorable. Our strategy here is to build up quality assets by continuing to enlarge our fleet and increase projects for floating oil production and storage facilities (FPSO).

In business related to Mitsubishi Motors Corporation (MMC) brand automobiles, sales were strong owing to a large rise in demand, centered on Russia, the Ukraine and Latin America, and recovery in Asia's auto market. Looking ahead, we will work with MMC to expand sales, with a focus on developing BRICs and other emerging markets, and naturally existing markets.

We also have a manufacturing and sales business for commercial vehicles in Thailand that is operated as a joint venture with Isuzu Motors Limited. While this business continued to be affected by political unease from last year, it managed to minimize the year-on-year decline in total unit sales in 2007 through well-conceived marketing. Macroeconomic conditions in Thailand remain generally healthy, although temporarily marking time. We are therefore upbeat about market growth over the medium and long terms and so will focus on expanding sales further in this market. We also export finished vehicles from Thailand to other countries. In this business, strong growth in the Middle East, Europe, Latin America and elsewhere is supporting steady year-on-year increases in export units. We aim to expand export unit sales in all corners of the globe.

6) Chemicals Group

In terms of macroeconomic conditions surrounding the chemical products industry, ongoing rises in raw material and fuel costs are prompting a strong response and globalization of financial markets has generated uncertainty in the world economy, centered on the U.S. At the same time, oil-producing countries are launching petrochemicals businesses one after another using their national resources as well as using their oil riches to make large chemical business acquisitions. Meanwhile, demand in economic growth regions such as China, India, Turkey, Russia and Eastern Europe continues to expand.

Heightening interest in how companies are responding to environmental issues and global warming as well as lifestyle-related issues is also shaping our operating environment. This is true, above all, in food safety and quality and health.

Demand in the chemical industry is basically expected to increase steadily over the medium and long terms, supported by world economic growth. Assuming the growth rate in demand remains above 4% in 2008, we expect the chemical industry, which provides products to many different industries, to grow at a similar pace. For example, worldwide demand for ethylene is forecast to grow by at least 4 million tons, assuming growth in demand of more than 4%.

On the other hand, large-scale facility expansions planned in the Middle East and China, while slightly behind schedule should come on stream in 2008 and 2009, are causing concern for the market from 2009 onward as the gap between supply and demand grows. The recent trend toward building larger facilities is also widening this gap.

Moreover, the knock-on effects of the EU's REACH (Registration, Evaluation and Authorisation of Chemicals) regulation portends the spread of similar regulations on chemical products businesses not just within the EU but also in the U.S. and Asia.

Developments such as these in the economic environment and chemicals industry will spawn business opportunities. We will focus on strengthening local transactions in growth markets to seize these opportunities.

At the same time as strengthening core businesses, namely Saudi Arabian petrochemical operations, Venezuelan methanol business and aromatics in Malaysia, we will continue to develop the value chain in midstream and downstream sectors and strengthen consolidated businesses. We will also continue to take up the challenge of entering new fields, such as the testing and diagnostic business, which respond to increasing needs. Along with these actions, to grow our earnings further, we will step up efforts to strengthen trading and make related business investments.

7) Living Essentials Group

Japan, the main market for the Living Essentials Group, is seeing overall demand peak out as the population ages and birthrate declines. At the same time, consumer values are diversifying and diverging, and there is increasing interest in safety and reliability as well as preservation of the environment. Moreover, raw materials prices are staying at high levels due to economic development in emerging markets, most notably the BRIC countries, and the inflow of speculative money. Together, all of these factors are making the consumer goods-related industry increasingly challenging. In this severe operating environment, competition is intensifying as companies battle for survival and there are a growing number of consolidations that transcend business models. The consumer goods-related industry in Japan is likely to see an even greater pace of change moving forward due to these and other trends.

The Living Essentials Group will flexibly and swiftly respond to these shifting market conditions by actively reforming its existing business models and developing new businesses.

In the food field, with tight supplies expected to continue worldwide, we will endeavor to secure stable supplies by strengthening our procurement capabilities in key growing regions such as the U.S., South America and Australia, as well as by expanding procurement sources. Concurrently, in the processing and intermediary distribution fields in Japan, we will strengthen core subsidiaries such as RYOSHOKU LIMITED, as well as work to widen and strengthen value chains in Japan and overseas. And we will continue to actively target our efforts at promising growth markets overseas. The functions of AGREX Inc. and Princes Limited will play a pivotal role here.

In the retailing and food services sectors, we will strengthen management support to raise the corporate value of key MC Group companies, namely LAWSON, INC. (“LAWSON”), Life Corporation and Kentucky Fried Chicken Japan Ltd.

The Textiles Division will continue to solidify alliances with SPA companies (specialty store retailers of private label apparel) to provide outstanding products worldwide based on more sophisticated OEM functions in the apparel field. And we will look to actively sell environment-related products and materials for optical communications, among other high functional materials.

The General Merchandise Division will bolster paper-related businesses, centered on Hokuetsu Paper Mills, Ltd., Mitsubishi Shoji Packaging Corporation and Canadian subsidiary Alpac Forest Products Inc. Moreover, we will continue to expand our strong-performing cement businesses in the U.S. and China, and promote higher sales of tires in overseas growth markets.

5. R&D Activities

Research and development costs in fiscal 2008 were ¥3.2 billion. Included in these costs are product development expenses for specialty chemicals and biochemicals at chemicals-related consolidated subsidiary Kohjin Co., Ltd.; product development expenses in the animal feed business at food-related consolidated subsidiary Nosan Corporation (“Nosan”); and development expenses for foodservice and home-use products for confectionery and breadmaking manufacturers, deep-frozen food manufacturers and fast-food booked by another food-related consolidated subsidiary Nitto Fuji Flour Milling Co., Ltd.

6. Liquidity and Capital Resources

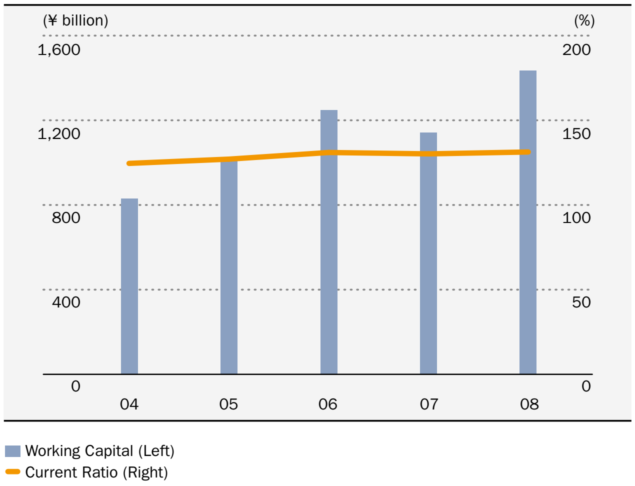
1) Fund Procurement and Liquidity Management

Our basic policy concerning the procurement of funds to support business activities is to raise funds in a stable and cost-effective manner. For fundraising purposes, we select and utilize, as needed, both direct financing, such as commercial paper and corporate bonds, and indirect financing, including bank loans. We seek to use the most advantageous means, according to market conditions at the time. Because of our strong reputation in capital markets, we can procure funds at low interest rates. Regarding indirect financing, we maintain good relationships with a broad range of financial institutions in addition to our main banks, including foreign-owned banks, life insurance companies and regional banks. This diversity allows us to procure funds on terms that are cost competitive.

Fiscal 2008 was marked by turmoil in global financial markets and a credit crunch triggered by the subprime loan problem. However, disruption to the Japanese market, our main market for raising funds, was relatively small. Furthermore, we chose the right timing for using commercial paper and other fundraising means, and as a result we found a good balance among ways of raising funds, including borrowing from life insurance companies and regional banks, corporate bonds and syndicated loans.

As a result of these fundraising activities, on March 31, 2008, total interest-bearing liabilities at Mitsubishi Corporation stood at approximately ¥2,800.0 billion, approximately ¥300.0 billion higher than at March 31, 2007. On a consolidated

Working Capital, Current Ratio



basis, gross interest-bearing liabilities were about ¥4,200.0 billion. Of Mitsubishi Corporation's gross interest-bearing liabilities, approximately 91% represented long-term financing (approximately 82% on a consolidated basis), and the average remaining period was about 5 years.

In fiscal 2009, we expect to continue requiring large sums to finance substantial investments we plan to make in line with INNOVATION 2009, our new medium-term management plan. Accordingly, our policy will be to raise funds mainly through long-term financing while diversifying funding sources. Furthermore, so as to respond flexibly to large changes in demand for funds during fiscal 2009 due to soaring commodity prices and the larger size of investments, we will enhance liquidity further.

Regarding management of funds on a consolidated basis, we have a group financing policy in which funds are raised principally by Mitsubishi Corporation as well as domestic and overseas finance companies, and distributed to other subsidiaries. As of March 31, 2008, group financing accounted for around 65% of the gross interest-bearing liabilities of subsidiaries subject to this policy. Looking ahead, we plan to enhance our fund management system on a consolidated basis, especially in light of our stated management policy of continuously upgrading consolidated management.

The current ratio as of March 31, 2008 was 131% on a consolidated basis. In terms of liquidity, management has judged that Mitsubishi Corporation has a high level of financial soundness. Mitsubishi Corporation, Mitsubishi International Corporation (U.S.A.) and Mitsubishi Corporation Finance PLC (U.K.) as of March 31, 2008 had ¥425.9 billion in short-term debt, namely commercial paper and bonds scheduled for repayment within a year. But, since the sum of cash and deposits, bond investments due to mature within a year together with a commitment line amount to ¥820.9 billion, we believe we have a sufficient level of liquidity to meet current obligations. The coverage ratio for short-term debt is 193%.

Mitsubishi Corporation has a yen-denominated commitment line of ¥410.0 billion with major Japanese banks and a commitment line of US$1.0 billion with leading U.S. and European banks (which is also used by Mitsubishi International Corporation (U.S.A.)).

To raise funds in global financial markets and ensure smooth business operations, we obtain ratings from three agencies: Rating and Investment Information, Inc. (R&I), Moody's Investors Service and Standard and Poor's (S&P). Our current ratings (long-term/short-term) are AA–/a-1+ (outlook positive) by R&I, A1/P-1 (outlook stable) by Moody's, and A+/A-1 (outlook stable) by S&P.

In March 2008, S&P announced a revision to our long-term credit rating, upgrading Mitsubishi Corporation by one notch from A to A+ based on the findings of its annual review meeting with us in September 2007. Moreover, in May 2008, Moody's similarly raised our long-term credit rating by one notch from A2 to A1, and R&I raised our outlook from "stable" to "positive." Our ratings thus continue to improve as a whole. We believe that these upgrades recognize the robustness of our risk management system, whereby we select and invest in prime investments while dealing with unprofitable investments, all the while giving consideration to the balance between the level of risk and capital as we increase our investments.

Rating Information (As of July 1, 2008)

Credit Agency	Long-Term/ Short-Term
Rating and Investment Information, Inc. (R&I)	AA–/a-1+ (outlook positive)
Moody's Investors Service	A1/P-1 (outlook stable)
Standard and Poor's (S&P)	A+/A-1 (outlook stable)

Interest Coverage Ratio

	Billions of Yen		
	2006	2007	**2008**
Operating income	¥352.2	¥410.3	**¥355.1**
Interest income	46.1	59.9	**74.3**
Dividend income	72.5	137.5	**135.3**
Total	470.8	607.7	**564.7**
Interest expense	(50.5)	(74.3)	**(86.6)**
Interest coverage ratio (times)	9.3	8.2	**6.5**

* Operating income = Gross profit – (Selling, general and administrative expenses + Provision for doubtful receivables)

2) Total Assets, Liabilities and Shareholders' Equity

Total assets as of March 31, 2008 exceeded ¥10,000 billion, as they did at March 31, 2007; there was an increase of ¥258.9 billion, or 2.3%, year on year to ¥11,754.4 billion.

Current assets rose ¥219.8 billion, or 3.7%, to ¥6,091.4 billion. This mainly reflected increases in trade receivables and inventories because of rising crude oil prices in the Energy Business Group and higher steel product prices at Metal One.

Total investments and non-current receivables decreased ¥214.0 billion, or 5.5%, to ¥3,709.7 billion. Although we took an equity interest in an Indonesian oil and gas affiliate, we also sold part of our equity interest in the Sakhalin II Project, which resulted in this year-on-year decrease.

Property and equipment–net increased ¥229.6 billion, or 16.6%, to ¥1,610.6 billion. The increase was principally due to the acquisition of working interests in the K2 Unit oil field in the Gulf of Mexico, U.S., and aircraft lease assets, as well as the new consolidations of food-related companies.

Total liabilities increased ¥316.5 billion, or 3.8%, year on year to ¥8,546.8 billion.

Current liabilities rose ¥129.0 billion, or 2.8%, to ¥4,660.7 billion. In addition to increases in short-term debt at Mitsubishi Corporation, overseas subsidiaries and Metal One in line with demand for funds, this reflected the consolidation of food-related companies.

Long-term debt was ¥3,096.8 billion, ¥234.4 billion, or 8.2%, higher than a year ago, the result mainly of increased fundraising at Mitsubishi Corporation and new consolidations of food-related companies.

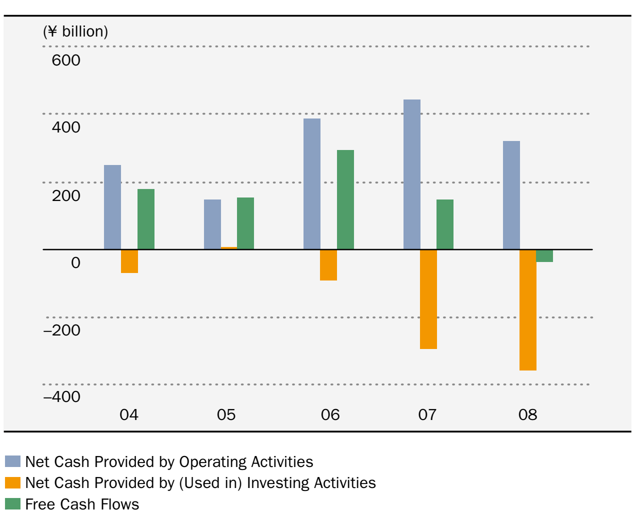
Accrued pension and severance liabilities increased ¥5.1 billion, or 10.9%, from March 31, 2007 to ¥51.7 billion.

Deferred income taxes decreased ¥161.5 billion, or 28.5%, to ¥405.2 billion.

Minority interests increased ¥27.0 billion, or 8.8%, to ¥334.5 billion, the result of new consolidations.

Total shareholders' equity decreased ¥84.5 billion, or 2.9%, to ¥2,873.2 billion, even with the boost from period net income. The small decrease was principally the result of a ¥181.0 billion decline in net unrealized gains on securities available for sale due to falling share prices, a ¥102.8 billion deterioration in the foreign currency translation adjustments account and an approximate ¥150.0 billion share buyback in August 2007.

Cash Flows



Net interest-bearing liabilities, gross interest-bearing liabilities minus cash and cash equivalents, at March 31, 2008 were ¥3,421.9 billion, ¥361.0 billion more than a year ago. As a result, the net debt-to-equity ratio, which is net interest-bearing liabilities divided by total shareholders' equity at year end, increased from 1.0 times at March 31, 2007 to 1.2 times.

Interest-Bearing Liabilities, Net Debt-to-Equity Ratio, Return on Invested Capital (ROIC) (core earnings)

	Billions of Yen		
	2006	2007	**2008**
Short-term debt	¥ 860.7	¥ 975.8	**¥1,126.9**
Long-term debt	2,885.1	1,988.1	**2,258.6**
Total shareholders' equity	2,390.7	2,957.7	**2,873.2**
Net debt-to-equity ratio (times)	1.3	1.0	**1.2**
ROIC (core earnings) (%)	8.8	10.0	**8.8**

3) Cash Flows

Cash and cash equivalents at March 31, 2008 were ¥750.1 billion, ¥3.6 billion, or 0.5%, lower than a year ago.

Net cash provided by operating activities was ¥319.1 billion. Substantial cash flows were provided by dividend income from business investees, mainly natural resource-related companies, and continued strong cash flows from operating transactions at natural resource-related subsidiaries.

Net cash used in investing activities was ¥356.7 billion. Cash was mainly provided by the sale of part of our equity interest in the Sakhalin II Project. However, this inflow was outweighed by a new investment in an Indonesian oil and gas company, as well as outflows for the acquisition of working interests in the K2 Unit oil field in the Gulf of Mexico and aircraft lease assets.

As a result of the above, free cash flow, the sum of operating and investing cash flows, was a negative ¥37.6 billion, ¥183.4 billion less than the ¥145.8 billion positive free cash flow in fiscal 2007.

Net cash provided by financing activities was ¥69.5 billion. The main use of cash was for a stock buyback and payment of dividends. The net cash inflows, however, reflected greater fund procurement at Mitsubishi Corporation and finance subsidiaries to meet demand for funds for working capital and new investments.

7. Strategic Issues

1) Management Issues and Plans

1. Overview of Previous Medium-term Management Plan—INNOVATION 2007

■ Recap of 4-Year INNOVATION 2007 Plan

Mitsubishi Corporation (MC) recently completed INNOVATION 2007, a four-year medium-term management plan launched in fiscal 2005, which envisioned MC as "a new industry innovator." Under this plan, we took steps to strengthen core businesses centered on what we call our Strategic Fields, and in fields that we see as strategically important for the future. As a result of these actions, MC has managed to post record consolidated net income for five straight years. In fiscal 2008, net income reached a new record of ¥462.8 billion and total shareholders' equity at March 31, 2008 stood at approximately ¥2.9 trillion. Mitsubishi Corporation's credit ratings have also improved. We have thus not only seen our earnings increase substantially, but we are now also much stronger operationally and financially. Leveraging our substantially higher shareholders' equity, we invested nearly ¥2 trillion during INNOVATION 2007's 4-year period as we redoubled initiatives geared toward achieving sustained growth. At the same time, we worked to develop new businesses that will drive growth over the medium term. Actions included establishing two new business groups: Business Innovation Group, and Industrial Finance, Logistics & Development Group. And MC has also focused on developing and utilizing its people through such initiatives as establishing the Center for Human Resources Development, which is developing human resources across the Group in an integrated manner. Besides these actions, MC has strengthened its internal control systems, enhanced its system infrastructure and taken other actions to continuously strengthen its management system.

■ Overview of Investments Under 4-Year INNOVATION 2007 Plan

During the 4 years of INNOVATION 2007, MC invested a total of approximately ¥1,900.0 billion: approximately ¥700.0 billion in the "hop" period covering fiscal 2005 and fiscal 2006, and approximately ¥1,200.0 billion in the latter "step" period covering fiscal 2007 and fiscal 2008.

In terms of the main investments during the "step" period, MC invested ¥188.0 billion in its so-called Next-Generation Core Businesses, mainly Finance businesses. In Strategic Fields, MC made investments totaling ¥460.0 billion in the energy and metal resources fields. This included acquiring working interests in oil and gas fields in Indonesia and the Gulf of Mexico, U.S.A., and investing in coking coal operations in Australia. In addition, MC invested in and consolidated publicly listed companies in the food area, purchased shares in Hokuetsu Paper Mills, Ltd. and SPDC Ltd., and made investments to strengthen the steel products business, among other investments.

The net increase in investment assets, such as fixed assets and investment securities, after deducting the effect of asset sales and other divestitures, during the 4 years of INNOVATION 2007 was approximately ¥1,150.0 billion.

2. New Medium-Term Management Plan—INNOVATION 2009

In April this year, we launched a new two-year medium-term management plan ending in March 2010. Called INNOVATION 2009, this new plan carries on the same basic stance as its four-year predecessor. In short, under INNOVATION 2009, MC aims to contribute to the continuous advancement of society while sustaining its growth and raising consolidated corporate value as a global business enterprise.

■ The Vision

INNOVATION 2009 has the same vision as INNOVATION 2007—to make MC "a new industry innovator." This vision called on MC to continue growing along with society with the lofty ambition of opening up a new era. MC plans to continue doing so by capitalizing upon global change to create new-era trends. INNOVATION 2009 thus reaffirms our vision of developing along with society.

■ Positioning of Two-year Period

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. We will also make further efforts to strengthen Group management, internal control systems and other aspects of our management system.

■ Numerical Targets

We have 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 fiscal 2009, ending March 31, 2009, our target is consolidated net income of ¥580.0 billion. And, provided there is no major change in the present economic environment, such as in resource prices, we aim to grow consolidated net income to between ¥600.0 billion and ¥700.0 billion in fiscal 2010.

■ Basic Concepts

We continue to see each of the three basic concepts (on the following pages) of INNOVATION 2007 as important themes and will execute management initiatives to realize each of them.

(1) Grasp Change and Open Up A New Era for MC (Develop Growth Strategy)

a. Execute Global Growth Initiatives:

MC will strengthen its Company-wide framework by appointing a Corporate Functional Officer (Global Strategy), whose job will be to comprehensively identify constant change around the world and propose strategies based on this information, and Regional CROs, who will assist with those efforts from a management standpoint. MC will also appoint Regional CROs, who will reflect information provided by front-line operations in a timely manner in business strategy.

b. Promote Innovation in New Fields, etc.:

To create future earnings drivers, MC is currently developing businesses centered on the three Next-Generation Core Businesses: Medical Health Care, New Energy & the Environment, and Finance. We will continue to enhance our systems and structures to further promote coordinated, Company-wide actions in new fields.

c. Establish Systems and Structures to Support Growth:

We will strengthen Company-wide management functions and expedite decision-making by revamping our management structures and internal systems. On April 1, 2008 for example, we further separated management and execution roles to further strengthen Company-wide management functions and the ability of business groups to execute strategy. This was done by revamping the Executive Committee, Board of Directors and other management meetings; appointing senior executive vice presidents who will be responsible for dealing with important management issues as assistants to the president from an operational perspective; and handing more discretional authority to GCEOs. Moreover, business divisions, as the key unit for executing growth strategies, will work to effectively utilize finite business resources and enhance the quality of our business portfolio to drive growth over the medium and long terms. In this endeavor, we will clarify the positioning of each business division and reallocate business resources accordingly.

(2) Develop Human Assets (Utilize and Develop Human Assets)

MC will continue to create systems and an environment globally across the Group to enable our diverse workforce to realize their potential. These systems and environment will aid us in retaining and nurturing employees who can support our growth and in motivating our people. Moreover, to effectively utilize our finite workforce, MC will dynamically deploy and reassign people with the necessary skills to areas and regions expected to grow going forward. MC hopes that this will stimulate the organization and people's career aspirations.

(3) Reinforce Internal Systems (Continuously Strengthen the Management System)

At the same time as fostering a greater sense of unity as a group of companies, MC is committed to creating a corporate group linked by trust and responsibility while 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.

2) Basic Policy Regarding the Appropriation of Profits

■ Investment Plans

Mitsubishi Corporation plans to invest up to around ¥1.5 trillion during the two-year INNOVATION 2009 medium-term management plan with the aim of sustaining growth. Our plan is to invest heavily in the metal resources and energy fields, which we expect to remain key earnings drivers, as well as what we call our Next-Generation Core Businesses (New Energy & the Environment, Medical Health Care and Finance), which we see as future sources of earnings. Substantial investments are also earmarked for the machinery, chemicals, living essentials and other fields, where growth is anticipated going forward.

■ Capital Structure Policy and Dividend Policy

Our policy is to sustain growth and maximize corporate value through global growth initiatives that balance earnings growth, capital efficiency and financial soundness. For this, we will continue to utilize retained earnings for investments to drive growth, 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 through earnings growth, with a targeted consolidated payout ratio of 20%, and thereby increase shareholder returns. In this vein, we will also purchase treasury stocks flexibly depending on earnings growth, progress with our investment plans and other factors.

We paid a fiscal 2008 dividend per common share of ¥56, higher than the ¥52 initially forecast, in light of net income of ¥462.8 billion exceeding our October 2007 earnings projection.

Mitsubishi Corporation plans to pay a dividend of ¥72 per share for fiscal 2009 in accordance with the above policy, providing it achieves its current consolidated net income forecast of ¥580.0 billion.

[For Reference: Annual Ordinary Dividends]

Fiscal 2003=¥8 per common share
Fiscal 2004=¥12 per common share
Fiscal 2005=¥18 per common share
Fiscal 2006=¥35 per common share
Fiscal 2007=¥46 per common share
Fiscal 2008=¥56 per common share

■ **Acquisition of Treasury Stock**

In August 2007, Mitsubishi Corporation acquired approximately 51.8 million of its own shares, equivalent to roughly 3% of total issued shares, for ¥150.1 billion. The acquisition was conducted from the standpoint of implementing a flexible capital structure policy according to changes in the business environment. For the time being, Mitsubishi Corporation has no plans to extinguish the shares but will hold them as treasury stock with the view to using them for M&As and in other ways to support its growth strategy.

3) Main Investment Activities

In May 2007, through our U.S. subsidiary MCX Gulf of Mexico, LLC (MCX), we teamed up with Nippon Oil Exploration Limited's subsidiary, Nippon Oil Exploration U.S.A. Limited (NOEX USA), to acquire, through a joint bid, 23.2% (11.6% each) of the 65% working interest owned by U.S. company Anadarko Petroleum Corporation (Anadarko) in the K2 Unit oil field in the Gulf of Mexico. The K2 Unit is located approximately 200 kilometers offshore of the State of Louisiana in a deep sea area with a water depth of 1,300 meters. Large oil and gas fields have been discovered and are being developed in the area surrounding the K2 Unit, raising hopes that further exploration and development programs will lead to discovery of new oil and gas reserves. The U.S. Gulf of Mexico is home to many producing oil and gas fields, but still harbors considerable potential for future exploration and development. We have continued business activities in this area for a long time, regarding it as a key region in our oil and natural gas development program. Besides seeking to expand business further in this reserve-rich area going forward, we intend to actively develop our business in other strategically important regions, including Southeast Asia, North and West Africa, and the U.K. North Sea.

In June 2007, we purchased an additional equity interest in Nosan through a tender offer bid (TOB), raising our shareholding to 56.22%, which made this company a consolidated subsidiary. Nosan has manufactured and consistently supplied quality formulated animal feed in the animal feed and livestock industry. MC has a longstanding, cordial business relationship with Nosan as a partner in businesses producing, processing and selling beef in Japan. MC and Nosan first began their business relationship in the trade of animal feed ingredients and formulated feed. Subsequently, MC worked with Nosan to help it build a competitive production system. By wedding Nosan's animal feed production technology development and production technology capabilities as well as production infrastructure with our ability to procure raw materials for animal feed, meat production and processing technology capabilities and expertise in selling meat, we aim to strengthen the integrated business structure from upstream to downstream. We believe that such collaboration will help strengthen Nosan's earnings base and lead to higher corporate value. At the same time as making this TOB, we also made TOBs for shares of Nihon Shokuhin Kako Co., Ltd. and Nitto Fuji Flour Milling Co., Ltd., similarly making these companies consolidated subsidiaries.

In September 2007, we raised our shareholding from 21.09% to 30.39% in SPDC Ltd. ("SPDC") by purchasing additional shares from other shareholders, including Japan Bank for International Cooperation. Since SPDC's establishment, we have contributed as a core company to the business management and expansion of SHARQ, a Saudi Arabia petrochemical operation 50%-owned by SPDC. We purchased an additional 12.4% stake in SPDC in 2004 and a further 9.3% in 2007, making us the second-largest shareholder behind Japan Bank for International Cooperation. SHARQ produces ethylene, ethylene glycol and polyethylene from competitively priced raw materials in oil- and natural gas-rich Saudi Arabia. SHARQ is currently in the midst of third-stage expansion work that will double production capacity of these products in 2008. After this new capacity comes on stream, we will look to expand sales of SHARQ products to China and other countries around the world as the trading company chosen as the agent for SPDC. At the same time, we aim to strengthen our value chain, including in respect of transactions of these products in the mid- and downstream areas.

4) Outlook for Fiscal Year Ending March 31, 2009

We are forecasting consolidated operating transactions of ¥25,000.0 billion, ¥1,897.0 billion higher than fiscal 2008.

Gross profit is forecast to rise ¥477.8 billion to ¥1,650.0 billion due to higher coking coal prices and other factors.

Operating income is forecast to rise ¥329.9 billion to ¥685.0 billion. This forecast assumes that growth in gross profit will exceed a projected ¥139.0 billion increase in selling, general and administrative expenses accompanying new consolidations and business expansion.

Net income is projected to increase ¥117.2 billion to ¥580.0 billion.

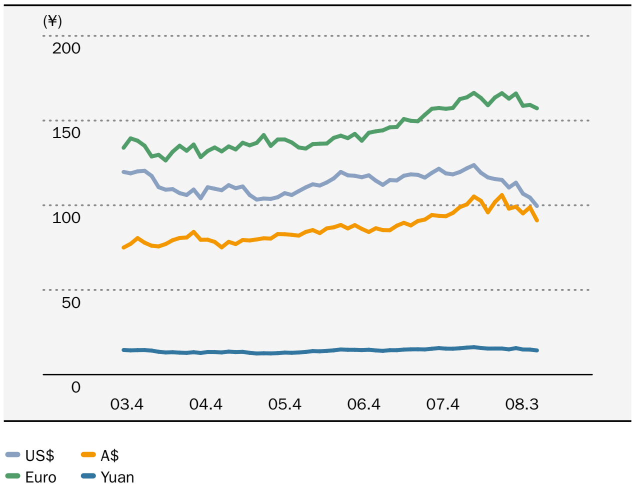
Our forecasts assume an exchange rate of ¥105.0 to US$1, a crude oil price of US$85.0/BBL and an interest rate (TIBOR) of 0.90%.

Reference: Change of basic assumptions

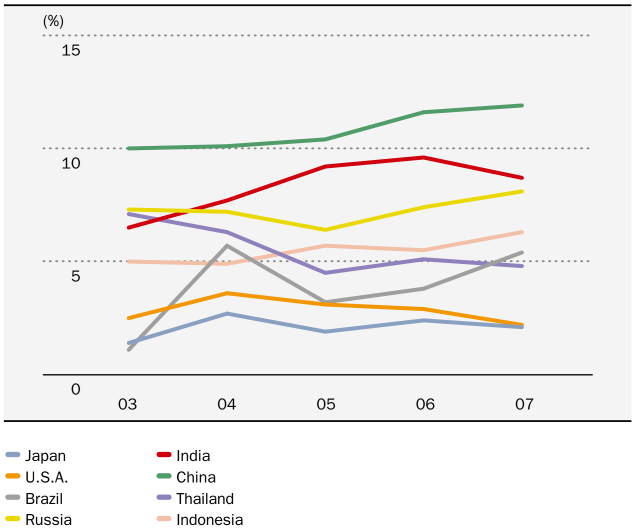
	FY2009 (Est.)	FY2008 (Act.)	Change
Exchange rate (¥/US$)	¥105.0/US$1	¥114.4/US$1	–¥9.4/US$1
Crude oil price (US$/BBL)	US$85.0/BBL	US$77.4/BBL	US$7.6/BBL
Interest rate (TIBOR, %)	0.90%	0.79%	0.11%

Note: Earnings forecasts and other forward-looking statements in this annual report are management's current views and beliefs in accordance with data currently available, and are subject to a number of risks, uncertainties and other factors that may cause actual results to differ materially from those projected.

Exchange Rates of Major Currencies



Real GDP Growth Rates of Major Countries / Regions



8. Business Risks

1) Risks of Changes in Global Macroeconomic Conditions

As we conduct businesses on a global scale, there is a relationship between our operating results and economic trends in major countries around the world. Economic trends in Japan are undeniably important, but, as a result of focusing for many years on operations overseas, the impact of economic trends in overseas countries on our operating results is now much bigger. In particular, there is an increasing effect on our operating results of economic conditions in Asian countries, where we have many business investments, primarily countries with which we trade.

In terms of current underlying economic conditions, concerns are growing about a U.S. economic slowdown. However, a downturn in economic growth in the U.S. would not have too much of a direct major impact on our operating results. Rather, any negative impact such a slowdown has on China and other emerging Asian economies may in turn affect our performance.

Economic conditions in China may have a direct effect on our consolidated operating results because the country is a major export destination for plants, construction machinery parts, steel products, ferrous raw materials, chemical products, and other products from the parent company and subsidiaries. In addition, our natural resource businesses, in particular, may be affected by economic trends in China because demand from the country has a significant bearing on prices of energy resources such as LNG and crude oil, as well as of metal resources such as coking coal, copper and aluminum.

In Thailand and Indonesia, we have various automobile businesses, including automobile assembly plants, distribution and sales companies and financial services companies jointly established with Japanese automakers. Because automobile sales volume reflects internal demand in each of these countries, economic trends in both Thailand and Indonesia may have a significant bearing on earnings from our automobile operations.

2) Market Risks

(Unless otherwise stated, calculations of effects on future financial statements are based on consolidated results for fiscal 2008.)

(1) Commodity Market Risk

In the course of our business activities, we are exposed to various risks relating to movements in prices of commodities as a trader, an owner of rights to natural and energy resources, and a producer and seller of industrial products of our investees. Product categories that may have a large impact on our operating results are as follows:

(Energy Resources)

We hold upstream rights to LNG and crude oil, and/or liquefaction facilities in Western Australia, Malaysia, Brunei and other regions. Movements in LNG and crude oil prices may have a significant impact on operating results in these businesses.

Fundamentally, LNG prices are linked to crude oil prices. As an estimate, a US$1/BBL fluctuation in the price of crude oil would have an approximate ¥1 billion effect on net income for LNG and crude oil combined, mainly through a change in equity method earnings. However, fluctuations in the price of LNG and crude oil might not be immediately reflected in our operating results because of timing differences.

(Metal Resources)

Through wholly owned Australian subsidiary MDP, we produce and sell more than 28 million tons of coal per year, mainly coking coal, a steelmaking raw material. Fluctuations in the price of coking coal may affect our consolidated operating results through MDP's earnings. The majority of the coking coal is sold on the basis of annual contracts, and the price is set once a year through negotiations with purchasers and becomes the price that is used for shipments in the applicable fiscal year. Therefore, movements in the price of coking coal during fiscal 2009 are expected to have only a small impact on our operating results because prices have already been set for the majority of coal to be sold by MDP in fiscal 2009. However, MDP's operating results cannot be determined by the coal price alone since MDP's operating results are also significantly affected by other factors besides coal prices, such as fluctuations in exchange rates for the Australian dollar, U.S. dollar and yen, production costs, and sales volumes.

In addition, as a producer, we are exposed to the risk of price fluctuations in copper and aluminum. A US$100 fluctuation in the price per MT of copper would have a ¥0.8 billion effect on consolidated net income, while a US$100 fluctuation in the price per MT of aluminum would have a ¥1.0 billion effect on our consolidated net income.

(Petrochemical Products)

We are engaged in a broad range of trading activities for petrochemical products manufactured from raw materials such as naphtha and natural gas. The prices of petrochemical products are largely determined for each product on an individual basis based on the prices of the above raw materials, supply-demand dynamics and other factors. Fluctuations in the prices of these raw materials may affect earnings from these trading transactions.

We have made investments in manufacturing and sales companies for petrochemicals such as ethylene glycol, paraxylene and methanol in Saudi Arabia, Malaysia and Venezuela. Our equity method earnings would be affected by changes in the operating results of these companies due to price movements.

(2) Foreign Currency Risk

We bear some risk of fluctuations in foreign currency rates relative to the yen in the course of our trading activities. While we use forward contracts and other hedging strategies, there is no assurance that we can completely avoid foreign currency risk.

In addition, because dividends received from overseas businesses and equity in earnings of overseas consolidated subsidiaries and equity method affiliates are relatively high in proportion to our net income, and because most of these earnings are denominated in foreign currencies, which are converted to yen solely for reporting purposes, an appreciation in the yen relative to foreign currencies has a negative impact on consolidated net income. In terms of sensitivity, a ¥1 change relative to the U.S. dollar would have an approximate ¥2.7 billion effect on consolidated net income.

Regarding our investments in overseas businesses, an appreciation in the yen poses the risk of lowering shareholders' equity through a negative effect on the foreign currency translation adjustments account. Consequently, we implement various measures to prevent increased exposure to foreign currency risk on investments, such as by hedging foreign currency risks with respect to new large investments. However, there is no assurance that we can completely avoid these risks.

(3) Stock Price Risk

As of March 31, 2008, we owned approximately ¥1,650.0 billion (market value basis) of marketable equities, mostly equity issues of customers, suppliers and MC Group companies. These investments expose us to the risk of fluctuations in equity prices. As of the same date, we had net unrealized gains of approximately ¥800.0 billion based on market prices, a figure that could change depending on future trends in equity prices.

In Mitsubishi Corporation's corporate pension fund, some of the pension assets managed are marketable equities. Accordingly, a fall in equity prices could cause an increase in pension expenses by reducing pension assets.

(4) Interest Rate Risk

As of March 31, 2008, we had gross interest-bearing liabilities of approximately ¥4,183.6 billion. Because almost all of these liabilities bear floating interest rates, there is a risk of an increase in interest expenses caused by a rise in interest rates.

However, the vast majority of these interest-bearing liabilities are offset by trade receivables, loans receivable and other operating assets that are positively affected by changes in interest rates. Because a rise in interest rates produces an increase in income from these assets, while there is a time lag, interest rate risk is offset. For the remaining interest-bearing liabilities exposed to interest rate risk without such offsets, commensurate asset holdings such as investment securities, property and equipment generate trading income as well as other income streams such as dividends that are strongly correlated with economic cycles. Accordingly, even if interest rates increase as the economy improves, leading to higher interest expenses, we believe that these expenses would be offset by an increase in income from the corresponding asset holdings.

However, our operating results may be negatively affected temporarily if there is a rapid rise in interest rates because increased income from commensurate asset holdings would fail to offset the effects of a preceding increase in interest expenses.

To monitor market movements in interest rates and respond flexibly to market risks, we established the ALM (Asset Liability Management) Committee. This committee establishes fund procurement strategy and manages interest rate risk exposure.

3) Credit Risk

We extend credit to customers in the form of trade credit, including accounts receivables and advance payments, advances, guarantees and investments due to our various operating transactions. We are therefore exposed to credit risk in the form of losses arising from deterioration in the credit of or bankruptcy of customers. Furthermore, we utilize derivative instruments, primarily swaps, options and futures, for the purpose of hedging risks. In this case, we are exposed to the credit risk of the counterparties to these derivative instruments.

To manage this risk, we have established credit and transaction limits for each customer as well as introduced an internal rating system. Related BUs carry out necessary internal approval procedures based on a system whereby authorization limits are determined by these internal ratings and the amount of credit. We also hedge risk by requiring collateral or a guarantee depending on the credit profile of the counterparty.

However, there is no guarantee that we will be able to completely avoid credit risk with these risk hedging strategies. Therefore, failure to collect trade receivables and other credit due to the bankruptcy of a customer or other event would affect our operating results.

4) Country Risk

We bear country risk in relation to transactions and investments with overseas companies in the form of delays or inability to collect money or conduct business activities due to socioeconomic conditions in the countries where they are domiciled.

We take appropriate risk hedging measures that involve, in principle, hedges via third parties through such means as taking out insurance, depending on the nature of the project. Furthermore, we have established a Country Risk Committee, under which country risk is managed through a country risk countermeasure system. The country risk countermeasure system classifies countries with which we trade into six categories based on risk exposure in terms of total investments, advances, guarantees and trade receivables, net of hedges, as well as creditworthiness by country (country rating). Country risk is controlled through the establishment of risk limits for each category.

However, even with these risk hedging measures, it is difficult to completely avoid risks caused by deterioration in the political, economic, or social conditions in the countries or regions where our customers, portfolio companies or Mitsubishi Corporation have ongoing projects. Such eventualities may have a significant impact on our operating results.

5) Business Investment Risk

We participate in the management of various companies by acquiring equity and other types of interests. These business investment activities are carried out with the aim of expanding our business and deriving capital gains. However, we bear various risks related to business investments, such as the possible inability to recover our investments and exit losses and being unable to earn the planned return on investment. Regarding the management of business investment risk, in the case of new business investments, we quantitatively monitor the downside risk of investments and evaluate whether the investment return exceeds the minimum expected rate of return, which is determined internally according to the extent of the risk. After investing, we manage risk on an individual basis with respect to business investments to achieve the investment goals set forth in the business plan formulated every year.

Furthermore, we apply exit rules for the early sale of our equity interest or the liquidation of the investee in order to preserve the quality of our asset portfolio.

While we follow strict standards for the selection and management of investments, it is impossible to completely avoid the risk of investments not delivering the expected profits. Therefore, we may incur losses resulting from such actions as the withdrawal from an investment.

6) Risks Related to Specific Investments

(1) Investment in and Operations with Mitsubishi Motors Corporation

After evaluating Mitsubishi Motors Corporation's (MMC) Business Revitalization Plan announced in May 2004 and the subsequent Mitsubishi Motors Revitalization Plan announced in January 2005, following requests by MMC, Mitsubishi Corporation injected equity totaling ¥140.0 billion in MMC through January 2006 by subscribing to private placements of MMC shares. As a result, our risk exposure to MMC was roughly ¥205.0 billion as of March 31, 2008.

For fiscal 2008, ended March 31, 2008, the final year of the aforementioned Mitsubishi Motors Revitalization Plan, MMC posted consolidated sales of ¥2,682.1 billion, operating profit of ¥108.6 billion and net income of ¥34.7 billion. In February 2008, MMC announced a new mid-term management plan and is now working to build the foundations of growth.

In addition to having direct business dealings with MMC, we cooperate with this automaker in countries around the world to conduct businesses centered on local sales companies and downstream business fields. Some examples are automobile-related distribution and sales companies in Asia and finance businesses in Europe. Our risk exposure to operating assets in connection with these dealings, investments in businesses, advances and other related business was approximately ¥215.0 billion as of March 31, 2008.

Our total MMC-related risk exposure, including both the aforementioned risk exposure to MMC proper and our risk exposure to related business, was thus roughly ¥420.0 billion as of March 31, 2008.

(2) Investment in Sakhalin II Project

Mitsubishi Corporation, together with OAO Gazprom (Gazprom), Royal Dutch/Shell Group and Mitsui & Co., Ltd., is participating in the Sakhalin II Project, an LNG and crude oil development project on Sakhalin, Russian Federation, through a joint venture, Sakhalin Energy Investment Co., Ltd.

This project began first-stage development activities with the commencement of oil production in July 1999 and a final investment decision for stage-two development activities (year-round production of crude oil (currently on half-year basis) and LNG production) was made in May 2003. Stage-two development activities, which were commenced thereafter, are now more than 90% complete.

As of March 31, 2008, Mitsubishi Corporation held a 10% stake in Sakhalin Energy Investment and had invested approximately ¥200.0 billion in this company. As a result of selling part of its equity interest in Sakhalin Energy Investment to Gazprom in 2007, Mitsubishi Corporation no longer applies the equity method to its investment in Sakhalin Energy Investment.

7) Risks Related to Compliance

We are engaged in businesses in all industries through our many offices around the world. These activities subject us to a wide variety of laws and regulations. Specifically, we must comply with the Corporate Law, tax laws, Financial Instruments and Exchange Law, anti-monopoly laws, trade-related laws, environmental laws and various business laws in Japan. In addition, in the course of conducting business overseas, we must abide by the laws and regulations in the countries and regions where we operate.

We have established a Compliance Committee, which is headed by a Chief Compliance Officer, who is at the forefront of our efforts to raise awareness of compliance. This officer also directs and supervises compliance with laws and regulations on a consolidated basis.

Notwithstanding these initiatives, compliance risks cannot be completely avoided. Failure to fulfill our obligations under related laws and regulations could affect our businesses and operating results.

8) Risks From Natural Disasters

A natural disaster, such as an earthquake, heavy rain or flood, that damages Mitsubishi Corporation's offices, facilities or systems and affects employees could hinder sales and production activities.

Mitsubishi Corporation has established adequate countermeasures, having prepared an employee safety check system; disaster contingency manual for business contingency plan (BCP) execution; earthquake-proof measures for buildings, facilities or systems (including backup of data); and introduced a program of disaster prevention drills. However, no amount of preparation of this sort can completely avoid the risk of damage caused by a natural disaster. Accordingly, damage from a natural disaster could affect the company's operating results.

9. Critical Accounting Estimates

The preparation of these financial statements requires management to make estimates that may affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the fiscal year end and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management reviews its estimates and judgments, including the valuation of receivables, investments, long-lived assets, inventories, revenue recognition, income taxes, financing activities, restructuring costs, pension benefits, contingencies, litigation and others. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Management believes the following are our critical accounting policies and estimates. These policies and estimates were considered "critical" because:

- the estimate requires us to make assumptions about matters that are highly uncertain at the time the estimate is made, and
- different assumptions that we reasonably could have used in the current period could have a material impact on the presentation of our financial condition, changes in financial condition, or results of operations.

1) Valuation of Receivables

The valuation of receivables is a critical accounting estimate, as the balance of our trade receivables, notes and loans is significant. We perform ongoing credit valuations of our customers and adjust credit limits based upon the customer's payment history and current credit worthiness, as determined by our review of the customer's current credit information. We continuously monitor collections and payments from our customers and we establish credit limits and an allowance for doubtful accounts based upon factors surrounding specific customer collection issues that we have identified, past credit loss experience, historical trends, evaluation of potential losses in the receivables outstanding, credit ratings from applicable agencies and other information.

For each of our customers, we monitor financial condition, credit level and collections on receivables as part of an effort to reach an appropriate accounting estimate for the allowance for doubtful accounts. Also, for the valuation of long-term loans receivables, we use the discounted cash flow method, which is based on assumptions such as an estimate of the future repayment plan and discount rates.

For the year ended March 31, 2007, we decreased our total allowance for doubtful accounts by ¥14.9 billion, or 15.4%, to ¥81.9 billion.

For the year ended March 31, 2008, we decreased our total allowance for doubtful accounts by ¥11.4 billion, or 13.9%, to ¥70.5 billion. The allowance for doubtful accounts represented approximately 2.0% and 1.6% of our total receivables (current and non-current) as of March 31, 2007 and 2008, respectively.

Management believes that the evaluation of receivables is reasonable, the balance of the allowance for doubtful accounts is adequate and the receivables are presented at net realizable value; however, these valuations include uncertainties that may result in the need for the company to increase the allowance for doubtful accounts in the future.

2) Valuation of Investments

The valuation of investments is a critical accounting estimate because fair value is susceptible to change from period to period, and also because the outstanding balance of our investments is significant.

We assess impairment of investments by considering whether a decline in value is other-than-temporary based on the length of time and the extent to which the fair value has been less than the carrying value and our intent and ability to retain the investment for a period of time sufficient to allow for any anticipated recovery in fair value. We assess impairment of available-for-sale securities based on their market values, while equity method investments and other investments are assessed by considering their market values, financial condition, performance, business circumstance, near-term prospects and future cash flows of the issuer.

If the decline in value is judged to be other-than-temporary, the carrying value of the investment is written down to fair value.

In each of the last three years, we have tested investments for impairment using similar methods and in each year we determined that, based on our assumptions, certain investments should be recognized as impaired. For the years ended March 31, 2006, 2007 and 2008, impairment losses of ¥8.1 billion, ¥4.3 billion, and ¥14.9 billion respectively, were recognized in "Gain on marketable securities and investments-net" in the consolidated statements of income to reflect the declines in fair value of certain available-for-sale securities, investments in affiliated companies and other investments that were considered to be other-than-temporary.

Management believes that the carrying value of its investments and evaluation of its investments whether not to be other-than-temporary impaired is reasonable; however, these valuations are subject to a number of uncertainties which may require further write-downs in the future.

3) Impairment of Long-Lived Assets

We review the carrying value of our long-lived assets, other than goodwill and other intangible assets, to be held and used, and to be disposed of, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset might not be recoverable.

Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the asset to estimated undiscounted future net cash flows expected to be generated by the asset. A long lived asset to be disposed of by sale is reported at the lower of the carrying amount or fair value less costs to sell, and is no longer depreciated. A long lived asset to be disposed of other than by sale is considered as held and used until disposed of.

If the carrying value of the asset is considered impaired, an impairment loss is recorded for the amount by which the carrying value of the asset exceeds its estimated fair value. An asset to be disposed of by sale is reported at the lower of the carrying amount or estimated fair value less costs to sell.

Estimated fair values of assets are primarily determined based on independent appraisals and discounted cash flow analysis. These evaluations use many estimates and assumptions such as future market growth, forecast revenue and costs, expected periods of utilization of the assets, discount rates and other factors.

In each of the last three years, we have determined that, based on our estimates and assumptions, certain long-lived assets should be recognized as impaired. These amounts are included in “Loss on property and equipment-net“ in the consolidated statements of income. For the years ended March 31, 2006, 2007 and 2008, such impairment losses amounted to ¥5.3 billion, ¥9.5 billion and ¥7.9 billion respectively.

During the year ended March 31, 2008, as a result of a profitability decline caused by the deterioration of business environment due to an increase in competition, and to change in management policies of subsidiaries, we recognized impairment losses for long-lived assets, including fuelling station and land owned by a subsidiary.

Management believes that the estimates of discounted cash flows and fair values are reasonable; however, these valuations are subject to a number of uncertainties that may change the valuation of the long-lived assets due to unforeseen changes in business assumptions, and as a result, may require us to recognize further impairment in the future.

4) Pension Benefit Costs and Obligations

Employee pension benefit costs and obligations are dependent on assumptions used by actuaries in calculating such amounts. The discount rate and the expected long-term rate of return on plan assets are two critical assumptions in determining periodic pension benefit costs and pension liabilities. We evaluate these assumptions annually or when events occur that may have an impact on these critical assumptions.

The discount rate assumptions are determined on the rate available on high-quality fixed-income investments with a duration that approximately matches our employees’ estimated period of service and benefit payments at the respective measurement dates of each plan. We increased the weighted average discount rate to 3.0%, an increase of 0.4 of a percentage point for the year ended March 31, 2007. For the year ended March 31, 2008, we set the weighted average discount rate at 3.1%, up 0.1 of a percentage point from the previous year, due to the increase in long-term interest rates.

The assumption for the expected long-term return on plan assets is determined after considering the investment policy, long-term historical returns, asset allocation, and future estimates of long-term investment returns. We estimated the expected long-term rate of return as 4.2% for the year ended March 31, 2007. As there was a downturn in investment returns, due mainly to a slowdown of the uptrend in the domestic equity market, we calculated pension benefit costs for the year ended March 31, 2008 assuming a 3.7% rate of return, a decrease of 0.5 of a percentage point from the previous year.

In accordance with U.S. GAAP, the difference between actual results and assumptions is accumulated and amortized over future periods. Therefore, actual results generally affect the expenses recognized in future periods. Management believes that the actuarial assumptions and methods used are appropriate in the circumstances; however, differences in actual experience or changes in assumptions may affect the pension obligations and future expenses.

5) Revenue Recognition

We are engaged in business activities such as buying and selling of various commodities worldwide, providing financing for customers and suppliers relating to such activities, and organizing and coordinating industrial projects through our global business networks. We conduct import, export, offshore and domestic production, sales, marketing and distribution of a wide variety of products, including steel resources and non-ferrous metals, oil and gas products, machinery, information technology and electronics, chemicals, food products and general consumer merchandise. We also perform various services such as consulting, information technology services, technical support, transportation and logistics. Revenue recognition policies require difficult judgments on complex matters that are often subject to multiple sources of authoritative guidance applied to individually complex transactions. In general, we recognize revenues when they are realized or realizable and earned. Revenues are realized or realizable and earned when we have persuasive evidence of an arrangement, the goods have been delivered or the services have been rendered to the customer, the sales price is fixed or determinable and collectibility is reasonably assured. In addition to this general policy, the following are specific revenue recognition policies.

• **Revenues from trading, manufacturing and other activities—** We derive revenues from trading, manufacturing and other activities. Manufacturing and other activities are typically conducted through consolidated subsidiaries.

Trading activities

We derive revenues from margins related to various trading transactions in which we act as a principal, carry commodity inventory, and make a profit or loss on the spread between bid and asked prices for commodities.

Manufacturing activities

Manufacturing activities include the manufacture of a wide variety of products, such as electronics, metals, machinery, chemicals and general consumer merchandise, and the development of natural resources.

Revenues from trading and manufacturing activities are recognized at the time the delivery conditions, as agreed to by customers, are met. These conditions are usually considered to have been met when the goods are received by the customer, title to the warehouse receipts are transferred, or the implementation testing is duly completed and any future obligations are perfunctory and do not affect the customer's final acceptance of the arrangement.

For long term construction businesses, depending on the nature of the contract, revenues from long term construction projects are accounted for by the completed contract method, unless costs to complete and extent of progress toward completion of long term contracts are reasonably dependable, in which case we use the percentage of completion method.

Other activities

Other activities consist of services, and rental or leasing activities. Service-related activities include performance of various services such as financial and logistics services, information and communications, technical support and other service related activities. We are also engaged in certain rental or leasing properties, including office buildings, aircraft and other industrial assets.

Revenues from service-related activities are recorded as revenue when the contracted services are rendered to third party customers pursuant to the agreements. Revenues from rental or leasing activities are recognized over the terms of the underlying leases on a straight line basis.

• **Trading margins and commissions on trading transactions—** We derive revenues from margins and commissions related to various trading transactions in which we act as a principal or an agent. Through our trading activities, we facilitate our customers' purchases and sales of commodities and other products and charge a commission for this service. The trading margins and commissions are recognized when we have met the general policy conditions as stated above.

6) Derivatives

We utilize derivative instruments primarily to manage interest rate risks, to reduce exposure to movements in foreign exchange rates, and to hedge various inventory and trading commitments. In accordance with Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 138, No. 149 and No. 155 (collectively "SFAS No. 133"), all derivative instruments are reported on the balance sheet at fair value. SFAS No. 133 establishes criteria for designation and effectiveness of hedging relationships.

With the adoption of SFAS No. 133, we are required to make assumptions in order to estimate the fair value of derivative instruments for which quoted market prices are not available and related hedged items.

Generally, on the date on which the derivative contract is executed, we designate such derivative as either a fair value hedge or a cash flow hedge to the extent that hedging criteria are met. Changes in fair values of derivatives that are designated as fair value hedges are recognized in earnings as offsets to the changes in fair value of related hedged assets, liabilities and firm commitments. Derivative instruments designated as cash flow hedges include interest rate swaps to convert floating liabilities to fixed rate liabilities and foreign currency swaps to mitigate variability of the functional currency equivalent cash flows of certain debt obligations. Changes in fair values of derivatives that are designated as cash flow hedges are deferred and recorded as a component of accumulated other comprehensive income (loss) until the hedged transactions occur and are recognized in earnings.

7) Recent Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." SFAS No. 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. The companies will adopt SFAS No. 157 as of April 1, 2008. The companies expect the adoption of SFAS No. 157 will not have a material effect on the companies' consolidated financial position and results of operations.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115." SFAS No. 159 provides companies with an option to report selected financial assets and liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected will be recognized in earnings. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. The companies will adopt SFAS No. 159 as of April 1, 2008. The companies expect the adoption of SFAS No. 159 will not have a material effect on the companies' consolidated financial position and results of operations.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), "Business Combinations," ("SFAS No. 141R"). SFAS No. 141R establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any noncontrolling interest in the acquiree and the goodwill acquired. SFAS No. 141R also establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. SFAS No. 141R is effective for fiscal years beginning after December 15, 2008. The companies will adopt SFAS No. 141R as of April 1, 2009. The companies are currently reviewing SFAS No. 141R to estimate its impact on the companies' consolidated financial position and results of operations.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51." SFAS No. 160 establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the noncontrolling interest, changes in a parent's ownership interest, and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated. SFAS No. 160 also establishes disclosure requirements that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. SFAS No. 160 is effective for fiscal years beginning after December 15, 2008. The companies will adopt SFAS No. 160 as of April 1, 2009. The companies are currently reviewing SFAS No. 160 to estimate its impact on the companies' consolidated financial position and results of operations.

Six-Year Financial Summary

Mitsubishi Corporation and Subsidiaries
Years ended March 31

	2003 As Adjusted*3*4	2004 As Adjusted*3*4
Performance Measure:		
Operating transactions*1	¥13,604,304	¥15,177,367
Results of Operations:		
Revenues	¥ 3,313,554	¥ 3,475,848
Gross profit	723,615	766,080
Net income from continuing operations	52,323	116,224
Net income	62,969	117,105
Financial Position at Year-End:		
Total assets	¥ 8,113,317	¥ 8,409,922
Working capital	682,715	828,971
Long-term debt, less current maturities	3,119,391	3,033,276
Total shareholders' equity	942,067	1,231,369
Amounts per Share:		
Net income from continuing operations per share:		
Basic EPS	¥33.41	¥74.24
Diluted EPS	31.30	68.52
Net income per share:		
Basic EPS	40.21	74.80
Diluted EPS	37.69	69.04
Cash dividends declared for the year	8.00	12.00
Common Stock:		
Number of shares outstanding at year-end*2	1,565,647	1,565,557
Exchange Rates into U.S. Currency:		
(Per the Federal Reserve Bank of New York)		
At year-end	¥118.07	¥104.18
Average for the year	121.10	112.75
Range:		
Low	133.40	120.55
High	115.71	104.18

Notes: The U.S. dollar amounts represent translations, for convenience, of yen amounts at the rate of ¥100=$1.

*1 *Operating transactions is a voluntary disclosure commonly made by similar Japanese trading companies, and is not meant to represent sales or revenues in accordance with U.S. GAAP. See Note 1.*

*2 *Treasury stock is not included.*

*3 *In accordance with EITF Issue No. 06-9 and SFAS No. 154, the parent company has retrospectively applied the change of subsidiaries' fiscal year ends which occurred for the year ended March 31, 2008 to prior periods' consolidated financial statements. See Note 2.*

*4 *In accordance with SFAS No. 144, the prior year figures relating to discontinued operations have been reclassified. See Note 16.*

Millions of Yen				Millions of U.S. Dollars
2005 As Adjusted*3*4	2006 As Adjusted*3*4	2007 As Adjusted*3*4	**2008**	**2008**
¥17,122,034	¥19,069,181	¥20,526,570	**¥23,103,043**	**$231,030**
¥ 4,133,338	¥ 4,812,087	¥ 5,068,749	**¥ 6,030,806**	**$ 60,308**
878,707	1,052,990	1,145,532	**1,172,222**	**11,722**
185,671	356,949	420,745	**466,392**	**4,664**
183,879	353,286	415,518	**462,788**	**4,628**
¥ 9,086,031	¥10,375,304	¥11,495,527	**¥11,754,439**	**$117,544**
1,017,681	1,246,194	1,339,852	**1,430,739**	**14,307**
2,975,701	2,875,398	2,862,408	**3,096,818**	**30,968**
1,513,900	2,390,687	2,957,728	**2,873,210**	**28,732**
Yen				U.S. Dollars
¥118.59	¥219.63	¥249.39	**¥281.13**	**$2.81**
109.53	209.69	248.04	**279.87**	**2.80**
117.45	217.38	246.30	**278.95**	**2.79**
108.48	207.53	244.96	**277.71**	**2.78**
18.00	35.00	46.00	**56.00**	**0.56**
Thousands of Shares				
1,565,749	1,685,767	1,688,303	**1,641,203**	
Yen per U.S. Dollar				
¥107.22	¥117.48	¥117.56	**¥ 99.85**	
107.28	113.67	116.55	**113.61**	
114.30	120.93	121.81	**124.09**	
102.26	104.41	110.07	**96.88**	

Consolidated Balance Sheets

Mitsubishi Corporation and Subsidiaries
March 31, 2007 and 2008

	Millions of Yen		Millions of U.S. Dollars (Note 1)
ASSETS	2007	**2008**	**2008**
Current assets:			
Cash and cash equivalents (Note 4)	¥ 753,690	**¥ 750,128**	**$ 7,501**
Time deposits	13,136	**11,540**	**115**
Short-term investments (Note 4)	129,343	**87,862**	**879**
Receivables—trade (Note 22):			
Notes and loans	605,902	**587,627**	**5,876**
Accounts	2,819,925	**2,956,017**	**29,560**
Affiliated companies	232,058	**210,387**	**2,104**
Allowance for doubtful receivables (Note 6)	(35,773)	**(29,948)**	**(299)**
Inventories	918,635	**1,075,563**	**10,756**
Advance payments to suppliers	164,552	**129,469**	**1,295**
Deferred income taxes (Note 13)	38,414	**62,573**	**626**
Assets held for sale (Note 16)		**6,526**	**65**
Other current assets (Note 14)	231,698	**243,651**	**2,436**
Total current assets	5,871,580	**6,091,395**	**60,914**
Investments and non-current receivables:			
Investments in and advances to affiliated companies (Note 5)	1,304,949	**1,084,393**	**10,844**
Other investments (Note 4)	2,187,327	**2,150,718**	**21,507**
Non-current notes, loans and accounts receivable—trade (Note 22)	477,603	**515,202**	**5,152**
Allowance for doubtful receivables (Note 6)	(46,173)	**(40,580)**	**(406)**
Total investments and non-current receivables	3,923,706	**3,709,733**	**37,097**
Property and equipment—net (Notes 7 and 22)	1,381,006	**1,610,621**	**16,106**
Goodwill (Note 9)	34,744	**54,089**	**541**
Other intangible assets—net (Note 9)	65,336	**73,532**	**735**
Other assets (Notes 13 and 14)	219,155	**215,069**	**2,151**
Total	¥11,495,527	**¥11,754,439**	**$117,544**

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen 2007	Millions of Yen 2008	Millions of U.S. Dollars (Note 1) 2008
Current liabilities:			
Short-term debt (Note 12)	¥ 630,334	**¥ 742,421**	**$ 7,424**
Current maturities of long-term debt (Note 12)	346,403	**384,810**	**3,848**
Payables—trade:			
Notes and acceptances	240,830	**197,302**	**1,973**
Accounts	2,459,280	**2,511,048**	**25,110**
Affiliated companies	147,624	**123,281**	**1,233**
Advances from customers	146,330	**134,880**	**1,349**
Accrued income taxes	138,163	**62,309**	**623**
Other accrued expenses (Note 14)	139,571	**158,626**	**1,586**
Liabilities held for sale (Note 16)		**2,081**	**21**
Other current liabilities (Notes 13 and 15)	283,193	**343,898**	**3,439**
Total current liabilities	4,531,728	**4,660,656**	**46,606**
Long-term liabilities:			
Long-term debt (Note 12)	2,862,408	**3,096,818**	**30,968**
Accrued pension and severance liabilities (Note 14)	46,599	**51,724**	**517**
Deferred income taxes (Note 13)	566,706	**405,242**	**4,053**
Other long-term liabilities (Note 15)	222,898	**332,277**	**3,323**
Total long-term liabilities	3,698,611	**3,886,061**	**38,861**
Total liabilities	8,230,339	**8,546,717**	**85,467**
Minority interests	307,460	**334,512**	**3,345**
Commitments and contingent liabilities (Note 25)			
Shareholders' equity (Notes 17, 18 and 26)**:**			
Common stock—authorized, 2,500,000,000 shares; issued, 2007— 1,689,902,896 shares and 2008— 1,694,323,909 shares; outstanding, 2007— 1,688,302,815 shares and 2008— 1,641,203,155 shares	199,228	**201,825**	**2,018**
Additional paid-in capital	254,376	**259,571**	**2,596**
Retained earnings:			
Appropriated for legal reserve	38,649	**41,295**	**413**
Unappropriated	1,838,742	**2,208,947**	**22,089**
Accumulated other comprehensive income (loss):			
Net unrealized gains on securities available for sale	627,922	**446,941**	**4,469**
Net unrealized gains on derivatives	2,759	**12,505**	**125**
Defined benefit pension plans	2,225	**(38,740)**	**(387)**
Foreign currency translation adjustments	(4,787)	**(107,630)**	**(1,076)**
Subtotal	628,119	**313,076**	**3,131**
Less treasury stock—at cost, 1,600,081 shares in 2007 and 53,120,754 shares in 2008	(1,386)	**(151,504)**	**(1,515)**
Total shareholders' equity	2,957,728	**2,873,210**	**28,732**
Total	¥11,495,527	**¥11,754,439**	**$117,544**

Consolidated Statements of Income

Mitsubishi Corporation and Subsidiaries
Years Ended March 31, 2006, 2007 and 2008

	Millions of Yen			Millions of U.S. Dollars (Note 1)
	2006	2007	**2008**	**2008**
Revenues:				
Revenues from trading, manufacturing and other activities	¥4,123,981	¥4,345,002	**¥5,280,155**	**$52,802**
Trading margins and commissions on trading transactions	688,106	723,747	**750,651**	**7,506**
Total revenues	4,812,087	5,068,749	**6,030,806**	**60,308**
[Operating transactions (Notes 1, 5 and 20): 2006—¥19,069,181 million; 2007—¥20,526,570 million; 2008—¥23,103,043 million—$231,030 million]				
Cost of revenues from trading, manufacturing and other activities	3,759,097	3,923,217	**4,858,584**	**48,586**
Gross profit (Note 20)	1,052,990	1,145,532	**1,172,222**	**11,722**
Expenses and other:				
Selling, general and administrative (Note 14)	696,129	733,930	**821,026**	**8,210**
Provision (credit) for doubtful receivables (Note 6)	4,646	1,298	**(3,909)**	**(39)**
Interest expense (net of interest income: 2006—¥46,111 million; 2007—¥59,882 million; 2008—¥74,293 million—$743 million)	4,409	14,411	**12,292**	**123**
Dividend income	(72,475)	(137,544)	**(135,276)**	**(1,353)**
Gain on marketable securities and investments—net (Note 4)	(51,664)	(85,649)	**(48,743)**	**(487)**
Loss on property and equipment—net (Notes 7 and 9)	2,143	3,086	**5,882**	**59**
Other expense (income)—net (Notes 9, 10 and 21)	(18,341)	13,893	**(23,555)**	**(236)**
Total	564,847	543,425	**627,717**	**6,277**
Income from continuing operations before income taxes	488,143	602,107	**544,505**	**5,445**
Income taxes (Note 13)**:**				
Current	180,318	246,998	**205,529**	**2,055**
Deferred	33,278	35,980	**(29,886)**	**(299)**
Total	213,596	282,978	**175,643**	**1,756**
Income from continuing operations	274,547	319,129	**368,862**	**3,689**
Minority interests in income of consolidated subsidiaries	(36,609)	(45,239)	**(51,428)**	**(514)**
Equity in earnings of affiliated companies (Note 5)	119,011	146,855	**148,958**	**1,489**
Net income from continuing operations	356,949	420,745	**466,392**	**4,664**
Loss from discontinued operations (net of tax) (Note 16)	(3,663)	(5,227)	**(3,604)**	**(36)**
Net income	¥ 353,286	¥ 415,518	**¥ 462,788**	**$ 4,628**

	Yen			U.S. Dollars (Note 1)
Net income per share (Note 19)**:**				
Basic	¥217.38	¥246.30	**¥278.95**	**$2.79**
Diluted	207.53	244.96	**277.71**	**2.78**

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Mitsubishi Corporation and Subsidiaries
Years Ended March 31, 2006, 2007 and 2008

	Millions of Yen			Millions of U.S. Dollars (Note 1)
	2006	2007	**2008**	**2008**
Net income	¥ 353,286	¥415,518	**¥ 462,788**	**$ 4,628**
Other comprehensive income:				
Net unrealized gains (losses) on securities available for sale (Note 4):				
Net unrealized holding losses (gains) during the year	483,906	161,362	**(295,364)**	**(2,954)**
Reclassification adjustments for net gains included in net income	(36,563)	(31,960)	**(16,347)**	**(163)**
Net change during the year	447,343	129,402	**(311,711)**	**(3,117)**
Income tax benefit (expense) (Note 13)	(183,379)	(53,061)	**130,730**	**1,307**
Total	263,964	76,341	**(180,981)**	**(1,810)**
Net unrealized gains (losses) on derivatives (Note 10):				
Net unrealized gains (losses) during the year	(7,175)	7,523	**14,242**	**142**
Reclassification adjustments for net losses (gains) included in net income	(6,947)	6,363	**3,343**	**33**
Net change during the year	(14,122)	13,886	**17,585**	**175**
Income tax benefit (expense) (Note 13)	4,082	(3,969)	**(7,839)**	**(78)**
Total	(10,040)	9,917	**9,746**	**97**
Minimum pension liability adjustments (Note 14)	77,364	2,007		
Income tax expense (Note 13)	(41,491)	(176)		
Total	35,873	1,831		
Defined benefit pension plans (Note 14):				
Net unrealized losses during the year			**(73,741)**	**(737)**
Reclassification adjustments for net losses included in net income			**1,611**	**16**
Net change during the year			**(72,130)**	**(721)**
Income tax benefit (Note 13)			**31,165**	**312**
Total			**(40,965)**	**(409)**
Foreign currency translation adjustments:				
Translation adjustments during the year	125,661	87,986	**(106,863)**	**(1,068)**
Reclassification adjustments for net losses included in net income	2,379	1	**135**	**1**
Net change during the year	128,040	87,987	**(106,728)**	**(1,067)**
Income tax benefit (expense) (Note 13)	147	(7,890)	**3,885**	**39**
Total	128,187	80,097	**(102,843)**	**(1,028)**
Total other comprehensive income (losses)	417,984	168,186	**(315,043)**	**(3,150)**
Comprehensive income	¥ 771,270	¥583,704	**¥ 147,745**	**$ 1,478**

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Mitsubishi Corporation and Subsidiaries
Years Ended March 31, 2006, 2007 and 2008

	Millions of Yen			Millions of U.S. Dollars (Note 1)
	2006	2007	**2008**	**2008**
Common stock:				
Balance, beginning of year—Shares issued, 2006—1,567,399,508 shares, 2007—1,687,347,445 shares, 2008—1,689,902,896 shares	¥ 126,705	¥ 197,818	**¥ 199,228**	**$ 1,992**
Issuance of common stock upon exercise of stock options— 2006—861,300 shares, 2007—893,000 shares, 2008—902,500 shares (Note 23)	375	423	**507**	**5**
Issuance of common stock upon conversion of convertible bonds— 2006—119,086,637 shares, 2007—1,662,451 shares, 2008—3,518,513 shares (Notes 2.v and 12)	70,738	987	**2,090**	**21**
Balance, end of year—Shares issued, 2006—1,687,347,445 shares, 2007—1,689,902,896 shares, 2008—1,694,323,909 shares	¥ 197,818	¥ 199,228	**¥ 201,825**	**$ 2,018**
Additional paid-in capital:				
Balance, beginning of year	¥ 179,632	¥ 251,598	**¥ 254,376**	**$ 2,544**
Compensation costs related to stock options (Note 23)	786	1,302	**1,608**	**16**
Issuance of common stock upon exercise of stock options (Note 23)	374	423	**506**	**5**
Repurchase of granted stock options (Note 23)		(56)		
Issuance of common stock upon conversion of convertible bonds (Notes 2.v and 12)	70,738	987	**2,090**	**21**
Gain on sales of treasury stock	68	122	**991**	**10**
Balance, end of year	¥ 251,598	¥ 254,376	**¥ 259,571**	**$ 2,596**
Retained earnings appropriated for legal reserve:				
Balance, beginning of year	¥ 37,187	¥ 37,704	**¥ 38,649**	**$ 386**
Transfer from unappropriated retained earnings	517	945	**2,646**	**27**
Balance, end of year	¥ 37,704	¥ 38,649	**¥ 41,295**	**$ 413**
Unappropriated retained earnings:				
Balance, beginning of year	¥1,142,032	¥1,456,781	**¥1,838,742**	**$18,387**
Cumulative effect of changes in accounting principles, net of tax (Notes 2.j and 13)		(4,563)		
Net income	353,286	415,518	**462,788**	**4,628**
Total	1,495,318	1,867,736	**2,301,530**	**23,015**
Deduct:				
Cash dividends paid (annual rate per share: 2006—¥25.0; 2007—¥40.0; 2008—¥54.0—$0.54)	40,546	67,475	**89,937**	**899**
Transfer to retained earnings appropriated for legal reserve	517	945	**2,646**	**27**
Total	41,063	68,420	**92,583**	**926**
The effect of change in fiscal year-end of certain subsidiaries, net of tax (Notes 2.y and 13)	2,526	39,426		
Balance, end of year	¥1,456,781	¥1,838,742	**¥2,208,947**	**$22,089**
Accumulated other comprehensive income (loss) (net of tax):				
Balance, beginning of year	¥ 29,274	¥ 447,903	**¥ 628,119**	**$ 6,281**
Other comprehensive income (loss)	417,984	168,186	**(315,043)**	**(3,150)**
Adjustment to initially apply SFAS No. 158 (Notes 2.k and 13)		2,948		
The effect of change in fiscal year-end of certain subsidiaries (Notes 2.y and 13)	645	9,082		
Balance, end of year	¥ 447,903	¥ 628,119	**¥ 313,076**	**$ 3,131**
Treasury stock:				
Balance, beginning of year	¥ (930)	¥ (1,117)	**¥ (1,386)**	**$ (14)**
Purchases—net (Note 18)	(187)	(269)	**(150,118)**	**(1,501)**
Balance, end of year	¥ (1,117)	¥ (1,386)	**¥ (151,504)**	**$ (1,515)**
Total shareholders' equity	¥2,390,687	¥2,957,728	**¥2,873,210**	**$28,732**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Mitsubishi Corporation and Subsidiaries
Years Ended March 31, 2006, 2007 and 2008

	Millions of Yen			Millions of U.S. Dollars (Note 1)
	2006	2007	**2008**	**2008**
Operating activities:				
Net income	¥ 353,286	¥ 415,518	**¥ 462,788**	**$ 4,628**
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	127,043	135,631	**154,277**	**1,543**
Provision (credit) for doubtful receivables	4,646	1,298	**(3,909)**	**(39)**
Provision for accrued pension and severance liabilities	23,391	16,391	**16,633**	**166**
Gain on marketable securities and investments—net	(51,664)	(85,649)	**(48,743)**	**(487)**
Loss on property and equipment—net	2,143	3,086	**5,882**	**59**
Equity in earnings of affiliated companies, less dividends received	(53,063)	(61,573)	**(43,498)**	**(434)**
Deferred income taxes	33,278	35,980	**(29,886)**	**(299)**
Changes in operating assets and liabilities:				
Short-term investments—trading securities	(13,349)	24,692	**6,005**	**60**
Notes and accounts receivable—trade	(140,737)	(203,183)	**(64,876)**	**(649)**
Inventories	(125,357)	(74,316)	**(156,063)**	**(1,561)**
Notes, acceptances and accounts payable—trade	160,789	185,846	**4,437**	**44**
Advance payments to suppliers	18,406	(1,473)	**(24,082)**	**(241)**
Advances from customers	488	(6,528)	**40,262**	**402**
Other accounts receivable	(7,460)	27,866	**(35,425)**	**(354)**
Other accounts payable	44,161	(17,313)	**34,165**	**341**
Other accrued expenses	3,616	267	**4,073**	**41**
Other current assets	(21,404)	(16,372)	**(64,219)**	**(642)**
Other current liabilities	59,714	47,101	**(6,837)**	**(68)**
Other long-term liabilities	(26,037)	(4,170)	**32,081**	**321**
Other—net	(7,612)	17,335	**36,003**	**360**
Net cash provided by operating activities	384,278	440,434	**319,068**	**3,191**
Investing activities:				
Expenditures for property and equipment and other assets	(220,635)	(166,104)	**(358,205)**	**(3,582)**
Proceeds from sales of property and equipment	37,681	46,763	**32,028**	**320**
Investments in and advances to affiliated companies	(182,090)	(215,762)	**(239,267)**	**(2,393)**
Collection of advances to affiliated companies	62,760	120,065	**290,416**	**2,904**
Purchases of available-for-sale securities	(86,920)	(251,372)	**(97,860)**	**(978)**
Proceeds from sales and maturities of available-for-sale securities	241,525	162,100	**115,945**	**1,160**
Purchases of other investments	(51,267)	(26,561)	**(103,010)**	**(1,030)**
Proceeds from sales of other investments	29,641	34,342	**29,825**	**298**
Increase in loans receivable	(186,057)	(189,748)	**(240,556)**	**(2,406)**
Collection of loans receivable	224,100	194,417	**221,615**	**2,216**
Net decrease (increase) in time deposits	39,411	(2,757)	**(7,590)**	**(76)**
Net cash used in investing activities	(91,851)	(294,617)	**(356,659)**	**(3,567)**
Financing activities:				
Net increase (decrease) in short-term debt	(8,228)	(8,290)	**134,189**	**1,342**
Proceeds from long-term debt—net of issuance cost	488,262	487,006	**659,979**	**6,600**
Repayment of long-term debt	(665,106)	(497,099)	**(464,745)**	**(4,648)**
Payment of dividends	(40,546)	(67,475)	**(89,937)**	**(899)**
Payment of dividends to minority interests	(14,483)	(24,675)	**(22,342)**	**(223)**
Proceeds from issuing common stocks upon exercise of stock options	749	846	**1,013**	**10**
Payment due to repurchase of granted stock options (Note 23)		(56)		
Purchase of treasury stock—net	(63)	(48)	**(148,685)**	**(1,487)**
Net cash provided by (used in) financing activities	(239,415)	(109,791)	**69,472**	**695**
Effect of exchange rate changes on cash and cash equivalents	25,019	18,716	**(35,443)**	**(354)**
Effect of change in fiscal year-end of certain subsidiaries (Note 2.y)	(1,634)	49,846		
Net increase (decrease) in cash and cash equivalents	76,397	104,588	**(3,562)**	**(35)**
Cash and cash equivalents, beginning of year	572,705	649,102	**753,690**	**7,536**
Cash and cash equivalents, end of year	¥ 649,102	¥ 753,690	**¥ 750,128**	**$ 7,501**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Mitsubishi Corporation and Subsidiaries

1. NATURE OF OPERATIONS AND BASIS OF FINANCIAL STATEMENTS

Nature of Operations—Mitsubishi Corporation (the "parent company") and its consolidated domestic and foreign subsidiaries (together, the "companies") are diverse organizations engaged in a wide variety of activities on a global scale. The companies engage in general trading, including the purchase, supply and distribution, and manufacturing of a wide range of products, including energy, metals, machinery, chemicals and living essentials through the companies' domestic and overseas network. The companies are also involved in diverse business by actively investing in areas such as natural resources development and project development. The companies are also engaged in diversified businesses such as creating new business models in new energy and the environment, medical health care and new technology related businesses. Some of the companies' basic functions enhance the above activities and enable the companies to provide various services to customers.

Basis of Financial Statements—The accompanying consolidated financial statements are stated in Japanese yen, the currency of the country in which the parent company is incorporated and principally operates. The translation of Japanese yen amounts into United States dollar amounts with respect to the year ended March 31, 2008 is included solely for the convenience of readers outside Japan and has been made at the rate of ¥100=$1, the rate of exchange on March 31, 2008. Such translation should not be construed as a representation that the Japanese yen amounts could be converted into United States dollars at the above or any other rate.

The parent company and its subsidiaries in Japan maintain their records and prepare their financial statements in accordance with accounting principles generally accepted in Japan while its foreign subsidiaries maintain their records and prepare their financial statements in conformity with accounting principles generally accepted in the countries of their respective domiciles. Certain adjustments and reclassifications have been incorporated in the accompanying consolidated financial statements in order to conform with accounting principles generally accepted in the United States of America ("U.S. GAAP"). These adjustments have not been recorded in the statutory books of account.

"Operating transactions," as presented in the consolidated statements of income, is a voluntary disclosure commonly made by other Japanese trading companies and represents the gross transaction volume or the aggregate nominal value of the sales contracts in which the companies act as principal and transactions in which the companies serve as agent. Operating transactions exclude the contract value of transactions in which the companies' role is limited to that of a broker. Operating transactions are not meant to represent sales or revenues in accordance with U.S. GAAP and should not be construed as equivalent to, or a substitute or proxy for, revenues. However, Emerging Issues Task Force ("EITF"), in its discussion of the conclusions reached in EITF Issue No. 99-19, "Reporting Revenue Gross as a Principal versus Net as an Agent," stated: "Some Task Force members observed that the voluntary disclosure of operating transactions for those revenues reported net may be useful to users of financial statements." Management believes operating transactions information is useful to users of the financial statements.

Certain reclassifications of prior years' amounts have been made to conform to the presentation for 2008.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies applied in the preparation of the accompanying consolidated financial statements are summarized below:

a. Consolidation and Investments in Subsidiaries and Affiliated Companies—

The consolidated financial statements include the accounts of the parent company and its majority-owned domestic and foreign subsidiaries. In addition, the companies consolidate variable interest entities ("VIEs") where the companies are the primary beneficiary, which will absorb a majority of the VIE's expected losses or residual returns if they occur, under the Financial Accounting Standards Board ("FASB") Interpretation ("FIN") No. 46, "Consolidation of Variable Interest Entities," as revised in December 2003 ("FIN No. 46R"). See Note 24 for additional information of the companies' involvement in VIEs. Unincorporated joint ventures, where the companies hold an undivided interest in the assets and are proportionately liable for the liabilities, are proportionately consolidated by the companies. Affiliated companies consist of companies owned 20% to 50%, certain companies owned less than 20% over which the companies exert significant influence, and corporate joint ventures. Investments in affiliated companies are accounted for by the equity method. All significant intercompany accounts and transactions have been eliminated.

The accounts of certain subsidiaries with a fiscal year end on or after December 31, but prior to the parent company's fiscal year end of March 31, are consolidated on the basis of the subsidiaries' respective fiscal year end. There were no significant events that occurred during the intervening period that would require adjustment to or disclosure in the accompanying consolidated financial statements.

A subsidiary or affiliated company may issue its shares to third parties at amounts per share in excess of or less than the companies' average per share carrying value. With respect to such transactions, the resulting gains or losses arising from the change in ownership are recorded in income in the year in which such shares are issued.

b. Foreign Currency Translation—
Foreign currency financial statements have been translated in accordance with Statement of Financial Accounting Standards ("SFAS") No. 52, "Foreign Currency Translation." Pursuant to this statement, the assets and liabilities of foreign subsidiaries and affiliated companies are translated into Japanese yen at the respective year end exchange rates. All income and expense accounts are translated at average rates of exchange. The resulting translation adjustments, net of tax, are included in accumulated other comprehensive income (loss) ("AOCI"). Foreign currency receivables and payables are translated into Japanese yen at year end exchange rates and resulting exchange gains or losses are recognized in earnings, which are included in "Other expense (income) —net" in the consolidated statements of income.

c. Short-term Investments and Other Investments—
All debt securities and marketable equity securities are classified under the provisions of SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities" as: trading securities, which are accounted for at fair value with unrealized gains and losses included in earnings, or available-for-sale securities, which are accounted for at fair value with unrealized gains and losses excluded from earnings and reported, net of tax, in AOCI until realized. The appropriateness of the classification is reassessed at each balance sheet date in accordance with SFAS No. 115.

The cost of securities sold is determined based on the average cost of the shares of each such security held at the time of sale.

The companies review the fair value of available-for-sale investments on a regular basis to determine if the fair value of any individual investment has declined below its cost and if such decline is other-than-temporary. If the decline in value is judged to be other-than-temporary, the cost basis of the investment is written down to fair value. Other-than-temporary declines in value are evaluated based on various factors such as the length of the time and the extent to which the market value has been less than cost, the financial condition and near-term prospects of the issuer, and the intent and ability to retain the investment for a period of time sufficient to allow for any anticipated recovery in market value. The resulting realized loss is included in the consolidated statements of income in the period in which the decline was deemed to be other-than-temporary.

d. Allowance for Doubtful Receivables—
An allowance for doubtful receivables is established in amounts considered to be appropriate based primarily upon the companies' past credit loss experience and an evaluation of potential losses in the receivables outstanding.

For loans receivables, an allowance for doubtful receivables is recognized when it is probable that the companies will be unable to collect all amounts due according to the contractual terms of the agreement. The impairment is measured based on the present value of expected future cash flows discounted at the loan's effective interest rate (or, alternatively, at the observable market price of the receivable or the fair value of the underlying collateral).

e. Inventories—
Inventories, which mainly consist of commodities and materials, are stated at the lower of cost (principally on a moving-average basis or a specific-identification basis) or market (based on current replacement cost).

f. Property and Equipment—
Property and equipment are stated at cost. Depreciation of property and equipment other than mineral rights is computed principally under the declining-balance method for assets held by the parent company and domestic subsidiaries and under the straight-line method for assets held by foreign subsidiaries, based on the estimated useful lives of the assets ranging principally from 10 to 50 years for buildings, from 5 to 20 years for machinery and equipment and from 12 to 24 years for aircrafts and vessels. Mineral rights are amortized using the unit-of-production method based on the estimated proven or probable reserves. Leasehold improvements are amortized over the lesser of the useful life of the improvement or the term of the underlying lease. Significant renewals and additions are capitalized at cost. Maintenance and repairs, and minor renewals and betterments are charged to income as incurred.

g. Impairment of Long-lived Assets—
In accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," the companies review long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future net cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment loss is recognized in the amount by which the carrying amount of the assets exceeds the fair value of the assets. A long-lived asset to be disposed of by sale is reported at the lower of the carrying amount or fair value less costs to sell, and is no longer depreciated. A long-lived asset to be disposed of other than by sale is considered as held and used until disposed of.

h. Goodwill and Other Intangible Assets—
In accordance with SFAS No. 141, "Business Combinations," all business combinations are accounted for by the purchase method. Under SFAS No. 142, "Goodwill and Other Intangible Assets," goodwill (including equity method goodwill) and intangible assets with indefinite useful lives are not amortized, but are tested for impairment at least annually. Other intangible assets with finite useful lives are amortized over their respective estimated useful lives and reviewed for impairment in accordance with SFAS No. 144.

i. Oil and Gas Exploration and Development—
Oil and gas exploration and development costs are accounted for by the successful efforts method of accounting. The costs of acquiring properties, drilling and equipping exploratory wells, and development wells and related plants and equipment are capitalized and amortized using the unit-of-production method. Should the efforts to produce commercial reserves be determined unsuccessful, the exploratory well costs are charged to expense. Other exploration costs such as geological and geophysical costs are expensed as incurred. Proved properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable in accordance with SFAS No. 144. If the proved properties are determined to be impaired, an impairment loss is recognized based on the fair value. Unproved properties are assessed at least annually for impairment in accordance with the guidance in SFAS No. 19, "Financial Accounting and Reporting by Oil and Gas Producing Companies," with any impairment charged to expense.

j. Mining Operations—
Mining exploration costs are expensed as incurred until the mining project has been established as commercially viable by a final feasibility study. Once established as commercially viable, costs are capitalized as development costs and are amortized using the unit-of-production method based on the proven and probable reserves.

In accordance with EITF Issue No. 04-6, "Accounting for Stripping Costs Incurred During Production in the Mining Industry," the stripping costs incurred during production phase of the mine is accounted 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 Issue 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 year ended March 31, 2007. As a result, "Unappropriated retained earnings" decreased by ¥4,563 million.

k. Employees' Benefit Plans—
The companies have defined benefit pension plans, defined contribution pension plans and/or unfunded severance indemnity plans. The costs of defined benefit pension plans are accrued based on amounts determined using actuarial methods. The costs of severance indemnity plans are principally accrued based on the vested benefit obligation, which is the amount required to be paid if all employees covered by the severance indemnity plans voluntarily terminated their employment at each balance sheet date.

Effective March 31, 2007, the companies adopted SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans—an amendment of FASB Statements No. 87, 88, 106, and 132(R)," the companies recognized the funded status of the benefit plans, which is the difference between the fair value of plan assets and benefit obligations. By adopting SFAS No. 158, the companies recognized previously unrecognized gains (losses) and prior service costs (credits) as a component of AOCI, net of tax, on March 31, 2007. As a result, "Accumulated other comprehensive income (loss) (net of tax)" increased by ¥2,948 million.

l. Asset Retirement Obligation—
In accordance with SFAS No. 143, "Accounting for Asset Retirement Obligations," the companies record the fair value of a liability for an asset retirement obligation in the period in which it is incurred and a corresponding increase in the related long-lived asset. Over the time, the liability is accreted to its present value each period and the asset is depreciated over its useful life.

m. Costs Associated with Exit or Disposal Activities—
Costs associated with an exit or disposal activity are accounted for in accordance with SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." Under the Statement, a liability for a cost associated with an exit or disposal activity is recognized when the liability is incurred rather than the date of an entity's commitment to an exit plan.

n. Stock-based Compensation—
The companies recognize compensation cost in accordance with SFAS No. 123 (revised 2004), "Share-Based Payment" ("SFAS No. 123R") in the financial statements over the period that an employee provides service in exchange for the award. The amount of compensation cost is measured based on the grant-date fair value of the equity instrument issued. Upon application of SFAS No. 123R, the companies used the modified-prospective application method. See Note 23.

o. Revenue Recognition—
The companies recognize revenues when they are realized or realizable and earned. Revenues are realized or realizable and earned when the companies have persuasive evidence of an arrangement, the goods have been delivered or the services have been rendered to the customer, the sales price is fixed or determinable and collectibility is reasonably assured. In addition to this general policy, the following are specific revenue recognition policies.

Revenues from trading, manufacturing and other activities—
The companies derive revenues from trading, manufacturing and other activities. Manufacturing and other activities are typically conducted through consolidated subsidiaries.

Trading Activities—The companies derive revenues from margins related to various trading transactions in which they act as a principal, carry commodity inventory, and make a profit or loss on the spread between bid and asked prices for commodities.

Manufacturing Activities—Manufacturing activities include the manufacture of a wide variety of products, such as electronics, metals, machinery, chemicals and general consumer merchandise, and the development of natural resources.

Revenues from trading and manufacturing activities are recognized at the time the delivery conditions as agreed to by customers are met. These conditions are usually considered to have been met when the goods are received by the customer, title to the warehouse receipts are transferred, or the implementation testing is duly completed and any future obligations are perfunctory and do not affect the customer's final acceptance of the arrangement.

For long-term construction businesses, depending on the nature of the contract, revenues from long-term construction projects are accounted for by the completed contract method, unless costs to complete and extent of progress toward completion of long-term contracts are reasonably dependable, in which case the companies use the percentage-of-completion method.

Other Activities—Other activities consist of services, and rental or leasing activities. Service-related activities include performance of various services such as financial and logistics services, information and communications, technical support and other service-related activities.

The companies are also engaged in certain rental or leasing properties, including office buildings, aircrafts and other industrial assets.

Revenues from service-related activities are recorded as revenue when the contracted services are rendered to third-party customers pursuant to the agreement. Revenues from rental or leasing activities are recognized over the terms of the underlying leases on a straight-line basis.

Trading margins and commissions on trading transactions—
The companies derive revenues from margins and commissions related to various trading transactions in which they act as a principal or an agent. Through the companies' trading activities, they facilitate their customers' purchases and sales of commodities and other products and charge a commission for this service. The trading margins and commissions are recognized when the companies have met the general policy conditions as stated above.

p. Advertising Costs—
Advertising costs are expensed when incurred. Advertising costs for the years ended March 31, 2006, 2007 and 2008 were ¥6,440 million, ¥9,504 million and ¥17,070 million ($171 million), respectively.

q. Research and Development Costs—
Research and development costs are charged to expense when incurred. Research and development costs for the years ended March 31, 2006, 2007 and 2008 were ¥2,274 million, ¥2,734 million and ¥3,213 million ($32 million), respectively.

r. Income Taxes—
The provision for income taxes is computed based on "Income from continuing operations before income taxes" in the accompanying consolidated statements of income. The tax effects of temporary differences between the financial statements and income tax basis of assets and liabilities as well as operating loss carryforwards are recognized as deferred income taxes, using enacted tax rates applicable to the periods in which the differences are expected to affect taxable income. A valuation allowance is provided for any portion of the deferred tax assets where it is considered more-likely-than-not that they will not be realized.

Effective April 1, 2007, the companies adopted FIN No. 48, "Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109," and recognized the financial statement effects of tax positions when they are more-likely-than-not, based on the technical merits, that the tax positions will be sustained upon examination by the tax authorities. Benefits from tax positions that meet the more-likely-than-not recognition threshold are measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon settlement. Interest and penalties accrued related to unrecognized tax benefits are included in income taxes in the consolidated statements of income.

s. Derivatives—
The companies utilize derivative instruments primarily to manage interest rate risks, reduce exposure to movements in foreign exchange rates, and to hedge various inventory and trading commitments. In accordance with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 138, No. 149 and No. 155 (collectively, "SFAS No. 133"), all derivative instruments are reported on the balance sheet at fair value. SFAS No. 133 establishes criteria for designation and effectiveness of hedging relationships.

Generally, on the date on which the derivative contract is executed, the companies designate such derivative as either a fair value hedge or a cash flow hedge to the extent that hedging criteria are met. Changes in the fair values of derivatives that are designated as fair value hedges are recognized in earnings as offsets to the changes in fair value of related hedged assets, liabilities and firm commitments. Changes in the fair values of derivatives that are designated as cash flow hedges are deferred and recorded as a component of AOCI until the hedged transactions occur and are recognized in earnings. Changes in fair value of derivatives not designated as hedging instruments and those held or issued for trading purposes are recorded currently in earnings. See Note 10.

t. Use of Estimates in the Preparation of the Financial Statements—
The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported therein. Due to the inherent uncertainty involved in making estimates, actual results could differ from those estimates. Significant estimates underlying the accompanying consolidated financial statements include the allowance for doubtful accounts, valuation of investments, valuation of long-lived assets, pension, asset retirement obligations and uncertain tax positions.

u. Earnings per Share ("EPS")—
Basic EPS is computed by dividing net income by the weighted average number of common shares outstanding during each year. Diluted EPS is computed by using the weighted average number of common shares outstanding adjusted to include the potentially dilutive effect of stock options and convertible bonds that were outstanding during the year. See Note 19.

v. Consolidated Statements of Cash Flows—
For purposes of the consolidated statements of cash flows, cash equivalents are defined as highly liquid investments, including short-term time deposits, which are readily convertible into cash and have no significant risk of changes in value.

Additional cash flow information was as follows:

	Millions of Yen			Millions of U.S. Dollars
	2006	2007	**2008**	**2008**
Cash paid during the year for:				
Interest (net of amounts capitalized)	¥ 50,953	¥ 73,536	**¥ 83,010**	**$ 830**
Income taxes	133,095	195,661	**283,242**	**2,832**
Non-cash investing and financing activities:				
Exchange of shares in connection with business combinations and reorganizations involving investees:				
Fair market value of shares received	719	4,060	**896**	**9**
Cost of shares surrendered	189	888	**105**	**1**
Acquisition of subsidiaries:				
Fair value of assets acquired (including goodwill)	138,080	143,541	**243,647**	**2,436**
Fair value of liabilities assumed	106,657	102,069	**165,866**	**1,659**
Minority interests assumed	4,921	11,162	**43,648**	**436**
Cash paid-net	26,502	30,310	**34,133**	**341**
Acquisition of investment by business split-off:				
Transferred assets		77,296		
Transferred liabilities		68,609		
Acquired investment		8,687		
Issuance of common stock upon conversion of convertible bonds	141,476	1,974	**4,180**	**42**

w. Guarantees—
In accordance with FIN No. 45, "Guarantor's Accounting and Disclosure Requirement for Guarantees, Including Indirect Guarantees of Indebtedness of Others—an Interpretation of FASB Statements No. 5, 57 and 107 and rescission of FASB Interpretation No. 34," the companies recognize, at the inception of a guarantee, a liability for fair value of the obligation undertaken for the guarantee.

x. Discontinued Operations—
In accordance with SFAS No. 144, the companies present the results of discontinued operations as a separate line item in the Consolidated Statements of Income under loss from discontinued operations, net of taxes. See Note 16.

y. Change of Subsidiaries' Fiscal Year Ends—
For the years ended March 31, 2006, 2007 and 2008, certain subsidiaries changed their fiscal year ends to March 31, primarily from December 31, to conform the subsidiaries' year ends to that of the parent company.

For the years ended March 31, 2006 and 2007, the earnings or losses of the subsidiaries for the stub period in excess of 12 months were directly credited or charged to "Unappropriated retained earnings." The other comprehensive income and cash flows of the subsidiaries for the stub period are separately presented in the consolidated statements of shareholders' equity and the consolidated statements of cash flows, respectively.

Effective April 1, 2007, the companies adopted EITF Issue 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." It requires that a parent report the elimination of a previously existing difference between the parent's reporting period and the reporting period of a consolidated entity in the parent's consolidated financial statements as a change in accounting principle in accordance with provisions of 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. Accordingly, the parent company has retrospectively adjusted the prior periods' consolidated financial statements to reflect the effect of the change of the subsidiaries' fiscal year ends which occurred for the year ended March 31, 2008.

The effect of the retrospective application was as follows:

	Millions of Yen			
	2006		2007	
	As Originally Reported*	As Adjusted	As Originally Reported*	As Adjusted
Consolidated Balance Sheets:				
Total assets	¥10,411,241	¥10,375,304	¥11,485,664	¥11,495,527
Total liabilities	7,764,285	7,719,523	8,217,662	8,230,339
Minority interests	267,692	265,094	317,071	307,460
Total shareholders' equity	2,379,264	2,390,687	2,950,931	2,957,728
Consolidated Statements of Income:				
Net income from continuing operations	353,708	356,949	421,122	420,745
Net income	350,045	353,286	415,895	415,518
Consolidated Statements of Cash Flows:				
Operating activities	348,209	384,278	479,104	440,434
Investing activities	(94,471)	(91,851)	(281,640)	(294,617)
Financing activities	(199,811)	(239,415)	(157,567)	(109,791)
Cash and cash equivalents, end of year	646,317	649,102	754,776	753,690
	Yen			
Earnings per share:				
Net income from continuing operations				
Basic	¥217.63	¥219.63	¥249.61	¥249.39
Diluted	207.78	209.69	248.26	248.04
Net income				
Basic	215.38	217.38	246.52	246.30
Diluted	205.62	207.53	245.18	244.96

* After reflecting the effect of the discontinued operations and certain reclassifications.
As a result of the retrospective application, retained earnings as of April 1, 2005, increased from ¥1,175,682 million as originally reported, to ¥1,179,219 million.

z. New Accounting Standards—
In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." SFAS No. 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. The companies will adopt SFAS No. 157 as of April 1, 2008. The companies expect the adoption of SFAS No. 157 will not have a material effect on the companies' consolidated financial position and results of operations.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115." SFAS No. 159 provides companies with an option to report selected financial assets and liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected will be recognized in earnings. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. The companies will adopt SFAS No. 159 as of April 1, 2008. The companies expect the adoption of SFAS No. 159 will not have a material effect on the companies' consolidated financial position and results of operations.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), "Business Combinations" ("SFAS No. 141R"). SFAS No. 141R establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any noncontrolling interest in the acquiree and the goodwill acquired. SFAS No. 141R also establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. SFAS No. 141R is effective for fiscal years beginning after December 15, 2008. The companies will adopt SFAS No. 141R as of April 1, 2009. The companies are currently reviewing SFAS No. 141R to estimate its impact on the companies' consolidated financial position and results of operations.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51." SFAS No. 160 establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the noncontrolling interest, changes in a parent's ownership interest, and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated. SFAS No. 160 also establishes disclosure requirements that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. SFAS No. 160 is effective for fiscal years beginning after December 15, 2008. The companies will adopt SFAS No. 160 as of April 1, 2009. The companies are currently reviewing SFAS No. 160 to estimate its impact on the companies' consolidated financial position and results of operations.

3. ACQUISITIONS

Private Equity Portfolio Companies in North America—One of the U.S. subsidiaries, which is in the business of acquiring private equity portfolio companies, acquired the following two companies during the year ended March 31, 2007: (1) Avon Automotive Holdings, Inc., a company involved in the manufacture of rubber and polymer products primarily for the automotive industry, and (2) P&O Packaging, Ltd., a company involved in the manufacture and marketing of polyethylene film for sale to the packaging and film converting industries.

The aggregate fair value of the acquired net assets was ¥12,974 million and the aggregate purchase price was ¥16,873 million. The value assigned to the acquired intangible assets was ¥1,362 million which consisted primarily of customer relationships of ¥1,199 million, and is being amortized on straight-line basis ranging between 13 and 15 years. Goodwill of ¥3,899 million was recognized at the date of acquisition. The goodwill has been assigned to the Other segment.

Nosan Corporation—In June 2007, the parent company acquired a 34.05% equity interest in Nosan Corporation, a company mainly involved in manufacturing assorted feed for livestock, through its tender offer. Prior to the acquisition, the companies owned a 22.17% interest of Nosan Corporation which was accounted for by the equity method. As a result of the tender offer, the companies' controlling interest of Nosan Corporation increased to 56.22% making it a consolidated subsidiary. The acquisition will enable the companies to further strengthen the integrated business structure from upstream to downstream by leveraging the advantages of Nosan Corporation's expertise in animal feed technology development and production technology as well as production infrastructure, together with the companies' expertise in procuring raw materials for animal feed, meat production and processing technology as well as expertise in selling meat.

For the year ended March 31, 2008, the acquisition was accounted for in accordance with SFAS No. 141, and accordingly, the acquisition cost of ¥15,793 million ($158 million) has been allocated to the assets acquired and the liabilities assumed based on their respective fair values at the date of acquisition. Total amounts assigned to the acquired assets and the assumed liabilities at the date of acquisition were ¥74,406 million ($744 million) and ¥42,412 million ($424 million), respectively. The companies also recognized goodwill of ¥8,028 million ($80 million) at the date of acquisition. The goodwill has been assigned to the Living Essentials segment. The acquisition cost was determined based on the overall assessment, including evaluation report by the financial advisor, using the discounted cash flow method and others, and the results of due diligence on Nosan Corporation. The results of operations of Nosan Corporation have been included in the companies' consolidated statement of income since the acquisition date.

Kentucky Fried Chicken Japan—In December 2007, the parent company acquired a 33.15% equity interest in Kentucky Fried Chicken Japan, a company involved in distribution of fried chicken, processed chicken and pizza, through its tender offer. Prior to the acquisition, the companies owned a 31.11% interest of Kentucky Fried Chicken Japan which was accounted for by the equity method. As a result of the tender offer, the companies' controlling interest of Kentucky Fried Chicken Japan increased to 64.26% making it a consolidated subsidiary. The acquisition will enable the companies to further expand profits and improve corporate value of Kentucky Fried Chicken Japan by enhancing human resource, supporting raw material procurement, logistics, product development, marketing and pursuing synergies with the companies.

For the year ended March 31, 2008, the acquisition was accounted for in accordance with SFAS No. 141, and accordingly, the acquisition cost of ¥14,971 million ($150 million) has been allocated to the assets acquired and the liabilities assumed based on their respective fair values at the date of acquisition. Total amounts assigned to the acquired assets and the assumed liabilities at the date of acquisition were ¥48,386 million ($484 million) and ¥17,594 million ($176 million), respectively. In connection with the acquisition, the companies recognized intangible assets subject to amortization which are franchise agreements of ¥7,274 million ($73 million). The franchise agreements will continue to be amortized on a straight-line basis over their estimated useful lives of 17 years. The companies also recognized goodwill of ¥3,315 million ($33 million) at the date of acquisition. The goodwill has been assigned to the Living Essentials segment. The acquisition cost was determined based on the evaluation report on Kentucky Fried Chicken Japan by the financial advisor, using the market price analysis and others. The results of operations of Kentucky Fried Chicken Japan have been included in the companies' consolidated statement of income since the acquisition date.

Automotive brake hose business—In January 2008, the parent company acquired the three companies, Flexitech Europe SAS (France), Flexitech RO S.R.L. (Romania) and Flexitech, Inc. (USA), which are involved in the automotive brake hose business, through the newly established holding company in Japan. These acquisitions will enable the companies to play a leading role in the movement toward worldwide reorganization of the automotive brake hose business.

The aggregate fair value of the acquired net assets was ¥2,119 million ($21 million), excluding the minority interest of ¥711 million ($7 million), and the aggregate purchase price was ¥7,301 million ($73 million). Goodwill of ¥5,182 million ($52 million) was recognized at the date of acquisition. The goodwill has been assigned to the Industrial Finance, Logistics & Development segment.

4. SHORT-TERM INVESTMENTS AND OTHER INVESTMENTS

Debt and Marketable Equity Securities—Pursuant to SFAS No. 115, substantially all of the companies' debt securities, principally corporate bonds and commercial paper, and marketable equity securities, were classified as available-for-sale except for certain items categorized as trading securities. Information regarding each category of securities classified as trading and available-for-sale at March 31, 2007 and 2008 was as follows:

	Millions of Yen			
March 31, 2007	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities classified as:				
Trading				¥ 86,772
Available-for-sale:				
Equity securities	¥538,924	¥1,116,677	¥(759)	1,654,842
Debt securities	446,329	5,704	(300)	451,733

	Millions of Yen			
March 31, 2008	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities classified as:				
Trading				**¥ 63,135**
Available-for-sale:				
Equity securities	**¥596,572**	**¥837,234**	**¥(24,187)**	**1,409,619**
Debt securities	**316,453**	**765**	**(7,824)**	**309,394**

	Millions of U.S. Dollars			
March 31, 2008	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities classified as:				
Trading				**$ 631**
Available-for-sale:				
Equity securities	**$5,966**	**$8,372**	**$(242)**	**14,096**
Debt securities	**3,165**	**7**	**(78)**	**3,094**

The carrying amounts of available-for-sale securities included in cash and cash equivalents in the consolidated balance sheets were ¥212,566 million and ¥127,620 million ($1,276 million) for the years ended March 31, 2007 and 2008, respectively.

The carrying values of debt securities classified as available-for-sale at March 31, 2008, by contractual maturity, were as follows:

	Millions of Yen	Millions of U.S. Dollars
Due in one year or less	**¥151,814**	**$1,518**
Due after one year through five years	**91,042**	**910**
Due after five years through ten years	**63,284**	**633**
Due after ten years	**3,254**	**33**
Total	**¥309,394**	**$3,094**

Proceeds from sales and gross realized gains and losses on available-for-sale securities for the years ended March 31, 2006, 2007 and 2008 were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2006	2007	**2008**	**2008**
Proceeds from sales	¥241,525	¥162,100	**¥115,945**	**$1,159**
Gross realized gains	¥ 38,317	¥ 35,652	**¥ 27,106**	**$ 271**
Gross realized losses	(838)	(345)	**(1,102)**	**(11)**
Net realized gains	¥ 37,479	¥ 35,307	**¥ 26,004**	**$ 260**

The changes in net unrealized holding gains and losses on trading securities that were included in earnings were gains of ¥10,306 million, ¥1,874 million and ¥2,894 million ($29 million), for the years ended March 31, 2006, 2007 and 2008, respectively.

For the years ended March 31, 2006, 2007 and 2008, losses of ¥572 million, ¥2,568 million and ¥9,382 million ($94 million), respectively, were recognized on write-downs of available-for-sale securities to reflect the decline in market value considered to be other-than-temporary.

The following table sets forth gross unrealized losses and the fair value of the companies' investments which have unrealized losses that are not deemed to be other-than-temporary, aggregated by investment category and by the length of time that individual securities have been in a continuous unrealized loss position, at March 31, 2007 and 2008:

	Millions of Yen					
	Less than 12 Months		12 Months or Longer		Total	
March 31, 2007	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Marketable equity securities	¥ 5,289	¥(652)	¥ 639	¥(88)	¥ 5,928	¥ (740)
Debt securities	17,939	(293)	8,261	(7)	26,200	(300)
Total	¥23,228	¥(945)	¥8,900	¥(95)	¥32,128	¥(1,040)

	Millions of Yen					
	Less than 12 Months		12 Months or Longer		Total	
March 31, 2008	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Marketable equity securities	**¥101,030**	**¥(23,684)**	**¥ 2,319**	**¥(503)**	**¥103,349**	**¥(24,187)**
Debt securities	**110,269**	**(7,351)**	**12,404**	**(473)**	**122,673**	**(7,824)**
Total	**¥211,299**	**¥(31,035)**	**¥14,723**	**¥(976)**	**¥226,022**	**¥(32,011)**

	Millions of U.S. Dollars					
	Less than 12 Months		12 Months or Longer		Total	
March 31, 2008	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Marketable equity securities	**$1,010**	**$(237)**	**$ 23**	**$ (5)**	**$1,033**	**$(242)**
Debt securities	**1,103**	**(73)**	**124**	**(5)**	**1,227**	**(78)**
Total	**$2,113**	**$(310)**	**$147**	**$(10)**	**$2,260**	**$(320)**

Marketable equity securities—The companies' unrealized losses on investments in marketable equity securities mainly relate to common stock of approximately 250 customers and suppliers of the companies. The unrealized losses were due to changes in market prices. The fair value of individual investments is approximately 1% to 49% less than cost. Based on the companies' ability and intent to hold the investment for a reasonable period of time sufficient for a recovery of fair value and the fact that the domestic stock market may show gradually a certain level of recovery in comparison with the initial phase of the market slide despite the international financial disruptions in the middle of the year ended March 31, 2008, the companies do not consider these investments to be other-than-temporarily impaired at March 31, 2008.

Debt securities—The companies' unrealized losses on investments in debt securities, which relate to approximately 70 corporate bonds with individual fair value of approximately 0.2% to 30% less than cost, were ¥7,824 million ($78 million) at March 31, 2008. The unrealized losses were mainly caused by excessive credit contraction because of the international financial disruptions in the middle of the year ended March 31, 2008, however, as a part of their ongoing review process, the companies currently do not believe that it is probable that it will be unable to collect all amounts due according to the contractual terms of the investment. The companies have the ability and intent to hold these investments for a period of time sufficient for a recovery of fair value. Therefore, the companies do not consider these investments to be other-than-temporarily impaired at March 31, 2008.

In connection with certain business combinations and reorganizations undertaken by entities in which the parent company held shares, the parent company recognized gains or losses on the exchange of its investment for the acquiree's shares, based on the difference between the fair value of the acquirer's shares and the recorded basis of the shares surrendered, amounting to net gains of ¥530 million, ¥3,172 million and ¥791 million ($8 million) for the years ended March 31, 2006, 2007 and 2008, respectively.

Investments Other than Debt and Marketable Equity Securities—Other investments include investments in non-marketable equity securities of unaffiliated customers, suppliers and certain financial institutions, which include certain preferred stocks, amounting to ¥273,992 million and ¥508,983 million ($5,090 million) at March 31, 2007 and 2008, respectively. Other investments also include guarantee deposits, investments in non-current time deposits, etc., amounting to ¥61,897 million and ¥75,069 million ($751 million) at March 31, 2007 and 2008, respectively.

Investments in non-marketable equity securities of unaffiliated companies are carried at cost ("cost-method investments"), as fair value is not readily determinable. However, if there are identified events or circumstances that have a significant adverse effect on the fair value of an investment, the fair value is estimated to have declined and such decline is judged to be other-than-temporary, the investment is written down to its estimated fair value.

Cost-method investments of ¥269,262 million and ¥505,782 million ($5,058 million) at March 31, 2007 and 2008, respectively, were not evaluated for impairment since there were no identified events or circumstances that could have had a significant adverse effect on fair values of investments and the companies determined that it was not practicable to estimate the fair values of the investments.

Impairment losses recognized for cost-method investments were ¥7,497 million, ¥1,698 million and ¥5,518 million ($55 million) for the years ended March 31, 2006, 2007 and 2008, respectively.

5. INVESTMENTS IN AND ADVANCES TO AFFILIATED COMPANIES

Affiliated companies consist of companies owned 20% to 50%, certain companies owned less than 20% over which the companies exert significant influence, and corporate joint ventures. Investments in affiliated companies are accounted for by the equity method.

Such investments include, but are not limited to, the companies' investments in LAWSON, INC. ("LAWSON," 32.68%), Japan Australia LNG (MIMI) Pty, Ltd. (50.00%), ONEENERGY LIMITED (50.00%), MI Berau B.V. ("MI Berau," 56.00%), HOKUETSU PAPER MILLS, LTD. (24.09%), SPDC Ltd. (30.39%), MOZAL S.A.R.L. (25.00%) and ENCORE ENERGY (39.40%).

The affiliated companies operate mainly in the manufacturing, resource development and service industries, and substantially participate in the companies' operating transactions as either purchasers or suppliers. Such companies principally operate in Japan, Asia, Oceania, Europe and North America.

Investments in and advances to affiliated companies at March 31, 2007 and 2008 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2007	**2008**	**2008**
Investments in capital stock	¥1,266,167	**¥1,040,575**	**$10,406**
Advances	38,782	**43,818**	**438**
Total	¥1,304,949	**¥1,084,393**	**$10,844**

Investments in capital stock include ¥105,229 million and ¥119,328 million ($1,193 million) at March 31, 2007 and 2008, respectively, representing the balance of goodwill.

Investments in capital stock of affiliated companies included marketable equity securities with carrying amounts of ¥268,672 million and ¥260,157 million ($2,602 million), which included capital stock of LAWSON of ¥131,230 million and ¥134,563 million ($1,346 million), at March 31, 2007 and 2008, respectively. Corresponding aggregate quoted market values were ¥302,933 million and ¥244,075 million ($2,441 million), which included LAWSON with quoted market values of ¥146,769 million and ¥142,881 million ($1,429 million) at March 31, 2007 and 2008, respectively.

The companies hold a 56% ownership interest in MI Berau, a Netherlands corporation, a joint venture participating in the Tangguh LNG Project in Indonesia, with INPEX CORPORATION ("INPEX"), a minority shareholder holding a 44% ownership interest. Under the joint venture agreement with INPEX, significant decisions regarding MI Berau's operations require unanimous consent by the companies and INPEX.

The rights given to INPEX in the joint venture agreement are considered as substantive participating rights, and control over the operations or assets of MI Berau no longer rests with the companies. Accordingly, the companies account for MI Berau by equity method which is in accordance with EITF Issue No. 96-16, "Investor's Accounting for an Investee When the Investor Has a Majority of the Voting Interest but the Minority Shareholder or Shareholders Have Certain Approval or Veto Rights."

Certain financial information with respect to the affiliated companies, which are accounted for by the equity method, for the years ended March 31, 2006, 2007 and 2008 is presented below:

	Millions of Yen		Millions of U.S. Dollars
	2007	**2008**	**2008**
Current assets	¥2,595,360	**¥2,599,353**	**$25,994**
Property and equipment—net	4,123,287	**2,776,518**	**27,765**
Other assets	1,353,182	**1,406,264**	**14,062**
Total assets	¥8,071,829	**¥6,782,135**	**$67,821**
Current liabilities	¥2,328,111	**¥2,186,843**	**$21,868**
Non-current liabilities	1,590,735	**1,694,365**	**16,943**
Minority interest	32,697	**171,459**	**1,715**
Shareholders' equity	4,120,286	**2,729,468**	**27,295**
Total liabilities and shareholders' equity	¥8,071,829	**¥6,782,135**	**$67,821**

	Millions of Yen			Millions of U.S. Dollars
	2006	2007	**2008**	**2008**
Revenues	¥3,884,096	¥4,757,672	**¥4,991,267**	**$49,913**
Gross profit	¥1,370,868	¥1,564,962	**¥1,602,852**	**$16,029**
Net income	¥ 379,294	¥ 464,788	**¥ 487,203**	**$ 4,872**

Revenues from affiliated companies for the years ended March 31, 2006, 2007 and 2008 were ¥249,582 million, ¥307,672 million and ¥363,217 million ($3,632 million), respectively, and purchases from affiliated companies for the years ended March 31, 2006, 2007 and 2008 were ¥486,926 million, ¥552,419 million and ¥666,893 million ($6,669 million), respectively.

Dividends received from affiliated companies for the years ended March 31, 2006, 2007 and 2008 were ¥65,948 million, ¥85,282 million and ¥105,460 million ($1,055 million), respectively.

6. ALLOWANCE FOR DOUBTFUL RECEIVABLES

Analyses of the allowance for doubtful receivables for the years ended March 31, 2006, 2007 and 2008 are as follows:

	Millions of Yen			Millions of U.S. Dollars
	2006	2007	**2008**	**2008**
Balance at beginning of year	¥157,045	¥ 96,866	**¥ 81,946**	**$ 819**
Provision (credit) for doubtful receivables	4,646	1,298	**(3,909)**	**(39)**
Net charge-offs:				
Charge-offs	(74,076)	(20,683)	**(13,303)**	**(133)**
Recoveries	8,554	4,517	**4,940**	**49**
Total net charge-offs	(65,522)	(16,166)	**(8,363)**	**(84)**
Other*	697	(52)	**854**	**9**
Balance at end of year	¥ 96,866	¥ 81,946	**¥ 70,528**	**$ 705**

* "Other" principally includes the effect of consolidation/deconsolidation of certain subsidiaries and the effect of changes in foreign currency exchange rates.

At March 31, 2007 and 2008, the total recorded investment in loans that were considered to be impaired under SFAS No. 114, "Accounting by Creditors for Impairment of a Loan," including those trade receivables with terms exceeding one year, was ¥47,801 million and ¥38,470 million ($385 million), respectively, and the related allowance for credit losses provided at each year end was ¥41,137 million and ¥33,969 million ($340 million), respectively.

The average amounts of impaired loans during the years ended March 31, 2007 and 2008 were ¥57,751 million and ¥43,136 million ($431 million), respectively.

Interest income on impaired loans recognized for each of the three years in the period ended March 31, 2008 was not material. The companies generally recognize interest income on impaired loans on a cash basis.

7. PROPERTY AND EQUIPMENT

Property and equipment at March 31, 2007 and 2008 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2007	**2008**	**2008**
Real estate held for development and resale	¥ 80,598	**¥ 96,432**	**$ 964**
Land	263,881	**293,956**	**2,940**
Buildings, including leasehold improvements	594,724	**696,462**	**6,965**
Machinery and equipment	733,198	**899,523**	**8,995**
Aircrafts and vessels	367,865	**429,014**	**4,290**
Mineral rights	187,982	**261,365**	**2,614**
Projects in progress	55,446	**59,628**	**596**
Total	2,283,694	**2,736,380**	**27,364**
Less accumulated depreciation	(902,688)	**(1,125,759)**	**(11,258)**
Property and equipment—net	¥1,381,006	**¥ 1,610,621**	**$ 16,106**

Depreciation expense for the years ended March 31, 2006, 2007 and 2008 was ¥104,721 million, ¥111,110 million and ¥132,443 million ($1,324 million), respectively.

The impairment loss on long-lived assets for the year ended March 31, 2008 related principally to chemical products manufacturing equipment owned by a subsidiary, fuelling stations and land owned by a subsidiary. For the years ended March 31, 2006 and 2007, these losses were principally due to distribution centers, warehouses and land for lease owned by a subsidiary, equipment used in connection with a phone line project carried out by a subsidiary, and chemical products manufacturing equipment owned by a subsidiary. These impairments for the years ended March 31, 2006, 2007 and 2008 mainly related to declining profitability resulting from the deterioration of business environment caused by an increase in competition, and to changes in management policies of subsidiaries.

Impairment losses recognized for the years ended March 31, 2006, 2007 and 2008 were applicable to the following segments:

	Millions of Yen			Millions of U.S. Dollars
Segment	2006	2007	**2008**	**2008**
Business Innovation	¥ 15	¥ 26	**¥ 641**	**$ 6**
Industrial Finance, Logistics & Development	37	603		
Energy Business	693	1,227	**2,759**	**28**
Metals	267	6,066	**739**	**7**
Machinery	1,775	1,278	**797**	**8**
Chemicals		4,621	**4,892**	**49**
Living Essentials	2,509	277	**1,047**	**10**
Other*	3	(4,620)	**(2,954)**	**(29)**
Total	¥ 5,299	¥ 9,478	**¥ 7,921**	**$ 79**

* "Other" represents impairment losses attributable to the assets for corporate use which have not been allocated to specific operating segments, and reclassification to "Loss from discontinued operations (net of tax)."

These impairment losses were included in "Loss on property and equipment—net" in the accompanying consolidated statements of income and were determined by the difference between the carrying value and the estimated fair value of these assets. Estimated fair values of assets were primarily determined based on independent appraisals and discounted cash flow analyses.

Capitalized interest was ¥1,798 million, ¥42 million and ¥223 million ($2 million) for the years ended March 31, 2006, 2007 and 2008, respectively.

8. PLEDGED ASSETS

At March 31, 2008, assets pledged as collateral for short-term debt, long-term debt and contingent liabilities of the companies were as follows:

	Millions of Yen	Millions of U.S. Dollars
Notes, loans and accounts receivable—trade (current and non-current)	**¥ 53,834**	**$ 538**
Non-current investment securities (carrying value)	**11,093**	**111**
Property and equipment (net of accumulated depreciation)	**205,556**	**2,056**
Other	**47,138**	**471**
Total	**¥317,621**	**$3,176**

The above pledged assets were classified by type of liabilities to which they relate as follows:

	Millions of Yen	Millions of U.S. Dollars
Short-term debt	**¥ 22,879**	**$ 229**
Long-term debt	**230,260**	**2,302**
Contingent liabilities—guarantees of contracts	**64,482**	**645**
Total	**¥317,621**	**$3,176**

Trust receipts issued under customary import financing arrangements give banks a security interest in the merchandise imported and/or sales proceeds resulting from the sale of such merchandise. The companies follow the practice of repaying the related notes and acceptances payable at maturity without applying the sales proceeds to specific notes or acceptances. The large number of transactions makes it impracticable to determine the aggregate amounts of assets covered by outstanding trust receipts.

See Note 12 for a description of the right of the lending banks to require the companies to provide collateral (or additional collateral) not included in pledged assets summarized in the first paragraph of this note.

9. GOODWILL AND OTHER INTANGIBLE ASSETS

Under SFAS No. 142, goodwill and other intangible assets with indefinite useful lives are not amortized and other intangible assets with finite useful lives are amortized over their respective estimated useful lives.

Other Intangible Assets

The following tables present information regarding carrying amounts and accumulated amortization balances of other intangible assets by major asset class at March 31, 2007 and 2008:

	Millions of Yen		
March 31, 2007	Gross Carrying Amount	Accumulated Amortization	Net
Intangible assets subject to amortization:			
Software	¥ 65,440	¥(36,965)	¥28,475
Manufacturing, sales and services licenses, and trademarks	51,650	(34,933)	16,717
Customer relationship	3,045	(239)	2,806
Other	12,042	(6,083)	5,959
Total	¥132,177	¥(78,220)	¥53,957
Intangible assets not subject to amortization:			
Rights to use land			¥ 2,743
Customer relationship			2,365
Others			6,271
Total			¥11,379

	Millions of Yen			Millions of U.S. Dollars		
March 31, 2008	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Intangible assets subject to amortization:						
Software	**¥ 80,308**	**¥(43,536)**	**¥36,772**	**$ 803**	**$(436)**	**$367**
Manufacturing, sales and services licenses, and trademarks	**53,886**	**(35,819)**	**18,067**	**539**	**(358)**	**181**
Customer relationship	**1,564**	**(29)**	**1,535**	**16**		**16**
Other	**12,105**	**(6,428)**	**5,677**	**121**	**(64)**	**57**
Total	**¥147,863**	**¥(85,812)**	**¥62,051**	**$1,479**	**$(858)**	**$621**
Intangible assets not subject to amortization:						
Rights to use land			**¥ 2,691**			**$ 27**
Customer relationship			**2,365**			**23**
Others			**6,425**			**64**
Total			**¥11,481**			**$114**

Intangible assets subject to amortization acquired during the year ended March 31, 2007 amounted to ¥16,710 million, which primarily consisted of ¥9,819 million of software, ¥3,887 million of a manufacturing and sales license related to the automobile business in certain Asian countries and ¥1,199 million of customer relationships. The weighted average amortization period for software is 5 years. The weighted average amortization period for the manufacturing and sales license is 4 years. The weighted average amortization period for the customer relationship ranges from 13 to 15 years.

Intangible assets subject to amortization acquired during the year ended March 31, 2008 amounted to ¥25,494 million ($255 million), which primarily consisted of ¥15,691 million ($157 million) of software, included in "Software," and ¥7,274 million ($73 million) of franchise agreements related to Kentucky Fried Chicken Japan included in "Manufacturing, sales and services licenses, and trademarks." The weighted average amortization period for software is 5 years. The amortization period for the franchise agreements related to Kentucky Fried Chicken Japan is 17 years.

Intangible assets not subject to amortization acquired during the years ended March 31, 2007 and 2008 totaled ¥537 million and ¥191 million ($2 million), respectively.

Amortization expense for intangible assets subject to amortization was ¥17,032 million, ¥18,089 million and ¥17,161 million ($172 million) for the years ended March 31, 2006, 2007 and 2008, respectively.

As of March 31, 2008, estimated amortization expense in each of the next five years is as follows:

	Millions of Yen	Millions of U.S. Dollars
Year ending March 31:		
2009	¥14,427	$144
2010	11,480	115
2011	8,036	80
2012	5,890	59
2013	3,973	40

Based on the results of the impairment testing, impairment losses of ¥1,863 million, ¥1,688 million and ¥151 million ($2 million) were recorded for the years ended March 31, 2006, 2007 and 2008, respectively.

The companies determined the fair value using the discounted future cash flow method.

The impairment loss consists primarily of the loss of ¥1,652 million on the service right in the Machinery group for the years ended March 31, 2006, which was caused by the decline of the estimated cash flows.

These impairment losses are included in "Loss on property and equipment—net."

Goodwill

The following tables show changes in the carrying amount of goodwill by reporting operating segment for the years ended March 31, 2007 and 2008:

	March 31, 2007				
	Millions of Yen				
Segment	Balance, Beginning of Year	Goodwill Additions	Impairment Losses	Other*	Balance, End of Year
Business Innovation	¥ 682	¥ 11			¥ 693
Industrial Finance, Logistics & Development	97			¥ (1)	96
Energy Business	278			(278)	
Metals	8,255	336		64	8,655
Machinery	1,185	118			1,303
Chemicals	1,493			(831)	662
Living Essentials	9,811	3,927		438	14,176
Other	5,638	4,695	¥(838)	(336)	9,159
Total	¥27,439	¥9,087	¥(838)	¥(944)	¥34,744

	March 31, 2008									
	Millions of Yen					Millions of U.S. Dollars				
Segment	Balance, Beginning of Year	Goodwill Additions	Impair-ment Losses	Other*	Balance, End of Year	Balance, Beginning of Year	Goodwill Additions	Impair-ment Losses	Other*	Balance, End of Year
Business Innovation	¥ 693	¥ 1,491		¥ 66	¥ 2,250	$ 7	$ 15		$ 1	$ 23
Industrial Finance, Logistics & Development	96	5,523		(96)	5,523	1	55		(1)	55
Energy Business										
Metals	8,655	4,409		(136)	12,928	86	44		(1)	129
Machinery	1,303	1,076			2,379	13	11			24
Chemicals	662			(28)	634	7				7
Living Essentials	14,176	13,444	¥(99)	(858)	26,663	142	134	$(1)	(9)	266
Other	9,159	(431)		(5,016)	3,712	91	(4)		(50)	37
Total	¥34,744	¥25,512	¥(99)	¥(6,068)	¥54,089	$347	$255	$(1)	$(60)	$541

* "Other" includes effects of divestitures and foreign currency exchange rate changes.

During the years ended March 31, 2006, 2007 and 2008, the companies recognized impairment losses of ¥683 million, ¥838 million and ¥99 million ($1 million), respectively, which are included in "Other expense (income)—net." See Note 21.

The companies determined the fair value using the discounted future cash flow method.

10. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

Overall Risk Management—The companies, in the normal course of business, are exposed to market risks from changes in interest rates, foreign exchange rates and commodity prices. To manage the exposures to these risks, the companies generally identify their net exposures and take advantage of natural offsets. Additionally, the companies enter into various derivative transactions pursuant to the companies' risk management policies in response to counterparty exposure and to hedge specific risks.

The primary types of derivatives used by the companies are interest rate swaps, forward exchange contracts, currency swaps and commodity futures contracts. The changes in fair value of these hedging instruments are offset in part or in whole by corresponding changes in the fair value or cash flows of the underlying exposures being hedged. Whenever practical, designation is performed on a specific exposure basis to qualify for hedge accounting. In these circumstances, the companies assess, both at the inception of the hedge and on an on-going basis, whether the hedging derivatives are highly effective in offsetting changes in fair values or cash flows of hedged items. Should it be determined that a derivative is not highly effective as a hedge, the companies will discontinue hedge accounting.

The companies seek to minimize credit risk associated with derivative contracts by limiting counterparties to major international financial institutions as well as avoiding concentration with certain counterparties, and also by making frequent credit reviews of these counterparties.

Interest Rate Risk Management—The companies' financing, investing and cash management activities are exposed to market risk from changes in interest rates. In order to manage these exposures, the companies have entered into interest rate swap contracts. Interest rate swaps are used, in most instances, to convert fixed rate assets or debts to floating rate assets or debts, as well as convert some floating rate assets or debts to a fixed basis. The objective of maintaining this mix of fixed and floating rate assets and debt allows the companies to manage the overall value of cash flows attributable to certain assets and debt instruments.

Foreign Currency Risk Management—The companies operate globally and are exposed to foreign currency risks related to purchasing, selling, financing and investing in currencies other than the local currencies in which the companies operate. The companies' strategy to manage foreign currency risks is to net foreign currency exposures on recognized assets, liabilities and unrecognized firm commitments by taking advantage of natural offsets, and purchase forward exchange contracts and other contracts to preserve the economic value of cash flows in non-functional currencies. The companies believe that in circumstances where these foreign currency contracts have not been designated as hedging instruments under SFAS No. 133, such contracts effectively hedge the impact of the variability in exchange rates. Principal currencies hedged include the U.S. dollar, the Euro and the Australian dollar.

Commodity Price Risk Management—The companies are exposed to price fluctuations of various commodities used in their trading and other operating activities. The companies enter into commodity futures, forwards, options and swaps contracts, to hedge the variability in commodity prices in accordance with their risk management procedures. Except in certain cases where these contracts have been designated as a cash flow hedge, they are generally not designated as hedging instruments under SFAS No. 133.

Fair Value Hedge—Derivative instruments designated as fair value hedges primarily relate to interest rate swaps used to convert fixed rate assets or debt obligations to floating rate assets or debts. Changes in fair values of hedged assets and debt obligations, and hedging derivative instruments are recognized in earnings in "Other expense (income)—net." The amount of hedge ineffectiveness recognized on fair value hedges was gains of ¥8 million for the year ended March 31, 2006, and losses of ¥79 million and ¥29 million ($0 million) for the years ended March 31, 2007 and 2008, respectively. During the same periods, no fair value hedges for firm commitments were derecognized.

Cash Flow Hedge—Derivative instruments designated as cash flow hedges include interest rate swaps to convert floating rate liabilities to fixed rate liabilities and foreign currency swap contracts to eliminate variability in functional-currency-equivalent cash flows on certain debt obligations. Additionally, commodity swaps and futures contracts are utilized and qualify as cash flow hedges. Current open contracts hedge forecasted transactions until 2020. Derivative gains and losses included in AOCI are reclassified into earnings at the time that the associated hedged transactions impact the income statement. Approximately ¥3,200 million ($32 million) of these net derivative gains, net of tax, included in AOCI at March 31, 2008 will be reclassified into earnings within 12 months from that date. During the year ended March 31, 2008, no cash flow hedges for forecasted commitments were derecognized.

Hedge of the Net Investment in Foreign Operations—The parent company enters into foreign exchange forward contracts to hedge the foreign currency exposures of its net investments in foreign operations. Changes in fair values of hedging instruments have been included in foreign currency translation adjustments within "Other comprehensive income." The net amount of gains or losses included in the foreign currency translation adjustments was losses of ¥14,881 million and ¥20,508 million for the years ended March 31, 2006 and 2007, respectively and gains of ¥9,718 million ($97 million) for the year ended March 31, 2008.

Derivative Instruments Used for Other than Hedging Activities—The parent company and certain subsidiaries enter into derivative financial instruments as a part of their trading activities. The companies clearly distinguish derivatives used in trading activities from derivatives used for risk management purposes. As part of their internal control policies, the companies have set strict limits on the positions which can be taken in order to minimize potential losses for these derivative transactions and periodically monitor the open positions for compliance.

11. FAIR VALUE OF FINANCIAL INSTRUMENTS

The companies, in the normal course of their business, are parties to various financial instruments. The companies engage in operating transactions with a significant number of customers in a wide variety of industries all over the world, and their receivables from and guarantees to such parties are broadly diversified. Consequently, in management's opinion, no significant concentration of credit risk exists for the companies. Credit risk exposure of these financial instruments in the event of counterparty nonperformance is controlled through credit approvals, limits and monitoring procedures based on the credit policies. The companies require collateral to the extent considered necessary.

The estimated fair value of financial instruments has been determined using available market information or valuation methodologies. However, considerable judgment is required in interpreting market data to develop estimates of fair value; therefore, the estimates are not necessarily indicative of the amounts that could be realized or would be paid in a current market exchange. The effect of using different market assumptions and/or estimation methodologies may be material to the estimated fair value amounts.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Current Financial Assets and Current Financial Liabilities—The estimated fair values of cash and cash equivalents, time deposits, trade receivables and payables and short-term debt approximate their carrying amounts due to the relatively short maturities of these instruments.

Short-term Investments and Other Investments—The fair values of marketable securities included in "Short-term investments" and "Other investments" are based on quoted market prices. The fair value information for each category of securities is set forth in Note 4. "Other investments" also include investments in non-marketable equity securities of unaffiliated customers, suppliers and certain financial institutions, which include certain preferred stocks, guarantee deposits and non-current time deposits. It is not practicable to estimate fair values of the investments in non-marketable equity securities of unaffiliated companies, which consist of approximately one thousand small investments in customers and suppliers, as such estimation was not readily determinable.

Non-current Notes, Loans, Accounts Receivable and Advances to Affiliated Companies—The fair values of these items are estimated by discounting estimated future cash flows using a rate which is commensurate with the risks involved.

Long-term Debt—The fair values of the companies' debt are estimated based on the present value of estimated future cash flows computed using interest rates that are currently available to the companies for debt with similar terms and remaining maturities.

Derivative Financial Instruments—The fair values of the derivative financial instruments are estimated by obtaining quotes from brokers and other appropriate valuation techniques based on information available to the companies.

The following table presented the carrying amounts and estimated fair values of financial instruments valued under SFAS No. 107, "Disclosures about Fair Value of Financial Instruments" at March 31, 2007 and 2008. Accordingly, certain amounts which are not considered financial instruments are excluded from the table.

	Millions of Yen				Millions of U.S. Dollars	
	2007		**2008**		**2008**	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial assets:						
Current financial assets other than short-term investments, net of allowance for doubtful receivables	¥4,388,938	¥4,388,938	**¥4,485,751**	**¥4,485,751**	**$44,858**	**$44,858**
Short-term investments and other investments, for which it is:						
Practicable to estimate fair value	1,985,511	1,985,511	**1,658,644**	**1,658,644**	**16,586**	**16,586**
Not practicable to estimate fair value	331,159		**579,936**		**5,799**	
Non-current notes, loans and accounts receivable and advances to affiliated companies, net of allowance for doubtful receivables	434,120	438,758	**418,564**	**422,313**	**4,186**	**4,223**
Derivative assets, included in "Other current assets" and "Other assets"	46,690	46,690	**101,656**	**101,656**	**1,017**	**1,017**
Financial liabilities:						
Current financial liabilities	3,755,802	3,755,802	**3,794,987**	**3,794,987**	**37,950**	**37,950**
Long-term debt, including current maturities, and non-current trade payables, included in "Other long-term liabilities"	3,350,824	3,344,551	**3,695,209**	**3,694,358**	**36,952**	**36,944**
Derivative liabilities, included in "Other current liabilities" and "Other long-term liabilities"	33,024	33,024	**43,857**	**43,857**	**439**	**439**

12. SHORT-TERM AND LONG-TERM DEBT

Short-term debt at March 31, 2007 and 2008 consisted of the following:

	2007		**2008**		**2008**
	Millions of Yen	Interest Rate	Millions of Yen	Interest Rate	Millions of U.S. Dollars
Bank loans	¥596,425	2.7%	**¥632,029**	**2.4%**	**$6,320**
Commercial paper	33,909	5.4	**110,392**	**1.8**	**1,104**
Total	¥630,334		**¥742,421**		**$7,424**

The interest rates represent weighted average rates on outstanding balances at March 31, 2007 and 2008. As for short-term debt with collateral, see Note 8.

Long-term debt at March 31, 2007 and 2008 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2007	**2008**	**2008**
Long-term debt with collateral (see Note 8):			
Banks and insurance companies, maturing serially through 2034—principally 1%–1.9%	¥ 96,547	**¥ 108,026**	**$ 1,080**
Government-owned banks and government agencies, maturing serially through 2022—principally 1%–2.9%	26,266	**23,124**	**231**
Banks and others, maturing serially through 2014 (payable in foreign currencies)—principally 2%–6.9%	43,265	**40,794**	**408**
Government-owned bank, maturing serially through 2013 (payable in foreign currency)—principally 6%–6.9%	20,404	**11,242**	**113**
Japanese yen bonds (floating rate 1.29%–1.36% as of March 31, 2007, due 2008)	10,400		
Japanese yen bonds (fixed rate 0.56% to 1.5%, due 2008–2009)	1,600	**1,100**	**11**
Japanese yen bonds (floating rate 1.12% to 2.96%, due 2010–2013)		**2,600**	**26**
U.S. dollar bonds (fixed rate 6.09%, due 2021)	9,081	**8,339**	**83**
Total	207,563	**195,225**	**1,952**

	Millions of Yen		Millions of U.S. Dollars
	2007	**2008**	**2008**
Long-term debt without collateral:			
Banks and insurance companies, maturing serially through 2023—principally 0%–1.9%	¥1,435,023	**¥1,725,755**	**$17,258**
Government-owned banks and government agencies, maturing serially through 2023—principally 1%–1.9%	129,226	**95,794**	**958**
Government-owned bank, maturing serially through 2019 (payable in foreign currency)—principally 2%–5.9%	85,351	**66,651**	**667**
Banks and others, maturing serially through 2020 (payable in foreign currencies)—principally 2%–4.9%	293,353	**235,608**	**2,356**
Japanese yen callable bonds (floating rate 0.381% as of March 31, 2008, due 2015)	10,000	**10,000**	**100**
Japanese yen callable bonds (adjustable fixed rate 0.6%, due 2008)	10,000	**10,000**	**100**
Japanese yen callable bonds (adjustable fixed rate 1.23%, due 2013)	10,000		
Japanese yen callable bonds (adjustable fixed rate 0.7%, due 2013)	14,000		
Japanese yen callable bonds (adjustable fixed rate 1.3%, due 2013)	10,000		
Japanese yen callable bonds (adjustable fixed rate 1.04%, due 2014)	15,000	**15,000**	**150**
Japanese yen callable bonds (adjustable fixed rate 1.5%, due 2015)	10,000	**10,000**	**100**
Japanese yen extensible bonds (floating rate 1.195% as of March 31, 2008, due 2009)	34,400	**34,400**	**344**
Japanese yen bonds (floating rate 1.01%–2.154% as of March 31, 2008, due 2009–2010)	59,200	**57,100**	**571**
Japanese yen bonds (floating rate 1.41%–1.887% as of March 31, 2008, due 2013–2014)	65,000	**65,000**	**650**
Japanese yen bonds (floating rate 1.541%–2.078% as of March 31, 2008, due 2015–2016)	55,000	**55,000**	**550**
Japanese yen bonds (floating rate 1.076%–1.374% as of March 31, 2008, due 2017)	30,000	**30,000**	**300**
Japanese yen bonds (fixed rate 2.11% to 2.125%, due 2008)	61,000	**60,000**	**600**
Japanese yen bonds (fixed rate 2.08% to 2.58%, due 2009)	120,000	**120,000**	**1,200**
Japanese yen bonds (fixed rate 1.74% to 3.18%, due 2010–2019)	167,000	**252,000**	**2,520**
Japanese yen bonds (fixed rate 0.2% to 1.02%, due 2008–2011)	35,000	**10,650**	**106**
Japanese yen bonds (fixed rate 0.91% to 1.43%, due 2011–2015)	57,000	**57,160**	**572**
Thai baht bonds (fixed rate 3.35% to 5.84%, due 2008–2009)	15,827	**10,931**	**109**
Reverse dual currency Japanese yen/U.S. dollar bonds (fixed rate 3%, due 2009)	15,000	**15,000**	**150**
Japanese yen convertible bond (zero coupon, due 2011)	6,550	**2,370**	**24**
Dual currency Japanese yen/Australian dollar bonds (fixed rate 3.17%, due 2007)	2,786		
Medium-term notes (payable in Japanese yen), due 2007–2019—0.5%–5.35% in 2007 and due 2008–2019—0.38%–3.05% in 2008	90,719	**85,341**	**853**
Medium-term notes (payable in U.S. dollars), due 2007–2009—4.08%–5.16% in 2007 and due 2008–2018—3.2%–5.5% in 2008	3,541	**10,945**	**109**
Commercial paper (payable in Japanese yen), with average interest rate of 0.652%	149,000	**210,000**	**2,100**
Total	2,988,976	**3,244,705**	**32,447**
Total	3,196,539	**3,439,930**	**34,399**
Add unamortized issue premium	52	**(17)**	
Add mark to market adjustment—under SFAS No. 133	12,220	**41,715**	**417**
Total	3,208,811	**3,481,628**	**34,816**
Less current maturities	(346,099)	**(384,477)**	**(3,845)**
Less mark to market adjustment related to “current maturities”—under SFAS No. 133	(304)	**(333)**	**(3)**
Long-term debt, less current maturities	¥2,862,408	**¥3,096,818**	**$30,968**

On June 17, 2002, the parent company completed an offering of ¥150,000 million zero coupon convertible bonds with stock acquisition rights due 2011 (the "Convertible Bonds"), receiving net proceeds of approximately ¥149,910 million. The bonds are convertible, at the option of the holder, into the parent company's common stock at a conversion price of ¥1,188 per share, exercisable on or after July 1, 2002, subject to computational provisions in the related indenture. The bonds are redeemable at the option of the parent company commencing June 17, 2006 through June 16, 2007 at the redemption price of 104% (103% commencing June 17, 2007 through June 16, 2008) of the principal. During the years ended March 31, 2007 and 2008, ¥1,974 million and ¥4,180 million ($42 million) of the Convertible Bonds were converted into common stock, at a conversion price of ¥1,188 per share. The bonds were sold at a premium of ¥3,750 million which has been recorded as part of the bond payable and amortized over the term of the bonds. The parent company paid ¥3,750 million for debt issuance costs related to the bonds. The debt issuance costs have been included in other assets and amortized to interest expense over the term of the bonds.

Annual maturities of long-term debt as of March 31, 2008, based on their contractual terms, are as follows:

	Millions of Yen	Millions of U.S. Dollars
Year ending March 31:		
2009 (included in current liabilities)	¥ 384,477	$ 3,845
2010	420,080	4,201
2011	360,513	3,605
2012	316,942	3,169
2013	599,450	5,994
2014 and thereafter	1,358,468	13,585
Total	¥3,439,930	$34,399

The companies entered into interest rate swap and currency swap contracts for certain short-term and long-term debt to manage interest rate and foreign currency exposure. The effective interest rates for bank loans of ¥1,002,867 million ($10,029 million), notes and bonds of ¥744,000 million ($7,440 million), and medium-term notes of ¥97,521 million ($975 million) outstanding at March 31, 2008 after giving effect to such swap agreements were generally based on LIBOR (London Interbank Offered Rate). Most swap agreements entered into by the companies used three-month LIBOR.

The companies maintain lines of credit with various banks, including Japanese yen facilities of ¥410,000 million ($4,100 million) held by the parent company and ¥119,705 million ($1,197 million) held by a domestic subsidiary, and a U.S. dollar facility of $1,599 million which the parent company and a U.S. subsidiary held at March 31, 2008. The parent company, the domestic subsidiary and the U.S. subsidiary compensate banks for these facilities in the form of commitment fees, which were insignificant in each of the past three years. Certain commitment fees on the lines of credit are based on the parent company's current debt rating. The domestic subsidiary is required to maintain certain financial covenants to keep the facilities. The short-term and long-term portions of unused lines of credit, including over draft contracts as well as the above committed lines, totaled ¥1,029,317 million ($10,293 million) and ¥352,827 million ($3,528 million), respectively, at March 31, 2008, compared with ¥946,443 million and ¥330,372 million, respectively, at March 31, 2007.

The parent company has the intent to make use of unused long-term lines of credit, discussed above, totaling ¥210,000 million and maturing in December 2012, solely in support of the parent company's commercial paper program of ¥210,000 million. The commercial paper program is used from time to time to fund working capital and other general corporate requirements. The outstanding commercial paper of ¥149,000 million at March 31, 2007 and ¥210,000 million ($2,100 million) at March 31, 2008 was classified as long-term debt on the consolidated balance sheets since the parent company has the intent and ability to refinance these borrowings on a long-term basis through continued commercial paper borrowings, supported by the available lines of credit.

Substantially all of the short-term and long-term loans from banks are made under agreements which, as is customary in Japan, provide that the bank may, under certain conditions, require the borrower to provide collateral (or additional collateral) or guarantors with respect to the loans, and that the bank may treat any collateral, whether furnished as security for short-term or long-term loans or otherwise, as collateral for all indebtedness to such bank. Certain agreements relating to long-term bank loans provide that the bank may require the borrower to submit proposals as to the payment of dividends and other appropriations of earnings for the bank's review and approval before presentation to the shareholders. Default provisions of certain agreements grant certain rights of possession to the banks. Under certain agreements, principally with government-owned financial institutions, the borrower is required, upon request of the lender, to reduce outstanding loans before scheduled maturity dates when the lender considers that the companies are able to reduce such loans through increased earnings or by additional cash flow raised through stock issuances or bond offerings. During the years ended March 31, 2007 and 2008, the companies have not received any request of the kind described above and do not expect that any such request will be made.

13. INCOME TAXES

Income taxes in Japan applicable to the companies, imposed by the national, prefectural and municipal governments, in the aggregate, resulted in a normal effective statutory rate of approximately 41% for the years ended March 31, 2006, 2007 and 2008. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

A reconciliation of the combined statutory income tax rates applied to income from continuing operations for the years ended March 31, 2006, 2007 and 2008 to the effective income tax rates on income from continuing operations reflected in the accompanying consolidated statements of income was as follows:

	2006	2007	**2008**
Combined statutory income tax rate applied to income from continuing operations	41.0%	41.0%	**41.0%**
Expenses not deductible for income tax purposes	0.9	1.0	**0.9**
Operating losses of certain subsidiaries	0.9	1.4	**1.3**
Tax benefits on losses of subsidiaries	(1.5)	(0.4)	**(0.7)**
Lower income tax rates applicable to income in certain foreign countries	(5.6)	(4.5)	**(4.8)**
Tax effect on earnings or losses of equity method investees	1.1	1.9	**(2.4)**
Effect of taxation on dividends	4.5	7.1	**1.8**
Reversal of valuation allowance for certain deferred tax assets	(3.3)	(0.9)	
Tax assessments	6.6		**(3.3)**
Other—net	(0.8)	0.4	**(1.5)**
Effective income tax rate on income from continuing operations	43.8%	47.0%	**32.3%**

For the year ended March 31, 2006, the parent company provided allowances for tax assessment of ¥23,385 million on transfer pricing of prior years' transactions for six years in the period ended March 31, 2005 between the parent company and affiliated companies in Australia (the "transfer pricing issue") and of ¥8,605 million on prior year's reorganization of the legal structure of certain subsidiaries in Thailand. These amounts have been reduced by the effect of increase in tax benefits on foreign tax credit based on the tax assessment.

The parent company received tax assessment letters on the transfer pricing issue from Tokyo Regional Tax Bureau (the "bureau") for the year ended March 31, 2000 on June 30, 2006 and for the year ended March 31, 2001 on June 29, 2007. According to the bureau, the issuance of assessment letters has been deferred, except for the years ended March 31, 2000 and 2001 which would be time barred, in consideration of the fact that the National Tax Agency of Japan planned to exchange information with the Australian Taxation Office based on the tax treaty between Japan and Australia (the "information exchange").

After the information exchange for several months, based on an application in November 2006 by the parent company for the competent authority negotiation under the tax treaty between Japan and Australia (the "CA negotiation"), the CA negotiation has continued.

Amounts provided for income taxes for the years ended March 31, 2006, 2007 and 2008 were allocated as follows:

	Millions of Yen			Millions of U.S. Dollars
	2006	2007	**2008**	**2008**
Income tax expense on income from continuing operation	¥213,596	¥282,978	**¥ 175,643**	**$ 1,756**
Loss from discontinued operations	734	320	**194**	**2**
Other comprehensive income (loss)	220,641	65,096	**(157,941)**	**(1,579)**
Directly charged to unappropriated retained earnings	2,842	17,156		
Directly charged to accumulated other comprehensive income (loss)	459	4,502		
Total income tax expense	¥438,272	¥370,052	**¥ 17,896**	**$ 179**

Significant components of deferred tax assets and liabilities at March 31, 2007 and 2008 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2007	**2008**	**2008**
Assets:			
Allowance for doubtful receivables	¥ 3,182	**¥ 5,854**	**$ 59**
Pension and severance	20,245	**21,976**	**220**
Impairment loss on property and equipment	10,761	**4,145**	**41**
Net operating loss carryforwards	33,456	**26,520**	**265**
Accruals and other	80,854	**105,730**	**1,057**
Gross deferred tax assets	148,498	**164,225**	**1,642**
Less valuation allowance	(31,244)	**(26,471)**	**(265)**
Deferred tax assets—less valuation allowance	117,254	**137,754**	**1,377**

	Millions of Yen		Millions of U.S. Dollars
	2007	**2008**	**2008**
Liabilities:			
Depreciation	¥ 32,843	**¥ 32,613**	**$ 326**
Investment	459,757	**320,363**	**3,203**
Property and intangible fixed assets	58,279	**55,335**	**553**
Pension and severance	25,029	**3,365**	**34**
Other	53,599	**48,263**	**483**
Gross deferred tax liabilities	629,507	**459,939**	**4,599**
Net deferred tax liabilities	¥(512,253)	**¥(322,185)**	**$(3,222)**

A valuation allowance is established to reduce certain deferred tax assets related to deductible temporary differences and net operating loss carryforwards where it is more likely than not that they will not be realized. The total valuation allowance decreased by ¥10,658 million for the year ended March 31, 2006, increased by ¥4,393 million for the year ended March 31, 2007, and decreased by ¥4,773 million ($48 million) for the year ended March 31, 2008.

Net deferred tax liabilities were included in the consolidated balance sheets at March 31, 2007 and 2008 as follows:

	Millions of Yen		Millions of U.S. Dollars
	2007	**2008**	**2008**
Current assets—Deferred income taxes	¥ 38,414	**¥ 62,573**	**$ 626**
Other assets	17,408	**25,704**	**257**
Other current liabilities	(1,369)	**(5,220)**	**(52)**
Long-term liabilities—Deferred income taxes	(566,706)	**(405,242)**	**(4,053)**
Net deferred tax liabilities	¥(512,253)	**¥(322,185)**	**$(3,222)**

No provision for income taxes is recognized on the undistributed earnings of subsidiaries where the parent company considers that such earnings are not expected to be remitted in the foreseeable future or would not, under the present Japanese tax laws, be subject to additional taxation should they be distributed as dividends. At March 31, 2007 and 2008, the amount of undistributed earnings of subsidiaries on which a deferred tax liability has not been recognized in the accompanying consolidated financial statements aggregated ¥907,075 million and ¥983,689 million ($9,837 million), respectively. Determination of the deferred tax liability related to the undistributed earnings of foreign subsidiaries is not practicable.

At March 31, 2008, the companies had aggregate operating loss carryforwards of approximately ¥83,614 million ($836 million) which may be used as a deduction in the determination of taxable income in future periods. If not utilized, such loss carryforwards expire as follows:

	Millions of Yen	Millions of U.S. Dollars
Year ending March 31:		
2009	¥ 3,806	$ 38
2010	4,943	49
2011	3,312	33
2012	5,172	52
2013	6,039	60
2014 through 2018	40,972	410
2019 through 2023	7,316	73
2024 and thereafter	12,054	121
Total	¥83,614	$836

Income from continuing operations before income taxes for the years ended March 31, 2006, 2007 and 2008 consisted of the following:

	Millions of Yen			Millions of U.S. Dollars		
	The Parent Company and Its Domestic Subsidiaries	Foreign Subsidiaries	Total	The Parent Company and Its Domestic Subsidiaries	Foreign Subsidiaries	Total
Year ended March 31, 2006	¥227,591	¥260,552	¥488,143			
Year ended March 31, 2007	¥326,924	¥275,183	¥602,107			
Year ended March 31, 2008	**¥263,902**	**¥280,603**	**¥544,505**	**$2,639**	**$2,806**	**$5,445**

Income taxes on income from continuing operations for the years ended March 31, 2006, 2007 and 2008 consisted of the following:

	Millions of Yen			Millions of U.S. Dollars		
	The Parent Company and Its Domestic Subsidiaries	Foreign Subsidiaries	Total	The Parent Company and Its Domestic Subsidiaries	Foreign Subsidiaries	Total
Year ended March 31, 2006:						
Current	¥106,726	¥73,592	¥180,318			
Deferred	28,998	4,280	33,278			
Total	¥135,724	¥77,872	¥213,596			
Year ended March 31, 2007:						
Current	¥162,385	¥84,613	¥246,998			
Deferred	38,260	(2,280)	35,980			
Total	¥200,645	¥82,333	¥282,978			
Year ended March 31, 2008:						
Current	**¥124,103**	**¥81,426**	**¥205,529**	**$1,241**	**$814**	**$2,055**
Deferred	**(26,976)**	**(2,910)**	**(29,886)**	**(270)**	**(29)**	**(299)**
Total	**¥ 97,127**	**¥78,516**	**¥175,643**	**$ 971**	**$785**	**$1,756**

Effective April 1, 2007, the companies adopted FIN No. 48, "Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109."

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	Millions of Yen	Millions of U.S. Dollars
Balance at beginning of year	¥ 32,269	$ 323
Additions for tax positions of the current year	198	2
Additions for tax positions of prior years	940	9
Reductions for tax positions of prior years	(12,770)	(128)
Settlements	(5,058)	(51)
Other	60	1
Balance at end of year	¥ 15,639	$ 156

The amount of unrecognized tax benefits at March 31, 2008 that would affect the effective tax rate, if recognized, was ¥15,353 million ($154 million).

The companies do not believe it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease during the next 12 months.

The companies recognize interest and penalties associated with uncertain tax positions as a component of income taxes in the consolidated statement of income. For the year ended March 31, 2008, interest and penalties recognized as a component of accrued income taxes and other long-term liabilities in the consolidated financial position and results of operations are not material.

The companies file income tax returns in Japan and various foreign tax jurisdictions. In Japan, regular examinations by tax authorities have been completed for years before 2005. Apart from regular income tax examinations, tax authorities in Japan have the authority to conduct transfer pricing examinations for years after 2001.

14. ACCRUED PENSION AND SEVERANCE LIABILITIES

The parent company and certain of its subsidiaries have defined benefit pension plans covering substantially all employees other than directors. The primary defined benefit pension plans are the Corporate Pension Funds under the Defined Benefit Corporate Pension Law. The benefits for these plans are based upon years of service, compensation at the time of severance and other factors.

From April 2006, the parent company has started to convert certain portions of the Corporate Pension Funds into a defined contribution plan in phases.

In addition to the pension plans, most of the domestic subsidiaries have unfunded severance indemnity plans under which their employees, other than directors, are entitled, under most circumstances, to lump-sum severance indemnities upon mandatory retirement at normal retirement age or earlier termination of employment. The benefits for these plans are based upon years of service, compensation at the time of severance and other factors.

The companies use a March 31 measurement date for the majority of their plans.

The following table sets forth the reconciliation of benefit obligation, plan assets and the funded status of the plans:

	Millions of Yen		Millions of U.S. Dollars
	2007	**2008**	**2008**
Change in benefit obligation:			
Benefit obligation at beginning of year	¥406,059	**¥411,579**	**$4,116**
Service cost	12,425	**12,358**	**123**
Interest cost	10,866	**12,382**	**124**
Employee contributions	236	**243**	**2**
Plan amendments	5,382	**302**	**3**
Actuarial gain	(10,097)	**(7,385)**	**(74)**
Benefits paid	(15,683)	**(16,931)**	**(169)**
Lump-sum payments/settlements/termination benefits	(3,793)	**(2,843)**	**(28)**
Acquisitions/divestitures and other—net	3,136	**27,100**	**271**
Change in foreign currency exchange rates	3,048	**(5,071)**	**(51)**
Benefit obligation at end of year	411,579	**431,734**	**4,317**
Change in plan assets:			
Fair value of plan assets at beginning of year	471,480	**500,407**	**5,004**
Actual return (loss) on plan assets	22,447	**(70,028)**	**(700)**
Employer contributions	21,413	**25,010**	**250**
Employee contributions	236	**243**	**2**
Benefits paid	(13,260)	**(14,504)**	**(145)**
Lump-sum payments/settlements	(4,003)	**(2,843)**	**(28)**
Acquisitions/divestitures and other—net	(773)	**20,344**	**203**
Change in foreign currency exchange rates	2,867	**(5,474)**	**(55)**
Fair value of plan assets at end of year	500,407	**453,155**	**4,531**
Funded status at end of year	¥ 88,828	**¥ 21,421**	**$ 214**
Amounts recognized in the consolidated balance sheets consist of:			
Prepaid pension cost included in other current assets and other assets	¥127,230	**¥ 67,542**	**$ 675**
Other accrued expenses	(373)	**(947)**	**(9)**
Accrued pension liability	(38,029)	**(45,174)**	**(452)**
Net amount recognized	¥ 88,828	**¥ 21,421**	**$ 214**

The following table presents the pre-tax net gain (loss) and prior service cost recognized in AOCI for the years ended March 31, 2007 and 2008:

	Millions of Yen		Millions of U.S. Dollars
	2007	**2008**	**2008**
Net gain (loss)	¥12,156	**¥(59,452)**	**$(595)**
Prior service cost	(5,350)	**(4,912)**	**(49)**
Accumulated other comprehensive income (loss)	¥ 6,806	**¥(64,364)**	**$(644)**

Net periodic pension costs related to the parent company's and its subsidiaries' pension and indemnity plans for the years ended March 31, 2006, 2007 and 2008 include the following components:

	Millions of Yen			Millions of U.S. Dollars
	2006	2007	**2008**	**2008**
Service cost—benefits earned during the period	¥10,984	¥ 12,425	**¥ 12,358**	**$ 123**
Interest cost on projected benefit obligation	9,511	10,866	**12,382**	**124**
Expected return on plan assets	(6,828)	(11,126)	**(10,910)**	**(109)**
Recognized net actuarial loss	8,762	2,755	**557**	**6**
Amortization of unrecognized prior service cost	70	334	**654**	**6**
Settlement loss/termination benefits	247	(349)	**362**	**4**
Net periodic pension cost	¥22,746	¥ 14,905	**¥ 15,403**	**$ 154**

Other changes in plan assets and benefit obligation recognized in other comprehensive income for the year ended March 31, 2008 were as follows:

	Millions of Yen	Millions of U.S. Dollars
	2008	**2008**
Current year actuarial loss	**¥72,527**	**$726**
Recognized net actuarial loss	**(557)**	**(6)**
Settlement loss/termination benefits	**(362)**	**(4)**
Prior service cost due to amendments	**216**	**2**
Amortization of unrecognized prior service cost	**(654)**	**(6)**
Total recognized in other comprehensive income	**¥71,170**	**$712**

The following table presents the estimated net loss and prior service cost that will be amortized from AOCI into net periodic cost for the year ending March 31, 2009 :

	Millions of Yen	Millions of U.S. Dollars
	2009	2009
Net loss	¥1,879	$19
Prior service cost	379	4
Total	¥2,258	$23

The total accumulated benefit obligation for the companies' defined benefit pension plans was ¥388,306 million and ¥403,484 million ($4,035 million) as of March 31, 2007 and 2008, respectively.

The aggregate projected benefit obligation, aggregate accumulated benefit obligation and aggregate fair value of plan assets where accumulated benefit obligations exceeded plan assets as of March 31, 2007 and 2008 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2007	**2008**	**2008**
Projected benefit obligation	¥70,570	**¥89,760**	**$898**
Accumulated benefit obligation	69,931	**82,795**	**828**
Fair value of plan assets	35,733	**47,832**	**478**

Plan Assets

The companies' weighted average asset allocation for its defined benefit pension plans for the years ended March 31, 2007 and 2008 was as follows:

	Asset Allocation	
	2007	**2008**
Asset category:		
Equity securities	63%	**55%**
Debt securities	15	**17**
Alternative investments	15	**17**
Cash and cash equivalent	5	**10**
Other	2	**1**
Total	100%	**100%**

Investment Policies

The companies' investment policy for the defined benefit pension plan is to procure an adequate return to provide future payments of pension benefits over the long term by optimizing the risk tolerance and formulating a well-diversified portfolio such as equity securities, debt securities and alternative assets.

Considering the funded status of the pension plans and surrounding economic environments of investments, the companies' investment policy would be revised as needed. Moreover, the companies continuously monitor and pay extra attention to the diversification of strategies and investment managers for the purpose of risk controlling and thereby pursuing the efficiency of management.

Assumptions

The weighted average assumptions used to determine benefit obligations at March 31, 2007 and 2008 were as follows:

	2007	**2008**
Weighted average discount rate	3.0%	**3.1%**
Average rate of increase in future compensation levels	2.6	**2.6**

The weighted average assumptions used to determine net periodic benefit cost for the years ended March 31, 2006, 2007 and 2008 were as follows:

	2006	2007	**2008**
Weighted average discount rate	2.4%	2.6%	**3.0%**
Average rate of increase in future compensation levels	2.4	2.4	**2.6**
Expected long-term rate of return on plan assets	3.3	4.2	**3.7**

The companies determine assumptions for the expected long-term return on plan assets considering the investment policy, the historical returns, asset allocation and future estimates of long-term investment returns.

Contribution

The companies' funding policy is mainly to contribute an amount deductible for income tax purposes. Contributions are intended to provide not only for benefits attributable to service to date but also for those expected to be earned in the future.

The companies expect to contribute approximately ¥24,000 million ($240 million) to their defined benefit pension plans during the year ending March 31, 2009.

Estimated Future Benefit Payments

Estimated future benefit payments are as follows:

	Millions of Yen	Millions of U.S. Dollars
Year ending March 31:		
2009	¥ 26,666	$ 267
2010	21,268	213
2011	22,925	229
2012	24,115	241
2013	23,102	231
2014 through 2018	118,827	1,188

Expense For Defined Contribution Plans

The parent company and certain of its subsidiaries have defined contribution plans. The expense for these defined contribution plans was ¥2,029 million and ¥1,717 million ($17 million) for the years ended March 31, 2007 and 2008, respectively.

Early Retirement Program

The parent company has offered an early retirement program to its employees. At March 31, 2007 and 2008, the liability for applicants to the program, discounted to reflect the present value of the expected cash flows, was ¥12,582 million and ¥9,758 million ($98 million), respectively. Such liability is allocated between "Other accrued expenses" and "Accrued pension and severance liabilities" in the accompanying consolidated balance sheets, depending on when the additional benefit payment is expected to be made. Related expenses recognized by the parent company for the years ended March 31, 2006, 2007 and 2008, included in "Selling, general and administrative" expenses in the accompanying consolidated statements of income, were ¥645 million, ¥1,486 million and ¥1,230 million ($12 million), respectively.

15. ASSET RETIREMENT OBLIGATIONS

The companies account for asset retirement obligations ("AROs"), consisting primarily of costs associated with mine reclamation, landfills and dismantlement of facilities, under SFAS No. 143, "Accounting for Asset Retirement Obligations." These costs reflect the legal obligations associated with the normal operation of the companies' coal mining and oil and gas facilities. These liabilities are included in "Other current liabilities" and "Other long-term liabilities" in the consolidated balance sheets. Additionally, the companies capitalized asset retirement costs by increasing the carrying amount of related long-lived assets, and recorded associated accumulated depreciation from the time the original assets are placed into service.

The changes in the carrying amount of AROs for the years ended March 31, 2007 and 2008 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2007	**2008**	**2008**
Balance at beginning of year	¥17,940	**¥25,815**	**$258**
Accretion expense	1,222	**1,809**	**18**
Payments	(968)	**(665)**	**(7)**
Liabilities incurred	300	**4,879**	**49**
Revisions in estimated cash flow	1,399		
The effect of change in fiscal year end of certain subsidiaries	3,780		
Other*	2,142	**(1,557)**	**(15)**
Balance at end of year	¥25,815	**¥30,281**	**$303**

* "Other" principally includes the effect of changes in foreign currency exchange rates and the effect of consolidation of certain subsidiaries.

16. DISCONTINUED OPERATIONS

In accordance with SFAS No. 144, the companies present the results of discontinued operations as a separate line item in the consolidated statements of income under loss from discontinued operations (net of tax).

In March 2008, the companies decided to sell a U.S. chemical products manufacturing operation in the Chemicals segment, and the operation has been classified as discontinued operations. The figures of the consolidated statements of income and the related notes for the prior years related to the discontinued operations have been reclassified to conform to the current year presentation.

Summarized selected financial information for the years ended March 31, 2006, 2007 and 2008 for the discontinued operations reclassified during the year ended March 31, 2008, and descriptions of assets and liabilities classified as held for sale at March 31, 2008, were as follows:

Loss from discontinued operation	Millions of Yen			Millions of U.S. Dollars
	2006	2007	**2008**	**2008**
Revenues	¥17,688	¥18,196	**¥16,332**	**$163**
Loss from discontinued operations before income taxes	(2,926)	(5,452)	**(3,410)**	**(34)**
Income taxes	(734)	(320)	**(194)**	**(2)**
Minority interests in loss from discontinued operations	(3)	545		
Loss from discontinued operations (net of tax)	(3,663)	(5,227)	**(3,604)**	**(36)**

Description of assets and liabilities classified as held for sale	Millions of Yen	Millions of U.S. Dollars
	2008	**2008**
Receivables-trade	**¥2,050**	**$20**
Inventories	**3,082**	**31**
Property and equipment-net	**1,338**	**13**
Other	**56**	**1**
Total assets held for sale	**¥6,526**	**$65**
Payables-trade	**¥ 937**	**$ 9**
Other	**1,144**	**12**
Total liabilities held for sale	**¥2,081**	**$21**

17. COMMON STOCK AND ADDITIONAL PAID-IN CAPITAL

The Companies Act of Japan requires in principle that the amount of payment for shares and assets delivered shall be the amount of common stock. However, the Companies Act permits, as an exception that an amount not exceeding 50% of such amount of payment and assets is able to be incorporated into the additional paid-in capital.

Under the Companies Act, Japanese companies are able to purchase and dispose of their treasury stock by resolution of the Board of Directors. However, the disbursement amount for acquiring treasury stock cannot exceed the amount available for dividends to the shareholders, which is calculated by a specific formula in accordance with the Companies Act.

The Companies Act provides that subject to certain conditions, such as a resolution of the shareholders' meeting, common stock, reserves and surplus can be transferred among each other.

18. RETAINED EARNINGS AND DIVIDENDS

Retained Earnings Appropriated for Legal Reserve—The Companies Act requires that an amount equal to 10% of dividends from the retained earnings to be paid shall be appropriated and set aside as legal reserve until the total of additional paid-in capital and legal reserve amounts to 25% of the common stock account.

Dividends—Under the Companies Act, the total amount for dividends and acquisition or purchase of treasury stock may not exceed the distributable amount of the parent company, which is calculated based on the amount of the retained earnings recorded in the parent company's general books of accounts maintained in accordance with generally accepted Japanese accounting practices. The adjustments to the consolidated financial statements to conform with U.S. GAAP have no effect on the determination of the distributable amount under the Companies Act. The distributable amount was ¥701,616 million ($7,016 million) as of March 31, 2008. The distributable amount under the Companies Act may fluctuate until the effective date for the distribution of dividends.

The Companies Act permits to pay dividends at any time during the fiscal year upon resolution at the shareholders' meeting. Furthermore, the parent company is also able to distribute a semiannual interim dividend by resolution of the Board of Directors.

In the accompanying consolidated statements of shareholders' equity, dividends and appropriations to the legal reserve shown for each year represent dividends paid out during the year and the appropriation to the legal reserve made in relation to the respective dividends.

Purchase of Treasury Stock—Under the Companies Act, the parent company is allowed to purchase treasury stock through market transactions by resolution of the Board of Directors.

In August 2007, the Board of Directors of the parent company decided to purchase treasury stock to implement a flexible capital structure policy according to changes in the business environment. As a result, the parent company purchased 51,759,000 shares of treasury stock through market transactions.

19. EARNINGS PER SHARE

The following table presents the reconciliation of the numerators and the denominators of the basic and diluted EPS computations:

	Millions of Yen			Millions of U.S. Dollars
	2006	2007	**2008**	**2008**
Numerator:				
Net income from continuing operations	¥356,949	¥420,745	**¥466,392**	**$4,664**
Effect of dilutive securities—Japanese yen convertible bonds	(1,446)	(29)	**(32)**	
Diluted income from continuing operations	¥355,503	¥420,716	**¥466,360**	**$4,664**
Loss from discontinued operations (net of tax)	(3,663)	(5,227)	**(3,604)**	**(36)**
Net income	¥353,286	¥415,518	**¥462,788**	**$4,628**
Effect of dilutive securities—Japanese yen convertible bonds	(1,446)	(29)	**(32)**	
Diluted income	¥351,840	¥415,489	**¥462,756**	**$4,628**

	Thousands of Shares		
	2006	2007	**2008**
Denominator:			
Basic weighted average common shares outstanding	1,625,211	1,687,066	**1,659,008**
Effect of dilutive securities:			
Stock options	2,691	2,933	**3,456**
Japanese yen convertible bonds	67,485	6,184	**3,873**
Diluted outstanding shares	1,695,387	1,696,183	**1,666,337**

	Yen			U.S. Dollars
	2006	2007	**2008**	**2008**
Per share amount:				
Net income from continuing operations				
Basic	¥219.63	¥249.39	**¥281.13**	**$ 2.81**
Diluted	209.69	248.04	**279.87**	**2.80**
Loss from discontinued operations (net of tax)				
Basic	(2.25)	(3.09)	**(2.18)**	**(0.02)**
Diluted	(2.16)	(3.08)	**(2.16)**	**(0.02)**
Net income				
Basic	¥217.38	¥246.30	**¥278.95**	**$ 2.79**
Diluted	207.53	244.96	**277.71**	**2.78**

20. SEGMENT INFORMATION

SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," establishes standards for reporting information about operating segments in financial statements. Operating segments are defined as components of an enterprise for which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

The operating segments were determined based on the nature of the products and services offered. The companies' reportable operating segments consist of the following seven business groups:

Business Innovation—The Business Innovation group is engaged in R&D of new business fields, investments and trading activities in the fields such as new energy, environment, human care business, information & communication technology-related business and the media consumer business.

Industrial Finance, Logistics & Development—The Industrial Finance, Logistics & Development group develops shosha-type industrial finance businesses, such as asset management, buyout investment, leasing business, REIT, investment to real estate, real estate development and logistics service.

Energy Business—The Energy Business group identifies and invests in oil and gas projects and focuses its trading activities on crude oil, petroleum products, liquefied petroleum gas, liquefied natural gas, and carbon materials and products.

Metals—The Metals group is mainly engaged in developing, manufacturing, marketing and distribution of metal and nonferrous metal products such as steel, aluminum and copper.

Machinery—The Machinery group is engaged in investment, project development and trading activities in a variety of business fields such as electricity, ships, automobiles, plants, industrial machinery and transportation systems.

Chemicals—The Chemicals group identifies and invests in chemical development projects and focuses its trading activities on basic chemicals such as synthetic fiber materials, petrochemicals, non-organic chemicals, fertilizers and specialty chemicals.

Living Essentials—The Living Essentials group invests in companies and focuses its trading activities on products such as foods, textiles, lumber and general merchandise.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies except that the disaggregated financial information has been prepared using a management approach, in which management internally disaggregates financial information for the purpose of assisting in making internal operating decisions. Management evaluates segment performance based on several factors, of which the primary financial measure is net income (loss). In addition, management utilizes internally developed mechanisms for the purpose of internal operating decisions.

Intersegment transactions are priced with reference to prices applicable to transactions with unaffiliated parties.

The companies' operating segment information at and for the years ended March 31, 2006, 2007 and 2008 was as follows:

	Millions of Yen										
2006	Business Innovation(1)	Industrial Finance, Logistics & Development(1)	Energy Business	Metals	Machinery	Chemicals	Living Essentials	Total	Other(2)	Adjustments and(3) Eliminations(5)(6)	Consolidated
Revenue	¥ 75,850	¥103,574	¥1,528,113	¥ 694,976	¥ 630,301	¥ 710,663	¥1,078,541	¥ 4,822,018	¥ 5,056	¥ (14,987)	¥ 4,812,087
Gross profit	34,683	32,850	93,876	303,830	168,054	76,977	336,216	1,046,486	5,125	1,379	1,052,990
Equity in earnings of affiliated companies	2,548	3,456	40,004	31,400	15,807	9,108	18,446	120,769	338	(2,096)	119,011
Net income (loss)	1,836	20,737	75,158	135,432	63,541	19,595	48,571	364,870	(9,567)(7)	(2,017)	353,286
Segment assets	182,580	870,873	1,501,723	2,665,403	2,107,267	707,681	1,943,991	9,979,518	1,078,465	(682,679)	10,375,304
Investments in affiliated companies	17,330	37,196	388,943	97,944	158,177	75,549	256,613	1,031,752	7,139	2,921	1,041,812
Depreciation and amortization	4,318	15,480	10,346	30,839	25,298	3,634	15,566	105,481	21,486	76	127,043
Capital expenditures for long-lived assets	2,063	41,600	13,980	65,640	44,850	4,009	18,641	190,783	13,744	189	204,716
Operating transactions(4):											
External customers	¥229,632	¥186,397	¥4,524,941	¥4,155,763	¥3,212,507	¥1,940,335	¥4,785,136	¥19,034,711	¥ 32,617	¥ 1,853	¥19,069,181
Intersegment	19,376	24,834	8,449	3,855	2,115	4,758	5,334	68,721	3,197	(71,918)	
Total	¥249,008	¥211,231	¥4,533,390	¥4,159,618	¥3,214,622	¥1,945,093	¥4,790,470	¥19,103,432	¥ 35,814	¥ (70,065)	¥19,069,181

	Millions of Yen										
2007	Business Innovation(1)	Industrial Finance, Logistics & Development(1)	Energy Business	Metals	Machinery	Chemicals	Living Essentials	Total	Other(2)	Adjustments and(3) Eliminations(5)(6)	Consolidated
Revenue	¥ 70,976	¥108,724	¥1,246,837	¥ 919,828	¥ 702,123	¥ 837,236	¥1,191,536	¥ 5,077,260	¥ 9,547	¥ (18,058)	¥ 5,068,749
Gross profit	36,258	44,264	80,907	365,719	176,530	86,252	348,655	1,138,585	9,523	(2,576)	1,145,532
Equity in earnings of affiliated companies	2,135	2,729	49,745	43,227	18,249	13,456	19,399	148,940	274	(2,359)	146,855
Net income (loss)	1,914	31,830	74,109	186,429	58,000	19,994	48,286	420,562	(5,050)	6	415,518
Segment assets	153,247	710,285	1,556,896	3,199,298	2,276,943	831,606	2,153,026	10,881,301	1,269,665	(655,439)	11,495,527
Investments in affiliated companies	21,490	43,585	511,654	114,555	183,470	87,152	297,863	1,259,769	3,051	3,347	1,266,167
Depreciation and amortization	3,929	16,005	12,950	34,541	25,716	5,224	17,400	115,765	19,706	160	135,631
Capital expenditures for long-lived assets	2,391	9,698	19,106	54,886	28,863	4,828	19,490	139,262	9,973	1,299	150,534
Operating transactions(4):											
External customers	¥224,484	¥183,482	¥4,370,967	¥5,228,948	¥3,308,534	¥2,196,880	¥4,946,527	¥20,459,822	¥ 57,914	¥ 8,834	¥20,526,570
Intersegment	18,702	28,199	6,243	6,718	1,534	5,642	6,721	73,759	2,233	(75,992)	
Total	¥243,186	¥211,681	¥4,377,210	¥5,235,666	¥3,310,068	¥2,202,522	¥4,953,248	¥20,533,581	¥ 60,147	¥ (67,158)	¥20,526,570

2008	Millions of Yen										
	Business Innovation[1]	Industrial Finance, Logistics & Development[1]	Energy Business	Metals	Machinery	Chemicals	Living Essentials	Total	Other[2]	Adjustments and[3] Eliminations[5][6]	Consolidated
Revenue	**¥ 69,068**	**¥194,795**	**¥1,551,052**	**¥ 980,544**	**¥ 817,455**	**¥1,004,349**	**¥1,438,572**	**¥ 6,055,835**	**¥ 13,473**	**¥ (38,502)**	**¥ 6,030,806**
Gross profit	**44,599**	**60,471**	**81,641**	**282,010**	**192,639**	**97,903**	**411,978**	**1,171,241**	**13,450**	**(12,469)**	**1,172,222**
Equity in earnings of affiliated companies	**1,802**	**2,294**	**45,410**	**41,679**	**25,504**	**11,965**	**21,129**	**149,783**	**146**	**(971)**	**148,958**
Net income	**1,080**	**17,686**	**94,206**	**158,241**	**66,532**	**34,728**	**50,966**	**423,439**	**34,802**	**4,547**	**462,788**
Segment assets	**197,017**	**799,698**	**1,705,803**	**3,281,536**	**2,215,642**	**831,746**	**2,274,109**	**11,305,551**	**1,206,029**	**(757,141)**	**11,754,439**
Investments in affiliated companies	**22,493**	**47,318**	**244,432**	**140,041**	**182,218**	**113,357**	**290,985**	**1,040,844**	**1,421**	**(1,690)**	**1,040,575**
Depreciation and amortization	**3,054**	**15,990**	**15,355**	**40,173**	**29,363**	**5,516**	**24,781**	**134,232**	**20,045**		**154,277**
Capital expenditures for long-lived assets	**5,716**	**99,186**	**93,510**	**58,416**	**44,878**	**4,039**	**27,178**	**332,923**	**3,822**	**(3,762)**	**332,983**
Operating transactions[4]:											
External customers	**¥255,553**	**¥253,233**	**¥5,000,063**	**¥5,707,493**	**¥3,900,738**	**¥2,472,522**	**¥5,478,620**	**¥23,068,222**	**¥ 71,379**	**¥ (36,558)**	**¥23,103,043**
Intersegment	**32,407**	**29,355**	**11,904**	**6,280**	**2,907**	**7,951**	**8,302**	**99,106**	**2,706**	**(101,812)**	
Total	**¥287,960**	**¥282,588**	**¥5,011,967**	**¥5,713,773**	**¥3,903,645**	**¥2,480,473**	**¥5,486,922**	**¥23,167,328**	**¥ 74,085**	**¥(138,370)**	**¥23,103,043**

2008	Millions of U.S. Dollars										
	Business Innovation[1]	Industrial Finance, Logistics & Development[1]	Energy Business	Metals	Machinery	Chemicals	Living Essentials	Total	Other[2]	Adjustments and[3] Eliminations[5][6]	Consolidated
Revenue	**$ 691**	**$1,948**	**$15,510**	**$ 9,805**	**$ 8,175**	**$10,043**	**$14,386**	**$ 60,558**	**$ 135**	**$ (385)**	**$ 60,308**
Gross profit	**446**	**605**	**816**	**2,820**	**1,926**	**979**	**4,120**	**11,712**	**135**	**(125)**	**11,722**
Equity in earnings of affiliated companies	**18**	**23**	**454**	**417**	**255**	**120**	**211**	**1,498**	**1**	**(10)**	**1,489**
Net income	**11**	**177**	**942**	**1,582**	**665**	**347**	**510**	**4,234**	**348**	**46**	**4,628**
Segment assets	**1,970**	**7,997**	**17,058**	**32,815**	**22,157**	**8,318**	**22,741**	**113,056**	**12,060**	**(7,572)**	**117,544**
Investments in affiliated companies	**225**	**473**	**2,444**	**1,400**	**1,822**	**1,134**	**2,910**	**10,408**	**15**	**(17)**	**10,406**
Depreciation and amortization	**30**	**160**	**153**	**402**	**294**	**55**	**248**	**1,342**	**201**		**1,543**
Capital expenditures for long-lived assets	**57**	**992**	**935**	**584**	**449**	**40**	**272**	**3,329**	**38**	**(37)**	**3,330**
Operating transactions[4]:											
External customers	**$2,556**	**$2,532**	**$50,001**	**$57,075**	**$39,007**	**$24,725**	**$54,786**	**$230,682**	**$ 714**	**$ (366)**	**$231,030**
Intersegment	**324**	**294**	**119**	**63**	**29**	**79**	**83**	**991**	**27**	**(1,018)**	
Total	**$2,880**	**$2,826**	**$50,120**	**$57,138**	**$39,036**	**$24,804**	**$54,869**	**$231,673**	**$ 741**	**$(1,384)**	**$231,030**

(1) Effective April 1, 2007, the companies have reorganized the Innovation Center in "Other" and "New Business Initiative" Group with other related Groups ("Energy Business," "Metals" and "Machinery") and have established the "Business Innovation" Group and the "Industrial Finance, Logistics & Development" Group. The consolidated financial positions and the results of operations of related reportable operating segments for the years ended March 31, 2006 and 2007 have also been reclassified accordingly.

(2) "Other" represents corporate departments which primarily provide services and operational support to the companies and affiliated companies. This column also includes certain revenue and expenses from business activities related to financing and human resource services that are not allocated to reportable operating segments. In perspective of efficiency of fund operations, the parent company received extra dividends from undistributed earnings of certain foreign subsidiaries for the year ended March 31, 2007, and taxes on those extra dividends received are also included in net income (loss) of "Other." Unallocated corporate assets categorized in "Other" were ¥1,078,465 million, ¥1,269,665 million and ¥1,206,029 million ($12,060 million) at March 31, 2006, 2007 and 2008, respectively, which consist primarily of cash, time deposits and securities for financial and investment activities.

(3) "Adjustments and Eliminations" include certain income and expense items that are not allocated to reportable operating segments and intersegment eliminations.

(4) "Operating transactions" is a voluntary disclosure commonly made by similar Japanese trading companies, and is not meant to represent sales or revenues in accordance with U.S. GAAP. See Note 1.

(5) In accordance with EITF Issue No. 06-9 and SFAS No. 154, the parent company has retrospectively adjusted the prior periods' consolidated financial statements to reflect the effect of the change of the subsidiaries' fiscal year ends which occurred for the year ended March 31, 2008. The effects of the retrospective application are included in "Adjustments and Eliminations."

(6) In accordance with SFAS No. 144, the figures of "Consolidated" for the years ended March 31, 2006 and 2007 have been reclassified to conform to the current year presentation for discontinued operations. The reclassifications to "Loss from discontinued operations (net of tax)" are included in "Adjustments and Eliminations."

(7) For the year ended March 31, 2006, net loss of "Other" includes provisions for tax assessments of ¥23,385 million on the transfer pricing of prior years' transactions between the parent company and affiliated companies in Australia, which relates to "Energy Business," and of ¥8,605 million on prior year's reorganization of the legal structure of certain subsidiaries in Thailand, which relates to "Machinery." These amounts reflect the effect of the increase in tax benefits on foreign tax credits based on the tax assessments.

Geographic Information

Operating transactions are attributed to geographic areas based on the location of the assets producing such revenues. Operating transactions, gross profit and long-lived assets at and for the years ended March 31, 2006, 2007 and 2008 were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2006	2007	**2008**	**2008**
Operating transactions[1]:				
Japan	¥15,736,828	¥16,210,290	**¥18,150,592**	**$181,506**
U.S.A.	955,576	1,379,801	**1,600,815**	**16,008**
Thailand	534,932	611,895	**721,362**	**7,213**
Other	1,841,845	2,324,584	**2,630,274**	**26,303**
Total	¥19,069,181	¥20,526,570	**¥23,103,043**	**$231,030**
Gross profit:				
Japan	¥ 678,636	¥ 694,070	**¥ 766,336**	**$ 7,663**
Australia	154,494	178,641	**87,860**	**879**
U.S.A.	53,397	65,919	**77,436**	**774**
Other	166,463	206,902	**240,590**	**2,406**
Total	¥ 1,052,990	¥ 1,145,532	**¥ 1,172,222**	**$ 11,722**
Long-lived assets:				
Japan	¥ 627,019	¥ 614,991	**¥ 712,280**	**$ 7,123**
Australia	240,330	294,685	**301,152**	**3,012**
U.S.A.	91,699	97,649	**168,524**	**1,685**
Canada	71,011	69,987	**82,233**	**822**
Other	240,137	223,096	**250,000**	**2,500**
Total	¥ 1,270,196	¥ 1,300,408	**¥ 1,514,189**	**$ 15,142**

(1) "Operating transactions" is a voluntary disclosure commonly made by similar Japanese trading companies, and is not meant to represent sales or revenues in accordance with U.S. GAAP. See Note 1.

(2) In accordance with EITF Issue No. 06-9 and SFAS No. 154, the parent company has retrospectively adjusted the prior periods' consolidated financial statements to reflect the effect of the change of the subsidiaries' fiscal year ends which occurred for the year ended March 31, 2008.

(3) In accordance with SFAS No. 144, the figures for the years ended March 31, 2006 and 2007 have been reclassified to conform to the current year presentation for discontinued operations.

Neither the companies nor any of their segments depended on any single customer, small group of customers, or government for more than 10% of their operating transactions for the years ended March 31, 2006, 2007 and 2008.

21. OTHER EXPENSE (INCOME)—NET

"Other expense (income)—net" for the years ended March 31, 2006, 2007 and 2008 consisted of the following:

	Millions of Yen			Millions of U.S. Dollars
	2006	2007	**2008**	**2008**
Net foreign exchange losses (gains)	¥ (9,915)	¥17,446	**¥(18,242)**	**$(183)**
Gains on sales of loans and accounts receivable	(3,347)			
Provision for disposal of PCB*	249			
Impairment loss of goodwill (see Note 9)	683	838	**99**	**1**
Earnings distribution related to divestiture	(1,594)			
Miscellaneous	(4,417)	(4,391)	**(5,412)**	**(54)**
Total	¥(18,341)	¥13,893	**¥(23,555)**	**$(236)**

* Based on the "Law Concerning Special Measure against Polychlorinated Biphenyl ("PCB") waste" which was enforced in July 2001, holders of PCB are obliged to dispose of all PCB waste by July 2016. During the year ended March 31, 2005, PCB waste treatment programs were established by the government which led to the establishment of PCB treatment facilities. As a result, the companies estimated the cost for the disposal of their PCB and recorded liabilities for the year ended March 31, 2006.

22. LEASES

Lessor

The companies lease vehicles, vessels, and other industrial machinery and equipment under arrangements which are classified as direct financing leases under SFAS No. 13, "Accounting for Leases."

Net investments in direct financing leases at March 31, 2007 and 2008, included in "Receivables—trade" and "Non-current notes, loans and accounts receivable—trade" in the accompanying consolidated balance sheets, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2007	**2008**	**2008**
Total minimum lease payments to be received	¥267,268	**¥252,171**	**$2,522**
Estimated unguaranteed residual value of leased assets	1,671	**2,291**	**23**
Less—unearned income	(43,218)	**(35,790)**	**(358)**
Investment in direct financing leases	225,721	**218,672**	**2,187**
Less—allowance for doubtful receivables	(905)	**(1,168)**	**(12)**
Net investment in direct financing leases	¥224,816	**¥217,504**	**$2,175**

The companies also lease aircrafts, vessels and other industrial assets under operating leases.

The following provides an analysis of the companies' investment in property on operating leases and property held for lease by classes at March 31, 2008:

	Millions of Yen			Millions of U.S. Dollars		
	Cost	Accumulated Depreciation	Net	Cost	Accumulated Depreciation	Net
Land	**¥ 21,394**		**¥ 21,394**	**$ 214**		**$ 214**
Buildings	**33,425**	**¥ (8,187)**	**25,238**	**334**	**$ (82)**	**252**
Machinery and equipment	**69,407**	**(40,599)**	**28,808**	**694**	**(406)**	**288**
Aircrafts and vessels	**360,066**	**(124,041)**	**236,025**	**3,601**	**(1,240)**	**2,361**
Total	**¥484,292**	**¥(172,827)**	**¥311,465**	**$4,843**	**$(1,728)**	**$3,115**

Future minimum lease payments to be received as of March 31, 2008 are as follows:

	Millions of Yen			Millions of U.S. Dollars
	Direct Financing Leases	Operating Leases	Total	Total
2009	¥ 80,080	¥ 45,791	¥125,871	$1,259
2010	65,909	31,204	97,113	971
2011	42,597	29,075	71,672	717
2012	21,699	23,873	45,572	456
2013	12,842	21,027	33,869	338
2014 and thereafter	29,044	63,433	92,477	925
Total	¥252,171	¥214,403	¥466,574	$4,666

Lessee

The companies lease equipment, real estate and others under capital leases. The following provides an analysis of the companies' leased assets recorded under capital leases by classes as of March 31, 2007 and 2008:

	Millions of Yen		
2007	Cost	Accumulated Depreciation	Net
Buildings	¥ 6,268	¥ (2,595)	¥ 3,673
Machinery	30,690	(13,149)	17,541
Vessels and vehicles	8,030	(4,939)	3,091
Equipment and fixtures	33,002	(17,944)	15,058
Total	¥77,990	¥(38,627)	¥39,363

2008	Millions of Yen Cost	Accumulated Depreciation	Net	Millions of U.S. Dollars Cost	Accumulated Depreciation	Net
Buildings	**¥ 6,074**	**¥ (2,649)**	**¥ 3,425**	**$ 61**	**$ (27)**	**$ 34**
Machinery	**29,814**	**(13,040)**	**16,774**	**298**	**(130)**	**168**
Vessels and vehicles	**8,739**	**(5,165)**	**3,574**	**87**	**(52)**	**35**
Equipment and fixtures	**30,008**	**(15,646)**	**14,362**	**300**	**(156)**	**144**
Total	**¥74,635**	**¥(36,500)**	**¥38,135**	**$746**	**$(365)**	**$381**

The following is a schedule by years of future minimum lease payments under capital leases together with components of the present value of the net minimum lease payments as of March 31, 2008. Minimum payments have not been reduced by minimum sublease revenues of ¥18,494 million ($185 million) due in the future under subleases:

	Millions of Yen	Millions of U.S. Dollars
2009	¥ 13,457	$ 134
2010	10,783	108
2011	8,287	83
2012	6,079	61
2013	4,287	43
2014 and thereafter	15,628	156
Total minimum lease payments	¥ 58,521	$ 585
Less amount representing interest	(3,781)	(38)
Present value of net minimum lease payments	54,740	547
Less current capital lease obligations	(11,913)	(119)
Long-term capital lease obligations	¥ 42,827	$ 428

During the year ended March 31, 2005, the companies sold the Shinagawa Mitsubishi Building for ¥110,178 million, part of which was leased back from the purchaser for a period of approximately four and a half years. The lease was classified and accounted for as an operating lease. The gain equivalent to the present value of the future minimum lease payment resulting from the sale-leaseback transaction was deferred and is amortized to offset rental expenses over the lease payment.

The companies also lease office space and certain other assets under operating leases. Total rental expenses under operating leases, including the assets subject to the sale-leaseback transaction discussed above, for the years ended March 31, 2006, 2007 and 2008 were ¥30,266 million, ¥32,245 million and ¥36,494 million ($365 million), respectively. Sublease rental income for the years ended March 31, 2006, 2007 and 2008 were ¥4,224 million, ¥5,096 million and ¥5,214 million ($52 million), respectively.

Future minimum lease payments under noncancelable leases as of March 31, 2008 are as follows. Minimum payments have not been reduced by minimum sublease rentals of ¥28,986 million ($290 million) due in the future under noncancelable subleases:

	Millions of Yen	Millions of U.S. Dollars
2009	¥ 32,905	$ 329
2010	27,942	279
2011	17,008	170
2012	14,654	147
2013	12,001	120
2014 and thereafter	63,320	633
Total	¥167,830	$1,678

23. STOCK-BASED COMPENSATION

The parent company had two types of stock option plans, stock option Class A and Class B, for certain directors and executive officers, however, the parent company resolved to unify the plan at the Board of Directors' meeting held on July 20, 2007.

The stock option plan resolved by the Board of Directors' meeting held until June 2007.

Under the Class A plan, the right to purchase the shares of the parent company is granted at an exercise price determined based on the greater of the quoted price of the shares on the Tokyo Stock Exchange on the grant date or the average quoted price for a month prior to the grant date. The stock options are vested and immediately exercisable after 23 months from the grant date, and exercisable periods are 8 years from the vested day.

Under the Class B plan, the right to purchase the shares of the parent company is granted at an exercise price of ¥1 per share. The contractual term of the Class B stock option is 30 years. The stock option holders may exercise their stock acquisition right during the 10-year period starting on the day after leaving their position as either director or executive officer of the parent company. Notwithstanding the above, if the stock option holders do not leave their position as either director or executive officer of the parent company, they may exercise their right from the day after 25 years from the grant date. If they leave their position as either director or executive officer of the parent company before the next June 30 after the grant date, the exercisable number is discounted in accordance with the tenure months from the grant date.

The stock option plan resolved by the Board of Directors' meeting held on and after July 2007.

Under the unified plan, the right to purchase the shares of the parent company is granted at an exercise price of ¥1 per share. The contractual term of the stock option is 30 years. The stock options are vested and exercisable from the earlier of either the day after 23 months from the grant date or the day after leaving their position as either director or executive officer of the parent company. The stock option holders may exercise their stock acquisition right during the 10-year period starting on the day after leaving their position as either director or executive officer of the parent company. If they leave their position as either director or executive officer of the parent company before the next June 30 after the grant date, the exercisable number is discounted in accordance with the tenure months from the grant date.

Effective July 1, 2005, the companies adopted SFAS No. 123R, under the modified-prospective application method. Prior to adoption of SFAS No. 123R, the companies accounted for stock-based compensation plans by applying the intrinsic value-based method under Accounting Principles Board Opinion No. 25 and related interpretations, and did not recognize any stock-based compensation cost because the exercise price of the options exceeded the quoted market price on the grant date. The companies' net income and basic and diluted EPS would have been reduced to the pro forma amounts indicated below if compensation cost for the parent company's stock option plan had been measured by the fair value based method at the grant date for awards in accordance with the provisions of SFAS No. 123.

	Millions of Yen
	2006
Net income:	
As reported	¥353,286
Deduct—total stock-based compensation cost determined under fair value method	125
Pro forma	¥353,161

	Yen
	2006
Basic EPS:	
As reported	¥217.38
Pro forma	217.30
Diluted EPS:	
As reported	207.53
Pro forma	207.45

The total stock-based compensation cost recognized for the years ended March 31, 2006, 2007 and 2008 was ¥786 million, ¥1,302 million and ¥1,608 million ($16 million), respectively. The total tax benefit recognized related thereto for the years ended March 31, 2007 and 2008 was ¥112 million and ¥383 million ($4 million), respectively. No stock-based compensation cost was capitalized for the years ended March 31, 2006, 2007 and 2008.

The weighted average fair value of options granted under the parent company's stock option plan for the years ended March 31, 2006, 2007 and 2008 was ¥783, ¥977 and ¥3,062 ($30.62) per share, respectively.

The fair value of these stock options is estimated using the Black Scholes option pricing model prospectively. The following assumptions were used to determine the fair value:

	2006	2007	**2008**
Risk-free interest rate	1.02%	1.69%	**1.50%**
Expected volatility	37.20%	35.67%	**33.74%**
Expected dividend yield	1.06%–1800%	1.44%–3500%	**4600%**
Weighted average dividend yield	1.32%	1.63%	**4600%**
Expected life	7.00 years	7.00 years	**7.00 years**

The following table summarizes information about stock option activities for the years ended March 31, 2006, 2007 and 2008:

	2006		2007		2008		
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price	
Years Ended March 31		Yen		Yen		Yen	U.S. Dollars
Outstanding at beginning of the fiscal year	4,820,000	¥ 964	5,543,800	¥1,093	**6,159,600**	**¥1,379**	**$13.8**
Granted	1,585,100	1,365	1,539,800	2,151	**367,600**	**1**	
Repurchased			(31,000)	944			
Canceled or expired					**(3,200)**	**1**	
Exercised	(861,300)	870	(893,000)	947	**(902,500)**	**1,123**	**11.2**
Outstanding at end of the fiscal year	5,543,800	1,093	6,159,600	1,379	**5,621,500**	**1,331**	**13.3**
Exercisable at end of the fiscal year	2,798,000	938	3,065,200	985	**3,531,800**	**1,181**	**11.8**

The following table summarizes information for options outstanding and exercisable at March 31, 2008:

	Exercise Price Range	Number of Shares	Weighted Average Remaining Life	Aggregate Intrinsic Value	
	Yen		Years	Millions of Yen	Millions of U.S. Dollars
Outstanding	¥1–2,435	5,621,500	9.3	¥9,438	$94
Exercisable	¥1–1,691	3,531,800	5.8	¥6,460	$65

The total intrinsic value of options exercised for the years ended March 31, 2006, 2007 and 2008 was ¥1,012 million, ¥1,283 million and ¥1,797 million ($18 million), respectively. As of March 31, 2008, the total unrecognized compensation cost related to nonvested stock options granted under the plans was ¥425 million ($4 million). That cost is expected to be recognized over a weighted average period of 0.3 years.

In March 2007, the parent company repurchased the stock options granted to a director. The total amount of the repurchase was ¥56 million determined by the estimated fair market value at the date of the transaction.

24. VARIABLE INTEREST ENTITIES

In accordance with FIN No. 46R, the following is information on VIEs that are consolidated by the companies because the companies are deemed to be the primary beneficiary and those entities that the companies do not consolidate because the companies are not the primary beneficiary although the companies have significant interests in such VIEs.

VIEs Consolidated

The companies utilize VIEs to purchase real estate and beneficial interests in real estate primarily with the intention to resell after enhancing its value by improving its quality through proper administration or building of new facilities. The companies utilize these VIEs to obtain nonrecourse loans from third parties to limit the companies' risks on activities related to the real estate development and real estate investment trusts business.

The total amounts of equity investments without voting rights in these VIEs were ¥27,335 million and ¥48,312 million ($483 million) at March 31, 2007 and 2008, respectively. Consolidated total assets of these VIEs amounted to ¥92,958 million and ¥102,205 million ($1,022 million) at March 31, 2007 and 2008, respectively.

VIEs Not Consolidated

The companies have significant variable interests in VIEs involved in various businesses, in the form of investments, guarantees and loans where the companies are not deemed to be the primary beneficiary. One of the main VIEs, in which the companies have had significant variable interests since its establishment in the 2000s, is an entity established to execute a project financing in infrastructure business. These VIEs have total assets of ¥379,069 million and ¥389,831 million ($3,898 million) at March 31, 2007 and 2008, respectively.

The companies' maximum exposures to loss as a result of their obligations regarding involvement in these entities were approximately ¥57,000 million and ¥43,000 million ($430 million) at March 31, 2007 and 2008, respectively.

25. COMMITMENTS AND CONTINGENT LIABILITIES

Long-term Commitments

The companies, in the normal course of trading operations, enter into substantial long-term purchase commitments for various commodities, principally metals, chemical products, and machinery at fixed prices or basis prices adjustable to market. Such purchase commitments are in most instances matched with counterparty sales contracts. At March 31, 2008, the outstanding long-term purchase commitments amounted to ¥4,828,803 million ($48,288 million) of which deliveries are at various dates through 2028.

The companies also had long-term financing commitments aggregating ¥234,191 million ($2,342 million) at March 31, 2008 for loans, investments in equity capital and financing on a deferred-payment basis for the cost of equipment to be purchased by customers.

Guarantees

The companies are parties to various agreements under which they have undertaken obligations resulting from the issuance of certain guarantees. The guarantees have been issued on behalf of the companies' affiliates or customers of the companies.

Credit support

As of March 31, 2007 and 2008, the companies provided ¥195,213 million and ¥195,443 million ($1,954 million) of credit support on behalf of certain customers/suppliers, and ¥111,373 million and ¥56,304 million ($563 million) on behalf of affiliates, using arrangements such as standby letters of credit and performance guarantees. These arrangements enable our customers/suppliers/affiliates to execute transactions or obtain desired financing arrangements with third parties. Generally, these credit arrangements at March 31, 2008 will expire within ten years, with the remaining credit supports expiring by the end of 2033. Should the customers/suppliers/affiliates fail to perform under the terms of the transaction or financing arrangement, the companies would be required to perform on their behalf.

Under such arrangements, some guarantees are secured, mainly by reinsurance or collateral. At March 31, 2007 and 2008, the secured amount was ¥9,367 million and ¥8,379 million ($84 million), respectively.

The liabilities for such credit support were ¥7,865 million and ¥4,450 million ($45 million) at March 31, 2007 and 2008, respectively.

Indemnification

In the context of certain sales or divestitures of business, the companies occasionally commit to indemnify contingent losses, such as environmental losses, or the imposition of additional taxes. Due to the nature of the indemnifications, the companies' maximum exposure under these arrangements cannot be estimated. No amounts have been recorded for such indemnifications as the companies' obligations under them are not probable and estimable, except for certain cases which already have been claimed.

The liabilities recognized for the above indemnification were ¥123 million and ¥241 million ($2 million) at March 31, 2007 and 2008, respectively.

Product warranties

Certain subsidiaries accrue estimated product warranty cost, in relation to their sales of products, to provide for warranty claims.

The changes in the accrued product warranty cost for the years ended March 31, 2007 and 2008 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2007	**2008**	**2008**
Balance at beginning of year	¥ 1,792	**¥ 5,149**	**$ 51**
Accrued cost	3,151	**2,058**	**21**
Payments	(1,027)	**(1,243)**	**(12)**
Other*	1,233	**(2,180)**	**(22)**
Balance at end of year	¥ 5,149	**¥ 3,784**	**$ 38**

* "Other" principally includes the effect of changes in foreign currency exchange rates and the effect of consolidation of certain subsidiaries.

Litigation

The companies are parties to litigation arising in the ordinary course of business. In the opinion of management, the liability of the companies, if any, when ultimately determined from the progress of the litigation will not have a materially adverse effect on the operating results or financial position of the companies.

26. SUBSEQUENT EVENTS

Dividends and Stock Option Plan

At the general shareholders' meeting held on June 25, 2008, the parent company's shareholders approved the following dividend payment and stock option grants:

Dividends—The parent company was authorized to pay a cash dividend of ¥30 ($0.30) per share, or a total of ¥49,243 million ($492 million) to shareholders of record on March 31, 2008.

Stock option plan—The parent company was authorized to grant additional options to certain directors to purchase up to 125,600 shares of the parent company's common stock in the period from June 26, 2008 to June 25, 2038, with payment due upon exercise of the stock acquisition right being ¥1 per share.

In addition, the parent company's Board of Directors' meeting held on May 16, 2008, approved to grant the same type of options to executive officers to purchase up to 442,600 shares of the parent company's common stock.

SUPPLEMENTAL OIL AND GAS INFORMATION (Unaudited)

The companies' oil and gas exploration, development and production activities are conducted through subsidiaries and equity method investees in offshore and onshore areas of the Pacific Rim, America, Africa and Europe. Supplementary information on the subsidiaries and on the companies' share of affiliated companies presented below is prepared in accordance with the requirements prescribed by SFAS No. 69, "Disclosures about Oil and Gas Producing Activities," as of and for the years ended March 31, 2006, 2007 and 2008:

Table 1: Capitalized Costs Relating to Oil and Gas Producing Activities

	Millions of Yen			Millions of U.S. Dollars
	2006	2007	**2008**	**2008**
Unproved oil and gas properties	¥ 2,206	¥ 2,703	**¥ 52,685**	**$ 527**
Proved oil and gas properties	28,483	42,133	**78,845**	**788**
Subtotal	30,689	44,836	**131,530**	**1,315**
Accumulated depreciation, depletion, amortization and valuation allowances	(7,939)	(13,454)	**(24,300)**	**(243)**
Net capitalized costs	¥ 22,750	¥ 31,382	**¥107,230**	**$1,072**
The companies' share of affiliated companies' net capitalized costs*1	¥346,580	¥441,292	**¥219,285**	**$2,193**

Table 2: Costs Incurred in Oil and Gas Property Acquisition, Exploration and Development Activities

	Millions of Yen			Millions of U.S. Dollars
	2006	2007	**2008**	**2008**
Acquisition of proved properties	¥ 7,640	¥ 18	**¥ 20,565**	**$ 206**
Acquisition of unproved properties	1,205	78	**50,423**	**504**
Exploration costs	951	3,534	**8,547**	**86**
Development costs	5,573	15,749	**14,718**	**147**
Total costs incurred	¥15,369	¥19,379	**¥ 94,253**	**$ 943**
The companies' share of affiliated companies' costs of property acquisition, exploration and development*1	¥88,827	¥98,561	**¥109,406**	**$1,094**

Table 3: Results of Operations for Producing Activities

	Millions of Yen			Millions of U.S. Dollars
	2006	2007	**2008**	**2008**
Revenues:				
Sales to external customers	¥24,018	¥21,707	**¥44,534**	**$445**
Sales to intersegment	3,555	11,570	**12,273**	**123**
Expenses:				
Production costs	6,152	11,202	**19,604**	**196**
Exploration expenses	2,270	2,947	**7,030**	**70**
Depreciation, depletion, amortization and valuation allowances	3,909	6,283	**10,890**	**109**
Income tax expenses	5,895	5,503	**7,746**	**77**
Results of operations from producing activities (excluding corporate overhead and interest costs)	¥ 9,347	¥ 7,342	**¥11,537**	**$116**
The companies' share of affiliated companies' results of operations from producing activities*2	¥37,006	¥32,695	**¥31,554**	**$316**

Table 4: Reserve Quantity Information

In accordance with U.S. GAAP, proved gas reserves are constrained to those volumes that are related to firm sales commitments. The natural gas reserves at the end of each year are therefore only a fraction of the volume that is expected to be committed to sales over time and upon which the decision to proceed with development was based. The proved oil reserves at March 31, 2006, 2007and 2008 include only a small fraction of the volume that is calculated by a simple method.

	Crude Oil and Natural Gas Liquids (Millions of Barrels)			Natural Gas (Billions of Cubic Feet)		
	2006	2007	**2008**	2006	2007	**2008**
Proved developed and undeveloped reserves:						
Beginning of year	21	31	**22**	46	38	**39**
Revisions of previous estimates	5	(5)	**17**	(4)	(14)	**(3)**
Extensions and discoveries	5		**7**		14	**5**
Purchases	3		**5**	2	7	**3**
Production	(3)	(4)	**(6)**	(6)	(6)	**(5)**
End of year	31	22	**45**	38	39	**39**
Proved developed reserves—end of year	21	22	**31**	20	18	**20**
The companies' proportional interest in reserves of affiliated companies—end of year	109	105	**56**	2,675	2,640	**1,595**

Table 5: Standardized Measure of Discounted Future Net Cash Flows and Changes therein Relating to Proved Oil and Gas Reserves

In accordance with U.S. GAAP, a standardized measure of discounted future net cash flows relating to the proved reserve quantities is based on prices and costs at the end of each year, currently enacted tax rates and a 10% annual discount factor. The natural gas activities' standardized measure of discounted future net cash flows includes the full committed costs of development and operation for the asset under the integrated Production Sharing Agreement. On the other hand, revenues are registered only in relation to the currently estimated proved reserves stated in Table 4 (Reserve Quantity Information). The proved gas reserves are constrained to those volumes that are related to firm sales commitments. The natural gas reserves at the end of each year are therefore only a fraction of the volume that is expected to be committed to sales over time and upon which the decision to proceed with development was based. Estimates of proved reserve quantities may change over time as new sales commitments become available. Consequently, the information provided here does not represent management's estimate of the companies' expected future cash flows or value of the proved reserves.

(1) Standardized Measure of Discounted Future Net Cash Flows	Millions of Yen			Millions of U.S. Dollars
	2006	2007	**2008**	**2008**
Future cash inflows	¥240,220	¥180,306	**¥ 440,708**	**$ 4,407**
Future production costs	(95,266)	(83,968)	**(203,946)**	**(2,040)**
Future development costs	(22,972)	(18,560)	**(56,433)**	**(564)**
Future income tax expenses	(45,356)	(25,643)	**(47,522)**	**(475)**
Undiscounted future net cash flows	76,626	52,135	**132,807**	**1,328**
10% annual discount for estimated timing of cash flows	(23,802)	(14,642)	**(42,895)**	**(429)**
Standardized measure of discounted future net cash flows	¥ 52,824	¥ 37,493	**¥ 89,912**	**$ 899**
The companies' share of affiliated companies' standardized measure of discounted future net cash flows*2	¥263,838	¥431,753	**¥ 348,072**	**$ 3,481**

(2) Details of Changes for the Year	Millions of Yen			Millions of U.S. Dollars
	2006	2007	**2008**	**2008**
Discounted future net cash flows at April 1	¥ 33,325	¥ 52,824	**¥ 37,493**	**$ 375**
Sales and transfer of oil and gas produced, net of production costs	(21,343)	(15,316)	**(36,758)**	**(368)**
Development costs incurred	5,856	13,368	**12,195**	**122**
Purchases of reserves	6,837		**19,920**	**199**
Net changes in prices, development and production costs	34,068	9,370	**38,273**	**383**
Extensions, discoveries and improved recovery, less related costs	1,695	5,016	**12,740**	**127**
Revisions of previous quantity estimates	920	(46,094)	**9,937**	**99**
Accretion of discount (10%)	3,934	5,117	**4,946**	**50**
Net change in income taxes	(16,162)	12,882	**(7,838)**	**(78)**
Difference of foreign exchange rates	3,694	326	**(996)**	**(10)**
Discounted future net cash flows at March 31	¥ 52,824	¥ 37,493	**¥ 89,912**	**$ 899**

*1 Natural gas activities include costs related to the production of LNG.
*2 Natural gas activities include revenues and costs related to the production of LNG.

Independent Auditors' Report

Deloitte.

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To the Board of Directors and Shareholders of Mitsubishi Corporation
(Mitsubishi Shoji Kabushiki Kaisha):

We have audited the accompanying consolidated balance sheets of Mitsubishi Corporation (Mitsubishi Shoji Kabushiki Kaisha) and subsidiaries as of March 31, 2007 and 2008, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended March 31, 2008 (all expressed in Japanese yen). These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the consolidated financial position of Mitsubishi Corporation and subsidiaries as of March 31, 2007 and 2008, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2008, in conformity with accounting principles generally accepted in the United States of America.

Our audits also comprehended the translation of Japanese yen amounts into United States dollar amounts included in the consolidated financial statements with respect to the year ended March 31, 2008 and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such United States dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

June 20, 2008 (June 25, 2008 as to the matters discussed in Note 26)

Member of
Deloitte Touche Tohmatsu

Responsibility Statement

June 25, 2008

Responsibility Statement

The following responsibility statement is made solely to comply with the requirements of DTR 4.1.12 of the Disclosure Rules and the Transparency Rules of the United Kingdom Financial Services Authority in its capacity as the United Kingdom Listing Authority, which apply to Mitsubishi Corporation as an issuer whose financial instruments are admitted to trading on the London Stock Exchange:

Yorihiko Kojima, President and CEO, confirms that, to the best of his knowledge, the financial statements were prepared fairly in all material respects in accordance with accounting principles generally accepted in the United States of America and that, to the best of his knowledge, the management report was prepared fairly in all material respects including the information about the development and performance of the business and the position of Mitsubishi Corporation and the undertakings included in the consolidation taken as a whole, together with the principal risks and uncertainties that they face.

Corporate Data

(As of March 31, 2008)

Mitsubishi Corporation

Date Established: April 1, 1950

Capital: ¥201,825,117,909

Shares of Common Stock Issued:
1,694,323,909

Head Office:

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3-1, Marunouchi 2-chome,
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Telephone: +81-3-3210-2121

Shinagawa Office
16-3, Kounan 2-chome,
Minato-ku, Tokyo 108-8228, Japan

Number of Employees:
Parent company: 5,454
Consolidated: 60,664

Independent Auditors:
Deloitte Touche Tohmatsu /
Tohmatsu & Co.

Number of Shareholders: 161,590

Stock Listings:
Tokyo, Osaka, Nagoya, London

Transfer Agent for the Shares:
Mitsubishi UFJ Trust and Banking Corporation
Stock Transfer Agency Department
10-11, Higashisuna 7-chome, Koto-ku,
Tokyo 137-8081, Japan
Telephone: 0120-232-711-696 (within Japan)

American Depositary Receipts:
Ratio (ADR:ORD): 1:2
Exchange: OTC (Over-the-Counter)
Symbol: MSBHY
CUSIP: 606769305

Depositary:
The Bank of New York Mellon
101 Barclay Street,
New York, NY 10286, U.S.A.
Telephone: (201) 680-6825
U.S. toll free: 888-269-2377 (888-BNY-ADRS)
URL: http://www.adrbnymellon.com

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Mitsubishi Corporation's latest annual reports, financial reports and news releases are available on the Investor Relations homepage.

URL: http://www.mitsubishicorp.com/en/ir/

Mitsubishi Corporation

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