

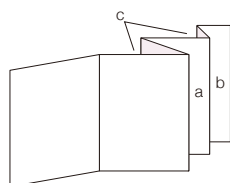
Annual Report 2010

for the year ended March 31, 2010

Creating Sustainable Corporate Value

Contents

001 Corporate Profile



- a] Organizational Structure/Global Network
- b]
- c] Past Medium-Term Management Plans

003 To Our Stakeholders

004 Financial Highlights

006 Interview with the President Midterm Corporate Strategy 2012

Creating Sustainable Corporate Value

On June 24, 2010, Ken Kobayashi was appointed the new President and CEO of MC. He unveiled MC's new three-year Midterm Corporate Strategy 2012 to the end of March 2013 on July 16.

In this interview, President Kobayashi discusses what underpins the philosophy and actions of this midterm strategic plan.

018 Feature

Opportunities in Change

Mitsubishi Corporation's inherent nature is to constantly take up the challenge of creating new businesses, seizing the opportunities that arise in changing times.

In this feature section, we look at specific examples of how we are capitalizing on changing business conditions to expand business in emerging markets, developed markets and the global environmental field.

032 Two Groups Directly Under the President

034 Review of Operations

- 034 Fiscal 2010 Results of Business Groups
- 036 Profiles of Business Groups
- 038 Industrial Finance, Logistics & Development Group
- 042 Energy Business Group
- 046 Metals Group

- 050 Machinery Group
- 054 Chemicals Group
- 058 Living Essentials Group
- 062 Metals and Energy Resource Data
- 064 Global Strategy

066 Corporate Governance and Internal Control

067 Discussion

Looking at MC's Corporate Governance

From the Outside

- 071 Corporate Auditors
- 072 Corporate Governance Framework
- 075 Internal Control System
- 078 International Advisory Committee
- 080 CSR (Corporate Social Responsibility) & Environmental Affairs
- 082 Members of the Board
- 084 Executive Officers

085 Corporate Section

094 Financial Section

185 Corporate Data

Forward-Looking Statements

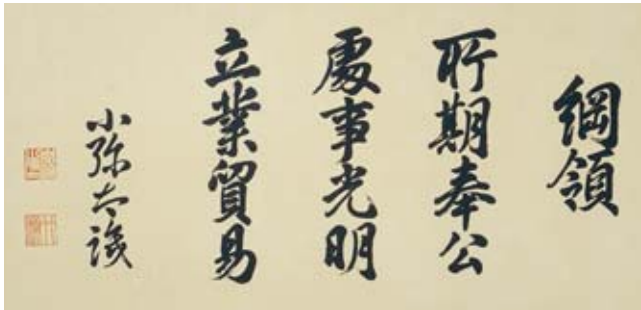
This annual report contains forward-looking statements about Mitsubishi Corporation's future plans, strategies, beliefs and performance that are not historical facts. They are based on current expectations, estimates, forecasts and projections about the industries in which Mitsubishi Corporation operates 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.

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. In addition to its six Business Groups (Industrial Finance, Logistics & Development; Energy; Metals; Machinery; Chemicals; and Living Essentials), MC has added two new Groups, the Business Service Group and the Global Environment Business Development Group. Through these organizations and more than 500 subsidiaries and affiliates, MC serves customers around the world in virtually every industry.

Moving forward, MC remains 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 Mitsubishi Kinyokai meeting of the 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

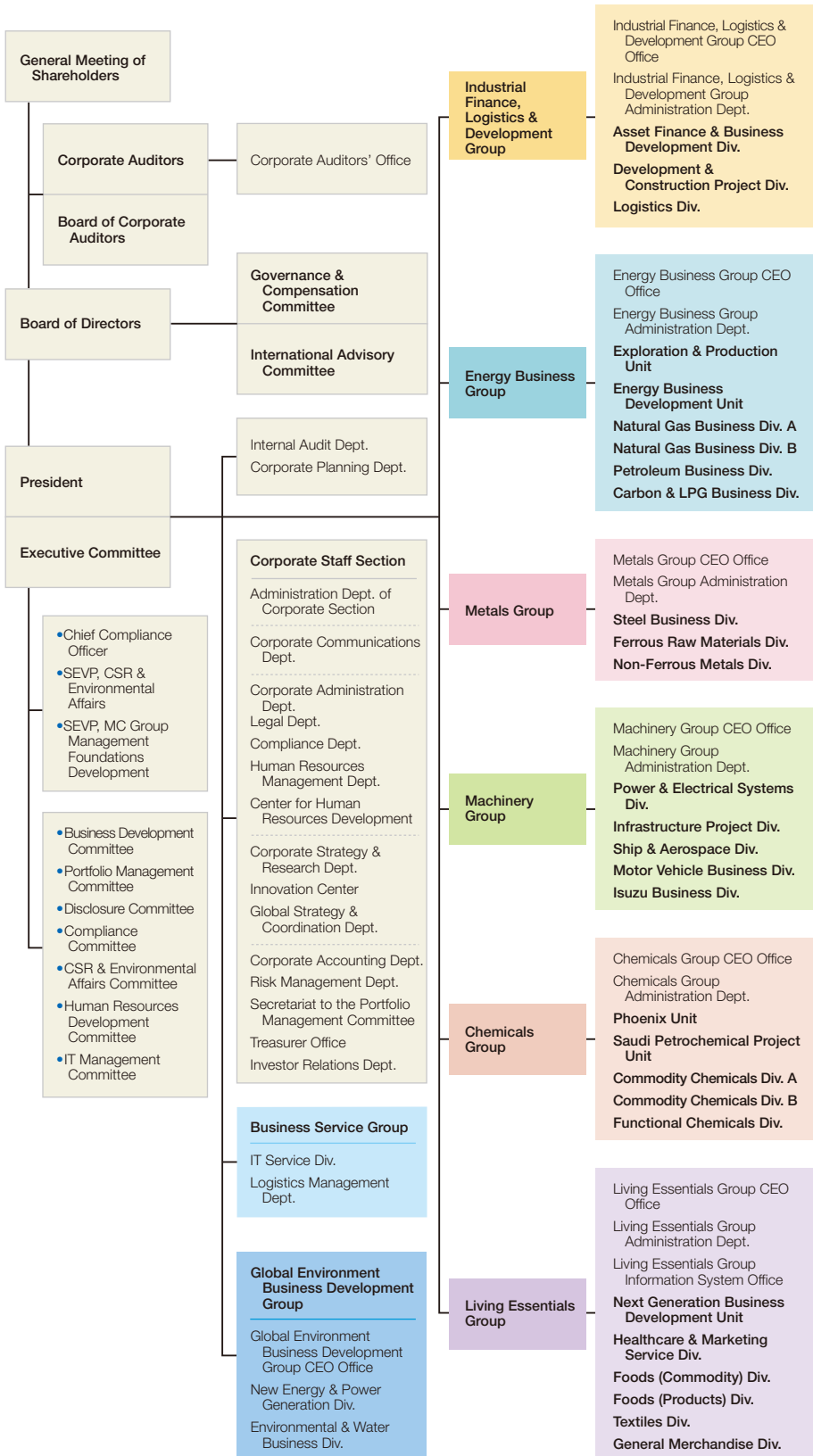
were made to globalize the company's operations and its people. Amid uncertainty about Japan's financial system, MC established "MC2000" in 1998. The aim of this new management plan was "Self-reform for the 21st Century." MC2000 introduced a "Select & Focus" approach to business, strengthened strategic 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 newly established the Business Innovation Group and Industrial Finance, Logistics & Development Group. Then, in 2008, MC announced its management plan, "INNOVATION 2009." In 2009, MC systematically reorganized the Business Innovation Group and established its Corporate Development Section. In April, 2010, MC reorganized and enhanced this section through the establishment of two new Groups, the Global Environment Business Development Group and Business Service Group. In July 2010, MC announced a new management plan, "Midterm Corporate Strategy 2012."

Organizational Structure

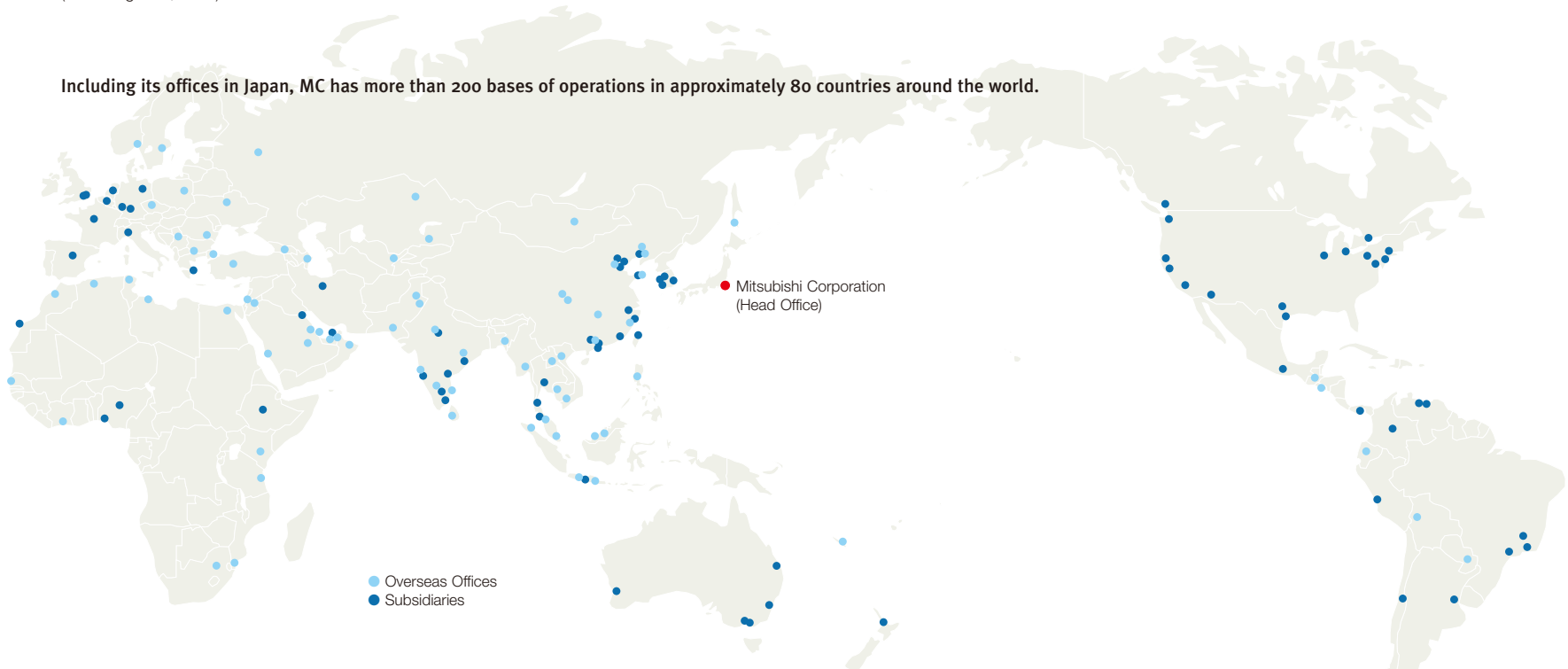
(As of August 1, 2010)



Global Network

(As of August 1, 2010)

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



● Overseas Offices
● Subsidiaries

Head Office

Tokyo

Domestic Network (33)

Sapporo Takamatsu
Sendai Hiroshima
Nagoya Fukuoka
Niigata Oita
Toyama Nagasaki
Shizuoka Naha
Osaka
20 annexed offices in addition to the above

Overseas Network (197 bases of operations, including 118 offices, 40 subsidiary headquarters, and 39 branches)

<North America>

■ **Subsidiaries**
Mitsubishi International Corporation
New York
San Francisco
Seattle
Silicon Valley
Los Angeles
Houston
Chicago
Washington, D.C.
Dallas
Pittsburgh
Boston
Tucson
Mitsubishi Canada Ltd.
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
Belo Horizonte

<Europe>

■ **Offices**
Oslo
Prague
Stockholm
Warsaw
Bucharest
Beograd
Sofia
Istanbul
Ankara
■ **Subsidiaries**
Mitsubishi Corporation International (Europe) Plc.
London
Las Palmas (Spain)
Mitsubishi España S.A.
Madrid
Mitsubishi France S.A.S.
Paris
Mitsubishi Nederland B.V.
Amsterdam
Mitsubishi International G.m.b.H.
Düsseldorf
Frankfurt
Berlin
Brussels
Mitsubishi Italia S.p.A.
Milano
Mitsubishi Hellas A.E.E.
Athens
MC Europe Holdings N.V.
London

<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

<Middle East>

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

■ **Subsidiaries**
Al-Masat Al-Thalath Trading Company (Mitsubishi) K.S.C.
Kuwait
Mitsubishi International Corp. (Iran), Ltd.
Tehran
Mitsubishi Corporation Trading Middle East F.Z.E
Dubai

<Asia>

■ **Offices**
Karachi
Islamabad
Lahore
New Delhi
Mumbai
Kolkata
Chennai
Bangalore

Colombo
Dhaka
Yangon
Kuala Lumpur
Vientiane
Bintulu
Singapore
Phnom Penh
Hanoi
Ho Chi Minh City
Jakarta
Medan
Surabaya
Bandar Seri Begawan (Brunei)
Manila
Ulaanbaatar
Beijing
Chengdu
Chongqin
Guangzhou
Qingdao
Shanghai
Dalian
Shenyang
Changsha

■ **Subsidiaries**
Mitsubishi Corporation India Pvt. Ltd.
New Delhi
Chennai
Mumbai
Kolkata
Bangalore
Hyderabad
Mitsubishi Company (Thailand), Ltd.
Bangkok
Haadyai
Thai MC Company Ltd.
Bangkok
Haadyai
Sinar Berlian Sdn. Bhd.
Kuala Lumpur
PT. MC Indonesia
Jakarta
Surabaya
Mitsubishi Corporation China Co., Ltd.
Shanghai
Mitsubishi Corporation China Commerce Co., Ltd.
Beijing

Mitsubishi Corporation (Guangzhou) Ltd.
Guangzhou
Mitsubishi Corporation (Tianjin) Ltd.
Tianjin
Mitsubishi Corporation (Qingdao) Ltd.
Qingdao
Mitsubishi Corporation (Shanghai) Ltd.
Shanghai
Nanjing
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
Dangjin

<Oceania>

■ **Offices**
Noumea
■ **Subsidiaries**
Mitsubishi Australia Ltd.
Melbourne
Sydney
Perth
Brisbane
Mount Waverley
Mitsubishi New Zealand Ltd.
Auckland

35 project offices in addition to the above

Consolidated Subsidiaries and Equity-Method Affiliates by Operating Segment

(As of March 31, 2010)

	No. of Consolidated Subsidiaries and Equity-Method Affiliates
Industrial Finance, Logistics & Development	89
Energy Business	70
Metals	25
Machinery	136
Chemicals	43
Living Essentials	125
Corporate Development	26
Corporate Staff	13
	Regional Subsidiaries 35
Total	562

• Companies affiliated with MC subsidiaries are not included in the number of consolidated subsidiaries and equity-method affiliates.

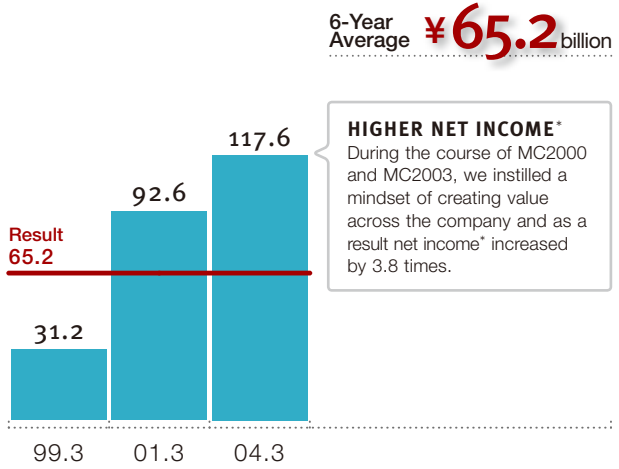
Past Medium-Term Management Plans

1998 – 2004

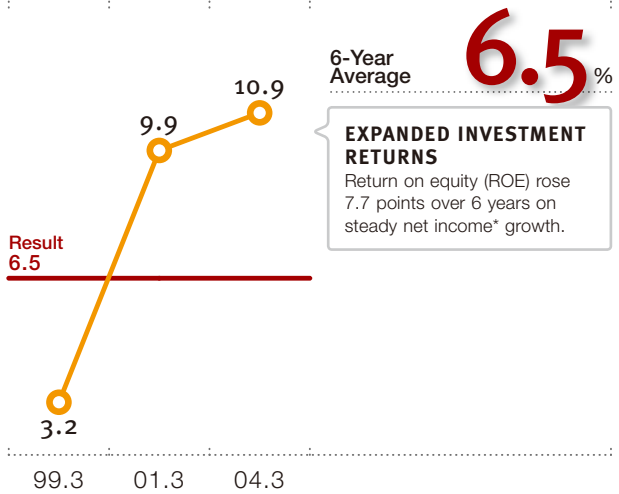
MC2000 MC2003

The aim of the MC2000 medium-term management plan that ran from 1998 to 2001 was self-reform for the 21st Century. The subsequent plan, MC2003, which covered the period from 2001 to 2004, was based on the theme of “Driven to Create Value.”

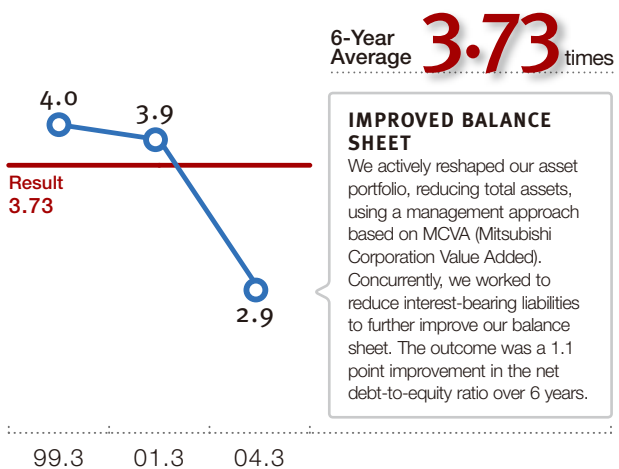
Net Income* (¥ billion)



Return on Equity (ROE) (%)



Net Debt-to-equity Ratio (times)

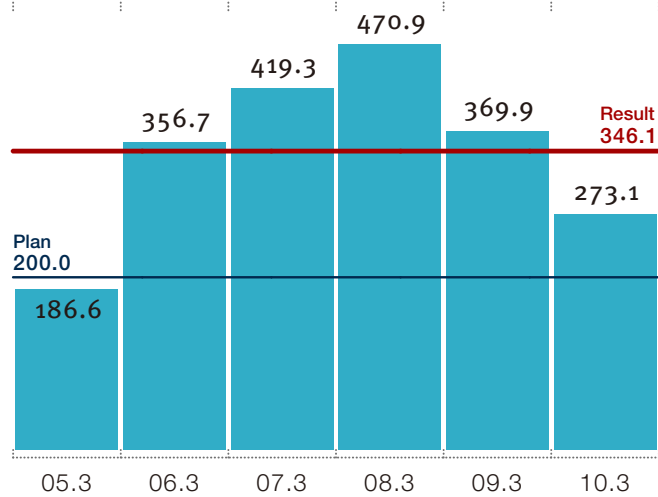


* Net income as used on this page and subsequent pages denotes net income attributable to Mitsubishi Corporation.

INNOVATION 2007 INNOVATION 2009

Under INNOVATION 2007 (2004 to 2008) and INNOVATION 2009 (2008 to 2010) we set forth the vision of becoming “A New Industry Innovator” with the aim to open up a new era. These plans had three basic concepts: Grasp Change and Open Up A New Era, Develop Human Assets, and Solidify Our Ground. We pushed through management initiatives based on these concepts.

Net Income* (¥ billion)



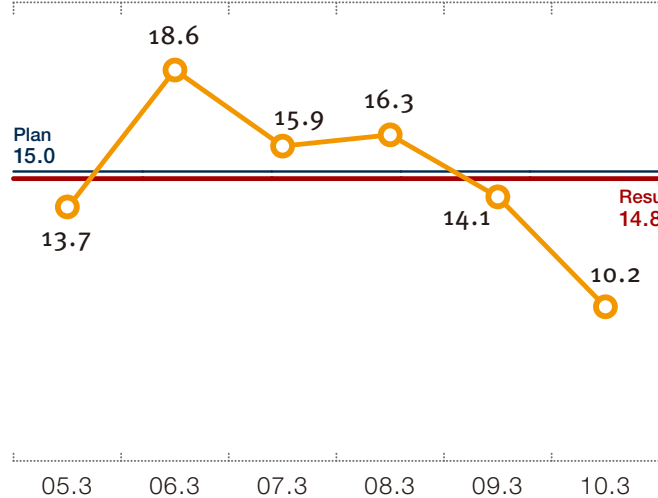
6-Year Average **¥346.1** billion

IMPROVED EARNINGS GROWTH

A main goal of INNOVATION 2007 and INNOVATION 2009 was to grow into a company that could generate net income* of at least ¥200 billion. We eclipsed this goal by delivering average net income* over the 6 years of ¥346.1 billion.

* Net Income denotes net income attributable to Mitsubishi Corporation.

Return on Equity (ROE) (%)

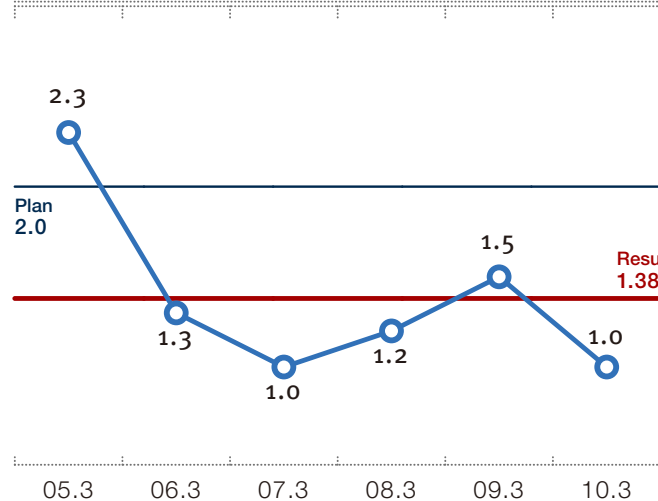


6-Year Average **14.8** %

IMPROVED CAPITAL EFFICIENCY

We also set the goal under INNOVATION 2007 and INNOVATION 2009 of achieving ROE of at least 15% over the medium and long terms. And we almost did that, registering an average of 14.8% over 6 years.

Net Debt-to-equity Ratio (times)

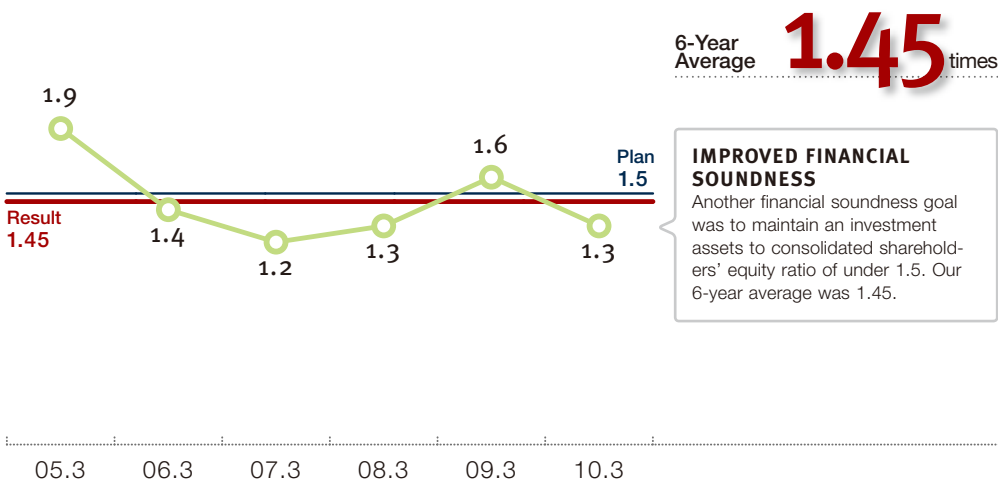


6-Year Average **1.38** times

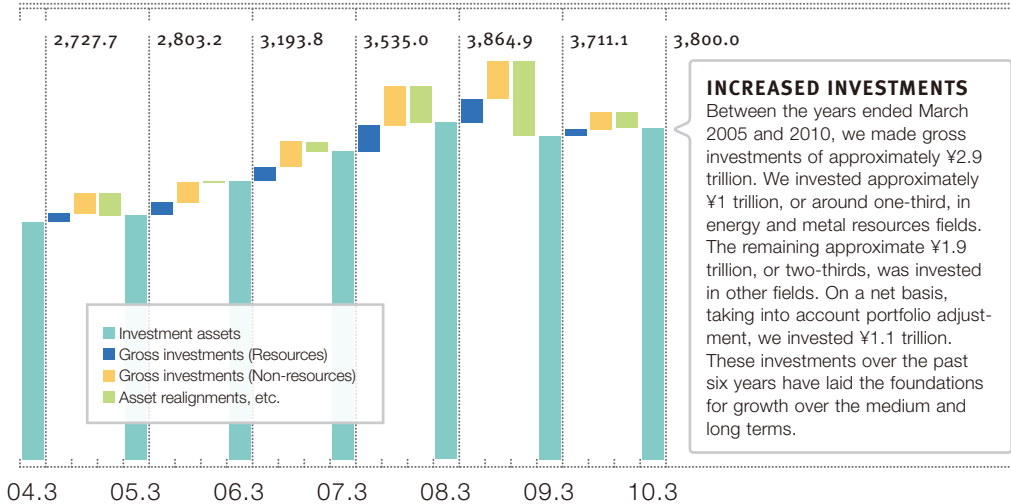
IMPROVED FINANCIAL SOUNDNESS

Our goal here under the two plans was to maintain a net debt-to-equity ratio of under 2.0. We succeeded in keeping within this limit, with a 6-year average of 1.38.

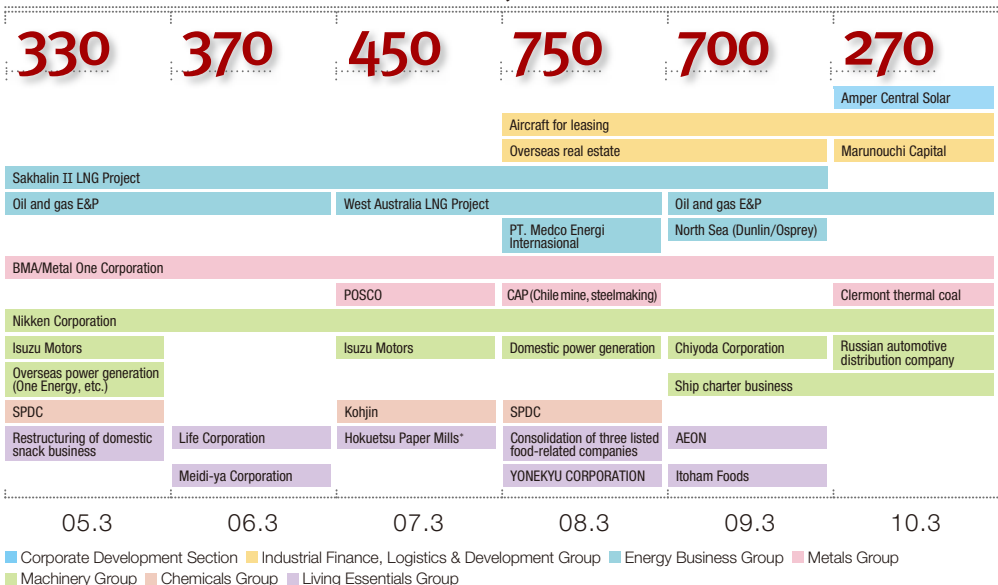
Investment Assets to Consolidated Shareholders' Equity Ratio (times)



Actual Investments (¥ billion)



Investment Amounts and Main Investment Projects (¥ billion)



* Hokuetsu Paper Mills made Kishu Paper Co., Ltd. a wholly owned subsidiary and renamed itself Hokuetsu Kishu Paper Co., Ltd. on October 1, 2009.

MIDTERM CORPORATE STRATEGY 2012

July 2010 saw us launch our latest plan called Midterm Corporate Strategy 2012. Covering the period from 2010 to 2013, this plan has three themes: respond to fast-growing emerging economies and new growth markets; leverage MC's diversified business portfolio; and solidify MC's diversified business portfolio. Implementation of these three themes will strengthen and expand our earnings drivers and develop new businesses for future growth.

See page 6

To Our Stakeholders



In June 2010, I was appointed chairman of the Board after serving for six years as president and CEO of MC.

Under our INNOVATION 2007 and INNOVATION 2009 plans, I focused all my energies on creating future growth drivers and new paradigms, guided by a vision of becoming “A New Industry Innovator.” Quantitatively, we sought to achieve sustained growth, while balancing earnings growth, capital efficiency and financial soundness.

Even though we faced unprecedented change in our business environment, such as the Lehman Shock and European credit crisis, I think we succeeded in laying the foundations for sustained growth in the future. In terms of earnings growth, while benefitting from expansion in the energy and metals resource fields, we achieved average net income of ¥346.1 billion over 6 years. In terms of capital efficiency, we averaged ROE of 14.8% over the same period. And in terms of financial soundness, the net debt-to-equity ratio averaged 1.38 times. These were our major achievements of the past six years under my stewardship.

But I am confident that MC can go on from here to continuously raise corporate value by enhancing its earnings base and creating new earnings drivers. As chairman of the Board, I will oversee the execution of operations that I formerly headed. I will support the new top management team led by president Ken Kobayashi from a different vantage point than before, and believe we can make sustained growth possible. I hope you will lend your support, too.

September 2010

A handwritten signature in black ink, appearing to read 'Y. Kojima'.

Yorihiro Kojima

Chairman of the Board

Financial Highlights

Mitsubishi Corporation and Subsidiaries Years ended March 31 (U.S. GAAP)
(The figures have been reclassified, in accordance with provisions of U.S. GAAP.)

	Millions of Yen					
	2005.3	2006.3	2007.3	2008.3	2009.3	2010.3
Performance Measure:						
Operating transactions* ¹	¥17,122,034	¥19,069,181	¥20,526,570	¥23,103,043	¥22,389,104	¥17,098,705
Results of Operations:						
Gross profit	878,707	1,052,990	1,145,532	1,172,222	1,463,152	1,016,683
Operating income	185,192	352,215	410,304	355,105	588,896	181,447
Income from continuing operations before income taxes and equity in earnings of Affiliated companies	213,944	487,180	601,562	552,549	388,228	294,268
Equity in earnings of Affiliated companies	99,624	124,797	152,208	155,008	156,763	113,373
Net income attributable to Mitsubishi Corporation	186,641	356,734	419,273	470,859	369,936	273,147
Core earnings* ²	336,905	549,314	686,398	628,535	855,785	378,439
Financial Position at Year-End:						
Total assets	9,048,561	10,299,588	11,423,924	11,750,441	10,918,003	10,891,275
Gross interest-bearing liabilities* ³	4,040,199	3,763,741	3,827,760	4,183,592	4,879,335	4,154,692
Net interest-bearing liabilities* ³	3,423,498	3,107,336	3,060,934	3,421,924	3,551,207	2,955,193
Total Mitsubishi Corporation shareholders' equity	1,493,175	2,348,000	2,918,386	2,873,510	2,383,387	2,961,376
Cash Flows:						
Cash flows from operating activities	145,700	384,278	440,434	319,068	550,441	760,568
Cash flows from investing activities	6,597	(91,851)	(294,617)	(356,659)	(691,216)	(141,157)
Cash flows from financing activities	(60,414)	(239,415)	(109,791)	69,472	650,546	(755,117)
Amounts per Share (yen and dollars):						
Net income attributable to Mitsubishi Corporation per share:						
Basic	¥ 119.21	¥ 219.50	¥ 248.52	¥ 283.82	¥ 225.24	¥ 166.24
Diluted	110.11	209.56	247.17	282.55	224.75	165.86
Mitsubishi Corporation shareholders' equity per share	953.65	1,392.84	1,728.59	1,750.86	1,450.72	1,801.84
Cash dividends	18.00	35.00	46.00	56.00	52.00	38.00
Payout ratio (%)* ⁴	15.5	16.3	18.7	20.1	23.1	22.9
Common Stock (thousands of shares):						
Number of shares outstanding at year-end* ⁵	1,565,749	1,685,767	1,688,303	1,641,203	1,642,904	1,643,532
Financial Measures:						
Return on average shareholders' equity (%)	13.7	18.6	15.9	16.3	14.1	10.2
Return on average total assets (ROA) (%) ⁶	2.5	5.0	5.5	4.8	3.4	2.7
Net debt-to-equity-ratio (times)	2.3	1.3	1.0	1.2	1.5	1.0
ROIC (core earnings) (%)	6.9	10.1	11.5	10.0	14.4	6.4
Dividend on equity ratio (%)	2.1	3.0	2.9	3.2	3.2	2.3
Stock Price Information:						
Stock price (annual average)	¥ 1,202	¥ 2,042	¥ 2,371	¥ 3,110	¥ 2,299	¥ 1,969
Price Earnings Ratio (PER) (times)* ⁷	10.09	9.66	9.56	11.19	10.54	12.23
Price Book-value Ratio (PBR) (times)* ⁷	1.3	1.5	1.4	1.8	1.6	1.1

Notes: The U.S. dollar amounts represent translations, for convenience, of yen amounts at the rate of ¥93=\$1.

*¹ Operating transactions is a voluntary disclosure commonly made by Japanese trading companies, and is not meant to represent sales or revenues in accordance with U.S. GAAP. See Note 1 to consolidated financial statements, financial section.

*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.

*⁴ Payout ratio was calculated based on net income attributable to Mitsubishi Corporation for the fiscal year before reclassification.

*⁵ Excluding treasury stock held by the Company.

*⁶ ROA is calculated by dividing income from continuing operations before income taxes and equity in earnings of Affiliated companies by the average of total assets at the beginning and end of the fiscal year.

*⁷ PER is calculated by dividing market capitalization, as determined by multiplying the average share price during the fiscal year by the number of shares issued at the fiscal year-end, by net income attributable to Mitsubishi Corporation.

PBR is calculated by dividing market capitalization, as determined by multiplying the average share price during the fiscal year by the number of shares issued at the fiscal year-end, by total Mitsubishi Corporation shareholders' equity.

Change 2010.3/2009.3	Millions of U.S. Dollars 2010.3
¥ -5,290,399	\$183,857
-446,469	10,932
-407,449	1,951
-93,960	3,164
-43,390	1,219
-96,789	2,937
-477,346	4,069
-26,728	117,110
-724,643	44,674
-596,014	31,776
577,989	31,842
210,127	8,178
550,059	(1,518)
-1,405,663	(8,119)

¥ -59.00	\$ 1.79
-58.89	1.78
351.12	19.37
-14.00	0.41

¥ -330	\$ 21.17
--------	----------

OVERVIEW

Net income attributable to Mitsubishi Corporation fell 26%, but all non-resource operating segments recorded higher earnings

Net income attributable to Mitsubishi Corporation dropped 26% year on year to 273.1 billion yen. The Energy Business and Metals segments saw consolidated net income fall due to a pull-back from soaring crude oil, coking coal and other resource prices. But all non-resource segments recorded higher earnings.

Shareholders' equity soared to a record 2,961.4 billion yen

Shareholders' equity rose 578.0 billion yen from March 31, 2009 to a record 2,961.4 billion yen. In addition to an increase in retained earnings because of the consolidated net income attributable to Mitsubishi Corporation, comprehensive income improved due to rising share prices and the yen's depreciation versus the Australian dollar.

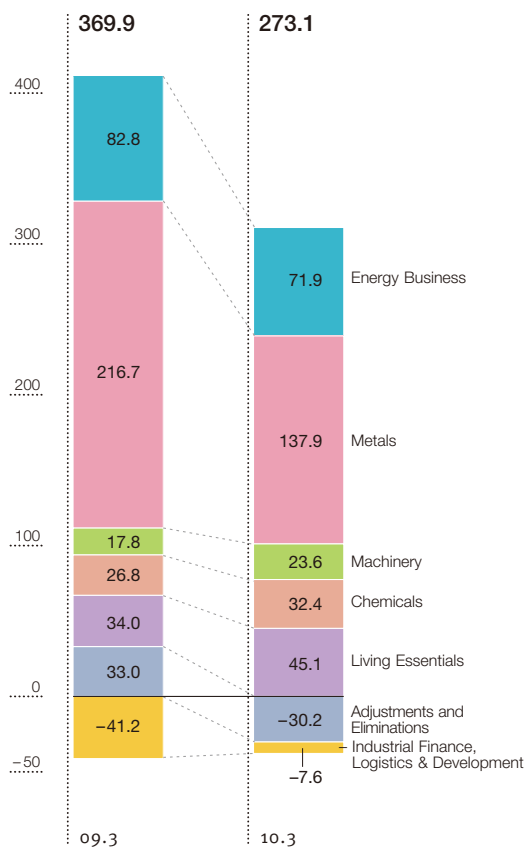
The net debt-to-equity ratio, an indicator of financial soundness, improved 0.5 of a point to 1.0 times.

Annual dividend per common share raised 4 yen to 38 yen

Mitsubishi Corporation plans to raise the annual dividend per common share applicable to the fiscal year ended March 31, 2010 by 4 yen from the forecast of 34 yen to 38 yen given that it achieved its projected consolidated net income attributable to Mitsubishi Corporation of 240.0 billion yen. This equates to a consolidated dividend payout ratio of 23%. Earnings are improving and were higher than the full-year forecast.

Net Income Attributable to Mitsubishi Corporation by Segment

(¥ billion)



Major Changes

Industrial Finance, Logistics & Development: 33.6 billion yen improvement

Share write-downs on Japan Airlines Corporation (JAL) and certain other shares were outweighed by improved fund-related investment earnings and the absence of share write-downs in the previous fiscal year.

Energy Business: 13% decrease

Despite the absence of impairment losses on property and equipment at overseas resource-related subsidiaries in the previous fiscal year, the lower net income reflected decreased earnings on transactions at overseas resource-related subsidiaries and lower equity-method earnings from overseas resource-related business investees, both due to lower crude oil prices and the stronger yen, as well as losses related to fuel derivative transactions for a JAL subsidiary.

Metals: 36% decrease

Despite the absence of share write-downs recorded in the previous fiscal year, this result was mainly due to decreased earnings at an Australian resource-related subsidiary (coking coal) because of lower sales prices, and losses related to fuel derivative transactions for a JAL subsidiary.

Machinery: 33% increase

Despite the write-down on Mitsubishi Motors Corporation preferred shares, a pull-back from high ship charter rates in the previous fiscal year and lower transactions of machinery and equipment sold in large volumes, the result reflected higher earnings at overseas IPP businesses and the absence of share write-downs and impairment losses on property and equipment recorded in the previous fiscal year.

Chemicals: 21% increase

Despite a pull-back from strong commodity chemical transactions in the previous fiscal year when prices soared, the result reflected higher equity-method earnings due to the reversal of deferred tax liabilities of a petrochemical business-related company and the absence of share write-downs recorded in the previous fiscal year.

Living Essentials: 33% increase

Despite lower earnings on transactions at food-related businesses and general merchandise-related subsidiaries, and losses at a LAWSON INC. subsidiary, the segment result was chiefly due to the absence of share write-downs recorded in the previous fiscal year.

Midterm Corporate Strategy 2012

Creating Sustainable Corporate Value

On June 24, 2010, Ken Kobayashi was appointed the new president and CEO of MC. On July 16, he unveiled MC's new midterm corporate strategy, which will cover three fiscal years through the year ending March 2013.

In this interview, President Kobayashi discusses what underpins the philosophy and actions planned under this midterm corporate strategy.



Question 01

What are your ambitions as the new leader of MC?

Answer

During former President Yorihiro Kojima's tenure, MC achieved record net income of ¥470.9 billion for the year ended March 2008. After that, we confronted the challenge posed by the global financial crisis, but we managed to earn ¥273.1 billion for the year ended March 2010. Moreover, MC's financial soundness has been strengthened with the net debt-to-equity ratio falling to 1.0 at the end of March 2010.

As MC's new president and CEO, one of my most important responsibilities is to reinforce the robust earnings base and sound balance sheet that I have inherited from my predecessor. At the same

time, I believe that my mission is to cultivate several next-generation earnings drivers.

On the other hand, I am concerned that some employees may have lost that sense of enterprise and initiative that is so vital to a successful trading company. This may be because we have experienced strong earnings for quite some time.

I believe each of us needs to have a sense of ownership and be more conscious of our own responsibilities. I intend to cultivate a corporate culture where challenging goals are set. If these goals are achieved and our employees are satisfied, MC will see further success.



Question 02

“The Midterm Corporate Strategy 2012” runs for three years until the end of March 2013. How does this plan differ from previous plans adopted by MC?

Answer

MC's earlier medium-term management plans, “MC2000” and “MC2003,” aimed to reshuffle our business portfolio. “INNOVATION 2007” and “INNOVATION 2009” aimed to achieve sustainable growth by encouraging reforms of each business model.

Thanks to these past medium-term management plans, MC has been significantly reshaped. Continuing this reshaping process, Midterm Corporate Strategy 2012 aims to enhance our organizational strengths and capabilities by re-engineering management systems and platforms.

Question 03

How do you view MC's external and internal operating environment, which forms the backdrop for formulating Midterm Corporate Strategy 2012?

Answer

Three major themes stand out when we survey MC's external operating environment. First, the economies of Japan and other OECD countries have stagnated and fast-growing emerging economies have come to the fore as a major economic force. Second, we are seeing the emergence of new growth markets linked to infrastructure, the environment and smart communities. Third, there is the increasing prominence of society and our planet itself as stakeholders.

While the world economy is gradually recovering from the global financial crisis, I believe the days of "boom-and-bust" economic cycles are behind us. As Japan and other developed nations experience economic stagnation, China and other emerging economies continue to lead the global economy. Over the medium to long term, our prospects depend on how to capture the growth of emerging economies. If we are unable to participate in this growth against strong competition from private and state-backed enterprises we will not be able to grow in the medium to long term.

Coinciding with these fast-growing economies and deeper awareness of global environmental problems, we are also seeing the emergence of new growth markets linked to infrastructure, environmental business and smart communities. While we will also face fierce competition in these areas, I believe that MC has many roles to play as a *sogo shosha* (general trading company).

On the final theme, with greater awareness worldwide of climate change, threats to biodiversity

and other environmental issues, our stakeholder base is expanding to include consumers and non-profit organizations. It is essential that companies act as responsible corporate citizens and do their part to benefit societies and conserve the natural environment. Not doing so could jeopardize their very survival.

As for our internal environment, we are confronting the following three issues. Firstly, in the past couple of years, a major part of our earnings has been generated by certain businesses within the natural resources field. While I believe these businesses will continue to generate earnings, I wonder if the favorable conditions for these businesses are sustainable. That's why I'm doing my best to cultivate several next-generation earnings drivers.

Secondly, our business models have been changed or diversified. Over the past few decades, we have managed to shore up our profit base by flexibly reshuffling our portfolio in accordance with the changing business environment. As a result, our operations have expanded considerably. Today we are no longer the traditional *sogo shosha*. In addition to our traditional trading and sales activities, we have made investments in natural resources, project operators and manufacturers.

Thirdly, business model reform has advanced consolidated management and our consolidated subsidiaries and affiliates are now at the frontline of our businesses.

Business Environment

External

- Fast-growing emerging economies and stagnating OECD countries
- Birth of new growth markets triggered by changing values, technological innovation and rise of emerging economies
- Expanding stakeholder base

Internal

- Changes in business portfolio
- Diversification of business models
- Shift of businesses to subsidiaries and affiliates

Question 04

The Midterm Corporate Strategy 2012 establishes a new business goal for MC of “Creating Sustainable Corporate Value.” What exactly are you targeting here?

Answer

This new concept of ‘Sustainable Corporate Value’ comprises three elements: “Economic,” “Societal,” and “Environmental.”

“Sustainable Economic Value” refers to our aim for sound earnings growth and increased corporate value through the proactive reshaping of our business model and business portfolio.

“Sustainable Societal Value” refers to our contribution to economic development as a responsible corporate citizen.

“Sustainable Environmental Value” refers to our aim to conserve and contribute to the global environment, recognizing that our planet is our greatest stakeholder.

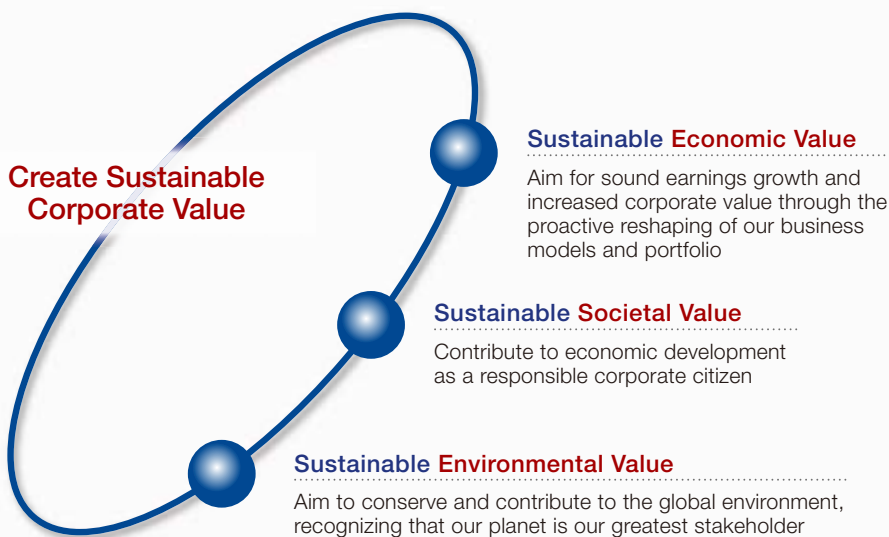
Our mission is to help solve global problems through our business activities and create “Sustainable Corporate Value” in light of the needs and expectations of all stakeholders, including our customers, employees, shareholders, creditors, society and our planet.

As a for-profit enterprise, it is only natural that we seek to grow MC’s earnings. But nowadays unless a company creates societal and environmental value as well, its market presence can be seriously compromised. I recognize that we are required to create these three values at the same time. There are many ways a *sogo shosha* can help solve problems on a global scale, and accordingly expectations are high about MC’s role.

Devising unique solutions to social and environmental problems will enhance our sustainability and competitiveness. MC has made a social and environmental contribution to date in various ways through a range of businesses and social contribution activities. I am proud of these activities.

Going forward, our aim is to take up the challenge of creating sustainable corporate value so that we earn recognition from all stakeholders as a valuable and irreplaceable member of society.

Create Sustainable Corporate Value by helping to solve global problems through business activities in light of the needs and expectations of all stakeholders



Question 05

Midterm Corporate Strategy 2012 has a target of ¥500 billion for net income in the third year ending March 2013. What assumptions underpin this figure?

Answer

Under the new strategy, we will reinforce our earnings base by maintaining capital efficiency and a sound balance sheet. Over the course of the strategy, we are targeting net income of ¥500 billion by the year ending March 2013. This target would surpass MC's highest net income of ¥470.9 billion, which was recorded in the year ended March 2008.

We set the numerical targets after intensive dialogue with each of our business groups. The figure takes account of this dialogue, the sensitivity of our earnings to commodity prices and other variables, the growth potential of global peers that we benchmark, and our projections for the world economy, among other factors. One of our primary assumptions in Midterm Corporate Strategy 2012 is that underlying commodity prices will remain stable.

Our assumptions are not uniformly optimistic. As I mentioned earlier, we expect growth in developed countries to remain sluggish, although growth in emerging countries should continue to be strong. We also remain cautious about the downside risks to the global economy. Even so, we expect investments we made during previous medium-term management plans to produce returns, helping us to achieve ¥500 billion in net income by the year ending March 2013.

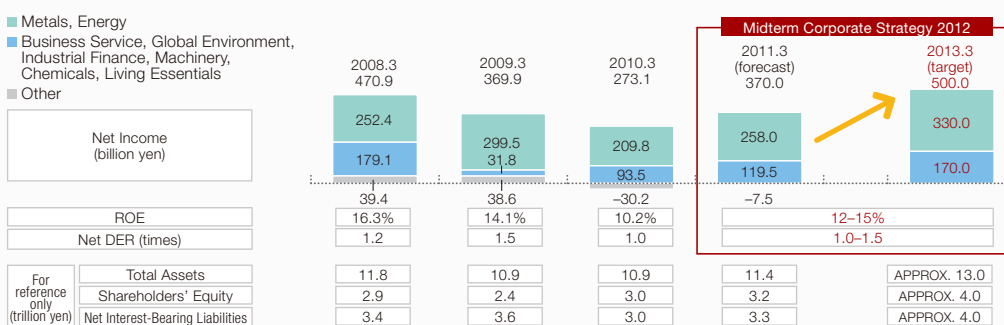
Also, MC will maintain return on equity, or ROE, throughout the three-year period at 12–15% as well as a sound balance sheet by targeting a net debt-to-equity ratio, or net DER, of 1.0 to 1.5 times.

Finally, we plan to continue to pay dividends to our shareholders throughout the three-year period of the midterm corporate strategy in the range of 20 to 25%.

Financial Targets

Basic Policy

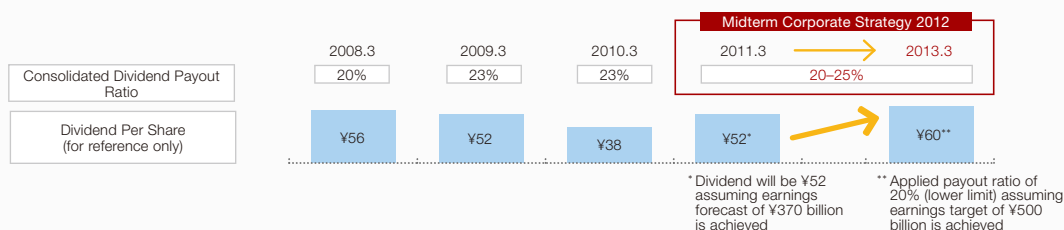
- Deliver earnings growth by strengthening earnings drivers while maintaining capital efficiency and sound balance sheet
- Target ¥500 billion net income in the year ending March 2013 with ROE throughout the three-year period at 12–15%
- Maintain sound balance sheet by targeting net DER of 1.0–1.5 times



Dividend Policy

Basic Policy

- Maintain a consolidated dividend payout ratio in the range of 20–25% taking into consideration the business environment and the expectations of shareholders for a stable dividend



Question 06

In “Midterm Corporate Strategy 2012” the most critical issue is to manage MC’s diversity by leveraging and solidifying it. What are you aiming to achieve?



Answer

Over the decades, MC, as a *sogo shosha*, has prospered together with partners in a variety of industries. In recent years, our nature as a “general” trading company (the ‘*sogo*’ in ‘*sogo shosha*’) has changed in meaning. At one time this referred to our product diversity within a single business model, but now it refers to diversity in our business models themselves. We must leverage and solidify our business models and exhibit our strengths as a continuously evolving enterprise. I believe this is one of the most critical challenges that we face.

In order to leverage MC’s diversity, it is essential for us to harness all of our existing business models. At MC, business units (BUs) are the smallest unit for organizational control and earnings management. We’ve monitored risk versus return of BUs by using a performance indicator called Mitsubishi Corporation Value Added (MCVA). In Midterm Corporate Strategy 2012, we plan to refine MCVA. We will introduce BU mapping, which categorizes BUs by business model and business development stage.

Classifying BUs by business development stage will better enable us to reshuffle our business portfolio. By clarifying the appropriate risk versus return for each business model and enhancing the required capabilities, we will be better positioned for further growth.

As our business models become even more diversified we will accumulate even more experience and knowhow. In order to solidify MC’s diversity, it is very important to share experience and knowhow throughout the company. I will take the lead in encouraging cooperation among our various business groups and divisions. For example, I established the Business Development Committee for encouraging businesses within Strategic Domains and Regions, as defined in Midterm Corporate Strategy 2012.

Of course, in accordance with the continuous reshaping of MC’s business models, we will rebuild our IT infrastructure, regional offices and human resource management.

I’d like to emphasize my vision for MC’s corporate culture—one that instills a sense of ownership in each and every employee. I believe employees who set lofty targets and work diligently to achieve them and succeed should be fully rewarded. I will encourage this at MC, and intend to set a good example myself.

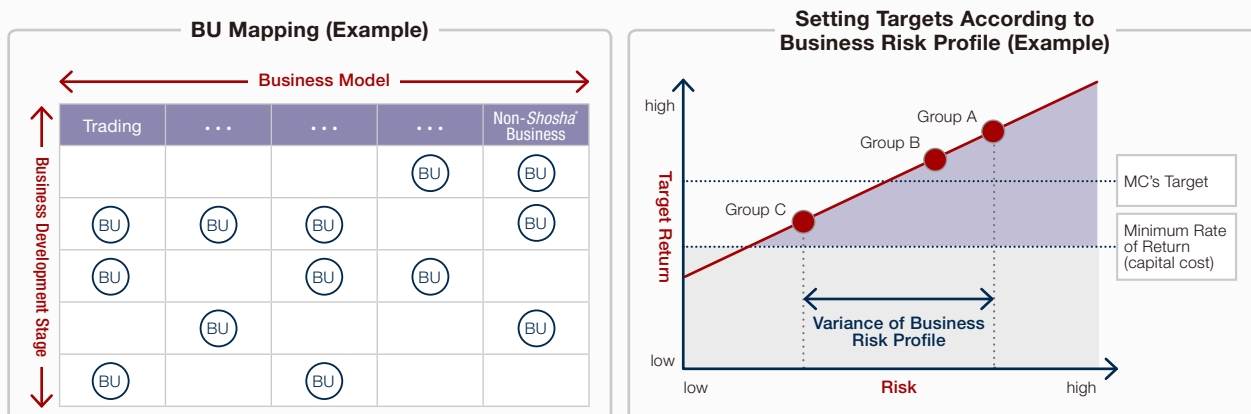
Initiatives to Leverage MC's Diversified Business Portfolio

① A tool for enabling visualization of MC's diversified business portfolio

- Categorize BUs using the "Business Model by Business Development Stage" concept (BU mapping)
- Identify capabilities and risks for each "Business Model"
- Reshuffle business portfolio based on "Business Development Stage"

② Set targets according to business model and business risk profile

- Set return targets for invested capital (risk-adjusted) according to business risk profile
- Introduce additional performance indicators according to business model
- Include contributions to sustainable societal and environmental values in performance evaluations



*Shosha = General Trading Company

Initiatives to Solidify MC's Diversified Business Portfolio

① Establish a New Committee

- Establish a new committee (under the Executive Committee) chaired by the president and CEO in order to promote investment in strategic domains/regions and company-wide projects

② Strengthen Management Platform

- Review MC's management platform considering the ongoing shift of businesses to subsidiaries and affiliates, and expanding breadth of risks associated with diversification of business models

Examples	Regional Offices	Review functions and structures of regional offices including cooperation with subsidiaries and affiliates
	HR	Acquire and enhance talent necessary to promote/strengthen MC's diversified business portfolio and promote consolidated talent management
	IT	Reconstruct IT governance (develop and optimize IT systems on a consolidated basis)

Question 07

Under Midterm Corporate Strategy 2012, MC has identified infrastructure and global environmental businesses as Strategic Domains, and China, India and Brazil as Strategic Regions. What guided these particular choices?

Answer




As I said earlier, I realized that my most important mission as CEO is to cultivate new earnings drivers for the MC Group. That means looking 10 or 20 years ahead and making sure that we sow the right seeds. We have therefore designated Strategic Domains and Regions with the aim of capturing fast-growing demand in emerging domains and regions. I expect that we will face fierce competition and that it could take a long time to establish profitable businesses. That's why I will lead the development of these Strategic Domains and Regions.

Infrastructure and global environmental businesses have been designated as Strategic Domains. Here we can take advantage of our experience and strengths in the plant construction and engineering business. Specifically, we plan to target renewable energy, power generation, overseas water business, railways and other transportation sectors, and lithium-ion batteries. In some of these areas, it will be important to operate business through partnerships with public-sector entities.

China, India and Brazil, designated as Strategic Regions, are all large emerging economies that present major opportunities for MC. With its huge population, China has achieved remarkable development. Due to the emergence of large numbers of wealthier and new middle-class citizens, it has become a large market for consumer goods and services. India also has potential as a huge consumer market. Brazil has rich natural resources and opportunities to develop businesses in the resource and infrastructure sectors. Although we have already focused on these countries for some time, we are now going to re-focus on these regions and under my leadership we plan to deploy the necessary capital and human resources. We are also examining reforms of our local organizations and delegations in these regions.

Strategic Domains and Regions

- Designate Strategic Domains and Regions to drive investment in fast-growing emerging economies and new growth markets
- Build MC's future earnings drivers by allocating ¥400-500 billion in Strategic Domains and Regions

Strategic Domains			Strategic Regions		
Respond to new growth markets Help to solve global problems			Capture fast-growing domestic demand in emerging economies		
Infrastructure	<ul style="list-style-type: none"> ● Power generation (including renewable energy) ● Water business ● Transportation ● Other environmental businesses, etc. 	Capital Allocation Approx. ¥300 billion		China	Capital Allocation ¥100–200 billion
Global Environmental Businesses				India	
				Brazil	
<ul style="list-style-type: none"> ● Created the Global Environment Business Development Group ● Established the Infrastructure Project Division within the Machinery Group ● Prioritize capital allocation 			<ul style="list-style-type: none"> ● Develop new projects on a company-wide basis ● Prioritize capital allocation ● Strengthen local operations 		

Question 08

Under the new strategy, MC expects to make up to ¥2.5 trillion in new business investments over the three-year period. What is MC's aim in consistently investing ¥700–800 billion every year regardless of underlying economic growth?

Answer

Global economic prospects remain highly tinged with uncertainty and volatility. Since our overall goal is to create sustainable corporate value, we believe that MC needs to maintain investment steadily even in the difficult operating environment without worrying too much about the short-term economic outlook or earnings trends.

Furthermore, given MC's current level of earnings and financial soundness, we believe that an annual investment target of ¥700 to ¥800 billion, with a total

of ¥2.0 to ¥2.5 trillion invested over three years, is entirely realistic.

Breaking down the three-year total, we will develop new businesses by investing ¥400 to ¥500 billion. We will invest ¥1,000 to ¥1,200 billion in mineral resources and oil and gas resources with the objective of strengthening our current earnings drivers. We will also broaden our other earnings drivers such as industrial finance, steel products, carbon materials and ships by investing ¥600 to ¥800 billion.

Investment Plan

Basic Policy

- Maintain investment at a constant ¥700–800 billion per year, with a total of ¥2.0–2.5 trillion invested over three years
- Invest ¥400–500 billion in strategic domains and regions, ¥1.0–1.2 trillion in mineral resources, and oil and gas resources, and ¥600–800 billion in other areas

(billion yen)

Regions/Domains		Business Portfolio	Capital Allocation (three years)	
Strategic Regions	China, India, Brazil	Development of new businesses		100.0–200.0
Strategic Domains	Infrastructure Global Environmental Businesses		Approx. 300.0	
Mineral Resources		Strengthen current earnings drivers	Approx. 1,000.0–1,200.0	
Oil and Gas Resources				
Industrial Finance, Steel Products, Carbon Materials, Ships, Motor Vehicles, Chemicals, Retail, Foods, etc.		Broaden other earnings drivers	600.0–800.0	
		Total (gross)	2,000.0–2,500.0	

Question 09

Up until now, MC has typically directed one-third of its business investments toward mineral resources and oil and gas resources and two-thirds to other fields. Under the new strategy, however, this proportion for the former has been raised to 50%. Why?

Answer

Before formulating Midterm Corporate Strategy 2012, we studied carefully investment plans submitted by each business group. Over the next three years, one of our highest priorities will be expanding and upgrading our existing coking coal business in Australia. That's why we ended up allocating roughly 50% of planned investments to the mineral resources and oil and gas resources domains.

In the mineral resources and oil and gas resources domains, besides those projects where we expect to be a passive investor and receive dividends on our invested capital, there are a number of examples where we will serve as project operator in order to generate stable supplies. In the latter, we must invest to expand or upgrade existing projects, or to build and maintain related infrastructure. In today's fiercely competitive environment, it is critical that we make these necessary investments.

I think the most attention-grabbing aspect of the investment plan is that we are budgeting up to ¥800 billion for investments in non-resource domains such as industrial finance, steel products, carbon materials, ships, motor vehicles, chemicals, retail and foods. While ¥800 billion is suitably large in absolute scale, our presence in these domains justifies this size of investment. As I believe our strength comes from our industry-leading positions in these non-resource domains, investing further will reinforce our earnings base.

Finally, I would like to highlight the ¥500 billion in total investments that we plan to make in the Strategic Regions of China, India and Brazil and the Strategic Domains of infrastructure and global environmental businesses. Although we may not generate substantial returns on these investments during my tenure, I have decided to invest on this scale in order to cultivate earnings drivers over the next 10 to 20 years.

Under Midterm Corporate Strategy 2012, Mitsubishi Corporation aims to “Create Sustainable Corporate Value” by further strengthening and developing earnings drivers as well as our financial constitution while helping to solve global problems.

September 2010



Ken Kobayashi
President and CEO

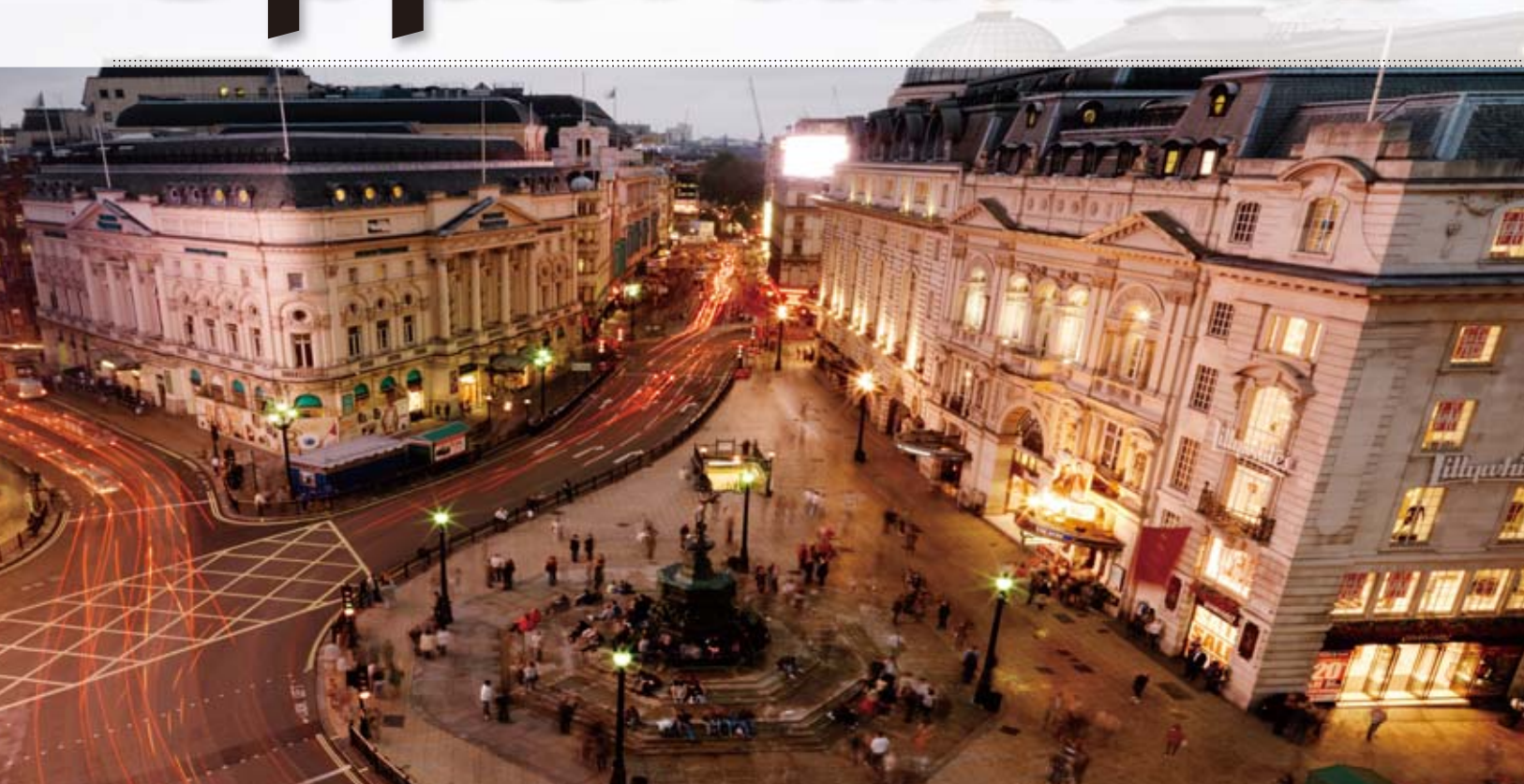


for **Earnings Growth**



Feature

Opportunities



in **Pursuit of Stable Earnings**



to **Enhance Business**
for **a Sustainable Earth**

in **Change**

Mitsubishi Corporation's inherent nature is to constantly take up the challenge of creating new businesses, seizing the opportunities that arise in changing times.

In this feature section, we look at specific examples of how we are capitalizing on changing business conditions to expand business in emerging markets, developed markets and the global environmental field.

page 020 → **Emerging Markets**

- Coking Coal and Steel Products Businesses
- Automobile Business (Indonesia)
- General Leasing Business (Saudi Arabia)

page 024 → **Developed Markets**

- Princes Limited
- Multi-partner Loyalty Program "Ponta"
- Real Estate

page 028 → **Global Environment**

- Water Business
- Large-Capacity Lithium-Ion Batteries
- Power Generation



Emerging Markets

Opportunities in Change

for Earnings Growth

We began developing most of MC's existing businesses in emerging countries before their rapid economic growth of recent years caught the world's attention. We have in fact been working steadily over the years with local partners to develop operations, and the results of these efforts are now becoming evident. With many emerging nations seeking to stimulate autonomous growth rather than relying on exports to the developed world, growth models are undergoing substantial change. Many of our businesses in emerging markets are now set to enter a new phase.

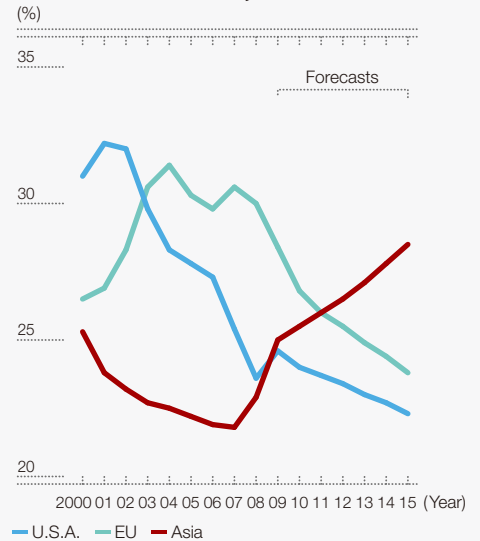
Understanding the changes in emerging country growth models

While developed economies continue to struggle, the BRICs and other emerging nations are going from strength to strength. MC has been involved in the emerging world for many years, with a number of projects boasting a history of at least 40 years. For example, MC set up Mitsubishi Development Pty Ltd (MDP) to invest in resource projects in Australia in 1968, and established the automotive joint venture PT. Krama Yudha Tiga Berlian Motors (KTB) in Indonesia in 1970. MC has assiduously put down roots across emerging markets to develop local businesses consistently over time.

In the past, many emerging nations used exports, primarily to the industrialized world, to create economic growth. In recent years, countries have started to move toward more autonomous growth models based on the spending power of an emergent middle class and a surge of inward investment in infrastructure spurred by economic growth.

Responding to these shifts, MC approaches emerging countries from various angles. While seeking to cater to growing demand and contribute to regional development, we also aim to expand in business areas that can tap into emerging market growth.

Share of World Economy (GDP)



Source: International Monetary Fund, World Economic Outlook Database, April 2010

Coking Coal and Steel Products Businesses

World steel production has increased rapidly since 2000, driven predominantly by China. Going forward, production is forecast to rise further, particularly in emerging nations such as China, India and Brazil. We are active in ferrous raw materials, stably supplying Australian coking coal to countries around the world, including China and India. We are also engaged in businesses in the steel products such as steel distribution in Brazil.

Meeting Growing Demand From Emerging Nations as the World's Largest Coking Coal Producer—Coking Coal Business (MDP)

In 1968, we established Mitsubishi Development Pty Ltd (MDP), a coal mining company, to secure a long-term supply of coking coal, a ferrous raw material, to Japan, which was experiencing an economic boom. MDP began developing new coking coal* mines with partners in the Bowen Basin coalfields in Queensland, Australia. Later, in 2001, in order to ensure stable supplies of coking coal in anticipation of rising demand over the medium and long terms, we invested ¥100 billion to acquire an additional interest in coal mines in the Bowen Basin and established a 50-50 coking coal joint venture, BMA, together with BHP Billiton.

At present, BMA boasts production of approximately 50 million tons of coal per year, mainly high-grade hard coking coal. As the world's largest coking coal producer—BMA is responsible for approximately 30% of global seaborne trade—BMA supplies coking coal to more than 20 countries around the world, including Japan, China, India and European nations. With demand for coking coal projected to rise continuously, including in emerging nations, BMA will steadily expand existing mines and develop new mines in order to serve customers around the world with a constant and stable supply.

* Coking coal: a raw material for producing cokes that are necessary for steel making.

Raising Its Presence in Emerging Nations Where Steel Products Demand Is Growing—Steel Products Business (Metal One)

In 2003, we established Metal One Corporation through the spin-off and subsequent merger of the steel products divisions of MC and the former Nissho Iwai Corporation (now Sojitz Corporation). From its earliest days, Metal One boasted a powerful business base in steel products markets in Japan, other Asian countries and North America. In addition to this base, Metal One has developed a growth strategy geared toward expanding business in emerging nations, where demand for steel products is growing.

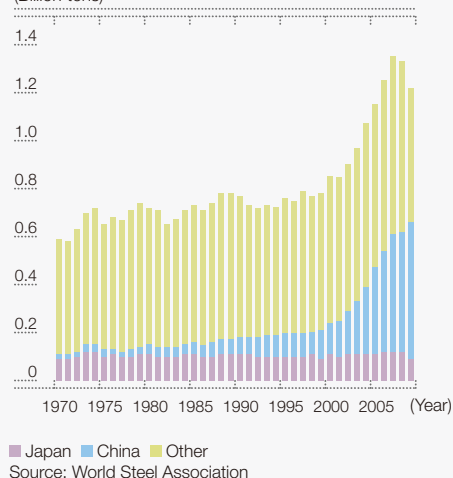
In a recent successful move, in December 2009, Metal One established Soluções em Aço Usiminas S.A. (Solutions Usiminas), a steel products service center, in a joint venture with Usinas Siderurgicas de Minas Gerais S.A. (Usiminas), one of South America's largest integrated steelmakers. Usiminas is a long-standing partner of Metal One in coil center operations and trading activities in Brazil. Utilizing a robust business base in Brazil, Metal One will actively target the fast-growing Brazilian steel products market by quickly responding to market needs.

Metal One is raising its presence in other emerging nations as well, where fast-paced economic growth is expected. It has coil centers in China, and steel pipe manufacturing operations in Vietnam and India, for example.



BMA, the world's largest producer of hard coking coal in terms of global seaborne trade, continues to provide a stable supply to customers around the world.

Global Crude Steel Output by Country (Billion tons)



Metal One is leveraging a robust operating base in Brazil to provide timely, high-quality services to the fast-growing Brazilian market.

Automobile Business (Indonesia)

MC has been developing an automobile business for 40 years in Indonesia, a country that has shown resilient economic growth. We have constructed a robust value chain around PT. Krama Yudha Tiga Berlian Motors (KTB), a joint venture established with a local partner. KTB is pursuing sustainable growth with a unique strategy focused on local market requirements.

Selling “reliability” in the fast-growing Indonesian automobile market

Indonesia’s population of around 230 million and high rates of economic growth have created a vibrant local automobile market. Overall domestic demand in the first six months of 2010 set a new record of over 370,000 vehicles. Since establishing KTB as an exclusive distributor in 1970 to import and sell Mitsubishi vehicles in the Indonesian market, MC has expanded local auto-related operations to encompass vehicle and engine assembly, automobile finance, used vehicle sales and car rentals. Today, KTB plays a leading role at the center of a strong value chain.

Indonesia’s large population and resource base imply significant further growth in the local automobile market, which is becoming increasingly competitive because the country is attractive to many automakers. The strong position developed by KTB has translated into a dominant hold on the commercial vehicle segment in particular. Commercial vehicles are a vital part of life to many Indonesians, who rely on them both for work and for private life. Durability and easy maintenance are key factors in this area.

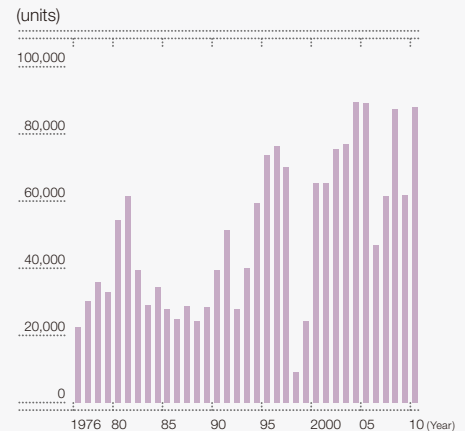
Based on a strongly customer-oriented philosophy, for 40 years KTB has focused on selling “reliability” and not just vehicles alone. Today, KTB operates a nationwide network of around 150 dealers and some 3,500 parts supply outlets. Besides a system that enables easy maintenance of vehicles at any time and in any part of the country, this value chain also offers customers ready access to a seamless suite of automobile finance, used vehicle sales and car rental services. For seamless services for local customers, KTB is the name to trust in commercial vehicles. This powerful reputation has resulted in a leading position in the local commercial vehicle segment, with a share of over 40%.

Building on KTB’s valuable experience in other markets

Targeting further growth, KTB is working to expand its share of the passenger car market, which accounts for around 70% of the Indonesian auto market. Applying a similar philosophy to that used with commercial vehicle, KTB is first targeting the SUV segment, in which the Mitsubishi brand already has a strong reputation. Based on its robust value chain, KTB has endeavored to expand sales with customer-centric sales activities. As a result, it is closing in on the top spot in the SUV segment.

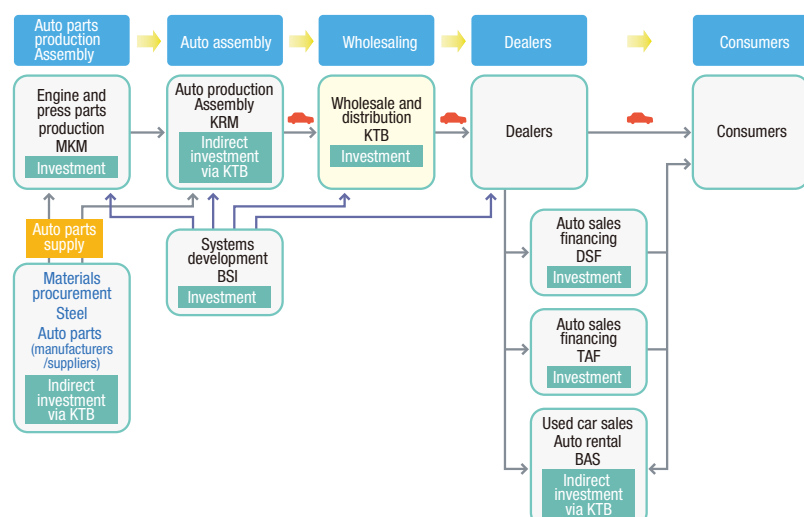
MC aims to utilize actively the valuable experience gained in developing the KTB franchise to develop other markets while always mindful of contributing to local and regional communities. Cultivating successful businesses in emerging countries means taking a medium- to long-term perspective. Earnings from Indonesian operations have dipped in the past during the Asian currency crisis and after the collapse of Lehman Brothers, but MC has remained committed to sustaining and strengthening the business in Indonesia based on the country’s future potential. This stance has helped develop the business to where it is today. MC will continue to develop businesses that are tailored to the specific requirements of different emerging markets, from a medium to long term perspective.

Vehicle sales in Indonesia



Pictured is KTB’s headquarters. MC has developed automobile operations in Indonesia by building a strong value chain centered on KTB.

MC’s Automobile Business Value Chain in Indonesia



General Leasing Business (Saudi Arabia)

Saudi Arabia possesses the largest economy in the Middle East. With around half the population aged less than 20, it has plenty of labor reserves and consumption potential to support further economic development in the future. MC is developing a general leasing business in the country in collaboration with influential local partners.

Significant growth potential in leasing market

In addition to a high rate of economic growth, Saudi Arabia boasts a stable economic base and strong finances as the result of a steady stream of oil revenues. Infrastructure development is a growth sector driving the broader economy. Viewing rising demand for leasing services as a growth opportunity, MC purchased a stake in AJIL Financial Services (AJIL), a local general leasing firm, and is participating in management. The other partner shareholders include top local conglomerate Zahid Group Holding Co., Ltd. leading local bank Riyad Bank, and Mitsubishi UFJ Lease & Finance Company Ltd., which has a wealth of expertise in the leasing business.

The Saudi Arabian leasing market is still developing, leaving significant room for growth. Access to finance is the bottleneck restricting economic growth, with many otherwise excellent enterprises in Saudi Arabia frequently struggling to finance their growth. This situation is expected to continue driving demand for leasing services. Through AJIL, MC hopes to contribute to the industrial development of Saudi Arabia while targeting growth from leasing operations.

Creating synergies based on foothold gained through leasing operations

Leasing companies require a license to operate in Saudi Arabia, making the barrier to entry high. Only a handful of companies in the country have business licenses to undertake leasing operations. Seeking to make the most of this first-mover advantage, the consortium is utilizing its local network to develop new clients while seeking to expand the range of services and products offered.

MC is also aiming to generate various kinds of commercial synergies from its foothold in the leasing business. Sales are growing of used construction equipment handled by the Machinery Group. Going forward, MC aims to build on these activities to grow its overall business within Saudi Arabia.

Creating Value at the Frontline of Business

As a member of the management team at AJIL, my responsibilities range from strategic planning and new business development to sales and financing. We have a highly professional staff of over 100 people, with more than 10 different nationalities represented. We work as a team to provide leasing services, and we have earned high marks from our customers.

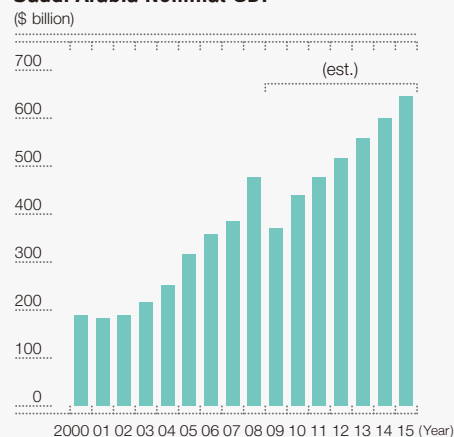
In the future, our aim is to expand and upgrade our service lineup to accommodate more varied financing needs while growing the scope of operations. We are also focused on gaining local trust and becoming a respected company.

Tetsuya Okuda
Head of Corporate Strategy and
New Business Initiative
AJIL Financial Services



Construction equipment leased by AJIL is contributing considerably to Saudi Arabia's advancement in fields such as domestic infrastructure development and urban development.

Saudi Arabia Nominal GDP



Source: International Monetary Fund, World Economic Outlook Database, April 2010



AJIL's management team. Mr. Okuda is third from the left.



Developed Markets

Opportunities in Change

in Pursuit of Stable Earnings

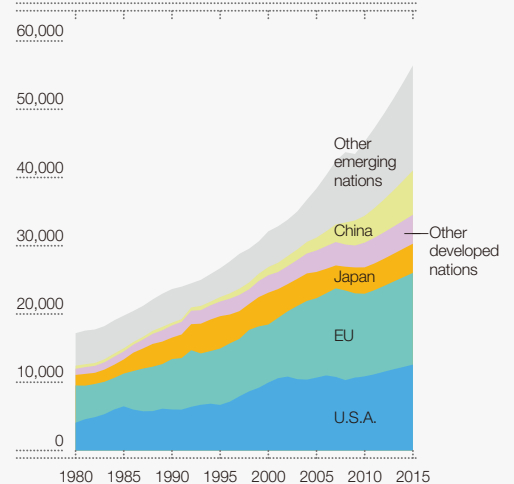
While mature markets in developed countries may not be as attractive as emerging countries in terms of growth potential, they are relatively stable and still represent a large proportion of the global economy. These characteristics are notably absent in the emerging world. Changes within developed country markets also give birth to new business opportunities. MC aims to target growth by reading such trends.

Turning trends in developed country markets into business opportunities

The paradigm shift of globalization has increased the international economic weight of emerging countries. At the same time, the greater interconnectedness of economies exposes the world to the risk of unexpected shocks. MC aims to take advantage of the growth in emerging markets, but is also focused on expanding operations in stable developed country markets to build an asset portfolio that is better adapted to a naturally uncertain world. To build businesses in developed countries, it is vital to read market trends early. The expertise and networks developed in these markets help MC to ascertain changes in these assets and turn such opportunities into a source of growth.

Various changes are already underway in the world's advanced countries. In Japan, low economic growth rates have heightened consumer awareness of the balance between product functionality and price, and many people are looking to save money by buying decent products at lower prices. Elsewhere in the developed world, the forces of global competition are helping large companies to gain market power at the expense of their small- and medium-sized rivals. Throughout these markets there is a common shift from consumer savings toward investment. These trends are a potential source of many new business opportunities.

Global Real GDP
(US\$ billion)



Source: "White Paper on International Economy and Trade 2010" (Ministry of Economy, Trade & Industry), which was prepared in part based on "International Monetary Fund, World Economic Outlook Database, April 2010"

Princes Limited

UK-based food and drink company Princes became a wholly owned subsidiary of MC in 1989. Since the original acquisition, Princes has adapted to major changes in the UK food industry and reinforced its business base through M&A activities. The firm's turnover has increased 6-fold over the past 20 years, and Princes is now a core business investee within the Living Essentials Group. Going forward, in addition to its own range of branded products, Princes aims to continue developing relationships with its customers, including leading UK supermarket chains, by manufacturing and selling a wide range of private brand (PB) products to them. At the same time, Princes aims to expand sales in mainland Europe as well as in the UK market.



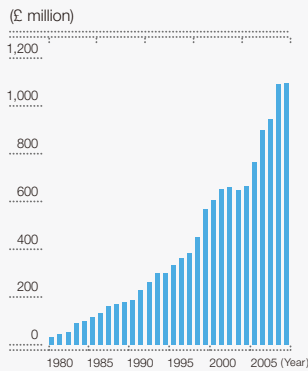
Generating high growth within the UK food industry

In 1989, Princes mainly sold its own canned fish (tuna/salmon) and processed meat (such as corned beef) products under the Princes brand. Frequent changes within the shareholder base were making it difficult to execute any long-term strategy, however. Following the MC acquisition, the company began to pursue an M&A-based growth strategy to gain manufacturing capacity and brands as the UK retail grocery market gradually underwent consolidation. At present, in addition to its traditional range of canned goods, Princes is now one of the leaders in 17 food and drink categories in the UK, including soft drinks, cooking oils and pasta. The firm's manufacturing base has grown from a single factory back in 1989 to nine plants in the UK and one in Mauritius. Princes has also developed its network of operating bases from the UK to mainland Europe in the Netherlands, Italy and Poland (due to open in 2010). The portfolio of brands has grown to include Princes, Napolina, Aqua Pura, Crisp 'n Dry and Shippam's. By virtue of high quality and advanced cost control, Princes has been able

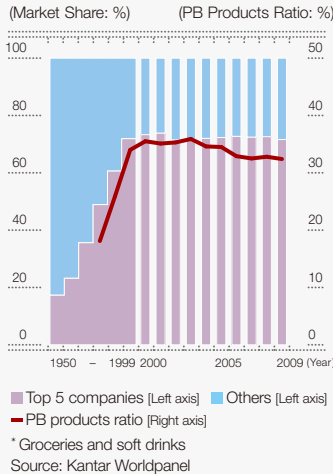
to grow sales not only of its in-house brands, but also to supply PB products to leading UK supermarket chains and other customers. Today, Princes is one of the top UK-based food manufacturers.

The top 5 supermarkets account for about 80% of the UK's retail grocery market, and PB products account for around 40% of sales at the retail level. This makes it essential for food and drink manufacturers to obtain an accurate assessment of the needs of their supermarket customers, and supply products tailored to such requirements. Princes supplies a wide range of PB products in addition to its in-house brands. It has garnered customer support with this broad product lineup, high quality, full product traceability and price competitiveness. One of the firm's strengths is its customer service. Princes is the number one or two supplier in terms of market share in the UK across numerous food and drink categories. Turnover totaled £1.1 billion in the year ended March 2010, placing the firm just outside the top 10 industry rankings. Going forward, Princes aims to continue generating growth by reinforcing its competitiveness.

Princes' Turnover Growth



Market Share in UK Retailing Industry and PB* Products Ratio



A strong and internationally successful business model

The consolidation that has happened in the UK retail grocery market is a trend that can also be observed in many markets across mainland Europe. It is widely expected to become a feature of the commercial landscape.

In response to these market conditions, Princes has begun developing a network of operating bases in mainland Europe such as its subsidiary in the Netherlands, Princes Foods B.V. In 2010, the company plans to open a new sales base in Poland, while also establishing a Polish subsidiary for Edible Oils Limited, a UK-based joint venture that manufactures and sells cooking oil products. By actively developing in Poland, Princes will expand the business model already developed in the UK. MC will work actively to support further growth at Princes by helping the company to procure new financing for future business development. MC will also help Princes in other ways, such as the identification of M&A targets through MC's global network of contacts and sourcing of potential suppliers.

Princes Chairman's comment

Together with Managing Director, Kenneth Critchley, I lead our 3,000-strong employees at Princes in executing MC's international business development strategy. Princes provides stable supplies of quality products at reasonable prices by exercising strict control over quality and cost while addressing environmental responsibilities including sustainability.

The economic backdrop and the competitive environment are expected to remain highly challenging. Thanks to MC's ongoing support from a long-term perspective, Princes has built a strong business base. Our aim now is to further expand our business into newer regions while continuing to grow within the UK, our traditional home market.



[right] Chairman **Kazuo Ito**
[left] Managing Director **Kenneth Critchley**

Multi-partner Loyalty Program “Ponta”

In March 2010, wholly owned MC subsidiary Loyalty Marketing, Inc. started a multi-partner loyalty program under the brand name “Ponta.” In the growing Japanese market for loyalty points, MC aims to create easy-to-use services offering individuals and families new options in convenience, while at the same time providing partner enterprises with ways to engage more dynamically with the end-user base.

Growing Japanese market for loyalty cards and related solutions

By giving consumers points for purchases based on the amount spent, loyalty point programs provide an incentive to make future purchases. They have now become an important means of boosting customer retention for companies that target consumers. In Japan, the loyalty points market is already worth in excess of ¥800 billion.

A single company operating its own loyalty points system gains fewer advantages: the costs and effort involved to retain customers are higher, and points are also harder to accumulate from the consumer's perspective. Multi-partner loyalty points systems where several companies offer reciprocal redemption benefits are becoming more widespread in Japan, although there are limits to how convenient such schemes are for consumers since they must still carry multiple cards for each participating firm. The Ponta program aims to solve these various issues.

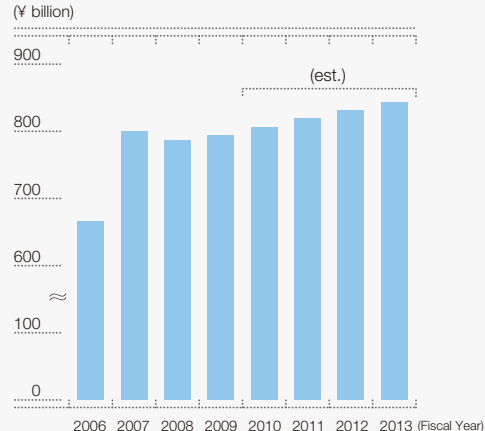
Under this new type of loyalty system operated by Loyalty Marketing, consumers can earn points from numerous corporate partners using a single Ponta-branded card. The system operator's neutral position helps to lower the entry hurdle for companies, who benefit equally from participation in the scheme. This is a key point of difference with other multi-partner loyalty point schemes. In the UK and Germany, where loyalty systems are more advanced, some programs count half of the nation's households as members. Neutral, specialist third-party operators are typical for such huge loyalty schemes. The demand for these types of loyalty programs is expected to grow in Japan going forward.

Huge and growing customer base for Ponta

Ponta launched at the start of March 2010 with 20 million members inherited from the foundation partners LAWSON, INC. and GEO Corporation. A number of corporate partners have since joined the scheme, including Showa Shell Sekiyu K.K. and Kentucky Fried Chicken Japan Ltd. As of the end of June 2010, Ponta had attracted a huge customer base of some 24 million members. For consumers, the benefit is that Ponta points are awarded at a variety of different outlets. In turn, this boosts the incentive for corporate partners to join as a way of developing new customers as well as encouraging existing customers to visit stores more often. The Ponta system is also being developed further using a “group points” mechanism to target families or groups of friends.

Going forward, Ponta is set to offer more efficient marketing opportunities based on customer data analysis or joint promotions. As a result, MC expects the number of corporate partners to increase further from the current 20 that have signed up to the service. By leveraging MC's network, reputation and brand, Loyalty Marketing aims to expand the Ponta program to 35 million members by 2013.

Projected Annual Issuance of Points/Mileage



Source: Nomura Research Institute, Ltd.



Ponta Participating Companies (As of June 30, 2010)

Company Name	Business Category	Service Launch Date
GEO Corporation	Rental and sales of DVDs, CDs and video game software	Mar. 1, 2010
Showa Shell Sekiyu K.K.	Operation of gas stations	Mar. 1, 2010
LAWSON, INC.	Development and operation of convenience store chain	Mar. 1, 2010
LAWSON ENTERMEDIA, INC.	Internet-based mail order business	Mar. 1, 2010
GEO DINOS Co., Ltd.	Operation of cafes	Mar. 1, 2010
RETAILCOMM INC.	Internet-based mail order business	Mar. 1, 2010
2nd Street Co., Ltd.	Recycling business	Spring 2011 (Scheduled)
Kentucky Fried Chicken Japan Ltd.	Operation of fast food restaurants	Mar. 1, 2010
Route Inn Japan Co., Ltd.	Operation of business hotels	Sept. 2010 (Scheduled)
Arkhotel Co., Ltd.	Operation of hotels	Sept. 2010 (Scheduled)
Sakai Moving Service Co., Ltd	Moving services	Mar. 1, 2010
Nippon Express Co., Ltd.	Moving services	Apr. 1, 2010
SBI SECURITIES Co., Ltd.	Online securities business	Apr. 28, 2010
Autoc one K.K.	Provision of support services for new car purchases	Mar. 1, 2010
SBI Sumishin Net Bank, Ltd.	Internet banking business	Apr. 28, 2010
SBI Holdings, Inc.	Operation of car insurance cost estimate site Website name: INSWEB Insurance Portal	Mar. 1, 2010
Nihon Enterprise Co., Ltd.	Provision of digital contents for mobile phones	Aug. 2010 (Scheduled)
IRRC Corporation	Operation of insurance consultation centers	Sept. 2010 (Scheduled)
HIMARAYA Co., Ltd.	Sales of sporting equipment	Jan. 2011 (Scheduled)

* Kentucky Fried Chicken Japan is trialing Ponta at 69 stores in Chiba Prefecture.

* In addition to the abovementioned participating companies, Ponta points can be accumulated at affiliated stores using the Edy e-money service offered by bitWallet, Inc. There are approximately 172,000 convenience stores, supermarkets, drug stores and other retail locations that accept Edy e-money in Japan.

Real Estate

One of the characteristics of advanced economies is that financial markets backed by developed regulatory and tax systems enable the management of various asset types, notably real estate. MC has been a participant in Japan's real estate investment trust (J-REIT) market since its inception. MC subsidiary Mitsubishi Corp.-UBS Realty Inc. manages two of Japan's largest J-REIT funds specializing in retail, industrial and infrastructural facilities. MC subsidiary Diamond Realty Management Inc. operates private real estate funds. In the field of property development, MC subsidiary Mitsubishi Corporation Urban Development, Inc. is involved in the development and management of commercial properties in urban locations. This is an area where we apply MC's base of knowledge and expertise to maintain and build asset values.

A pioneer of Japan's real estate securitization market

Partnering with top European financial institution UBS, MC established Mitsubishi Corp.-UBS Realty in 2000 as an asset management joint venture to manage real estate investments. The venture has publicly listed two J-REITs: Japan Retail Fund Investment Corporation (JRF), Japan's first fund specializing in retail facilities, in March 2002; and Industrial & Infrastructure Fund Investment Corporation (IIF), a fund specializing in logistics facilities and other industrial and infrastructural property, in October 2007. In March 2010, JRF merged with LaSalle Japan REIT Inc. to boost returns on invested capital while gradually expanding the scale of assets under management.

Diamond Realty Management (DREAM) was established in October 2004 as a wholly owned subsidiary of MC to engage in the formation and management of private real estate funds to serve the varied investment needs of Japanese and overseas institutional investors. In today's depressed property market in Japan, investors have been reassured by MC's strong reputation and DREAM's assets under management have already grown to ¥240 billion. This business continues to grow, with the formation in March 2010 of the Dream Logistics Fund, the fourth specialized fund launched by DREAM to invest in logistics property.

Amid continued economic progress within the mature markets of advanced nations, greater sophistication and transparency in financial markets are encouraging investors to build diversified asset portfolios as new financial products are created to serve their varied investment needs. Compared with Europe and the United States, Japan's real estate securitization market still plays a relatively small role in the country's financial markets. We expect it to continue growing over the medium and long term.

In fast-growing emerging countries, real estate and financial markets are also expected to develop substantially over time in line with economic growth and increasing investment from domestic and overseas sources. We see this as an opportunity for MC to tap into growth in emerging economies by applying property-related knowledge and expertise gained in Japan.

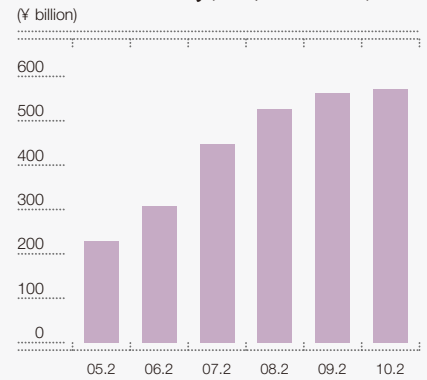
Improving property values using trading company know-how

Through J-REIT and private fund management in Japan's real estate securitization market, MC is focusing on expanding the scale of assets under management while at the same time applying wide-ranging trading company expertise to increase property values. In 2007, MC established Mitsubishi Corporation Urban Development by integrating subsidiaries operating within the commercial property field to create an integrated commercial real estate developer. Applying varied knowledge and expertise to boost the asset values of commercial facilities, this company offers customers a wide range of urban commercial real estate solutions covering all aspects from property planning and development, tenant recruitment and facility management to promotional sales and marketing support and business consulting support services for tenants. These services are contributing to the redevelopment and economic revitalization of local areas. The company is currently involved in managing and operating 15 projects. It provides a good example of how the varied know-how and connections that a general trading company possesses can be translated into other commercial opportunities.

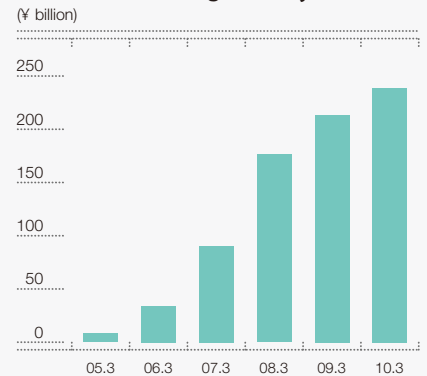


JRF owns this commercial facility called "GYRE" in Aoyama, Tokyo

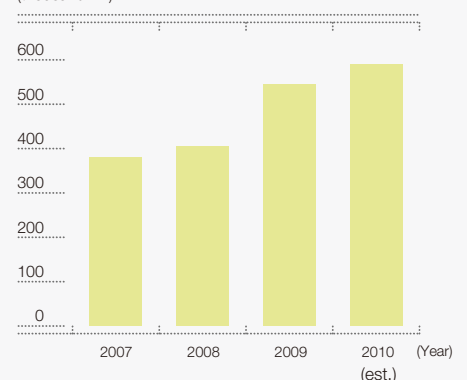
Asset Purchases by JRF (Cumulative)



Assets Under Management by DREAM



Commercial Floor Space Owned or Managed by Mitsubishi Corporation Urban Development





Global Environment

Opportunities in Change

to Enhance Business for a Sustainable Earth

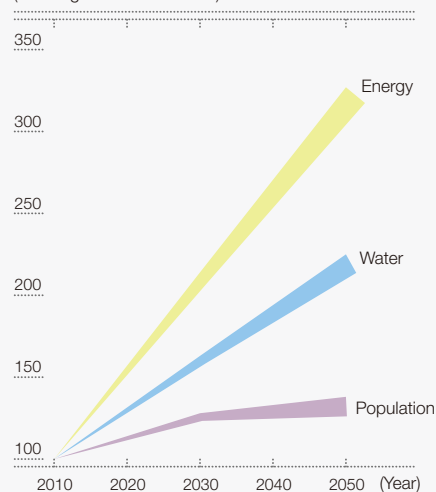
At MC, we realize that our existence as a company is not sustainable unless we take good care of the global environment. That is why we are doing our utmost to conserve and contribute to the global environment through our business activities. The Earth's limited fossil fuel and water resources must be utilized carefully if we are to forge a sustainable society amid rapid growth in population, led by emerging nations. Resource conservation and recycling alongside the development of new energy sources are essential if we are to satisfy the demand created by larger populations.

Sustainable infrastructure development: a pressing global issue

The world's population is projected to grow from 6.5 billion people at present to 8.3 billion in 2030 and 9.0 billion by 2050. The total population of emerging nations is currently about 5.0 billion, with an average annual energy consumption of roughly one ton in crude oil equivalents per person. In contrast, the developed world has a population of about 1.5 billion, but average energy consumption is about four times as high. If the world's population were to grow to 9.0 billion people, and assuming that rising living standards were to result in average annual per capita energy consumption of four tons (including emerging nations), this would imply a rise in global energy consumption from 11 billion tons at present to 36 billion tons. The situation for water resources would be similarly challenging.

The rush is on worldwide to develop the sustainable infrastructure needed to deliver the energy and water for a growing population while at the same time creating an environment-friendly, low-carbon society. MC is actively involved in a number of related businesses. We are expanding our presence in the electric power generation sector to ensure stable, long-term power supplies. Alongside this, we are promoting the adoption of zero-emission renewable energy sources such as solar photovoltaic, solar thermal and wind power. We are also engaged in businesses that aim to reduce overall environmental impact by recycling waste heat or installing energy-efficient equipment. In addition, through collaborative projects with partners from the private and public sectors and other initiatives, we are contributing to the development of new global water infrastructure to ensure stable water supplies for rising populations.

Projected Demand for Energy and Resources
(indexing 2010 level at 100)



Water Business

The need for reliable supplies of safe drinking water is escalating rapidly in line with economic growth in emerging countries. Public sanitation issues are now emerging, notably in regions where infrastructure development has failed to keep pace with the surging population. MC is working to respond to growing global demand for water infrastructure, based on the experience and expertise of business investee partners such as Japan Water Corporation, Ebara Engineering Service Co., Ltd. and Philippines-based Manila Water Company, Inc.

The pressing worldwide need for water infrastructure

The population of emerging nations (totaling around 5.0 billion people) currently uses about 500 tons of water annually per person, but the 1.5 billion people living in the developed world use double that amount. Total global water use is approximately 4 trillion tons per year. This figure is expected to rise to 5 trillion tons per year by 2025 due to the population growth in emerging nations, an approximate 1 trillion ton increase in demand. There is thus an urgent need to build the necessary water infrastructure to cope with increasing demand around the world. This market for new water infrastructure could be worth in excess of ¥100 trillion by 2025.

In the Philippines, MC invested in Manila Water in January 1997 to participate in the development of water and sewage systems serving the east concessionaire in Manila. Over the past 13 years, permanent access to running water within this region has risen from 26% to 99%. This achievement has been reinforced by a dramatic improvement in the loss rate due to leakage, which has decreased from 63% to 14% over the same period. In April 2010, MC and JGC Corporation each purchased a one-third equity stake in Ebara Engineering Service, which was formerly a wholly owned water business subsidiary of Ebara Corporation, resulting in a three-way joint venture. This company aims to become one of Japan's top comprehensive water services providers in the growing water business field around the world by integrating its expertise in sewage and wastewater engineering and the maintenance and management of water and wastewater treatment facilities, with the expertise of MC and JGC in project management and global business development.

By tapping into the experience and know-how in these businesses, MC plans to build a presence in the water-related services market, which is expected to grow to more than ¥100 trillion worldwide in 2025.

Leveraging Japanese public-private partnership to develop a comprehensive water services enterprise

Until amendments to water and sewage legislation in 2002, local governments were responsible for running public water systems in Japan. The operational expertise and related know-how was thus concentrated in the local government sector. France adopted a different approach and privatized the water utility sector early. Some 150 years later, French firms operating in this sector are fully integrated and have amassed a wealth of experience in related services ranging from the procurement of parts and materials to the design, installation, operation and maintenance of water and sewage facilities. To compete in overseas markets in this area, it is vital that the Japanese public and private sectors collaborate to combine the world-class water mains management capabilities of local governments with the global networks, advanced technical expertise and overseas operational and local personnel management skills of private enterprise.

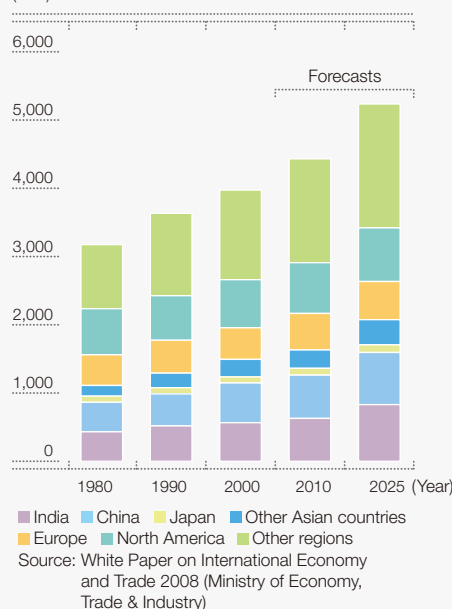
In May 2010, in an example of this approach in action, MC formed a consortium with Innovation Network Corporation of Japan (INCJ)*, JGC and Manila Water to acquire the Australian water utility United Utilities Australia Pty Ltd. (UUA). UUA operates 14 businesses in Australia serving approximately 3 million water users, including water and wastewater treatment, desalination plants, industrial wastewater processing facilities and water reclamation operations. Going forward, this business will operate as a four-way joint venture, an important first step for a Japanese public-private partnership to capture business in the overseas water business market.

* Established by a law in July 2009 as a public-private partnership, INCJ aims to cultivate next-generation industries by promoting open innovation. Funds available for investment exceed ¥800 billion. The INCJ has signed a cooperation agreement with the Bureau of Waterworks of the Tokyo Metropolitan Government to leverage the latter's water facilities operational capabilities for the development of business opportunities in overseas markets.

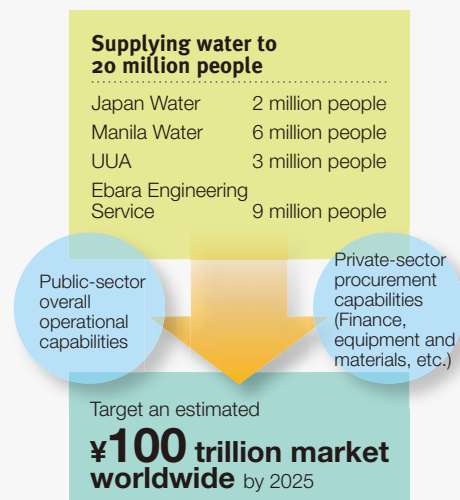


Water business in Manila

The Continued Tapping of Fresh Water Sources (km³)



MC's Water Business



Large-Capacity Lithium-Ion Batteries

The electric vehicle (EV) represents a paradigm shift away from the conventional gasoline-powered automobile. Global adoption of EVs could substantially lower CO₂ emissions, especially if owners enhanced the economical operation of such vehicles by using off-peak power to recharge batteries. MC is actively involved in the development, production and sale of large-capacity lithium-ion batteries, which many regard as the “heart” of the EV.

Steady EV adoption forecast

Governments in developed countries and regions such as Japan, Europe and the U.S. have adopted a range of pro-environmental policies aimed at curbing the use of fossil fuels to a certain extent to realize a low-carbon future. There are three main types of policy measures that are encouraging the uptake of EVs and other eco-friendly vehicles: (1) programs (such as subsidies and tax breaks) to encourage consumers to buy eco-friendly cars; (2) industry support (government support for companies related to the manufacture of battery packs for eco-friendly vehicles and adoption of EVs); and (3) regulations on vehicle CO₂ emissions and fuel consumption. Underpinned by these government policies, new EV sales, which account for far less than 1% of worldwide auto sales at present, are projected to account for about 5% of the total global vehicle market by around 2020 (or approximately 5 million vehicles of the approximate 100 million vehicles expected to be sold worldwide by then). In Europe, there are plans to levy fines on automakers that do not comply with CO₂ vehicle emission standards, which is expected to serve as a further fillip for EV sales in the region. In fact, Europe is expected to account for roughly half of the EV market, with Japan (1.0 million), and the United States and Asian countries (1.5 million) making up the remainder.

Targeting anticipated growth in the EV market due to steady worldwide adoption, MC is involved in the production and sale of large-capacity lithium-ion batteries and neodymium magnets for high-performance motors, both of which are critical EV components. MC is also involved in the development of lithium and rare earth resources to provide supplies of the essential raw materials.

Growth prospects for the large-capacity lithium-ion battery business

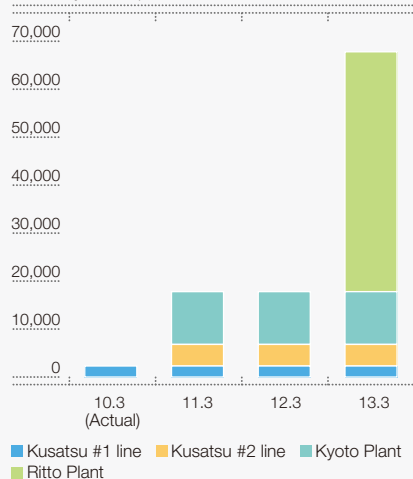
MC has established Lithium Energy Japan (LEJ) as a joint venture with GS Yuasa International and Mitsubishi Motors Corporation (MMC) to manufacture and sell large-capacity lithium-ion battery packs for MMC's i-MiEV. The i-MiEV was the first EV model to enter mass production in 2009. Production and sales volumes are now rising steadily.

LEJ can currently manufacture lithium-ion battery packs for 6,800 i-MiEVs per year at its production facility in Kusatsu, Shiga Prefecture. Eyeing expected steady growth in the EV market, LEJ plans to begin making battery packs in December 2010 at a facility in Kyoto with an annual production capacity of 11,000 units. In addition, LEJ has decided to construct a new production facility at Ritto, Shiga Prefecture. This plant, which is due to come onstream early in the year ending March 2013, will have an annual production capacity of 50,000 units. The Ritto facility is expected to operate at full capacity from the second half of the year ending March 2013, by which time LEJ's aggregate annual production capacity from the 3 plants is forecast to reach 67,800 battery packs.

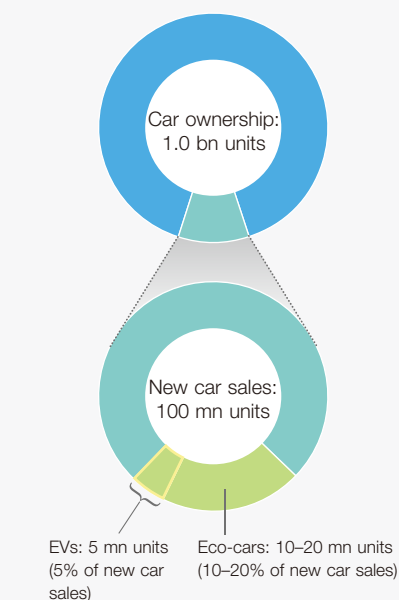
Many of the world's existing and emerging vehicle manufacturers have stated that they intend to enter the EV market. LEJ is already ahead of the pack by virtue of having launched a commercial product. It also plans to build on this first-mover advantage by rapidly ramping up production capacity. Besides increasing production to meet demand from MMC, LEJ aims to win at least one or two more large customers of a similar size, as it conducts sales activities in Japan and overseas. In the future, LEJ sees the possibility of tapping into demand for general industrial applications such as electricity storage in the wind power generation field.

Lithium-ion Battery Pack Production at LEJ (Projected)

(Units: EV equivalents; annual production capacity as of fiscal year-end)



Car Market Projections for 2020



A battery pack consisting of 88 LEV50 large-capacity lithium-ion batteries made by LEJ sits under the floor of the i-MiEV new-generation MMC-made EV.

Power Generation

In terms of the pressing issues facing mankind, meeting increasing energy consumption accompanying global economic growth is on a par with ensuring supplies of water and food. Yet the use of fossil fuels will necessarily be subject to certain constraints due to finite resources and the problems caused by CO₂ emissions. This makes it essential for mankind to utilize new energy. MC is working to solve these twin issues in a balanced manner based on business experience gained in the overseas IPP*¹ sector and an extensive global network.

*¹ IPP: Independent Power Producer

A total response to growth in energy demand led by emerging countries

To date, FIT*² subsidy frameworks across many European countries have supported the widespread adoption of emerging renewable energy sources such as wind or solar power. Going forward, the United States and other OECD nations are also expected to adopt feed-in subsidies on a commercial scale. In contrast, in emerging nations across Asia and other regions of the world, the growing demand for power is leading to rapid proliferation in power generation projects. Some emerging economies are embracing renewable energy for power generation to cut CO₂ emissions while using conventional thermal power based on coal or gas.

MC's current portfolio of overseas IPP power generation assets is primarily located in the United States, Mexico and Southeast Asia. We plan to leverage the operational expertise that we have cultivated over many years in the IPP sector overseas along with MC's global network to comprehensively expand our presence within the power generation sector as a whole, including renewables.

*² FIT: Feed-in Tariff (a system to purchase power at a fixed price)

Targeting renewable energy-based power generation—Strengthening our alliance with ACCIONA

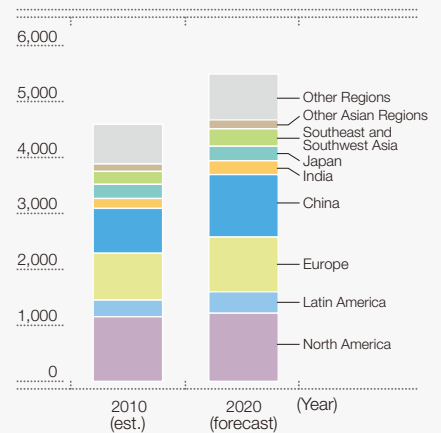
In August 2009, MC bought a 34% equity stake in Amper Central Solar, S.A., a solar photovoltaic (PV) power generation subsidiary of ACCIONA S.A. of Spain. Amper Central Solar operates one of the world's largest solar PV projects at Moura, Portugal. Compared with coal-fired thermal power generation, this 46 MW project is expected to achieve annual reductions in CO₂ emissions of around 89,000 tons.

One of the world's leading integrated renewable energy enterprises, ACCIONA is promoting the development of solar PV and other types of renewable power such as wind and solar thermal on a global scale. Under a Memorandum of Understanding signed in July 2009 for a comprehensive strategic alliance, MC and ACCIONA are considering broadening the scope of cooperation to include solar PV, wind, solar thermal and bio-energy, as well as the environmental and water industries. The alliance partners aim to originate projects worth a total of €2.0 billion, including renewable power generation projects and joint investments in related companies across the world.



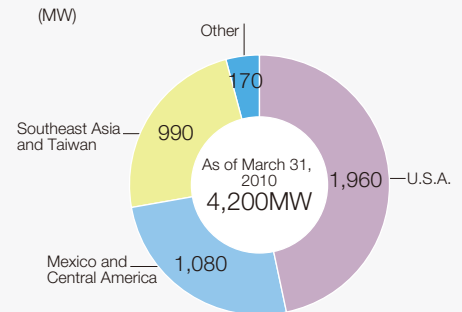
A solar photovoltaic project in Moura, Portugal. Approximately 260,000 solar cell panels are laid out across a site of roughly 250 hectares.

Global Power Generation Capacity (GW)



Source: "International Energy Outlook 2009," United States Department of Energy

Breakdown of MC's Overseas Power Generation Assets (MW)



Creating Value at the Frontline of Business

Hong Kong-based Diamond Generating Asia, Limited is developing a power generation business in Southeast Asia and Taiwan. I am responsible for the operation of large-scale thermal power plants and the development of new projects. The company has formed alliances with Thai and Hong Kong companies to capitalize on opportunities created by the Thai government's policy to support solar PV power generation. It is currently pushing ahead with construction of a 70 MW facility, one of the world's largest plants of its kind. I am convinced that contributing to local communities and business go hand in hand.

Ryota Sakakibara
Director
Diamond Generating Asia, Limited



Two Groups Directly Under the President

Global Environment Business Development Group

Group CEO Message



Organizational Structure

Global Environment Business Development Group CEO Office

- **New Energy & Power Generation Division**
 - New Energy Power Generation Unit
 - Global Power Generation & Marketing Unit
 - Bio Energy Business Unit
 - Emissions Reduction Business Unit
- **Environmental & Water Business Division**
 - Automotive-Related Business Unit
 - Water Business Unit
 - Environmental Solutions Business Unit

The Global Environment Business Development Group was established in April 2010 through the transfer of the overseas power generation and energy solutions businesses of business groups and integration with new energy, and environmental and water businesses, which were being carried out in the area of “Business Sector Development.”

I believe that this group’s role is to conduct businesses that help create a sustainable society. The group will be responsible for developing the frameworks, systems and technologies necessary to enable more people to live with fewer resources.

In specific terms, we will promote commercialization of viable businesses in new energy, environmental and water,

and power generation fields, and establish earnings models. We will develop these businesses into future growth fields, establishing them as stable, long-term sources of earnings. At the same time, we aim to strengthen efforts in the infrastructure business with a focus on the global environment.

Nobuaki Kojima

Executive Vice President, Group CEO
Global Environment Business
Development Group

New Energy & Power Generation Division



Diamond Generating Corporation (DGC) is a power business company established in the U.S. city of Los Angeles in 1999 with 100% investment by MC. Owning power generation assets of approximately 2,000MW, DGC develops, constructs, operates and maintains power generation projects.



Amper Central Solar, S.A. is a photovoltaic power generation company run jointly by MC and Spain-headquartered ACCIONA, one of the world’s leading integrated renewable energy enterprises. It began commercial operations in January 2009 at a 46 MW plant, one of the world’s largest solar photovoltaic projects, in Moura, Portugal.

Environmental & Water Business Division



Lithium Energy Japan (LEJ), a joint venture with GS Yuasa International and Mitsubishi Motors Corporation (MMC), was the first company in the world to begin mass producing large-capacity lithium-ion battery packs. LEJ plans to supply battery packs to automakers in Japan and overseas, including MMC, and create battery packs for general industrial applications such as electricity storage.



Ebara Engineering Service has been operated as a three-way joint venture by MC, Ebara Corporation and JGC Corp. since April 2010. As one of Japan’s leading comprehensive water services enterprises, Ebara Engineering Service caters to all manner of water business needs, from construction to maintenance, management and operation of waste and water treatment facilities.

Business Service Group

Group CEO Message



The Business Service Group was established in April 2010 by combining MC's IT services, which up until then had been carried out as part of Functional Development, with logistics, insurance, trade management and other business areas, with the aim of creating a structure that provides comprehensive functional services.

In addition to seamlessly providing IT services integrating consulting, systems integration (SI) and outsourcing on a global basis, we will work to establish management frameworks for trade, distribution and insurance.

Through the provision of integrated services centered on the twin fields of IT and logistics, we will help MC and MC

Group companies increase corporate value, implement business process reforms and develop businesses, thus supporting a sophisticated consolidated management framework for the MC Group. This should also lead to the creation of new business opportunities.

Organizational Structure

● IT Service Division

- Consulting & SI Business Unit
- IT Outsourcing Business Development Unit
- BPO Business Development Unit
- Corporate Systems Development Department
- IT Planning Department

Logistics Management Department

Hideyuki Nabeshima

Member of the Board,
Senior Executive Vice President,
Group CEO, Business Service Group

IT Service Division

The IT Service Division will build next-generation backbone systems that support management and rebuild the IT governance system in line with group expansion. In this way, we will endeavor to take a group-based approach to enhancing our IT infrastructure, formulating IT plans and strengthening our information system. Furthermore, in order to help solve issues faced by MC Group companies and customers and raise their corporate value, we will enhance consulting and system integration (SI) services through business investees such as SIGMAXYZ Inc. and IT Frontier Corporation. In addition, we are developing ITO*¹ and BPO*² outsourcing businesses in order to offer integrated IT services.

*¹ ITO: IT Outsourcing

*² BPO: Business Process Outsourcing

[Key Business Investees]

SIGMAXYZ Inc.: SIGMAXYZ is a business consulting services company providing upstream IT services. It provides consulting services for solving companies' management issues.

SIGMAXYZ
Xpartner for Your Z

IT Frontier Corporation: One of the MC Group's core IT companies, IT Frontier helps improve the sophistication of management on a consolidated basis. The company provides total support with integrated IT strategies that are in line with clients' business strategies, extending from planning and formulation of IT strategies to system design and integration.



Logistics Management Department

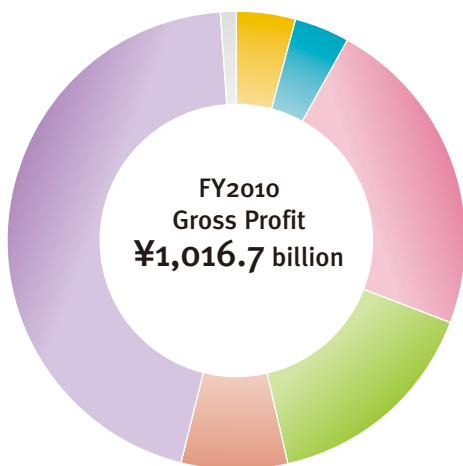
Through the enhancement of trade- and distribution-related management systems and promotion of insurance risk countermeasures, this division ensures compliance that underpins the development of businesses by MC and its group companies on a consolidated and global basis.



Review of Operations

Fiscal 2010 Results of Business Groups

Share of Gross Profit (%)



Industrial Finance, Logistics & Development Group	4.4%
Energy Business Group	3.9%
Metals Group	22.8%
Machinery Group	15.4%
Chemicals Group	7.7%
Living Essentials Group	45.0%
Adjustments and Eliminations	0.8%



Industrial Finance, Logistics & Development Group

Fiscal 2010 Results

Operating transactions	¥ 190,195 million
Gross profit	¥ 44,901 million
Equity in earnings of Affiliated companies	¥ 10,794 million
Net income	¥ (7,594) million
Segment assets	¥ 798,681 million
No. of employees ¹	
Consolidated	2,389
Parent company	400
No. of consolidated subsidiaries and equity-method affiliates ²	89



Energy Business Group

Operating transactions	¥3,228,692 million
Gross profit	¥ 39,845 million
Equity in earnings of Affiliated companies	¥ 39,731 million
Net income	¥ 71,947 million
Segment assets	¥1,322,918 million
No. of employees ¹	
Consolidated	1,883
Parent company	483
No. of consolidated subsidiaries and equity-method affiliates ²	70



Metals Group

Operating transactions	¥3,634,285 million
Gross profit	¥ 231,832 million
Equity in earnings of Affiliated companies	¥ 6,201 million
Net income	¥ 137,928 million
Segment assets	¥2,866,349 million
No. of employees ¹	
Consolidated	11,322
Parent company	381
No. of consolidated subsidiaries and equity-method affiliates ²	25



Machinery Group

Operating transactions	¥3,122,563 million
Gross profit	¥ 156,447 million
Equity in earnings of Affiliated companies	¥ 21,484 million
Net income	¥ 23,557 million
Segment assets	¥2,019,390 million
No. of employees ¹	
Consolidated	9,325
Parent company	1,064
No. of consolidated subsidiaries and equity-method affiliates ²	136



Chemicals Group

Operating transactions	¥1,791,599 million
Gross profit	¥ 77,830 million
Equity in earnings of Affiliated companies	¥ 17,231 million
Net income	¥ 32,357 million
Segment assets	¥ 732,834 million
No. of employees ¹	
Consolidated	3,238
Parent company	668
No. of consolidated subsidiaries and equity-method affiliates ²	43



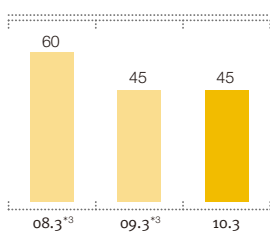
Living Essentials Group

Operating transactions	¥5,114,600 million
Gross profit	¥ 457,169 million
Equity in earnings of Affiliated companies	¥ 19,492 million
Net income	¥ 45,058 million
Segment assets	¥2,218,302 million
No. of employees ¹	
Consolidated	24,392
Parent company	948
No. of consolidated subsidiaries and equity-method affiliates ²	125

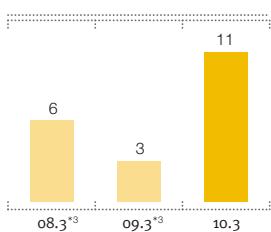
¹ Data as of March 31, 2010. The number of Corporate Staff Section employees not shown on this page was 6,034 on a consolidated basis and 1,798 on a parent company basis. Accordingly, the total number of employees was 58,583 on a consolidated basis and 5,742 on a parent company basis.

² Data as of March 31, 2010. Figures do not include companies consolidated by subsidiaries. Not shown on this page are 26 consolidated subsidiaries and equity-method affiliates belonging to the Corporate Development Section, 13 consolidated subsidiaries and equity-method affiliates belonging to the Corporate Staff Section, and 35 overseas regional subsidiaries. Accordingly, the total number of consolidated subsidiaries and equity-method affiliates was 562.

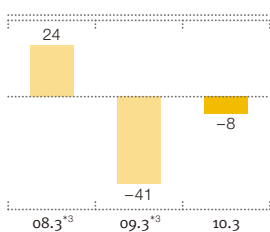
Gross Profit
(¥ billion)



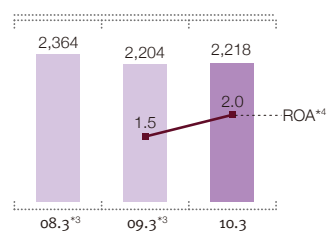
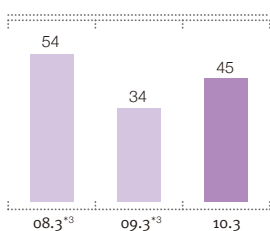
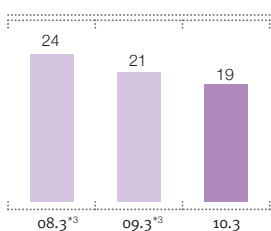
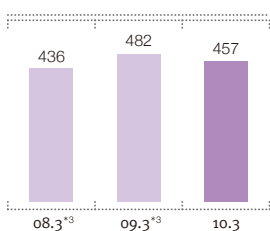
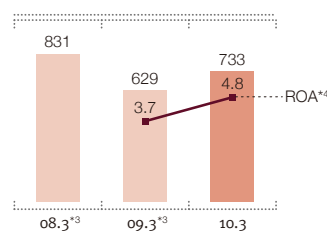
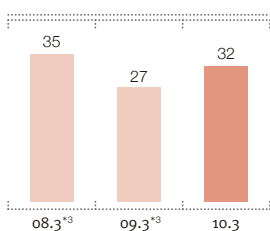
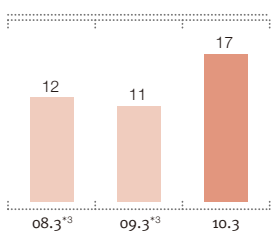
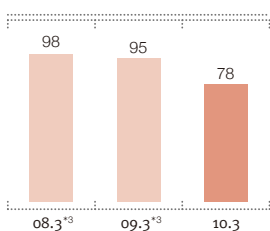
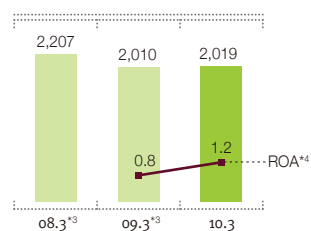
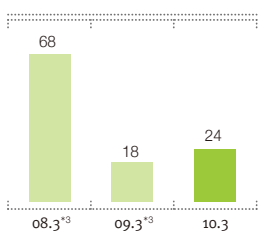
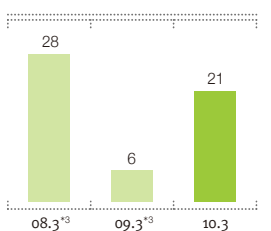
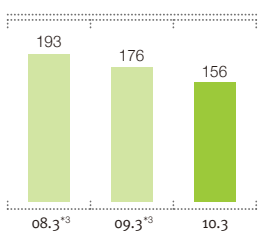
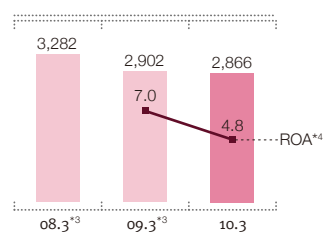
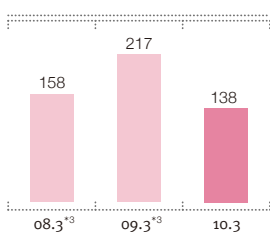
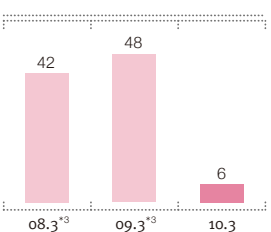
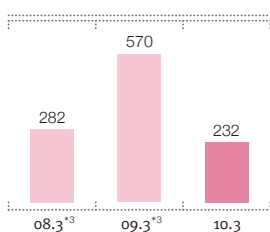
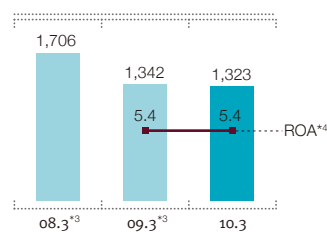
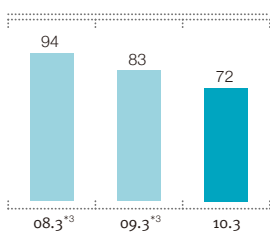
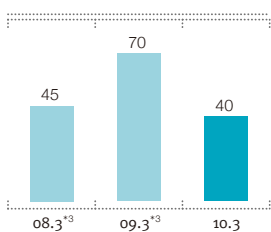
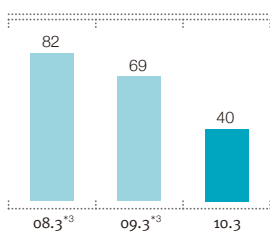
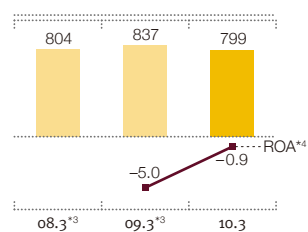
Equity in Earnings of Affiliated Companies
(¥ billion)



Net Income
(¥ billion)



Segment Assets, ROA
(¥ billion, %)



^{*3} On April 1, 2009, Mitsubishi Corporation transferred all the businesses of the Business Innovation Group to the Living Essentials Group and Others, and some businesses of the Chemicals Group were transferred to the Machinery Group. Consequently, figures for the fiscal years ended March 31, 2008 and 2009 for the affected segments have been reclassified or adjusted.

^{*4} ROA is calculated by dividing net income by the average of total assets at the beginning and end of the fiscal year.



Industrial Finance, Logistics & Development Group

page 38 → 41

The Industrial Finance, Logistics & Development Group is developing *shosha*-type industrial finance businesses. These include asset management businesses, buyout investment businesses, leasing businesses, real estate development businesses, logistics services, and insurance businesses.

Main Products and Services

- Asset management business, buyout investment business
- Real estate and infrastructure funds-related business, healthcare fund business, leasing business, airline-related business, reinsurance and finance business
- Real estate development, income-generating property portfolio, commercial facility development and operation, sales of condominiums, urban development, construction, real estate consulting, equipment supply, hospital revitalization, Private Finance Initiative (PFI) business, global real estate investment
- Integrated logistics business, bulk carrier ownership and operations, insurance business, others



Energy Business Group

page 42 → 45

The Energy Business Group, in addition to developing and investing in oil and gas projects, conducts trading activities in areas such as crude oil, petroleum products, liquefied petroleum gas (LPG), liquefied natural gas (LNG), and carbon materials and products.

Main Products and Services

- 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



Metals Group

page 46 → 49

The Metals Group trades, develops businesses, and invests in a wide range of metals fields. These include steel products such as steel sheets and thick plates, steel raw materials such as coking coal and iron ore, and non-ferrous raw materials and products such as copper and aluminum.

Main Products and Services

- Coking coal, thermal coal, iron ore, 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



Machinery Group

page 50 → 53

The Machinery Group trades machinery in a broad range of fields, in which it also develops businesses and invests. These fields extend from large plants for producing essential industrial materials, including electricity, natural gas, petroleum, chemicals and steel, to equipment and machinery for transportation and distribution industries, including ships, trains and automobiles. It is also active in the aerospace and defense industries, and in general industrial equipment and machinery, including construction machinery, machine tools, and agricultural machinery.

Main Products and Services

- Power generation equipment, power transmission and transformer facilities, transport and import of nuclear fuel, on-site (inside the fence) power generation business in Japan, retail electricity sales in Japan, elevators and escalators
- Plant equipment for oil, gas, chemical, steel, non-ferrous metals and cement industries, rolling stock and related infrastructure and equipment, railway project development, mining equipment, port facilities, off-shore marine structures, agricultural machinery, construction machinery, industrial machinery
- Ships and vessels, marine machinery, ship owning and management business, space-related equipment, defense-related equipment, satellite imagery and map business
- Motor vehicles (built-up vehicles, assembly parts, spare parts), others



Chemicals Group

page 54 → 57

The Chemicals Group trades and invests in the commodity chemicals and functional chemicals fields. Commodity chemicals include petrochemicals, olefins and aromatics, methanol, ammonia, chlor-alkali, fertilizer and inorganic chemicals. Functional chemicals include plastics, functional materials, electronic materials, food ingredients, and fine chemicals.

Main Products and Services

- 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



Living Essentials Group

page 58 → 61

The Living Essentials Group provides products and services, develops businesses and invests in various fields closely linked with people's lives, including foods, clothing, paper, packaging materials, cement, construction materials, medical equipment and nursing care. These fields extend from the procurement of raw materials to the consumer market.

Main Products and Services

- Strategy planning, project planning of retail and wholesale business
- Dispensing pharmacy business, hospital management solutions through procurement of medical supplies and pharmaceuticals, marketing and rental of nursing care equipment, mail-order and marketing business, point-based loyalty programs, payment settlement service businesses
- Rice, wheat, barley, wheat flour, corn, milo, fresh produce, marine products, sugar, starch, corn syrup and other sweeteners, corn grits, salt, brewing malt/hops, soybean, canola, sesame seed, oils & fats, oil and fat products, chicken, pork, beef, processed meat products, vegetable protein meals, animal protein meals, grain byproducts, roughage
- Coffee ingredients, confectionery ingredients, fruit juices, raw tea products, cheese, dairy products, processed foods, frozen and chilled products, confectionery, mineral water, canned foods, liquor, pet food
- Brand business, fashion apparel, footwear, furniture and interior products, household goods, cotton, yarn, textile, knitted fabric, industrial materials, high-function materials
- Paper & paperboard, packaging materials, woodchips, pulp, afforestation, printing and photosensitive materials and equipment, cement, ready-mixed concrete, lumber, housing and construction materials, silica sand, kaolin clay, tires, industrial rubber materials, others



Group CEO Message



The Industrial Finance, Logistics & Development Group integrates MC's strengths in terms of extensive knowledge of and expertise in industrial fields, plus a vast global network of contacts in all industries, to develop various industrial finance businesses.

Overview of INNOVATION 2009 and Year Ended March 2010 Results

Under INNOVATION 2009, we strove to reinforce MC's position and develop stronger and more advanced functional capabilities across different business areas amid changing market conditions, while seeking to maintain and bolster asset portfolio values. Since this business group's establishment in April 2007, we have carved out new businesses for MC through the establishment of subsidiaries such as Marunouchi Capital Co., Ltd. and MC Aviation Partners Inc. We now have a full-scale operational presence in these sectors.

In the fiscal year ended March 2010, financial markets put behind them the worst period of the financial crisis. Although there was a feeling that economic conditions had turned the corner, economic activity failed to recover to the level seen before the crisis. Furthermore, financial institutions and institutional investors continued to take a cautious stance toward financing and investment despite the nascent recovery.

The segment recorded a net loss attributable to Mitsubishi Corporation of ¥7.6 billion, ¥33.6 billion better than the previous fiscal year. Although we recorded share write-downs on Japan Airlines Corporation (JAL) and certain other shares, the improvement reflected a decrease in share write-downs as a whole from the previous fiscal year and an increase in fund investment-related earnings.

Midterm Corporate Strategy 2012 and Forecasts for Year Ending March 2011

With growth in emerging countries now driving the global economic recovery, we see plenty of expansion opportunities

in markets for industrial finance businesses. Under MC's Mid-term Corporate Strategy 2012, the Group will focus on building blue-chip asset portfolios and reinforcing MC's asset management skills. We will also seek to take advantage of the growth in emerging economies such as China. We have defined three core strategic objectives: first, to develop stable real estate finance businesses of scale, second, to promote MC's asset management operations by tapping into the trend from saving to investment; and third, to upgrade and expand our business model in the leasing sector (including general, automobile and aircraft leasing). Overall, our aim is to develop a globally integrated industrial finance business where we offer financial intermediary services linked to real assets or underlying operations. At the same time, we will be seeking to bolster the business group's earnings base from activities in the buyout investment*, development and construction, and logistics sectors.

We are projecting net income of ¥8.5 billion in the year ending March 2011, which would represent a ¥16.1 billion year-on-year increase. This projection assumes the absence of share write-downs of the above mentioned shares and real estate-related losses recorded in the year ended March 2010.

* Buyout investment: an investment technique for earning an investment return by investing in an existing company and providing management support to increase the invested company's corporate value.

Hideshi Takeuchi

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



Yuichi Hiromoto
Senior Vice President,
Division COO, Asset Finance &
Business Development Division

Ichiro Miyahara
Senior Vice President,
Division COO, Development &
Construction Project Division

Shin Sasaki
Senior Vice President,
Division COO, Logistics Division

Yosuke Koike
Executive Assistant to Group CEO

Yasuyuki Sakata
Senior Vice President,
General Manager, Group CEO Office

Organizational Structure

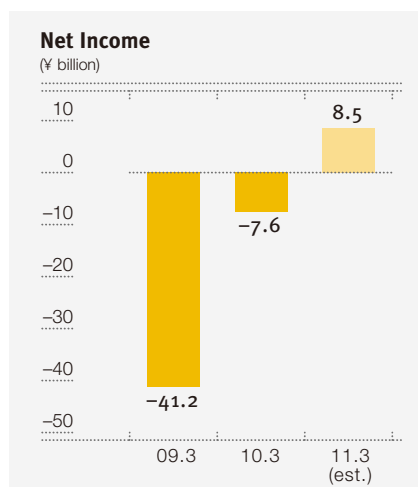
- Industrial Finance, Logistics & Development Group CEO Office
- Industrial Finance, Logistics & Development Group Administration Dept.

- **Asset Finance & Business Development Division**
- **Development & Construction Project Division**
- **Logistics Division**

Big Project

<MC Aviation Partners Inc.>

In the summer of 2008, MC created a new subsidiary, MC Aviation Partners Inc., to integrate the aircraft leasing business developed over more than 20 years by MC with subsidiaries, including related service business capabilities. The largest specialist aircraft leasing company in Japan, MC Aviation Partners has an owned and managed fleet of over 100 aircraft and assets of around ¥240 billion, including contracted planes. MC's objective is to provide a full range of aircraft leasing and related services on a global and dynamic basis. MC Aviation Partners operates out of bases in Los Angeles, Tokyo and Dublin, and is supported by MC's international network of more than 200 overseas offices.



MC Aviation Partners is Japan's largest specialist aircraft leasing company.



Industrial Finance, Logistics & Development Group

Asset Finance & Business Development Division

- Financial Business Development Unit
- Leasing & Finance Unit
- Real Estate & Project Finance Unit
- Airline Business Unit
- Merchant Banking Unit

Adopting an industrial finance perspective, this division targets opportunities arising from ongoing structural changes in the global marketplace to create and expand new businesses. By leveraging MC's vast web of industry contacts as a *sogo shosha* (general trading company), the division seeks to develop financial intermediary operations that combine an extensive knowledge of industrial assets and related networks with asset management skills and other financial know-how.

In the asset management business, MC has formed equity-based alliances with Aladdin Capital Holdings LLC, a U.S. investment management firm that specializes in credit-related securitized products, and Capula Investment Management LLP, a leading U.K.-based hedge fund manager that has established a strong reputation in interest-rate arbitrage^{*1}. Also combining the sales capabilities of Mitsubishi Corporation Capital Ltd., we continue to strengthen our asset management business.

In the real estate fund sector, MC subsidiary Mitsubishi Corp.-UBS Realty Inc. manages two Japanese real estate investment trusts (J-REITs): Japan Retail Fund Investment Corporation (JRF), which specializes in retail facilities and leads the industry in terms of asset value under management; and Industrial & Infrastructure Fund Investment Corporation (IIF), which invests in a broad industrial real estate portfolio including logistics facilities and infrastructure. In March 2010, JRF merged with LaSalle Japan REIT Inc., expanding the scale of assets under management. The same month, wholly owned MC subsidiary Diamond Realty Management Inc. (DREAM) formed Dream Logistics Fund, a specialized fund to invest in logistics facilities.

In the lease business sector, Mitsubishi Auto Leasing Corporation, the domestic joint venture created by MC and Mitsubishi UFJ Lease & Finance Company Ltd., began offering leasing services for i-MiEV

electric vehicles as part of its proactive development of automotive solutions. Overseas, in conjunction with Mitsubishi UFJ Lease & Finance, MC has acquired equity stakes in AJIL Financial Services, a general leasing firm in Saudi Arabia, and in Ekim Turizm Ticaret Ve Sanayi A.S., a leading Turkish fleet vehicle leasing firm operating under the brand name Intercity. These businesses draw on the global knowledge base and contact networks that MC has cultivated as a trading company.

In airline-related operations, wholly owned subsidiary MC Aviation Partners Inc. owns and manages a portfolio of assets worth about ¥240 billion (including contracted aircraft). This company has developed into Japan's largest specialist aircraft leasing company with an owned and managed fleet of over 100 aircraft. In December 2009, MC joined forces with Engine Lease Finance Corporation, a company operating under the Mitsubishi UFJ Financial Group umbrella that is the world's largest independent aero-engine lessor, and DVB Bank SE, a Frankfurt-based bank that specializes in transport finance, to establish an aircraft engine leasing joint venture incorporated in Ireland. Elsewhere, MC is a foundation partner in the Mitsubishi Regional Jet (MRJ) program to build small passenger jets in Japan. In cooperation with Mitsubishi Aircraft Corporation, MC is currently involved in marketing the MRJ model to prospective airline customers.

In the buyout investment business^{*2}, through funds managed by Marunouchi Capital Co., Ltd., a joint venture established by MC and Mitsubishi UFJ Financial Group, Inc., we have invested in TOMY COMPANY, LTD., one of the world's leading toymakers, and JOYFUL COMPANY Co., Ltd., which is developing a number of large home centers under the JOYFUL HONDA name. Besides our investments, we have also sent executives to these investees in an effort to help raise their corporate value.

Aiming to establish and grow other industrial finance businesses, the division is also actively seeking to invest business resources in other sectors. These include healthcare funds to support medical and nursing care operations and overseas infrastructure funds.

^{*1} An investment business that seeks to generate returns by exploiting the price distortions in markets for interest rate-related products such as government bonds, corporate bonds and municipal bonds.

^{*2} This business involves MC generating returns on investments made in established companies by providing management support to help boost corporate value.



Yachiyo Logistics Center (owned by the Dream Logistics Fund).

Specializing in logistics facilities in Japan, the Dream Logistics Fund seeks to increase the value of properties in which it invests.

Development & Construction Project Division

- Development & Construction Project Division
- Commercial Property Development & Management Unit
- Construction & Building Equipment Unit
- Urban & Residential Development Unit
- Global Real Estate Unit

The Development & Construction Project Division promotes the business group's undertakings in areas relating to real estate and general construction. In the real estate field, it has a wealth of experience and expertise in developing and managing commercial real estate (including large-scale urban development projects), logistics facilities, office buildings, and condominiums. The division is also actively engaged in the business group's real estate securitization business. As a developer, MC is involved in the development and management of commercial properties in urban locations in partnership with Mitsubishi Corporation Urban Development, Inc. We also focus on large-scale, mixed-use developments. In the construction-related business field, MC provides a wide array of services for its clients. These include building construction and equipment transactions

relating to the construction of newspaper printing plants. MC serves not only as a contractor, but also as a project consultant and/or a real estate broker. We are engaged in construction and management of hospitals (medical solutions business), universities and other facility developments under the private finance initiative (PFI) scheme. Furthermore, the division is developing MC's presence in the energy service company (ESCO) sector with the Global Environment Business Development Group.

Overseas, we invest in multi-family residential properties (including development of student housing) as well as warehouse facilities in the United States through our US-based subsidiary Diamond Realty Investments, Inc. In Shanghai, China, we are engaged in the condominium development business through an investment in a local real estate developer.

In Nagoya, Japan, MC joined forces with AEON Mall Co., Ltd. to redevelop a large-scale shopping mall known as "wondercity." The newly developed "mozo wondercity" opened on April 13, 2009. It has been welcomed by its customers and has recorded an excellent performance since opening, with some 19 million people visiting the shopping complex in the first year of operation.



The mozo wondercity shopping center is designed for people and with the environment in mind.

Logistics Division

- Insurance Business Unit
- Logistics Business Unit
- Dry Bulk Business Unit
- Tank Terminals Business Unit
- Logistics Business Development Unit

The Logistics Division works with all of MC's business groups to provide customers shipping goods with comprehensive and integrated logistics services. As a member of the Industrial Finance, Logistics & Development Group, the division can integrate financial elements to create logistics business models unique to a trading company like MC. To better facilitate this aspect of the business, MC established the Logistics Business Development Unit in April 2010.

In the logistics business, we are engaged in ship ownership and operation, including warehousing and transportation in Japan and overseas, integrated international logistics services, car carriers and multi-purpose cargo ships. MC subsidiary Mitsubishi Corporation LT, Inc. strives to improve customer satisfaction through the proposal and implementation of optimized supply chain solutions for consumer goods such as apparel, products and components in industrial goods fields such as vehicles and chemicals, and various other products. Furthermore, in the growing market that is China, we are engaged in domestic land transportation and warehousing, product inspection and chilled distribution businesses.

In the dry bulk business, the division contributes to the stable supply of raw materials in the transportation of raw materials such as coal and grains. We conduct comprehensive bulk cargo logistics operations, which includes ownership and operation of an international shipping fleet, including various types of bulkers, and terminal operations.

MC operates a number of businesses in the insurance sector, mainly through two subsidiaries: Mitsubishi Corporation Insurance Co., Ltd. and New Century Insurance Co., Ltd.

Mitsubishi Corporation Insurance (formerly MC Insurance Center, Ltd.) provides insurance solutions for corporate and consumer risks as a comprehensive risk consultant. New Century Insurance operates a captive insurance business that reinsures some of MC's externally insured risks.

In the logistics business development field, MC is looking to promote new business models that combine the Group's strengths in finance with the vast logistics-related know-how and industrial network of a *sogo shosha* (general trading company). The division is involved in real estate and fund management businesses related to logistics, and also employs logistics functions to add value to enterprise investment and business restructuring projects.



The large, modern Daikoku Logistics Center was completed in March 2010 in Daikoku (Tsurumi Ward, Yokohama). It was developed as a securitized development.



Group CEO Message



The Energy Business Group's business model extends throughout the energy value chain, from upstream to downstream sectors. It encompasses oil and gas exploration, development and production (E&P) business; investment in LNG (Liquefied Natural Gas) liquefaction projects; importation and offshore trading of crude oil, petroleum products, carbon materials and products, LNG, and LPG (Liquefied Petroleum Gas); and domestic trading and retail operations related to these commodities and products.

Overview of INNOVATION 2009 and Year Ended March 2010 Results

Under INNOVATION 2009, the Energy Business Group advocated a management policy "to create a rich energy society in everything we do—aiming to be a unique and sustainable energy business." We focused on securing energy resources and ensuring stable supplies of energy, while also taking the global environment into consideration. This was based on our strong belief in realizing the energy society of tomorrow through MC's business activities today. During the course of INNOVATION 2009, production began at the Sakhalin II and Tangguh projects, which will help ensure stable long-term supplies of LNG.

In the year ended March 2010, energy demand softened and the price of crude oil plummeted due to global financial unease and a credit crunch sparked by the so-called "Lehman Shock." Nevertheless, both staged a recovery, with rising demand in China and other emerging economies driving the market. Ongoing production cutbacks among OPEC (Organization of the Petroleum Exporting Countries) member countries and economic pump-priming measures around the world also supported the crude oil price.

The Energy Business Group posted net income of ¥71.9 billion, down ¥10.9 billion year on year. Although impairment losses on property and equipment decreased at overseas resource-related subsidiaries from the previous fiscal year, the segment recorded decreased earnings on transactions at overseas resource-related subsidiaries and lower equity-method earnings from overseas resource-related business investees due to lower crude oil prices and the stronger yen. Another

factor for the overall decline in earnings was losses related to fuel derivative transactions at a Japan Airlines Corporation (JAL) subsidiary.

Midterm Corporate Strategy 2012 and Forecasts for Year Ending March 2011

Under MC's new Midterm Corporate Strategy 2012, we have several key strategies: maintain and expand existing projects, particularly natural gas projects, and bring online new projects or ones under development; develop and strengthen E&P business; create new business models for tapping into globalization and growth markets; and strengthen MC's strategies and functions in support of these activities. As the energy arm of a major general trading company, we aim to be a unique and sustainable energy business group over the medium and long terms. While focusing on Japan, we intend to develop our businesses globally to capture demand in other Asian countries and emerging economies.

So far in the year ending March 2011, we have seen government debt problems in the euro zone resurface in May, leading to a decline in crude oil prices and creating uncertainty. Basically, however, the outlook is for prices to grow firmer due to rising demand in emerging economies, an anticipated recovery in demand in industrialized nations as the global economy improves, and the inflationary effect of geopolitical risk and speculative investments.

We are therefore projecting net income of ¥73.0 billion, ¥1.1 billion more year on year in the year ending March 2011. This forecast assumes higher crude oil prices, and the absence of losses related to fuel derivative transactions for a JAL subsidiary in the year ended March 2010.

Seiji Kato

Executive Vice President,
Group CEO, Energy Business Group



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

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

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

Hajime Hirano
Senior Vice President,
Division COO, Petroleum Business Division

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

Kazuyuki Mori
Senior Vice President,
Division COO, Natural Gas
Business Division A

Kenichi Koyanagi
General Manager,
Energy Business
Group CEO Office

Organizational Structure

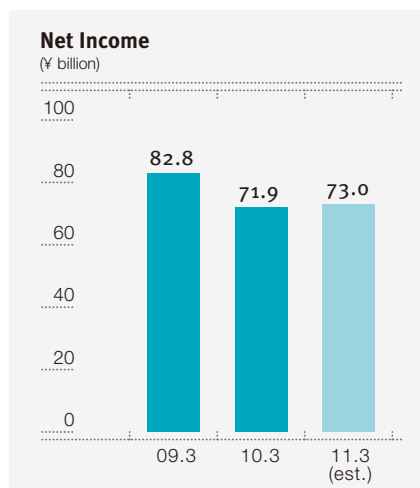
- Energy Business Group CEO Office
- Energy Business Group Administration Dept.

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

Big Project

<NWS (North West Shelf) Project>

The NWS (North West Shelf) Project in Western Australia is one of the world's largest resource development undertakings. MC is participating in this project through Japan Australia LNG (MIMI) Pty. Ltd., a company owned 50-50 by MC and Mitsui & Co., Ltd. Through the project MC works together with five international oil companies, (Royal Dutch Shell plc, BP, BHP Billiton, Chevron and Woodside Petroleum Ltd.), in development and production of natural gas and crude oil. Production capacity of LNG, the main product of the project, is 16.3 million tons per year. The LNG is supplied to countries mainly in Northeast Asia, including Japan, China and South Korea. In this way, we are contributing to the stable supply of energy.



The NWS Project, which began production with two liquefaction trains in 1989, continues to expand. In 2008, a fifth liquefaction train came onstream.



Natural Gas Business Division A

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

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

This division is developing business across many parts of the LNG value chain. MC produces and liquefies natural gas and ships the resulting LNG from the world's main exporting countries and regions of Alaska, Brunei, Malaysia, Australia and Indonesia. MC is also an LNG import agent for the Japanese market.

LNG is an energy source that is expected to see long-term growth in demand. Amid expected expansion in the LNG industry, we will continue building the earnings base of LNG businesses by expanding existing projects and adding to gas reserves within existing franchises while also seeking to enhance the division's functional strengths in the LNG value chain.

In the year ended March 2010, LNG shipments began in July 2009 from the Tangguh Project in Indonesia. We have been participating in this project since 2001 and made a final decision to invest in it in 2005. This project will supply up to 7.6 million tons of LNG to Japan, China, South Korea and the U.S.



The Tangguh Project, which is situated in Papua Barat, Indonesia, commenced commercial production in July 2009.

Natural Gas Business Division B

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

Besides involvement in gas projects in Russia (Sakhalin II) and Oman, this division trades LNG from Oman and is leveraging rights to use receiving terminals in the U.S. to trade LNG globally. The main mission of this division is to unearth new business opportunities for the future. In Indonesia, MC has taken up the challenge of developing the Donggi-Senoro LNG project as the overall business operator of natural gas liquefaction.

This division is turning its focus to projects in regions outside of Asia and Oceania as well. In August 2009, we decided to take part in the South Gas Utilisation Project in Iraq, being developed by a wholly owned affiliate of Royal Dutch Shell plc and the Iraqi Ministry of Oil. This project involves the collection and effective utilization of associated gas produced during crude oil production in Basra, in southern Iraq.

In addition to these undertakings, we are exploring other possibilities, including producing coal bed methane in Australia, and shale gas, which are seeing a rapid increase in production in the U.S., as well as offshore LNG production.



The Oman project marked its 10th anniversary of operations in 2010 as our first LNG business in the Middle East. We are using the experience and expertise we have gained to also participate in the Qalhat Project.

Petroleum Business Division

- Petroleum Supply & Marketing Unit
- Industrial Petroleum Marketing Unit
- Utility Feedstock Unit
- Petroleum Feedstock Unit

MC is involved in the supply and marketing of crude oil and petroleum products; in petroleum refining through an equity stake in Showa Yokkaichi Sekiyu Co., Ltd.; the operation of oil tankers and petroleum terminals; sales of petroleum products to electric utilities and industrial firms; and in the operation of a fuel retailing business through a national network of approximately 1,100 service stations in Japan owned by Mitsubishi Shoji Sekiyu Co., Ltd. and other subsidiaries. MC is thus developing businesses in a wide range of domains in the midstream and downstream sectors of the petroleum value chain. In these operations, MC deals with overseas oil-producing nations and corporate oil majors as well as a wide range of domestic customers, including electric utilities, petroleum wholesalers, industrial firms, and service station operators. We are also engaged in petroleum products wholesaling in California, U.S., where we have been developing business closely tied to the local market for more than 20 years.

Although demand for petroleum is declining in Japan due to factors such as a falling population and the desire to shift to a low-carbon society, demand for oil is projected to continue expanding in growth markets such as emerging nations in Asia. While strengthening sales of petroleum products that match customers' needs in the Japanese market, the division also aims to leverage MC's unique network centered on Singapore to expand trading of crude oil and petroleum products within the Asia-Pacific region.



Petro-Diamond Inc. owns its own product terminal in the U.S. state of California, where it has been conducting petroleum product wholesaling operations for more than two decades.

Carbon & LPG Business Division

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

Carbon Business

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

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



A joint venture of ours with Zhenjiang Cokes Co., Ltd., China's largest specialist coke manufacturer, began producing anodes for aluminum smelting in January 2010.

LPG Business

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

Exploration & Production Unit

The Energy Business Group is building MC's oil and natural gas exploration, development and production (E&P) operations around the world in conjunction with subsidiary Mitsubishi Corporation Exploration Co., Ltd. Oil and natural gas E&P operations are an important field for maintaining and developing LNG and oil businesses as part of the value chain. We are actively engaged in these operations, while taking all possible measures to protect the environment and ensure safety.

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

In May 2010, MC, U.S. company Chevron, Inpex Corporation and others joined a project to develop Orinoco extra-heavy crude oil produced in the Carabobo blocks in the Republic of Venezuela. This project will take some time to develop, but has massive reserves of Orinoco extra-heavy crude oil rivaling crude oil reserves in Saudi Arabia. The project is also receiving support from the Japanese government as a project that will contribute to Japan's energy security.



Plans call for the Carabobo project to produce 400,000 barrels of oil per day for over 30 years.

Energy Business Development Unit

Seizing opportunities created by a major change in the energy business environment, this unit is working with other MC business groups to develop various new energy-related business models. These include supply of secondary energy sources through the establishment of Frontier Energy Niigata, which burns only petroleum coke to generate electricity, and on-site power generation ventures; initiatives in fuel cells, biopellets, and bioethanol; and businesses based on exploiting underutilized coal resources.

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



Frontier Energy Niigata constructed the world's first stand-alone thermal power station to burn only petroleum coke at the Niigata East Port. The company sells electricity to electricity retailing businesses.



Group CEO Message



The Metals Group is involved in a wide range of commodities, including ferrous raw materials, steel products, non-ferrous raw materials and non-ferrous metals products. Our activities can be broadly broken down into two categories: resources investment, and sales and trading. These two functions are major pillars of this business group.

Overview of INNOVATION 2009 and Year Ended March 2010 Results

Our basic management policies under INNOVATION 2009 were to strengthen our presence in the mineral resources field and in the strategic trading field, and reinforce the consolidated management base. Having positioned the year ended March 2010 as a year for implementing urgent measures to address the changing business environment, we focused on maintaining a healthy balance sheet. We took a careful approach to reviewing our portfolio of existing assets and reshuffling some of them.

In the mineral resources business, demand remained subdued in the first half of the year ended March 2010, due to the lingering effects of the global economic slowdown caused by the financial crisis. The business environment slowly improved in the second half, however, against a backdrop of economic recovery in China and other emerging markets. In the steel products business, the first half saw prices remain weak because of a sharp drop-off in demand also resulting from the global economic slowdown. In the second half, rebounding demand centered on emerging markets drove prices higher.

The Metals Group posted net income of ¥137.9 billion, representing a decrease of ¥78.8 billion year on year. Despite this drop, we maintained a certain level of profitability.

Midterm Corporate Strategy 2012 and Forecasts for Year Ending March 2011

Under MC's new Midterm Corporate Strategy 2012, we plan to expand our earnings base and maximize earnings through resources investment. Another key strategy is to expand earnings and corporate value through sales and trading. By executing these strategies, over the medium and long terms, the Metals Group will contribute to society through the stable and continuous supply of high-quality raw materials and products in world markets. The Metals Group will also continue to grow by developing employees who can robustly promote business. The Metals Group also aims to operate business in a way that realizes MC's Three Corporate Principles.

In the year ending March 2011, despite financial unease in the euro zone and other uncertainties, demand in the mineral resources and steel products businesses is expected to remain firm for the time being, supported by strong economies in China and other emerging markets.

In the Metals Group, we are projecting net income of ¥185.0 billion for the year ending March 2011, which would represent a year-on-year increase of ¥47.1 billion. This forecast takes into account gains on a share exchange at a Chilean iron ore-related subsidiary and higher sales prices at an Australian resource-related subsidiary.

Jun Kinukawa

Executive Vice President,
Group CEO, Metals Group



Tetsuro Iwata
Senior Vice President,
Executive Assistant to Group
CEO, Metals Group

Kenji Tani
Senior Vice President,
Division COO,
Non-Ferrous Metals Division

Kanji Nishiura
Senior Vice President,
General Manager,
Metals Group CEO Office

Mitsuyuki Takada
Division COO,
Steel Business Division

Iwao Toide
Division COO,
Ferrous Raw Materials Division
(Concurrently)
General Manager, MDP Unit

Organizational Structure

- Metals Group CEO Office
- Metals Group Administration Dept.

- Steel Business Division
- Ferrous Raw Materials Division
- Non-Ferrous Metals Division

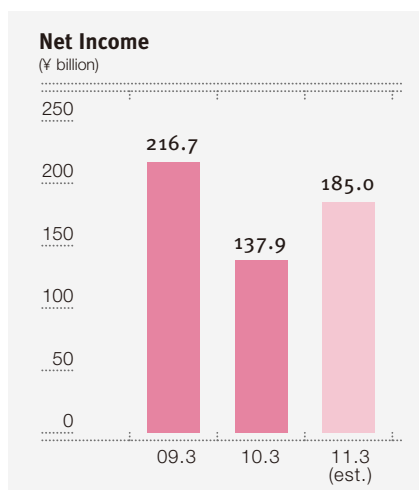
Big Project

<Clermont Thermal Coal Mine>

In April 2010, commercial operations began at the Clermont thermal coal mine in the state of Queensland, Australia. The mine is now supplying customers such as Japanese electric utilities. MC owns a 31.4% interest in this coal mine through its wholly owned subsidiary Mitsubishi Development Pty Ltd (MDP).

MC acquired its interest in this project via MDP in 1981. Following thorough studies on the most appropriate timing for development, construction was initiated in 2007 and mining operations began in 2010, 29 years after MC acquired the interests. Plans call for the mine to reach its full capacity of 12.2 million tonnes per annum of thermal coal by 2013, which is equivalent to approximately 13% of total demand in Japan.

In addition to expanding MDP-owned assets in Australia through development of this mine, MC will work to support marketing activities targeting the Japanese market as a sales agent. Japan is a major market for thermal coal.



Mining operations recently began at the Clermont thermal coal mine.

Steel Business Division

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

Harnessing the collective capabilities of MC and working together with key subsidiary Metal One Corporation, a joint venture created in 2003 with the former Nissho Iwai Corporation (now Sojitz Corporation) that is the industry's largest trading firm specializing in steel products, the Steel Business Division is constructing and developing a global value chain for steel products. In the upstream sector of this value chain, the division is taking capital stakes in steel businesses in countries such as Brazil and Chile as part of efforts to deepen ties with steelmakers. In the downstream sector, MC is developing operations for pressed steel auto parts in Thailand and Australia. Within the midstream steel distribution sector, the emphasis is on rationalizing and reinforcing the steel product distribution value chain through Metal One, a core contributor to divisional earnings. At the same time, MC is looking to develop the business by strengthening relations with key industries and by quickly anticipating market needs.

Metal One recorded consolidated net income of over ¥10.0 billion in the year ended March 2010. Although first-half results were lackluster as a result of sharply lower demand, reflecting depressed market conditions worldwide from the previous fiscal year, the second half saw an improved performance on the back of rebounding demand primarily from emerging markets.

Global demand for steel, which nose-dived temporarily, has resumed a growth trajectory along with a rapid economic recovery in emerging markets, and looks set to continue growing over the medium and long terms. However, demand in the Japanese domestic market is expected to reach only around 80% of its peak level, despite a moderate recovery in steel demand.

Against this backdrop, Metal One unveiled its third Mid-term Consolidated Management Plan in June 2010. The plan aims to establish a more solid position in the Japanese market by leveraging the company's strong operating base. In overseas markets, Metal One aims to capitalize on growing demand by strengthening and expanding businesses in Asia and North America, where it already conducts various businesses, while forging ahead with the development of new businesses in Brazil, China, India and other emerging markets. Metal One has also begun efforts to create businesses in new fields such as the environment and renewable energy.

In order to capture demand in emerging markets, in the year ended March 2010 Metal One established Soluções em Aço Usiminas S.A. (Solutions Usiminas) in a joint venture with Usinas Siderurgicas de Minas Gerais S.A. (Usiminas), one of South America's largest integrated steelmakers. Solutions Usiminas integrated both companies' steel processing service centers. This joint venture will enable Metal One to respond to rising demand in fast-growing Brazil and other South American countries.



Metal One has a few dozen service centers in Japan and countries around the world, providing comprehensive services, including steel processing, storage and delivery management.

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

This division is focusing efforts on reinforcing the business through resources investment as well as in sales and trading.

The investment business provides the major pillar of sustained earnings growth for the division. MC's coking coal business in Australia owned through subsidiary MDP boasts the largest output in the world; plans call for further expansion in the future. MC also has substantial investments across a wide range of businesses, including the production of stainless steel raw materials and iron ore, as well as the production of coal and uranium for use as fuel for power generation. In particular, MC is expanding production capacity at several projects in anticipation of future growth in global demand. These include ferrochrome production by Herculon (Pty) Ltd. in South Africa and iron ore projects in Chile through Compañía Minera del Pacífico S.A. (CMP) and in Canada through Iron Ore Company of Canada (IOC).

In sales and trading, the division trades coking coal, thermal coal and iron ore as well as materials for production of stainless and specialty steels on a global basis.

Global demand for ferrous raw materials and fuel for power generation dipped temporarily in line with the deterioration in the real economy after the fall of 2008, but picked up gradually in the second half of the year ended March 2010 on the back of economic recovery in emerging markets such as China. Demand is projected to increase steadily over the medium and long terms, underpinned by robust growth in such markets. Based on this projected demand trend, the division is focused on ensuring future stable supply capacity for materials and fuels, and is conducting strategic business development activities.

For example, in Australia, MC has invested in a joint venture with local producer Murchison Metals Ltd. to develop an iron ore deposit at Jack Hills along with rail and port infrastructure. Furthermore, in April 2010, Compañía Minera Huasco S.A. (CMH), an iron ore project in Chile in which we owned a 50% interest through our wholly owned subsidiary M.C. Inversiones Limitada, merged with CMP, a subsidiary of Chilean iron ore and steelmaking company Compañía de Acero del Pacífico S.A. We own a 25% stake in the new CMP, which holds a number of undeveloped deposits in addition to operational mines. Through the expansion of existing mines and development of new ones, CMP will explore growth potential over the medium and long terms.

Additionally, in April 2010, commercial operations began at the Clermont thermal coal mine, one of the largest coal mines in Australia. The mine is due to reach its full capacity of 12.2 million tonnes per annum of thermal coal by 2013.

In December 2009, MC agreed to participate in uranium exploration projects in Mongolia conducted by French nuclear energy company AREVA. And in February 2010 we acquired a 50% interest in the West McArthur uranium exploration project in Canada's Saskatchewan Province from CanAlaska Uranium Ltd., ("CanAlaska"). With lower levels of greenhouse gas emissions than other forms of power generation, nuclear energy is once again drawing attention as an environment-friendly form of energy. MC aims to contribute to a stable supply of uranium for nuclear power generators and thereby contribute to the prevention of further global warming.



The Los Colorados iron ore mine, situated in Huasco Valley, III Region, Chile. The mine is one of the main mines of CMP.

Non-Ferrous Metals Division

- Base Metals Business Unit
- Aluminium Business Unit
- Precious Metals Business Unit
- Non-Ferrous Metals Marketing and Risk Management Unit
- Non-Ferrous Metals Business Development Unit

Based on the three business pillars of resources investment, metals sales and trading and futures trading operations, the Non-Ferrous Metals Division is working to expand MC's global business in non-ferrous metals, mainly copper, aluminum and precious metals such as gold, silver and platinum. In the upstream resources sector, MC aims to expand earnings by acquiring prime assets centered on copper and aluminum. In metals sales and trading, MC is working to develop the earnings base and strengthen its expertise for non-ferrous metals, raw materials and products. In futures trading, we are reinforcing non-ferrous metals and derivatives trading.

MC possesses the largest equity interests of any Japanese company in the upstream resources sector, primarily in copper and aluminum. In the first half of the year ended March 2010 we faced difficult business conditions due to the fallout from the Lehman Shock. The second half, however, saw market conditions rebound and business performance improved. At present, demand for copper and aluminum is expected to rise due to strong economic growth in China and other emerging nations. MC is well-positioned to meet this increasing demand as it owns interests in copper mines in South America with another 20-50 years of extractable reserves: Escondida, the world's largest copper mine, and Los Pelambres in Chile, and Antamina in Peru. Furthermore, MC's business portfolio also includes blue-chip aluminum smelting assets: MOZAL in Mozambique in Africa, and BOYNE in Australia. MC recently increased its interest in the Escondida copper mine, and going forward intends to secure a stable supply of resources to meet growing demand for non-ferrous raw materials around the world. We will also actively invest in platinum and other precious metal resources.

In the non-ferrous metals, raw materials and products trading business we merged two sales subsidiaries in April 2010, consolidating trading in all non-ferrous metals, except precious metals, in Mitsubishi Corporation Unimetals Ltd., a wholly owned MC subsidiary. In the precious metals field, we recently launched a series of precious metals Exchange Traded Funds (ETF) on the Tokyo Stock Exchange and opened them for trading. Through such initiatives, MC is strengthening and expanding transactions in the midstream and downstream sectors of the non-ferrous metals field. Looking ahead, we plan to provide more sophisticated services to meet the increasingly diverse needs of customers.

In the futures trading business, MC subsidiaries Triland Metals Ltd. in the U.K. and Triland USA Inc. in the United States trade on the London Metal Exchange (LME) and commodity futures exchanges worldwide. The division thus continues to develop its global futures trading organization. Based on a wealth of trading experience and related expertise in futures and derivatives trading, the division is working to expand its earnings base and upgrade the capabilities of each futures trading subsidiary by applying advanced risk management techniques.



The Escondida mine in Chile produces more than 1 million tons of copper each year. It is the world's largest copper mine, with reserves for at least another 50 years of operation.



Group CEO Message



The Machinery Group contributes to the advancement of society through its handling of facilities, machinery and equipment in a broad range of fields. The group handles various plants and machinery from large-scale plants for generating electricity or manufacturing key industrial materials and ships to general industrial machinery and equipment and motor vehicles. Leveraging the extensive networks and high credibility we have built with manufacturers and customers as well as the detailed knowledge in each field we have gained through trading, we aim to expand the value chain to encompass finance, logistics and business development and investments.

Overview of INNOVATION 2009 and Year Ended March 2010 Results

We made a solid start to INNOVATION 2009 in the year ended March 2008 by posting a fifth straight year of earnings growth and our best result ever. Unfortunately, our earnings dropped sharply in the year ended March 2009, strongly impacted by the unprecedented scale of changes in the business environment that followed the Lehman Shock of September 2008. From the second half of that fiscal year, we gave top priority to supporting core operations to ride out the crisis. We reinforced risk management, cut costs, trimmed inventories, secured funds for our operations, among other actions.

In the year ended March 2010, while in the short term we continued to reinforce our current operations, we also took steps to prepare for medium- and long-term growth. We promoted our offshore business in Brazil, strengthened operations in China and Russia with Mitsubishi Motors Corporation (MMC) and began selling MMC-made electric vehicles. Harsh business conditions persisted in the first half of the past fiscal year in all our business domains.

Signs of a recovery in markets, however, began to appear in the year's second half, particularly in emerging markets.

We posted net income of ¥23.6 billion, a year-on-year increase of ¥5.8 billion.

Midterm Corporate Strategy 2012 and Forecasts for Year Ending March 2011

Our overriding goal under Midterm Corporate Strategy 2012 is to raise our earnings power. Besides continuing to generate the earnings we can from existing core businesses, we intend to take up the challenge of creating new business models by strengthening and improving our functions in line with changes in our business environment. Rising infrastructure demand in emerging markets is one area we are especially keen to capture. A key strategy therefore is to target business for power generation, transportation systems and other infrastructure projects. The Infrastructure Project Division we formed at the beginning of the current fiscal year will lead these efforts. Created by an internal reorganization, this division pools the knowledge and expertise of the Machinery Group in the infrastructure domain.

Although we expect the business environment in the year ending March 2011 to remain different for each field and market, we will actively focus on developing business in growth markets. As I said, one is infrastructure projects where global demand is buoyant. Others include resource- and energy-related projects, ship-related business, and automobile-related operations.

For the year ending March 2011 we are projecting a ¥19.9 billion year-on-year increase in net income to ¥38.0 billion*.

* Excludes the overseas power generation business, which was transferred to another MC group.

Osamu Komiya
Executive Vice President,
Group CEO, Machinery Group



Kazushi Okawa
Senior Vice President,
Division COO,
Infrastructure Project Division

Seiji Shiraki
Executive Vice President,
Group COO,
Machinery Group

Kozo Shiraji
Senior Vice President,
Division COO,
Motor Vehicle
Business Division

Morikazu Chokki
Senior Vice President,
Division COO,
Isuzu Business Division

Hirotsugu Ishiyama
Division COO,
Ship & Aerospace Division

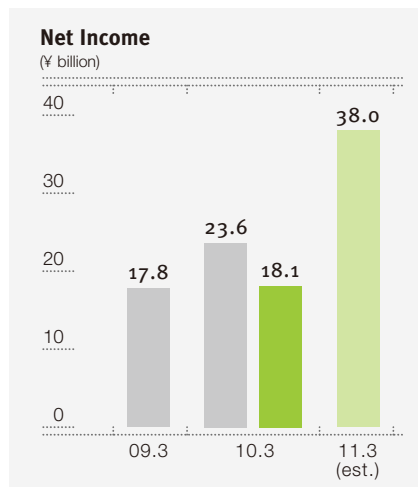
Kuninori Kaneshige
Division COO,
Power & Electrical
Systems Division

Shinya Tanimura
Senior Vice President
General Manager,
Machinery Group CEO Office

Organizational Structure

Machinery Group CEO Office
Machinery Group Administration Dept.

- Power & Electrical Systems Division
- Infrastructure Project Division
- Ship & Aerospace Division
- Motor Vehicle Business Division
- Isuzu Business Division



■ Former organization basis ■ New organization basis

* Due to an internal corporate reorganization, the overseas power generation business was transferred to the Global Environment Business Development Group, which is included under "Adjustments and Eliminations."

Big Project

<Dah Tarn Gas-Turbine Combined-Cycle Thermal Power Plant>

In 2003, MC and Mitsubishi Heavy Industries, Ltd. (MHI) won a turnkey order for construction of a gas-turbine combined-cycle thermal power station in Dah Tarn, Taiwan. This is one of the world's largest natural gas-fired combined-cycle thermal power plants, with a total of 6 units capable of producing 4,272 MW of electricity. Partial operations began in June 2005 and in January 2010 the facility commenced commercial operations at all units using the combined cycle with high-pressure natural gas. Located in northern Taiwan, this facility accounts for 21% of the electricity supplied to the region by Taiwan Power Company, highlighting its major contribution to electricity supply in Taiwan. As one of the most-efficient power plants in the world to generate electricity using natural gas, the plant has also attracted attention for producing cleaner energy matching local environmental standards.



Located in northern Taiwan, the Dah Tarn facility accounts for 21% of the electricity supplied to the region by Taiwan Power Company.



Machinery Group

Power & Electrical Systems Division

- Power Systems Unit
- Power Systems Export Unit
- Elevator & Escalator Operation & Marketing Unit
- Power Marketing, Japan Unit

Supported by 32 offices worldwide, this division is developing a business model centered on EPC^{*1} and trading of power generation and transmission plants, elevators and other equipment.

In the year ended March 2010, the business environment failed to make a full recovery amid the lingering effects of the financial crisis. Notwithstanding, this business group posted markedly better results than in the previous fiscal year. In addition to robust demand in Japan, this resulted from new undertakings such as diversifying supply sources overseas, which led to a steady stream of orders for new EPC projects. The absence of share write-downs that dragged down segment earnings in the year ended March 2009 also helped.

In the year ending March 2011, we do not expect a rapid recovery in the external operating environment. That being the case, we will focus on winning orders for large EPC projects in Japan and overseas, and chalking up more successes with on-site (inside-the-fence) power generation in Japan. Along with this, we will step up activities in the nuclear power field and environmental and energy fields amid rising demand related to creating a low-carbon society. We will also implement other measures targeting medium- and long-term growth. With nuclear power projects in particular, we plan to step up our response to the entire nuclear fuel cycle, while actively engaging in EPC export projects overseas. In the environmental and energy fields, we are increasing our involvement in businesses based on new technologies such as integrated gasification combined cycle (IGCC) power plants incorporating carbon capture and storage technologies.

In the elevator business, where we have built a global partnership with Mitsubishi Electric Corporation, we are endeavoring to expand earnings by strengthening efforts in overseas sales businesses. And in our domestic electricity retailing business, which is conducted by a wholly owned subsidiary, we plan to continue efficient operations, while optimizing our business portfolio.

*1 EPC: Engineering, Procurement, Construction



Pictured is an on-site (inside-the-fence) power generation facility operated by wholly owned MC subsidiary MCJ Energy Services. This state-of-the-art gas-turbine power plant is fired by environmentally friendlier natural gas.

Infrastructure Project Division

- Energy & Chemical Projects Unit
- Heavy Machinery & Steel Structures Unit
- Transportation Systems Unit
- Industrial Machinery & Equipment Business Unit
- Construction & Mining Equipment Project Unit

Working in the basic industry and social infrastructure sectors, this division seeks to leverage MC's resources and capabilities to propose best-fit solutions for satisfying customers worldwide and helping them realize their plans. On April 1, 2010, transportation infrastructure-related businesses were added to the division's responsibilities. We are now pursuing a business model with twin growth engines: EPC and trading businesses, and business investments. This is in line with a fundamental policy of contributing to the development of the Japanese economy and the rest of the world over the medium to long term in cooperation with customers, business partners and other parts of MC. The division is committed to taking the necessary actions to target growth going forward.

In the first half of the year ended March 2010, signs of an economic recovery gradually appeared, mainly in emerging markets, as the effects of the global financial and economic crises that spilled over from the previous fiscal year weakened. The resumption of capital investment plans that had been frozen or postponed created an improved business environment. From the beginning of the second half of the past fiscal year, business picked up considerably in plant projects, with economic recovery in China, Brazil, India and other emerging markets providing further economic impetus. That said, a bona fide recovery has yet to occur in the Japanese market in the business where we sell machinery and equipment in

large volumes. We therefore launched strategies to expand transactions in overseas markets, particularly emerging markets.

We see the year ending March 2011 as a period for paving the way to more orders and investment projects in the future, given expectations for many promising large orders in the plant project field in the following fiscal year. In the business where we sell machinery and equipment in large volumes as well, we expect to reap rewards from efforts to strengthen our business base at main business investees in the form of a V-shaped recovery in some sectors.



Dubai Metro began operating in September 2009 and is currently used by 100,000 passengers a day. It is quickly becoming an important means of getting about for the citizens of Dubai. MC plans to leverage its experience and success in this project to expand sales of railway systems.

Ship & Aerospace Division

- Ship Unit
- Defense Systems Unit
- Space & Integrated Defense Systems Unit

This division's broad-based operations span the shipping business, defense and aerospace systems, and products with applications related to positional and spatial information.

In the ship-related business, MC conducts wide-ranging business activities in four pivotal businesses: trading centered on transactions of newly built ships and marine machinery; chartering of company-owned vessels such as bulkers to Japanese and overseas shipping companies; ship finance; and offshore business.

In the year ended March 2010, business conditions were difficult due to the impact of a sluggish marine transport market caused by the fall 2008 financial crisis. Under these conditions, we carried out existing contracts with the cooperation of business partners, and also worked to develop new projects. Looking ahead, while keeping a close eye on developments in the marine transport market, we will work to transform the profit

structure so that it is less susceptible to changes in market conditions. This will involve expanding the business domains of the shipping business, centered on the four areas mentioned earlier. Through these initiatives we intend to ensure we can generate earnings with even greater consistency.

In defense- and aerospace-related businesses, we are taking active steps to develop a defense business that makes an even greater contribution to Japan's national security, and an aerospace business that caters to the needs of society. The latter entails using aerospace for realizing national security based on the Basic Space Plan formulated by the Japanese government in the year ended March 2010, and for realizing a safer, more comfortable and richer society. Equipment supplied by MC was employed in the H-II transfer vehicle (HTV) launched by Japan Aerospace Exploration Agency (JAXA) in September 2009.



This division plays a part in the global marine transport industry through ownership and operation of approximately 30 vessels, including bulkers and petroleum product carriers. Pictured is the *Mighty Sky*, which came into service in June 2010.

Motor Vehicle Business Division

- Motor Vehicle ASEAN & South West Asia Unit
- Motor Vehicle North Asia Unit
- Motor Vehicle Europe, Middle East & Africa Unit
- Motor Vehicle Americas & Australia Unit
- Motor Vehicle Domestic Operation Unit

Through business investments centered on the sale of motor vehicles supplied by Mitsubishi Motors Corporation (MMC) and Mitsubishi Fuso Truck & Bus Corporation, this division aims to enhance value by building broad-based value chains.

Business conditions in the automobile sector were sluggish in the year ended March 2010 due to the global market downturn and the yen's appreciation. The latter half of the year, however, saw a gradual upturn paced by Asia and ASEAN member countries. In Indonesia, which is

the most important market for this division, there was a rapid recovery in the second half of the year after a first-half drop-off. China, meanwhile, overtook the U.S. as the world's largest auto market on the back of its high economic growth.

In light of these developments, we have targeted higher sales of imported built-up vehicles in China, where further market expansion is expected. This resulted in the establishment of Mitsubishi Motor Sales (China) Co., Ltd., an import and sales joint venture with MMC. The joint venture commenced operations in April 2009 and has seen sales units rise steadily. In Russia, we acquired an equity interest in Rolf Import (RI), an importer and distributor of MMC vehicles, in a move designed to strengthen our sales capabilities and financial base in preparation for a market recovery there. Moreover, in Indonesia, where we have a core existing business, we recorded the most number of vehicles sold ever for a full year in the year ended March 2010.

Although a recovery is evident in Asia and ASEAN member nations, business conditions in the year ending March 2011 are expected to remain as difficult as ever due to the strength of the yen and the give-back expected from the conclusion of government incentives for new car purchases in industrialized countries. In the face of these conditions, we will continue to reinforce our existing operating base, which spans approximately 20 countries around the world.



Pictured is MMC's stage at the Shanghai Motor Show. Mitsubishi Motor Sales (China) is expanding sales of imported built-up vehicles in China as well as building an automobile value chain in the country.

Isuzu Business Division

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

This division has investments in businesses that manufacture and sell Isuzu Motors vehicles and parts, mainly in Thailand, and also export these products

overseas. In Thailand, the division's key market, MC is developing a broad-based value chain spanning parts manufacture and vehicle assembly as well as retail sales and finance operations.

In the year ended March 2010, despite the impact of contraction in the global automobile market brought about by the financial crisis in the previous fiscal year, the market recovered from midway through the year, led by emerging nations. Although there were concerns surrounding political conditions, the number of vehicles sold in Thailand was approximately 130,000, largely on a par with the previous year. However, exports of vehicles from Thailand dropped 40% to approximately 35,000 units due to a slow recovery in some markets in the Middle East and Central and South America.

Besides Thailand, the division has invested in businesses in the ASEAN region, Europe, Mexico and Australia. Isuzu Motors de Mexico (IMEX), an Isuzu truck distributor established in Mexico in 2005, achieved its 10,000th unit sale on a cumulative basis. And Isuzu UTE Australia Pty Ltd (IUA), an Isuzu pickup truck sales company established in 2008 in Australia, sold approximately 5,000 vehicles in the year ended March 2010. This division exports pickup trucks from Thailand to about 90 countries. We are using business experience and know-how gained in Thailand to grow further in other countries around the world.

With global competition in the auto industry expected to intensify, MC is working with Isuzu Motors to boost the competitiveness of the product range. We will strengthen and expand our competitiveness by transferring pickup truck development bases to Thailand to integrate development and manufacturing, and by reinforcing the export and sales system for next-generation vehicles.



Established in July 2005, IMEX achieved its 10,000th unit sale in March 2010. IMEX has a sales network stretching across Mexico.



Chemicals Group

Group CEO Message



The Chemicals Group constantly seeks to strengthen core businesses and create new businesses, with an eye on expected changes in the business environment. At the same time, we are leveraging the fact that the chemical products industry intersects with clothing, food and housing fields to achieve further growth.

Overview of INNOVATION 2009 and Year Ended March 2010 Results

Our basic strategy is to tap into global market growth by trading various products in value chains stretching from upstream to midstream and downstream sectors and making business investments that strengthen and expand those trading activities. As a result of prioritizing businesses during the course of INNOVATION 2009, we strengthened this business group's earnings structure and created a leaner group.

The chemical products market in the year ended March 2010 saw demand remain soft in the U.S. and Europe because of a slow recovery from the economic crisis. In contrast, in China, other Asian countries, South America, India and other emerging markets, there was increasing internal demand for automobiles and other consumer goods. In China, in particular, government measures to stimulate internal demand proved successful, enabling the country to maintain a high growth rate largely through the end of the fiscal year, apart from the Chinese New Year period.

We recorded net income of ¥32.4 billion, an increase of ¥5.6 billion year on year, despite lower earnings on transactions due to a decrease in chemical product prices. The higher segment earnings reflected lower share write-downs year on year, and an increase in equity-method earnings due to the reversal of deferred tax liabilities of SPDC Ltd.

Midterm Corporate Strategy 2012 and Forecasts for Year Ending March 2011

In the year ending March 2011, supply is expected to increase due to new construction and facility expansion of large-scale petrochemical plants in the Middle East. This is expected in turn

to lead to structural changes in the petrochemical industry and along with this, increasing domination by fewer players and changes in distribution flows. On the other hand, chemical product demand is forecast to grow, especially in emerging markets such as China, India and Brazil. In industrialized nations in Europe and the U.S., meanwhile, demand for imported products as substitutes for locally produced products is likely to rise. Moreover, environmental problems and trends such as aging societies and falling birthrates are expected to continue underpinning growing demand in the life science and environmental and new energy fields, leading to increasing business opportunities for MC.

Under these conditions, we aim to develop our businesses globally and conduct more principled trading to create a strong group with sustainable earnings power grounded on its functions.

This will entail executing three key strategies: strengthening existing core business models, expanding businesses through participation in business investments in resource countries, and bolstering businesses in the life science field. Chemical products are used in all industries; they are also the foundation of innovation. In cooperation with related business groups, we will target biofuels, solar power, generic medicines and other developing fields.

This group is forecasting net income of ¥25.0 billion in the year ending March 2011, a ¥7.4 billion decrease year on year. Although we expect to see strong commodity chemicals transactions on the back of a recovery in the chemical products market, the projected lower earnings reflect the absence of the increase in equity-method earnings from the reversal of deferred tax liabilities of SPDC Ltd. in the year ended March 2010.

Takahisa Miyauchi

Executive Vice President,
Group CEO, Chemicals Group



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

Hidekazu Sakurai
Senior Vice President,
Division COO,
Commodity Chemicals Division B

Tatsuya Kiyoshi
Senior Vice President,
Division COO,
Commodity Chemicals Division A

Takeshi Hagiwara
General Manager,
Chemicals Group CEO Office

Kizuki Egashira
Senior Vice President,
Executive Assistant to Group CEO,
Chemicals Group

Organizational Structure

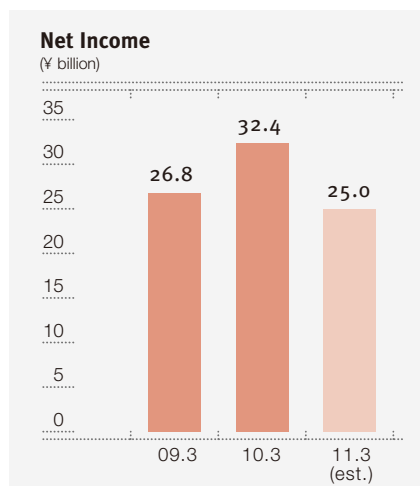
- Chemicals Group CEO Office
- Chemicals Group Administration Dept.

- Phoenix Unit
- Saudi Petrochemical Project Unit
- Commodity Chemicals Division A
- Commodity Chemicals Division B
- Functional Chemicals Division

Big Project

<ESSA>

Stretching across the pristine sea near the Baja California peninsula, Mexico, Exportadora de Sal, S.A. de C.V. (ESSA) is the world's largest salt field and a joint venture between MC and Fideicomiso de Fomento Minero (FFM), a Mexico-based mining promotion company. MC purchased these salt fields in 1973. The fields have an annual production capacity of approximately 7.5 million tons of solar salt, produced using an environmentally friendly method whereby solar energy and wind are used to evaporate seawater. Half of the solar salt Japan imports comes from this field. Approximately 20% of the salt consumed in Japan is used as dietary salt, while 80% is used as a raw material by industry for making a wide range of products that support our everyday lives, such as vinyl chloride, pulp, and chemical fiber.



Operations at ESSA are conducted with the surrounding ecosystem always in mind.



Chemicals Group

Commodity Chemicals Division A

- Olefins & Aromatic Unit
- Petrochemical Intermediates Unit
- Polyester Unit
- Chlor-Alkali Unit

In the Commodity Chemicals Division A, we primarily trade raw materials for plastics and synthetic fibers, salt and caustic soda, among other commodities in the petrochemical and chlor-alkali fields, which are the upstream and mid-stream sectors of the chemicals value chain. We also make investments to complement and reinforce these transactions.

In our business domain, demand is continuing to expand, centered on emerging countries such as China and India. Another market dynamic is increasing supply due to new facility construction and expansion in the Middle East, which enjoys a competitive edge in terms of cost. These and other factors are bringing about structural changes in the industry as well as in distribution flows.

Against this backdrop, we are leveraging our expansive worldwide network to accurately discern changes in the business environment and customer needs, and by strengthening our ability to right imbalances between supply and demand in the market, we are striving to deliver value.

In emerging countries and other growth markets in particular, we are endeavoring to expand our business by tapping into growth in overseas markets, which we are doing by strengthening our sales capabilities through investments.

Key business investees in this division are Malaysian aromatics (benzene and paraxylene) manufacturer Aromatics Malaysia Sdn. Bhd. (AMSB) and Mexican solar salt manufacturer Exportadora de Sal, S.A. de C.V. (ESSA).



AMSB is a joint venture between Japanese and Malaysian companies that is capable of producing 540,000 tons of paraxylene and 200,000 tons of benzene per year. It began operations in July 2000 as a base for basic materials for synthetic fibers and resin, where demand continues to increase.

Commodity Chemicals Division B

- Methanol Unit
- Ammonia Unit
- Fertilizer Unit
- Inorganic Chemicals Unit

In the Commodity Chemicals Division B, we primarily trade chemical commodities such as methanol, ethanol, ammonia, chemical fertilizers and inorganic chemicals. We also make investments to reinforce and complement these transactions.

As in Commodity Chemicals Division A, in our business domain we are seeing growing demand centered on emerging countries and an increase in supply due to new facility construction and expansion in the Middle East and North Africa, which are leading to changes in the structure of the industry and in distribution flows. Here too we are working to deliver value by strengthening our logistics and other functions to address the imbalance in the market between supply and demand.

The products traded in this division are primarily those using natural resources as feedstocks such as natural gas, mining products, and agricultural products. In addition to products procured through trading, we secure competitive products through business investments in resource countries and regions and through long-term contracts. These activities enable us to deliver value by providing products to growth markets and customers, and will support our long-term business growth.

Key business investees in this division include a methanol producer, Metanol de Oriente, METOR, S.A. (METOR) and an ammonia manufacturer in Indonesia, PT. Kaltim Parna Industri (KPI).



METOR is a joint venture between MC, Venezuelan state-owned company Pequiven, Mitsubishi Gas Chemical Company, Inc. and others. METOR is currently 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 third quarter of the year ending March 2011.



KPI is a joint venture between Indonesian and Japanese companies that can produce 500,000 tons of ammonia a year. It commenced operations in February 2002 as a base for securing basic raw materials for industry.

Functional Chemicals Division

- Plastics Unit
- PVC Unit
- Functional Materials Unit
- Specialty Chemicals Unit
- Electronics Materials Unit
- Bio-Fine Chemicals Unit
- Life Science Products Unit

This division conducts trading activities and makes business investments to reinforce those activities to strengthen and expand value chains globally in the midstream and downstream sections of the chemicals industry. Value chains extend from raw materials and other materials used in plastics, functional products, food science and bio-technology and fine chemicals fields, to components and finished products.

A feature of this division is the breadth of the industries it serves. Another is that we are currently working to globalize value chains in all areas where we are active. To illustrate the value chain, resin produced in the Middle East is processed into plastic shopping bags in China for use at LAWSON convenience stores and other

retail outlets in Japan. In the fields of office equipment and LCD TVs, production of finished products and components is increasingly being shifted overseas. In the food science field, Asian natural materials are processed into food additives and other products using Japanese manufacturers' technologies and supplied to food manufacturers in Europe and the U.S.

"Develop value-added materials on a global scale" is in fact the motto of this division. In order to achieve this, it has become extremely important to have competitive products, and an eye for discerning manufacturers' technical capabilities and cost competitiveness, in addition to allocating roles and cooperating depending on location in Japan and overseas, and the functions of spin-offs and sales companies. That's why this division is actively developing and utilizing overseas staff and group employees of spin-offs and sales companies to strengthen functions on a consolidated basis and better serve customers' needs.

One of the highlights of the year ended March 2010 was the purchase of a 19.5% equity interest in DECCAN FINE CHEMICALS (INDIA) LIMITED, an Indian company engaged in the custom

manufacturing of agrochemicals, in August 2009. This investment will enable us to produce active ingredients for agrochemicals such as herbicides and pesticides and/or their intermediates to tap into outsourcing demand from Japanese, European and U.S. agrochemical manufacturers. In another strategic move, in February 2010 we established FUJIFILM Pharma Co., Ltd. with FUJIFILM Corporation, taking a 15% stake in this new company. With this company serving as the fulcrum, we will launch a full-scale attempt to enter the promising generic drugs industry.



In February 2010, MC, FUJIFILM Corporation and Toho Holdings Co., Ltd. established FUJIFILM Pharma Co., Ltd. to develop and market pharmaceuticals. The three companies have equity interests of 15%, 80% and 5%, respectively, in the new company. (February 2010 press conference announcing the establishment of FUJIFILM Pharma Co., Ltd.)

Saudi Petrochemical Project Unit

MC owns an equity interest of just over 30% in SPDC Ltd., which is a shareholder in Eastern Petrochemical Co. (SHARQ), a Saudi Arabian polyethylene and ethylene glycol producer. The petrochemical operations of SPDC are one of our most important businesses as a source of raw materials in the upstream part of the value chain in the packaging, film and PET resins fields.

SHARQ recently completed third-phase expansion work, almost doubling annual production capacity when commercial operations began in April 2010. MC sells the polyethylene resin produced by SHARQ to customers in China and elsewhere in Asia as well as

Europe. As part of measures to strengthen sales of resin, we are investing in film, plastic bag and other processing businesses in the downstream part of the value chain. In tandem with this, these cost-competitive products are imported and sold to Japanese users through our subsidiary Mitsubishi Shoji Plastics Corp. in the packaging materials value chain. In terms of sales in Japan, we are working to expand transactions through close cooperation with the Living Essentials Group, including Mitsubishi Shoji Packaging Corporation.

We plan to continue strengthening and expanding the value chain from basic materials to finished products and further expand sales to capitalize on SHARQ's increased supply capacity.



After the completion of stage expansion, SHARQ has the capacity to produce 2.5 million tons of ethylene, 1.4 million tons of polyethylene, and 1.55 million tons of ethylene glycol per year, almost double the existing capacity. SHARQ thus has the largest annual production capacity for a single plant in the world.



Group CEO Message



The Living Essentials Group provides products and services, develops businesses and invests in various fields closely linked with peoples' lives, including foods, clothing, paper, packaging materials, cement, construction materials, medical equipment and nursing care. These fields extend from the procurement of raw materials to the consumer market.

Overview of INNOVATION 2009 and Year Ended March 2010 Results

The Living Essentials Group pursued three basic management policies under INNOVATION 2009: strengthen our raw materials procurement capabilities; bolster value chains and address industry restructuring; and target overseas markets. In line with these policies, we sought to expand our ability to procure primary produce, and to enhance our ability to provide logistics and services in step with diverse customer needs.

In the year ended March 2009, we expanded our grain collection and storage and processing bases, and concluded comprehensive business alliances with Itoham Foods, Inc. and YONEKYU CORPORATION, which we made equity-method affiliates. We also inked an equity-based business alliance with major retailer AEON Co., Ltd. Overseas, European subsidiary Princes Limited expanded its business. We also developed our tire business in emerging economies, among other achievements.

In the year ended March 2010, we established the Next Generation Business Development Unit to promote cross-divisional strategies and respond to consumer markets. We also integrated the Human Care & Media Division (now the Healthcare & Marketing Service Division) from the former Business Innovation Group. As a result, almost all of MC's consumer-oriented businesses are now integrated in this business group. Tangible measures included strengthening our Japan business base by making Nosan Corporation a wholly owned consolidated subsidiary and integrating apparel manufacturing and sales subsidiaries; launching a multi-partner loyalty program; and entering the Chinese pharmaceutical distribution and wholesale business.

For the year ended March 2010, the Living Essentials Group recorded net income of ¥45.1 billion, an increase of ¥11.1 billion

year on year, despite lower earnings on transactions at food-related businesses and general merchandise-related subsidiaries, and losses at a LAWSON, INC. subsidiary. The higher bottom line result was primarily due to a decrease in share write-downs recorded in the year ended March 2009.

Midterm Corporate Strategy 2012 and Forecasts for Year Ending March 2011

The three basic management policies I mentioned earlier will remain our key strategies under Midterm Corporate Strategy 2012. We will organically combine our existing trading businesses with service-providing businesses to create new value and drive our growth. Over the medium and long terms, we aim to become a business group that can generate stable earnings based on a strong competitive position in every part of our value chain. That means from the procurement of raw materials upstream to product manufacture, intermediary distribution and retail sales.

We expect business conditions to remain challenging in the year ending March 2011. We will therefore work to maintain and reinforce strong business bases globally, and take positive steps in growth markets overseas. We are determined to make a strong start under our new midterm corporate strategy.

We are projecting net income of ¥48.0 billion for the year ending March 2011, which would represent a ¥2.9 billion increase year on year. This projection assumes improved equity in earnings from LAWSON.

Masahide Yano

Member of the Board,
Senior Executive Vice President,
Group CEO, Living Essentials Group



Morinobu Obata

Senior Vice President,
Division COO,
Textiles Division

Sumio Ariyoshi

Senior Vice President,
Division COO,
Healthcare & Marketing Service
Division

Toru Moriyama

Executive Vice President,
Group COO, Living Essentials Group
(Concurrently)
General Manager,
Next Generation Business
Development Unit

Michio Kaga

Senior Vice President,
Division COO,
General Merchandise Division

Takehiko Kakiuchi

Senior Vice President,
Division COO,
Foods (Commodity) Division

Kazuyasu Misu

Division COO,
Foods (Products) Division

Hirokane Fujiwara

Senior Vice President,
Executive Assistant to Group CEO,
Living Essentials Group

Akira Murakoshi

General Manager,
Living Essentials Group CEO Office

Organizational Structure

- Living Essentials Group CEO Office
- Living Essentials Group Administration Dept.
- Living Essentials Group Information System Office

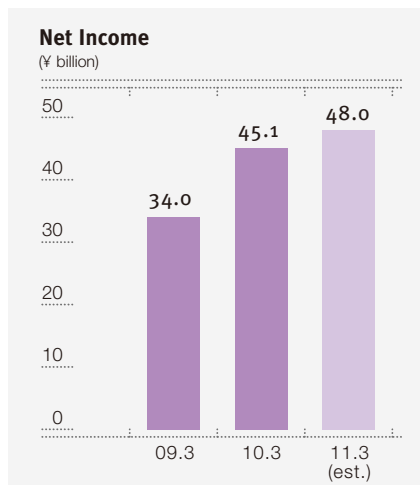
● **Next Generation Business Development Unit**

- **Healthcare & Marketing Service Division**
- **Foods (Commodity) Division**
- **Foods (Products) Division**
- **Textiles Division**
- **General Merchandise Division**

Big Project

<Afforestation Business (General Merchandise Division)>

The Living Essentials Group is engaged in afforestation businesses around the world, including Chile, Australia and South Africa, in order to secure supplies of raw materials primarily for making paper. To ensure we are ready to meet an expected increase in the consumption of paper globally going forward, we are working to maintain sustainable forestry resources in consideration of the natural environment to stably supply papermaking companies with the raw materials they need. Today, the importance and value of sustainable forestry resources are on the rise, both as a means of absorbing CO₂ and as a raw material for biomass fuels to combat global warming. Our basic policy in conducting our afforestation business is to obtain forest certification, which attests to the proper management of forestry resources.



We have been conducting an afforestation business in Chile in a joint venture with Mitsubishi Paper Mills Limited since 1990.



Living Essentials Group

Healthcare & Marketing Service Division

- Pharmaceutical Business Unit
- Hospital Solution Unit
- Lifecare Unit
- New Channel Development Unit
- Consumer Service Unit

This division provides total solutions for hospitals from management support to peripheral services in the fields of medical care and nursing care, which are experiencing deregulation and an infusion of vitality from private enterprise. Through these activities, we are contributing to improved service quality and greater efficiency in these fields.

Through TV, magazines, the Internet, mobile phones and real stores, we offer products, information and content in tune with consumer needs. We also provide solutions such as sales promotion methods that utilize point-based loyalty programs and media content, as well as payment settlement schemes that consumers feel safe using.

On April 1, 2010, we integrated three subsidiaries—Nihon Hospital Service Co., Ltd., Apprecia, Inc. and MC Medical, Inc.—to form MC Healthcare, Inc. Leveraging its comprehensive capabilities, the newly integrated company aims to become one of Japan's largest providers of outsourcing services to hospitals.



Loyalty Marketing, Inc.—which began rolling out services in March 2010—is expanding members and partner companies of its multi-partner loyalty program called “Ponta”.

Foods (Commodity) Division

- Produce Unit
- Grain Unit
- Marine Products Unit
- Sweetener & Starch Products Unit
- Oil & Fats Unit
- Feed & Meat Business Unit

This division handles grains, rice, fresh produce, marine products, sweeteners and starch products, oils and fats, feed and meat, and other products, and is developing an integrated value chain, extending from the handling of raw materials at farms to transportation, processing and distribution of products.

In Japan, we are strengthening raw materials processing, centered on subsidiaries Nitto Fuji Flour Milling Co., Ltd., Nihon Shokuhin Kako Co., Ltd. and Nosan Corporation. In the meat-related field, we are expanding by developing a model that extends from the farm to the processing and distribution of products. In key growing regions like North America, South America and Australia, we are ensuring a stable supply by strengthening our procurement capabilities and expanding procurement sources.

During July and August 2009, we conducted a tender offer for Nosan Corporation. By making Nosan a wholly owned subsidiary, MC and Nosan will maximize synergies from utilizing each other's business advantages. Nosan possesses animal feed technology development and production technology capabilities as well as production infrastructure, while MC has the ability to procure raw materials for animal feed, meat production and processing infrastructure and expertise in selling meat. By maximizing synergies, MC and Nosan believe that they can further strengthen the earnings base and increase the corporate value of the MC Group.



Nosan provides high-quality products catering to customer needs from bases in Japan, including its main plant in Shibushi, Kagoshima Prefecture.

Foods (Products) Division

- Beverage Materials Unit
- Dairy Foods Unit
- Processed Foods A Unit
- Processed Foods B Unit

Utilizing an expansive network in Japan and overseas, this division responds to customers' varying needs, from the procurement of food raw materials such as coffee, cocoa, juice and dairy products, to the sale of processed foods and finished products.

The business environment surrounding Japan's food industry is undergoing major change due to falling consumption stemming from lackluster economic conditions caused by the financial crisis, rising interest in food safety and diversifying consumer preferences. This division has built a solid business base in the food value chain connecting upstream and downstream sectors. Leveraging this base, we will strengthen our ability to consistently supply raw materials and products and manage quality to stay on top of the changes that are taking place. And we aim to provide diverse and high-value-added services to customers and consumers.

Utilizing business investees such as major U.K. food and drink company Princes Limited, we are also determined to reinforce our food business overseas in Europe, the U.S. and emerging nations.



San-Esu Inc. is a leading player in the confectionery and snack foods wholesaling industry in Japan. It leverages its unique network as a wholesaler specializing in confectionery and snack foods to provide various types of products from across Japan and throughout the world.

Textiles Division

- Textile Business Unit
- S.P.A. Development Unit

This division provides wide-ranging products and comprehensive services to customers in Japan and overseas. We handle 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.

Our mainstay business is OEM (Original Equipment Manufacturing) for products such as apparel and household goods for the Japanese market, which involves supplying products under counterparties' brands. MC Fashion Co., Ltd., an OEM subsidiary, is the core of our framework for supplying products matching diverse market needs. Beyond supplying products, we make new business proposals, support overseas business and offer other comprehensive support to customers to expand business. Notably, we have begun developing new businesses with partner companies in fast-growing China and other emerging markets.



MC Fashion holds exhibitions twice a year as a forum for communicating corporate plans and information to customers. These events are used to showcase designs and coordination ideas based on original materials and marketing analysis.

General Merchandise Division

- Living Materials Unit
- Paper & Packaging Unit
- Housing & Construction Materials Unit

This division has three mainstay businesses: the paper-related business, the cement business, and the tire business. In the paper-related field, we are developing an integrated business that extends from upstream raw materials provided by pulp producer Alpac Forest Products Inc. of Canada and other entities, to the manufacture of paper and paperboard through downstream product distribution and sales handled by Mitsubishi Shoji Packaging Corporation. In the cement business, we have a number of entities, including U.S.-based Mitsubishi Cement Corporation (MCC), MCC Development Corporation, and Yantai Mitsubishi Cement Co., Ltd. in China, which are joint ventures with Mitsubishi Materials Corporation. Cement sales in Japan are conducted by Mitsubishi Shoji Construction Materials Corporation, a comprehensive construction materials trading company. Our tire business is conducted through joint ventures in Europe, China and other Asian countries.

Although our U.S. cement operations and other businesses were directly affected by the economic crisis and have yet to see a full recovery in demand, over the medium and long terms, demand for paper, cement and tires—key products for this division—is expected to grow in the U.S. and emerging markets such as Asia, China and Russia. In light of this outlook, we will continue taking steps to strengthen our businesses.



MCC's Cushenbury plant makes cement for the southern California and Nevada regions of the U.S.

Next Generation Business Development Unit

The Japanese consumer market is changing rapidly and dynamically as it matures and is being affected by a low birthrate and aging population as well as the prolonged global economic downturn. This unit was established in April 2009 to respond quickly to these dynamic changes. We felt it necessary to establish an organizational body that would provide a consumer-centric group-wide response to complement our existing vertical organizational structure along product lines.

The core business investees of this unit include convenience store chain operator LAWSON, INC., supermarket chain Life Corporation and restaurant chain Kentucky Fried Chicken Japan Ltd. Through these and other entities we are providing a coordinated and comprehensive response to consumers. We are also developing new business models in the retailing sector and developing businesses in Japan's farming sector with the aim of addressing pressing issues faced by all divisions and strengthening MC's value chains.



Kentucky Fried Chicken Japan will celebrate its 40th anniversary in 2010. Using this milestone as a fillip, the company is setting out to deliver even higher quality, "tasty" food by developing new food proposals and service formats.

Metals and Energy Resource Data

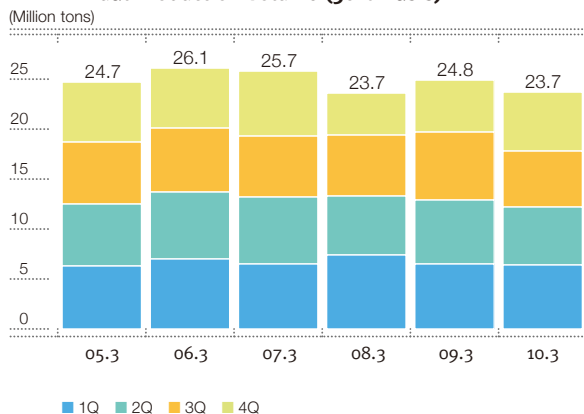
Coal Business

Imports to Japan and MC's Share* (Year ended December 31, 2009)



* MC's share includes imports where MC's only involvement is trading.

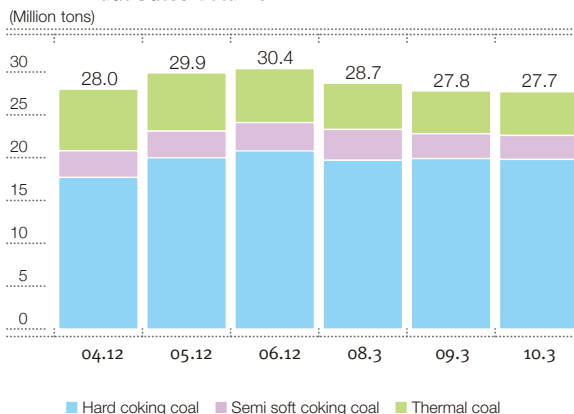
BMA Annual Production Volume (50% Basis)



■ 1Q ■ 2Q ■ 3Q ■ 4Q

* Total from April to March.

MDP Annual Sales Volume



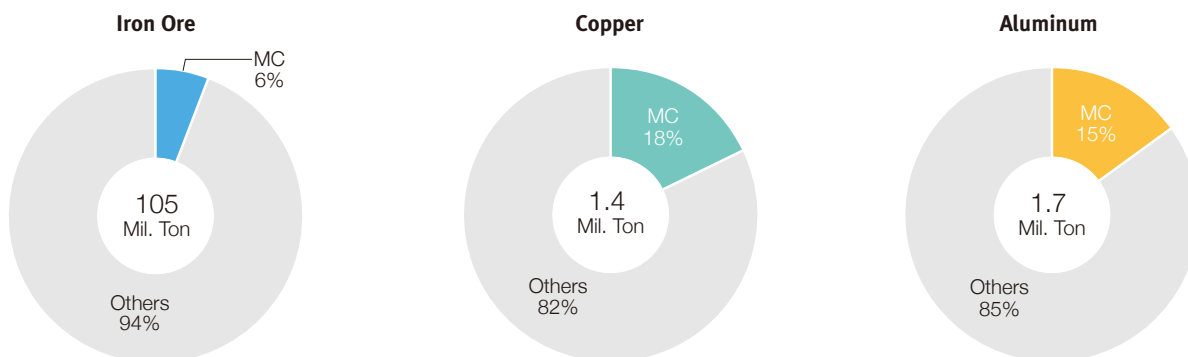
■ Hard coking coal ■ Semi soft coking coal ■ Thermal coal

* Includes equity share of thermal coal sales volume other than from BMA.

** Totals for the year ended December 31, 2006 and prior years are from January to December in each year, while totals for the year ended March 31, 2008 and thereafter are from April to March.

Other Metals Resources Business

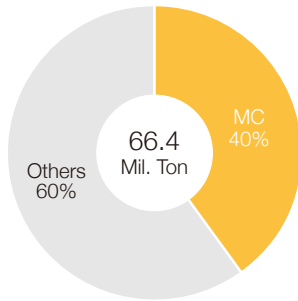
Imports to Japan and MC's Share* (Year ended December 31, 2009)



* MC's share includes imports where MC's only involvement is trading.

Energy Resources Business

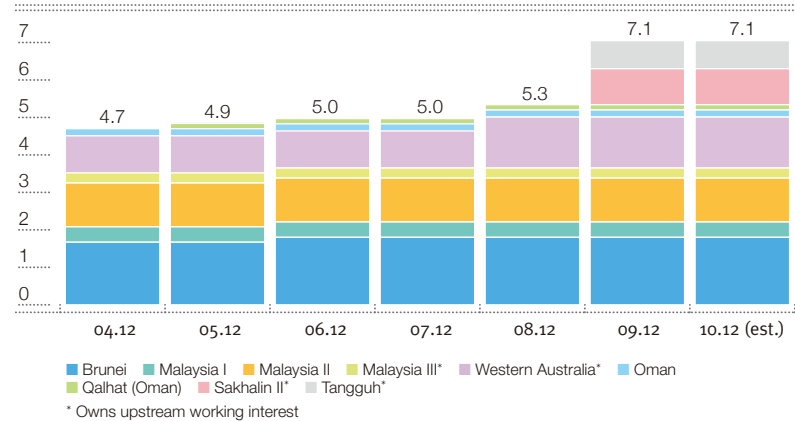
Imports to Japan and MC's Share*
(%)



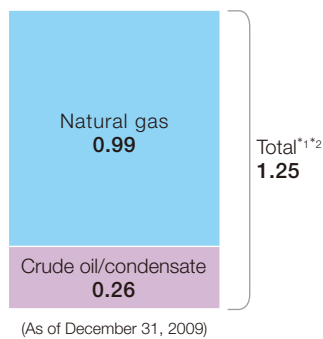
(Year ended March 31, 2010)

* MC's share includes imports where MC's only involvement is trading.

Equity Share of LNG Production
(Million ton/year)



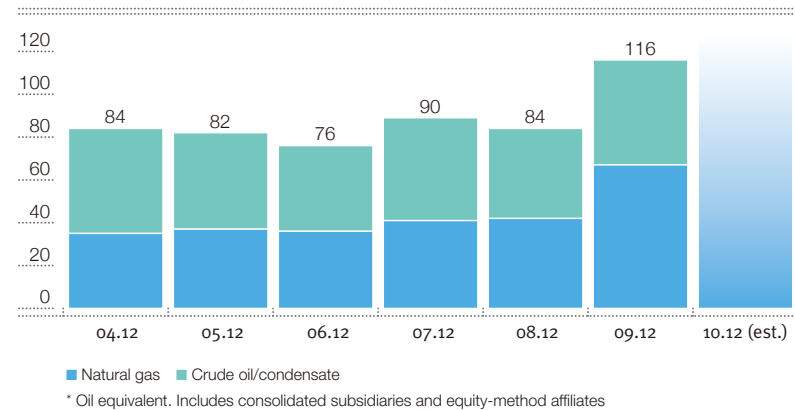
MC's Reserves
(Billion BBL)



*1 Oil equivalent. Includes consolidated subsidiaries and equity-method affiliates

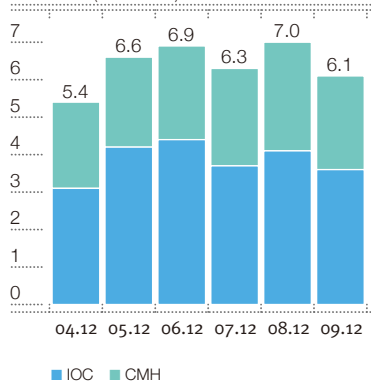
*2 Participating interest equivalent. Includes reserves based on original standards set by MC (non-U.S. GAAP).

Equity Share of Oil and Gas Production (Yearly Average)*
(Thousand BBL/Day)

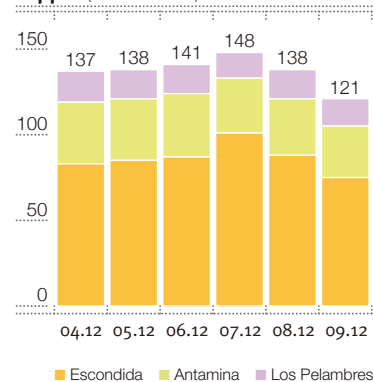


Equity Share of Production (Total from January to December)

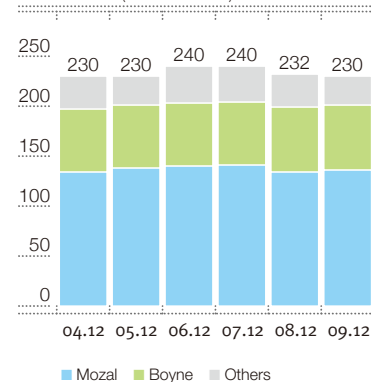
Iron Ore (Million tons)



Copper (Thousand tons)



Aluminum (Thousand tons)



Global Strategy

Message From Executive Vice President, Global Strategy & Business Development



The world economy is seemingly changing by the day, with the globalization of workforces, information and businesses continuing unabated and transcending national borders. Amid all this change, MC aims to build up its strength and become an even more powerful force globally.

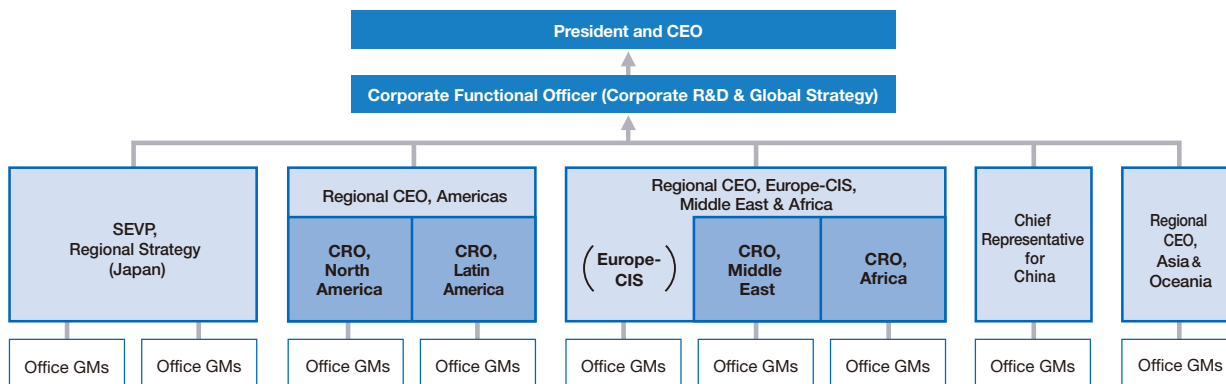
In an era of increasing uncertainty, it is vital to accurately grasp conditions and make accurate management decisions. To this end, on June 1, 2009 we adopted a new global management structure to strengthen regional coordination. Specifically, in addition to Japan, we divided the world into four regions (Americas; Europe-CIS, Middle East & Africa; China; and Asia & Oceania). A Regional CEO is assigned to each region. Each Regional CEO is endeavoring to ensure that optimal activities are conducted on a consolidated basis in each region by overseeing regional offices. With Americas, and Europe-CIS, Middle East & Africa, we have appointed Chief Regional Officers (CROs) responsible for North America, Latin America, Middle East and Africa. The operational responsibilities of the Regional CEOs in each of these regions have been divided among the CROs. Under this framework, we will improve the dissemination of information from each region, including Japan, with the goal of developing a more sophisticated global strategy on a consolidated basis.

The current era also demands that we build an earnings base for the future overseas, particularly in emerging markets, while controlling risk. We are focusing on three countries—China, India and Brazil—and working as one company to capitalize on growth in these markets.

Hideto Nakahara

Member of the Board,
Executive Vice President, Global Strategy & Business Development

Structure to Promote Companywide Global Strategies



* The Regional CEO for China is referred to as Chief Representative for China, while those responsible for North America, Latin America, Middle East and Africa are referred to as Chief Regional Officers (CROs).

Japan



Masahide Yano
Member of the Board,
Senior Executive Vice
President, Regional
Strategy (Japan)



Yasuo Nagai
Member of the Board,
Executive Vice President,
Regional Strategy (Japan)

The advantage of MC's branches and branch offices in Japan lies in the fact that they operate at the forefront of business. They apply this advantage to spot developments in regional industries and customers in response to changes in economic conditions, and we utilize this

information to work with MC Group companies throughout Japan to better serve our customers. In this way, they are strengthening core businesses as well as developing promising fields.

North America



Koichi Komatsu
Executive Vice President,
Regional CEO, Americas



Seiei Ono
Executive Vice President,
Chief Regional Officer,
North America

With close economic ties, the U.S., Canada, and Mexico have experienced hard times since the onset of the financial crisis. Signs of recovery are gradually emerging, however, and as MC strives to solidify its existing business foundations, the company also

remains focused on creating businesses in anticipation of change in environmental and new energy fields, the infrastructure field and expanding transactions within the Americas.

Latin America



Osamu Sasaki
Senior Vice President,
Chief Regional Officer,
Latin America

Latin America boasts abundant reserves of metals, energy and food resources, and growth in its consumer markets has been extraordinary. MC looks to unearth business opportunities that can exploit demand within Latin America, spanning not only resource fields, but infrastructure projects as well. MC is also working to bolster activities in new energy, water, and other environmental fields, where efforts nowadays are essential to the company's harmonious co-existence with society. Further action is being taken to strengthen MC's approach to Corporate Social Responsibility (CSR).

Europe & CIS



Tetsuro Terada
Executive Vice
President, Regional
CEO, Europe-CIS,
Middle East & Africa

MC is strengthening its core operations. In Western Europe, primarily through the Metals, Machinery, Chemicals, and Living Essentials business groups. Meanwhile in Central and Eastern Europe, Turkey, Russia, and other regions, MC is also responding to consumer market trends and significant infrastructure demand. MC is taking further action to promote renewable energy businesses like solar photovoltaic, solar thermal, and wind power, as well as electric vehicle and next-generation battery businesses. MC remains steadfast in its efforts to solidify relations with leading enterprises throughout Europe & CIS.

Middle East



Shigeaki Yoshikawa
Senior Vice President,
Chief Regional Officer,
Middle East

In addition to developing energy resources and related transactions, MC is conducting machinery, chemicals, and other businesses in the Middle East. With the introduction of new energy as part of national strategies in the Middle East, MC is being proactive in environmental and infrastructure businesses, such as power generation and transportation.

Africa



Hiroyuki Tarumi
Senior Vice President,
Chief Regional Officer,
Africa

In addition to developing commercial transactions in automobiles, general merchandise, foods, chemical raw materials and other products, MC is active in infrastructure development, which will be essential to regional growth. MC is also focusing on projects that may come to fruition in the future with an eye on securing metals and energy resources. Aiming to better contribute to local communities, MC is also making considerable contributions to activities that help build a more sustainable society.

China



Tsunao Kijima
Executive Vice President,
Chief Representative
for China

MC is expanding transactions in growing domestic markets in China, exporting competitive Chinese-made products and engaging in other activities in China in cooperation with leading Chinese companies. MC is aiming to create businesses in a variety of fields, such as infrastructure, where the Chinese government has been focused, as well as medicine, education, the environment, energy conservation and the service industry.

Asia & Oceania



Masayuki Mizuno
Executive Vice
President, Regional
CEO, Asia & Oceania

In Asia & Oceania, where economies are recovering relatively quickly, MC is promoting infrastructure projects and businesses that address the region's ever-growing internal demand. MC is also stepping up operations in resource and energy fields, and strengthening activities in the environmental, new energy, and agriculture sectors. The company will continue to deepen its affiliations with important customers, and devise ways to expand its businesses.

Corporate Governance and Internal Control

067 Looking at MC's Corporate Governance From the Outside (Discussion)

071 Corporate Auditors

072 Corporate Governance Framework

075 Internal Control System

078 International Advisory Committee

080 CSR (Corporate Social Responsibility) & Environmental Affairs

082 Members of the Board

084 Executive Officers

Looking at MC's Corporate Governance From the Outside



DISCUSSION BETWEEN

Outside Director **Kunio Ito** [left] and
Outside Corporate Auditor **Shigeru Nakajima** [right]

MC is constantly reinforcing corporate governance as the basis for ensuring the soundness, transparency and efficiency of its management. In this year's annual report, an MC outside director and outside corporate auditor who are deeply involved in corporate governance discuss this subject. This dialogue provides insights from the external standpoint of these two people about how MC's corporate governance system functions and its effectiveness.

The roles of outside directors and outside corporate auditors in governance

Mr. Ito: There is no difference in the roles of outside directors and outside corporate auditors with respect to monitoring MC's executive organization. But I think their roles concerning corporate value differ. Outside directors play a part in the sound growth of corporate value. Outside corporate auditors, on the other hand, help prevent the loss of corporate value through oversight to confirm that MC is conducting business activities properly.

Mr. Nakajima: I agree that there is essentially no difference in the two roles as Mr. Ito says. Both outside directors and outside corporate auditors are responsible for protecting corporate value. I have always believed that these outside executives should be viewed as "people with common sense and influence." There is a saying in Japan that what is common sense within an industry is often just the opposite in society as a whole. Employees may sometimes have difficulty maintaining an objective viewpoint of their company. Adopting an external perspective is invaluable when this objectivity is lost. Some people in Japan believe that

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 of Commerce and Management, Hitotsubashi University



there is little use for external directors and auditors who do not have expertise in a company's operations. I believe the opposite is true. Companies must incorporate the views of people with common sense and influence as much as possible even though they are not knowledgeable about business operations.

Corporate value has two components. One is measured by quantitative parameters. The other is determined by a company's ability to earn a reputation for reliability by doing business with integrity. Recently, integrity has become increasingly valuable to creating corporate value. This is why we have two roles. First is to preserve existing value by preventing the loss of corporate value. Second is the more proactive role of helping a company heighten its reputation for reliability.

Mr. Ito: Reliability is definitely important. Personally, I place emphasis on increasing corporate value from medium- and long-term perspectives. This is equivalent to building a powerful corporate brand. Accomplishing this goal requires earning the greatest possible amount of trust from stakeholders. For customers and suppliers, MC needs to maintain relationships based on complete confidence. For employees, MC needs to provide workplaces where they can be proud of belonging to MC and realize their full potential. And for shareholders, MC must be a source of trust and expectations concerning its ability to reward medium- and long-term shareholders as the stock price climbs along with corporate value. This is the kind of company that I want MC to be.

Mr. Nakajima: In Japan, resolutions of the Board of Directors are legally required to be "based on a sufficient investigation and thorough discussion." Unlike directors, the corporate auditors do not vote on resolutions. Despite this lack of a direct link to resolutions, corporate auditors can be a significant participant in discussions by stating a variety of opinions. In this sense, I think that outside corporate auditors could be called "debate participants at the Board of Directors."

I believe that the scope of our responsibilities is growing year after year. Checking the legal compliance of specific activities is only one role of corporate auditors. We also need to support and improve the processes used by the Board of Directors to perform their duties.

Defining characteristics of corporate governance at MC

Mr. Nakajima: I think the greatest strength of corporate governance at MC is its hybrid structure, which draws on strengths of the committee system and corporate auditor system. From a legal standpoint, MC uses the corporate auditor system. But the company also has a Governance & Compensation Committee and International Advisory Committee in order to reflect a diverse array of external views in its management.

At U.S. companies, external directors often account for the majority of the members of the Board of Directors. In Japan, external directors often chair committees. But I don't think that you can simply say that more outside people equates to better governance. As I noted earlier, external input is vital to preserving an objective viewpoint. However, people who have a thorough knowledge of internal information, business processes and other subjects are valuable as well. A Board of Directors cannot function effectively without them. Balance is the issue here. In my opinion, MC has achieved excellent balance between internal and external personnel for both its directors and corporate auditors.

Mr. Ito: I agree. But balance is not limited to internal and external directors and corporate auditors. Advisory bodies (Governance & Compensation Committee and International Advisory Committee) made up of prominent people from Japan and other countries are also important. MC uses these committees and other measures to debate management issues in a well-balanced manner that reflects many viewpoints. Laws in Japan permit companies to choose from a variety of governance systems. But this is not a



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

matter of debating the relative merits of the corporate auditor and committee systems. I think that each company should have the latitude to select the governance system best suited to its own requirements.

I think MC's governance system enhances the efficiency of management. MC has a smoothly functioning organization that allows debating issues at multiple levels. This gives MC a corporate culture that encourages thorough discussions while incorporating input from a broad range of viewpoints.

Composition of outside directors and corporate auditors

Mr. Nakajima: Outside directors and outside corporate auditors at MC have a variety of backgrounds. These individuals include a university professor, a corporate executive, an attorney, a former government official and a former member of a securities regulatory agency. The advice and other input from these individuals are not restricted solely to their respective fields of expertise. Limiting advice to one specialty is the job of a consultant, not an outside director or outside corporate auditor. As outsiders, we are expected to monitor corporate activities from a fresh perspective. We use a particular angle to state opinions about a variety of events at a company based on what is generally accepted as common sense. For instance, a director or auditor might say "this is my position from the standpoint of an attorney."

Mr. Ito: Directors and corporate auditors at some Japanese companies include women and foreigners as one way to achieve diversity. I think companies need to focus above all on selecting people who can help strengthen governance, regardless of gender and nationality. When selecting a foreigner, I think MC should look for people with some knowledge of Japanese business practices and corporate culture. Foreigners with this knowledge will be better able to oversee MC's complex general trading company business model.

Mr. Nakajima: I understand that women account for about 10% of directors and corporate auditors at companies in the London financial district. But many people believe this percentage is too low. This illustrates the enormous gap between Japanese companies and companies in Europe and the United States. I think this difference in the percentage of women is an important subject for starting a debate about the diversity of directors and corporate auditors in Japan.

The Governance & Compensation Committee

Mr. Ito: No governance unit embodies MC's concept of corporate governance more than the Governance & Compensation Committee. When the committee was formed in 2001, it was named the Governance Committee rather than a management advisory committee. Selecting this name clearly demonstrated MC's strong awareness from the outset of the vital role that governance plays in management.

Mr. Nakajima: Mr. Ito and I are both members of this committee. We talk about a broad range of subjects at committee meetings. Obviously, one topic is compensation for executives. Committee members also actively exchange opinions about the roles of the shareholders meeting and Board of Directors as well as MC Group management, environmental and other Corporate Social Responsibility (CSR) programs and issues, and many other subjects.

Mr. Ito: I am always surprised at the flexibility the committee has to select themes and how quickly the subjects are tackled. For example, there was a proposal to make MC employees' perception of the company a topic of discussion for the Board of Directors. Results of an employee perception survey were presented at the next board meeting.

At many companies, a committee like this one is an instrument used by management. But at MC, senior management in no way attempts to influence conclusions reached by the Governance & Compensation Committee. It is very clear that MC's management wants to hear a diverse range of opinions from external committee members. This stance makes it easy for people like me to say whatever I want. I also appreciate MC's stance of giving the committee all the time it requires to reach a decision.

Mr. Nakajima: The small size of the committee allows us to examine issues thoroughly. Starting in 2010, companies in Japan must provide information about compensation for directors and corporate auditors who receive at least ¥100 million in one year. Public interest in the salaries of corporate executives is increasing. Compensation had been one of the committee's primary responsibilities since its inception. But in response to this public interest, MC renamed its Governance Committee the Governance & Compensation Committee to express its commitment to further reinforce the monitoring of compensation for executives. There is also much debate in Japan today about how to determine compensation for executives. I believe that MC is one of the more advanced companies in Japan in this regard in large part because of discussions that take place at the Governance & Compensation Committee.

Mr. Ito: Corporate value is a central element of the process used to determine compensation for MC's directors and corporate auditors. Executives at MC understand that increasing corporate value is one of their most important responsibilities.

The disclosure of compensation data is definitely making us examine compensation levels for individual executives even more closely. But the same set of standards for evaluating compensation cannot be applied to all companies due to differences in their performance and corporate value. What shareholders want to know most of all is how compensation is determined and how that information is made available.

Mr. Nakajima: I also think that the determination process is more important than the amount of compensation. Disclosure is essential as a means of preventing executives from deciding their own compensation. Once the determination process is clearly defined, a proper amount of compensation for each executive can be established in relation to the corporate value of individual companies.

What MC must do to achieve sustainable growth on a global scale

Mr. Ito: MC's 2001 establishment of the International Advisory Committee created a forum for hearing the thoughts of experts in various fields from other countries. The committee has helped MC to incorporate a global perspective in its management and to strengthen corporate governance. However, a company cannot improve its corporate value by merely upgrading corporate governance. MC plans to grow in new business domains like infrastructure around the world. This will require broad business and information networks that extend beyond the industries where MC is currently active. MC will also need to foster the development of people who can create businesses that encompass numerous market sectors and utilize these networks.

Mr. Nakajima: I am very concerned about the tendency in Japan to focus only on domestic markets and value systems. I think this mindset is increasing Japan's isolation, making it difficult to capitalize on opportunities produced by events and economic growth in other countries. True globalization is not a matter of languages and business practices. An understanding of each country's culture, history and customs combined with common sense that accurately reflects a global perspective are also necessary to achieve true globalization. I want very much to see MC take its devotion to "International Understanding through Trade," which is one of the Three Corporate Principles, to a higher level. I also want MC to use this dedication to enable it to earn an even greater global reputation for trust and reliability and to play a leading role in the globalization of Japan.

Corporate Auditors

(As of July 1, 2010)



Yukio Ueno

2010 Senior Corporate Auditor
1968 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 *to present* Corporate Auditor, Mitsubishi Corporation
2003 *to present* Professor, Graduate School of Commerce, Waseda University

Eisuke Nagatomo*

2008 *to present* 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 Companies Act.

Message From the Board of Corporate Auditors

MC's Board of Corporate Auditors has three outside corporate auditors and two full-time in-house corporate auditors who are former MC employees. Each of the outside corporate auditors has a field of expertise. Besides attending meetings of the Board of Directors and Board of Corporate Auditors, the outside corporate auditors meet with MC's independent auditors, directors and executive officers in order to accurately grasp the current state of affairs. Based on this information, they actively express opinions from a neutral and objective standpoint. The two full-time in-house corporate auditors draw on their experience working at MC to fulfill their responsibilities. One of them serves as the senior corporate auditor, who chairs the Board of Corporate Auditors and is also the specified corporate auditor stipulated by law. MC also has a Corporate Auditors' Office to assist the activities of the corporate auditors, as an independent organizational body. The 6-member dedicated staff of the Corporate Auditors' Office provide assistance as required.

Corporate auditors and staff of the Corporate Auditors' Office attend important in-house meetings, and visit and hold discussions with internal departments, including important offices in Japan and overseas, so as to keep channels of communication open with people in the company and in doing so correctly assess

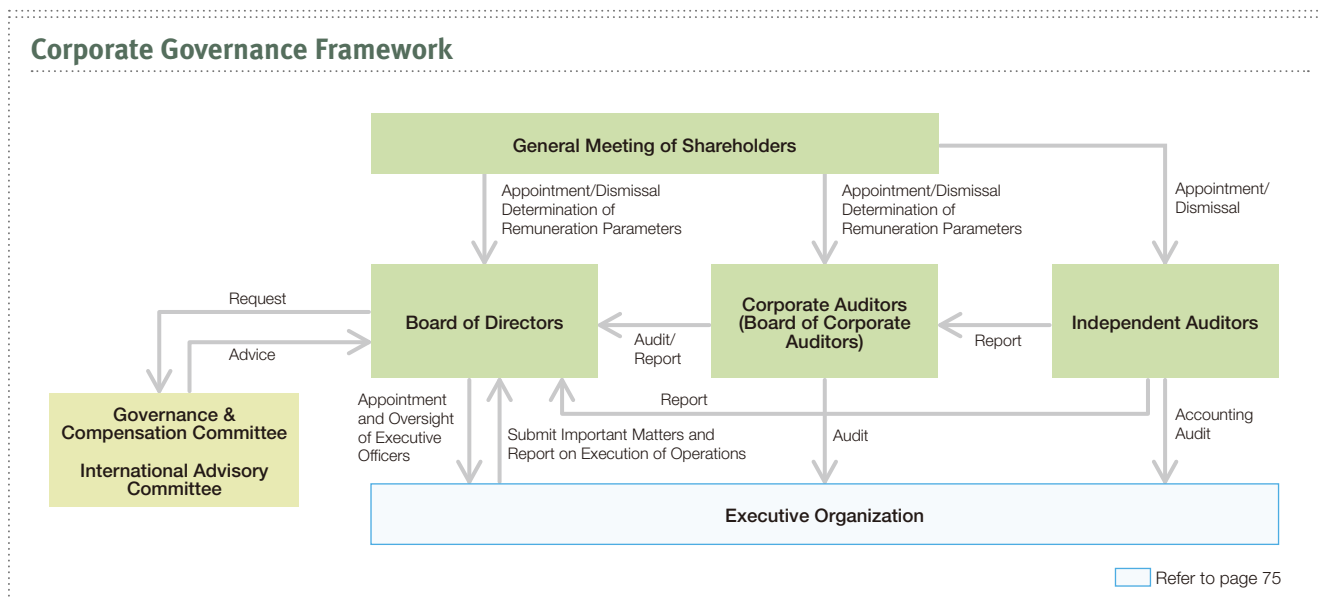
the current state of affairs. The Board of Corporate Auditors works closely with MC's independent auditors and Internal Audit Department, holding regular meetings and sharing opinions.

Furthermore, corporate auditors visit main subsidiaries and affiliates and hold discussions with directors and other management personnel of these entities. At the same time, we regularly exchange information with full-time auditors of main subsidiaries and affiliates, using these meetings as a forum to share MC's management policy in our efforts to create an environment conducive to auditing the corporate group.

In addition, we create opportunities to hold discussions with respected individuals from outside the company who give us their expert opinions. These external perspectives are put to good use in MC's audit activities.

Through these activities, we audit directors' decision-making process and their performance of duties based on the Companies Act and other laws and regulations, MC's Articles of Incorporation and internal rules and regulations. By requesting improvements and providing advice as necessary, we seek to help ensure MC's healthy, sustained growth and contribute to the establishment of a corporate governance system that earns society's trust.

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.

In order to ensure sound, transparent and efficient management, MC is working to put in place a corporate governance system, based on the Corporate Auditor System, that is even more effective. This includes appointing independent outside directors and outside corporate auditors to strengthen management supervision, and using the executive officer system to expedite and bolster decision-making and business execution.

MC's Board of Directors has 15 members, comprising 10 in-house directors and 5 outside directors. Board meetings are also attended by the 5 corporate auditors, 3 of whom are outside corporate auditors. As a rule, the Board convenes once a month and is responsible for making decisions concerning important management issues and overseeing business execution. The objective and expert viewpoints of outside directors and outside corporate auditors ensure appropriate decision-making and management oversight.

MC also has a Governance & Compensation Committee and an International Advisory Committee as advisory bodies to the Board of Directors. These committees are made up mostly of outside directors and outside corporate auditors as well as other experts from outside the Company. The Governance & Compensation Committee conducts continuous reviews of corporate governance-related issues at the Company and also discusses the

Actions to Strengthen Corporate Governance

2001	<ul style="list-style-type: none"> Introduced the executive officer system, further clarifying the roles and responsibilities of directors and executive officers. Established Governance Committee. Established International Advisory Committee.
2004	<ul style="list-style-type: none"> Reduced term of directors from two years to one year to provide greater flexibility in determining the composition of the Board of Directors.
2007	<ul style="list-style-type: none"> Established selection criteria for outside directors and outside corporate auditors to clarify and strengthen the function of outside directors and outside corporate auditors. Increased the number of outside directors.
2008	<ul style="list-style-type: none"> Reduced the number of directors, strengthening the Board's oversight function.
2010	<ul style="list-style-type: none"> Designated outside directors and outside corporate auditors as independent directors and independent corporate auditors as specified by stock exchanges in Japan. Reorganized the Governance Committee as the Governance & Compensation Committee, strengthening monitoring of directors' and corporate auditors' remuneration.

remuneration system for directors and corporate auditors, including the policy for setting remuneration and appropriateness of remuneration levels for these corporate officers, and monitors operation of this system. The International Advisory Committee holds discussions on management issues and advises Company management from a global perspective.

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.

Furthermore, in order to clarify the functions and responsibilities of officers for executing duties, we introduced the executive officer system, thereby promoting faster and more efficient business execution.

MC has two full-time in-house corporate auditors who were past MC employees and three outside corporate auditors, all of whom have a wealth of knowledge and experience in their respective fields. The two full-time corporate auditors have experience in MC's Corporate Planning Dept. and Investor Relations Dept., respectively, while the three outside corporate auditors have many years of experience as an attorney (corporate law), university professor (accounting), and as an executive in stock market management. All corporate auditors have a considerable degree of knowledge and experience concerning finance and accounting.

One of the full-time corporate auditors heads the Board of Corporate Auditors as the senior corporate auditor and is also the specified corporate auditor stipulated by the law. Corporate auditors are assisted as needed by the 6-member Corporate Auditors' Office, which is an independent organizational body.

Regarding internal audits, the Internal Audit Dept. conducts audits of the company, overseas regional subsidiaries and affiliated companies from a Company-wide perspective. In addition, each business group has established its own internal audit organization, which audits the operations that fall under its group organization on a consolidated basis. These internal audits are based on annual audit plans and are conducted after selecting audit targets. The results of audits are reported each time to the Executive Vice President in charge of Audits and Internal Control, corporate auditors and other concerned parties. They are also reported regularly to the Board of Directors and the Executive Committee.

In order to clarify the role expected of outside directors and outside corporate auditors, MC ensures the independence of these executives by establishing selection criteria. Furthermore, the five outside directors and three outside corporate auditors are all designated as independent directors and independent corporate auditors as specified by stock exchanges in Japan such as the Tokyo Stock Exchange.

Selection Criteria for Outside Directors and Outside Corporate Auditors

Selection Criteria for Outside Directors

1. Outside directors are elected from among those individuals who have an eye for practicality founded on a wealth of experience as corporate executives, as well as an objective and expert's viewpoint based on extensive insight regarding the global situation and social and economic trends. Through their diverse perspectives, outside directors help ensure levels of decision-making and management oversight appropriate to our Board of Directors.
2. To enable outside directors to fulfill their assigned task, attention is given to maintaining their independence; individuals incapable of preserving independence will not be selected to serve as outside directors.
3. MC operations span a broad range of business domains; hence there may be cases of conflict of interest stemming from business relationships with firms in which the corporate executives appointed as outside directors of MC have executive authority. MC copes with this potential issue through appropriate procedures meant to exclude the possibility of such conflict of interest, and maintains an appropriate level of governance by preserving a variety of viewpoints through the selection of numerous outside directors.

Selection Criteria for Outside Corporate Auditors

1. Outside corporate auditors are selected from among individuals possessing a wealth of knowledge and experience across various fields that is helpful in performing neutral and objective audits which, in turn, will help to ensure sound management.
2. To enable outside corporate auditors to fulfill their assigned task, attention is given to maintaining their independence; individuals incapable of preserving this independence will not be selected to serve as outside corporate auditors.

Policy for Setting Directors' and Corporate Auditors' Remuneration

Basic Policy

The remuneration system for Company directors has been designed in order to provide further incentive and motivation to improve the Company's performance, further align the directors' interests with those of the shareholders, and strengthen the link with business results. Remuneration for outside directors and corporate auditors is limited to monthly remuneration only, and there is no results-linked element.

Composition of In-house Director Remuneration

The remuneration of Company in-house directors consists of monthly remuneration, bonuses, reserved retirement remuneration and stock options as remuneration. Details of each type of remuneration are as follows.

The Company has an executive officer system, and for in-house directors who also serve as executive officers, the position as an executive officer is taken into account as one factor when setting director remuneration.

- Monthly remuneration is determined on an individual basis taking comprehensively into consideration factors such as evaluation of an individual's performance in prior years.
- Bonuses are determined on an individual basis after deciding whether or not bonuses will be paid and the total amount based on the prior-year consolidated earnings and other factors.
- Reserved retirement remuneration is set aside in a certain amount every year as consideration for the performance of duties, and the accumulated amount is calculated and paid in full upon retirement of a director by resolution of the Board of Directors.
- Stock options as remuneration are grants from the perspective of aligning directors' interests with those of shareholders and

creating value over the medium and long terms. As a basic policy, incumbent directors cannot sell shares during their terms until their shareholdings reach a certain level stipulated by position in the Company's shareholding guidelines.

Level of Directors' and Corporate Auditors' Remuneration and Remuneration Setting Method

- The level of directors' and corporate auditors' remuneration shall be commensurate with the Company's performance in conformity with the abovementioned basic policy and also take into consideration levels of remuneration at other companies.
- Regarding directors' monthly remuneration, reserved retirement remuneration and stock options as remuneration, the June 24, 2010 Ordinary General Meeting of Shareholders approved a payment limit of ¥1.6 billion per annum. Remuneration is paid within this remuneration limit subject to approval of the Board of Directors. Meanwhile, bonuses are subject to approval by the Ordinary General Meeting of Shareholders every year, given their strong linkage to the Company's net income.
- The monthly remuneration of corporate auditors was set at an upper limit of ¥15 million per month in total by resolution of the June 26, 2007 Ordinary General Meeting of Shareholders. Monthly remuneration is paid within this remuneration limit subject to discussions by the corporate auditors.
- The Governance & Compensation Committee, most of whose members are outside directors and outside corporate auditors, discusses and monitors the policy for setting remuneration, appropriateness of remuneration levels and operation of remuneration system for directors.

Directors' and Corporate Auditors' Remuneration

The amounts of directors' and corporate auditors' remuneration, and the number of eligible corporate officers were as follows.

Title	Total Remuneration (¥ million)	Total Remuneration by Type (¥ million)			
		Monthly Remuneration	Bonuses	Reserved Retirement Remuneration	Stock-Option Based Remuneration
Directors (Excl. Outside Directors) (Eligible persons)	1,502 (13)	722 (13)	180 (10)	127 (10)	473 (13)
Corporate Auditors (Excl. Outside Corporate Auditors) (Eligible persons)	124 (2)	124 (2)	–	–	–
Outside Directors (Eligible persons)	97 (6)	97 (6)	–	–	–
Outside Corporate Auditors (Eligible persons)	39 (3)	39 (3)	–	–	–

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

Notes: 1. The figures above include 4 directors (including 1 outside director) who resigned during the year ended March 2010. The number of people as of March 31, 2010 comprised 15 directors (including 5 outside directors) and 5 corporate auditors (including 3 outside corporate auditors).

2. Stock option-based remuneration above shows the amount recognized as an expense in the year ended March 2010 of expenditures related to stock options (stock options as remuneration issued in the years ended March 2009 and 2010) granted to 13 in-house directors.

3. In addition to the above amounts, the Company paid executive pensions to retired directors and corporate auditors. The amounts paid in the year ended March 2010 were as follows:

The retirement bonus system, including executive pensions for directors and corporate auditors, was abolished at the close of the 2007 Ordinary General Meeting of Shareholders.

The Company paid ¥263 million to 130 directors (outside directors were ineligible for payment).

The Company paid ¥8 million to 12 corporate auditors (outside corporate auditors were ineligible for payment).

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 laws and its Articles of Incorporation. Efforts are ongoing to reform and improve this system.

The internal control system is increasing in importance for management of the MC Group because of the larger number of business investees, diversifying business models and other factors. For this reason, in April 2010, MC appointed an Executive Vice President in charge of Audits and Internal Control to strengthen the internal control promotion system. This Director is working together with the Corporate Auditors, Independent Auditors and other parties to ensure proper business conduct.

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 is delegated to managers and staff of organizational bodies to the extent necessary to accomplish targets. These people are required to submit reports regularly.

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.

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.

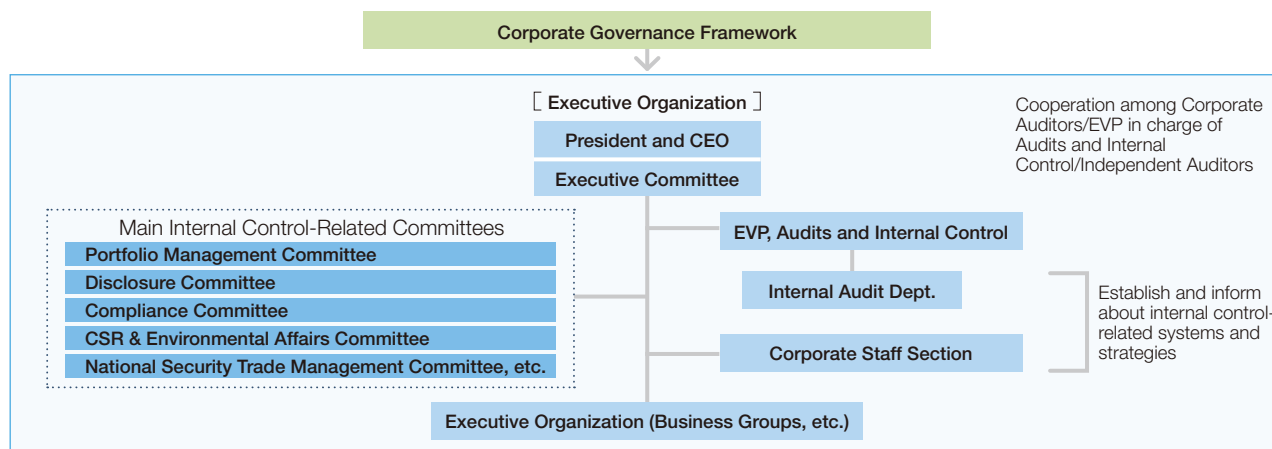
Risk Management

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.

Internal Control Framework



Refer to page 72

Internal Control Evaluation System for Financial Reporting



Financial Reporting

To ensure the proper and timely disclosure of financial statements, MC appoints 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 Disclosure Committee and then obtaining the approval of the Board of Directors.

Regarding the internal controls over financial reporting, MC conducts internal control activities and monitors internal controls in accordance with the internal control reporting system based on the Financial Instruments and Exchange Act of Japan. The Company develops activities on a Group-wide basis to ensure the effectiveness of internal controls.

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

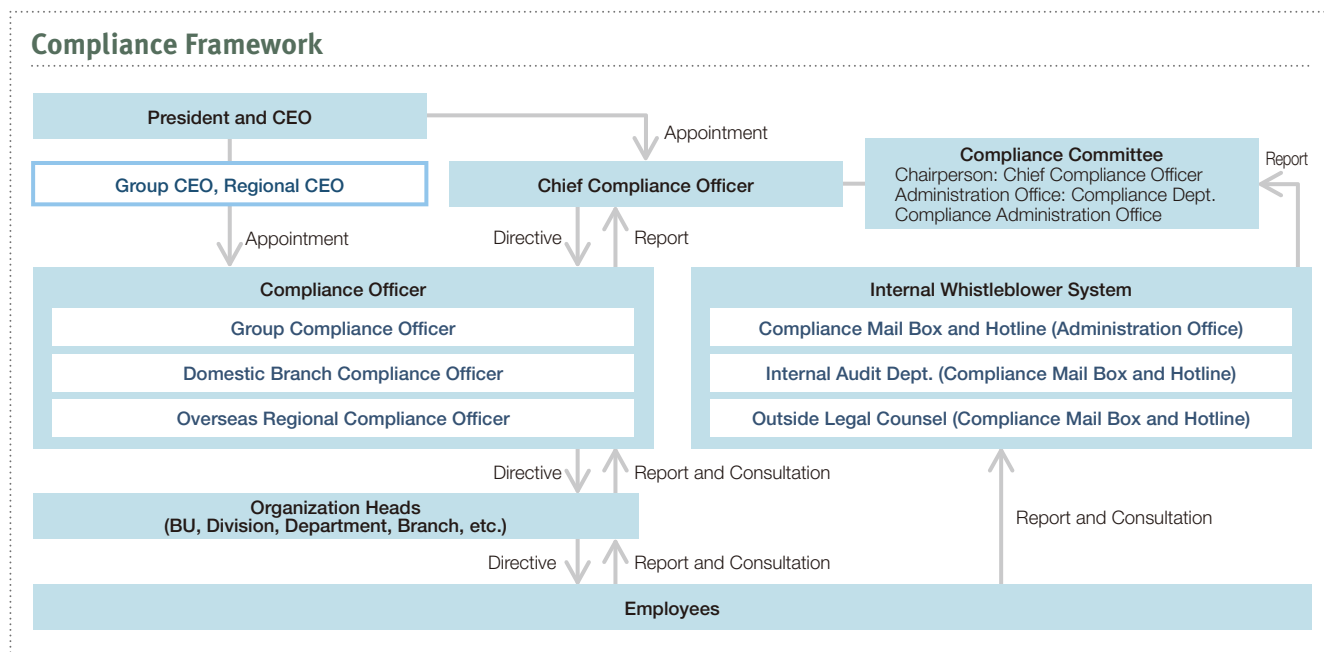


conduct that reflects social norms. In another initiative, we introduced the Compliance Officer post and compliance officers have been appointed in all business groups and all regions in Japan and overseas. To assist their activities, we have also appointed compliance-related staff. Together, these people work to foster compliance in daily activities. In the year ended March 2010, all officers and employees undertook an e-learning program involving case studies related to the Code of Conduct. This program was designed to reinforce our approach to compliance.

The compliance activities of all officers and employees are the basis upon which we conduct all our corporate activities, as well as an important strategy for raising corporate value on a consolidated basis. From the base of the compliance activities conducted thus far, we will continue to upgrade and reinforce compliance initiatives that are effective at instilling awareness of compliance issues in each and every officer and employee of MC and employees of MC's subsidiaries and affiliated companies.

MC has long engaged in creating a framework to ensure that it continues to conduct proper and fair business activities, in addition to upholding legal and regulatory compliance. This long-standing commitment is based on the Three Corporate Principles, which encapsulate our corporate philosophy, and is stipulated in our Corporate Standards of Conduct. In September 2000, we formulated a Code of Conduct, and all officers and employees are required to carry a booklet containing this code. In addition, every year all officers and employees are required to sign a written commitment to this Code. Through these measures, we are ensuring legal and regulatory compliance by each and every employee, as well as instilling an awareness of proper

Hideyuki Nabeshima
Member of the Board,
Senior Executive Vice President,
Chief Compliance Officer



International Advisory Committee

International Advisory Committee: Purpose, Function and Recent News

MC's International Advisory Committee was established in 2001, with the aim of strengthening how the Board of Directors functions. Committee members offer advice and recommendations on management of MC's global businesses from the perspective of enhancing governance, and on corporate strategy from an international standpoint. The committee members also report and exchange opinions on the geopolitical and economic conditions in their respective regions.

The committee convenes once a year and last met in October 2009, in the year ended March 2010. Members vigorously discussed the direction MC should head in the future with the global economy standing at a major turning point after the financial crisis.

International Advisory Committee (As of April 1, 2010)



front row from left

Herminio Blanco Mendoza

Former Secretary of Trade & Industry (Mexico)

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

Sir 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 Former Member of the Board

Minoru Makihara Senior Corporate Advisor

Mikio Sasaki

Member of the Board, Senior Corporate Advisor

Yorihiko Kojima Chairman of the Board

Ryozo Kato Member of the Board

Joseph Nye

University Distinguished Service Professor
John F. Kennedy School of Government
Harvard University (U.S.A.)

Note: Positions are as of July 1, 2010. Tomio Tsutsumi retired as a director on June 24, 2010.

Letter from International Advisory Committee Member

September 2010

Dear Stakeholders

The ninth International Advisory Committee (IAC) meeting was held on October 19, 2009. The previous year's meeting in October 2008 was held as the U.S. financial crisis was morphing into a full-blown international economic crisis. So our most recent meeting was a timely opportunity one year later on to discuss how Mitsubishi Corporation (MC) was managing the process of navigating through the unprecedented economic difficulties, and what initiatives it was taking and should take to capitalize on opportunities in the post-crisis international situation. As the chairperson of a large conglomerate headquartered in one of the emerging economies leading the world out of recession, I was particularly interested in the meeting's discussions on several fronts.

Generally speaking, MC's urgent measures such as revising its investment plans in the early stages of the crisis and its existing robust risk management system, which takes into account country, credit, business investment and other types of risk, helped the company to come through the crisis relatively unscathed. MC has also made significant progress in its areas of priority such as energy and natural resources, renewable energy, and food and agricultural resources, which I think all IAC members consider as the most appropriate areas to focus on to ensure medium- to long-term success. In renewable energy, MC is demonstrating considerable vision and leadership internationally. Importantly, this is closely linked to its core principle of enriching society.

However, there was also much discussion among IAC members about the need for MC to perhaps approach the management of country risk and investment risk differently in the post-crisis period so that the systems and benchmarks that have served the company well in the past do not hinder its ability to capitalize on change and opportunity going forward in emerging markets.

I feel that when looking at investing in promising projects in emerging markets sometimes a company must accept lower returns initially as long as the project meets its basic business objectives and parameters and enables the company to evolve into a position of strength in the future. This is especially true for projects with a profound and lasting social significance. Such business decisions should be made based on a long-term view because they can be expected to create further business opportunities along the way.

MC enjoys a reputational advantage over other trading companies, which often opens extra doors for it in emerging markets. However, MC would do well to review whether it is always as prepared as it should be to seize the opportunities that its reputational advantage confers. For sure, strong risk management will continue to be indispensable, but I encourage MC to be flexible with its thresholds, particularly in emerging markets, in order to secure footholds and develop future revenue streams around the world as these economies expand.

As we adapt to the altered global economic landscape and as MC positions itself to play a key role in facilitating the development of new industries and markets, I sincerely hope that I am able to contribute to its success through insights that I have gained in managing the Tata Group as well as through the benefit of interacting with the other IAC members.

Yours sincerely,



A handwritten signature in black ink that reads "Ratan N. Tata". The signature is fluid and cursive, written over a light-colored background.

Ratan N. Tata

Chairman, Tata Sons Limited (India)

CSR (Corporate Social Responsibility) & Environmental Affairs










MC is promoting a wide range of environmental and CSR focused initiatives that cover various fields and geographical regions in order to grow together with the local and international communities that it works in and to help build a sustainable and prosperous society for the future. Greater expectations from society have motivated MC to strengthen communication with its various stakeholders, and to further develop businesses aimed at contributing to sustainable growth and development, including environmental related businesses.

In order to handle CSR and environmental issues, MC established the CSR & Environmental Affairs Committee as a sub-committee of the Company's Executive Committee. Under this sub-committee sits the CSR & Environmental Affairs Review Committee, which discusses MC's basic policies concerning CSR and environmental affairs, risk management and other issues. The same committee also reviews the current year's social contribution activities and decides on the following year's activities.

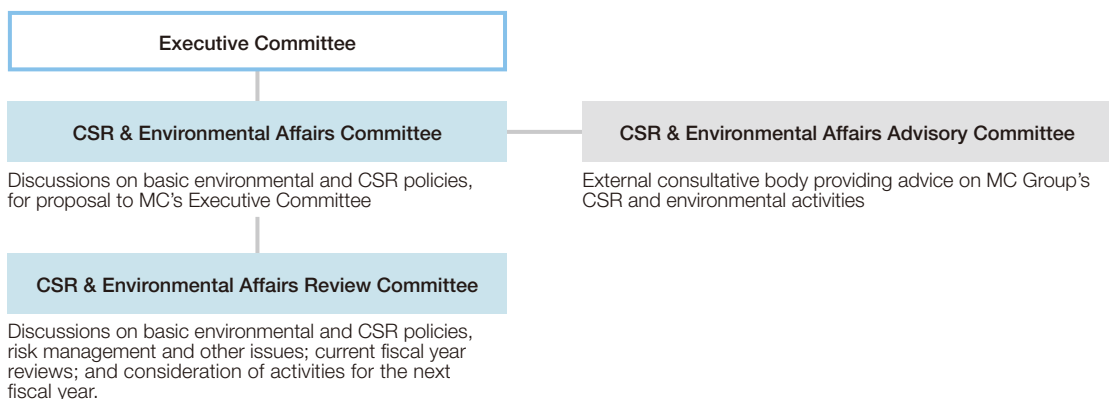
MC also has a CSR & Environmental Affairs Advisory Committee, which provides advice and proposals on MC's environmental and CSR activities. MC believes that it is necessary to factor in the opinions of outside experts as it continues to develop its operations on a global scale and in concert with the needs of its stakeholders. Made up of eight external experts, the CSR & Environmental Affairs Advisory Committee offers a wide range of advice on issues related to CSR, environmental trends and social contribution activities.

Members of the CSR & Environmental Affairs Advisory Committee

(Fiscal Year Ended March 31, 2010)

	Eiichiro Adachi Research Chief, The Japan Research Institute, Ltd.		Hiroshi Kito Professor of Economic History and Historical Demography, Sophia University		Yasushi Hibi Director of Japan Program, Conservation International
	Mizue Unno Managing Director, So-Tech Consulting, Inc.		Takejiro Sueyoshi Special Advisor to the UNEP Finance Initiatives in the Asia Pacific Region		James E. Brumm Executive Advisor, Mitsubishi International Corporation
	Keiko Katsu Freelance Newscaster		Peter D. Pedersen Chief Executive, E-Square		Hideyuki Nabeshima (Chairperson) Member of the Board, Senior Executive Vice President (CSR & Environmental Affairs)

Overview of the Organization Framework



Examples of MC Activities

In the environmental field, recognizing climate change as an important issue, MC is working to cut CO₂ emissions at its head office in Japan through the “CO₂ Action Project” as well as through initiatives that extend to Group companies. Furthermore, in April 2010, MC established the Global Environment Business Development Group with the aim of strengthening efforts in infrastructure projects that have an increased focus on the global environment. Through new energy businesses such as solar photovoltaic power generation, environmental and water, overseas power generation and other businesses, MC is continuing

to contribute in many ways to the realization of an environmentally friendly, low-carbon society.

MC’s social contribution activities, mainly in the fields of the global environment, public welfare, education, culture and the arts and international exchange, prioritize continual programs and voluntary efforts by employees worldwide. MC believes it is important for each and every employee to have a heightened awareness of contributing to society. For this reason, MC runs various programs that encourage employees to participate in volunteer activities.



Tropical Forest Regeneration Experimental Project (Malaysia)



Friendship Camp for Mothers and Children (Japan)



Support for children’s education (Laos)

Participation in the Carbon Disclosure Project (CDP) and Third-Party Reviews of CO₂ Emissions

MC has been participating in the Carbon Disclosure Project (CDP) since the year ended March 2004, pursuant to which we disclose our CO₂ emissions and how we are addressing climate change. Furthermore, since the year ended March 2006, we have requested third-party reviews of our CO₂ emissions data in order to ensure the integrity of CO₂ emissions reporting. We will continue working to ensure the integrity of the data we disclose, including CO₂ emissions, amid the ever-increasing importance of timely and relevant information dissemination as the world shifts towards a low-carbon society.

Inclusion in Socially Responsible Investment (SRI) Indices and SRI Funds

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.



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/jp/en/csr/library/>

Members of the Board

(As of July 1, 2010)



Yorihiro Kojima

2010 Chairman of the Board
1965 Joined Mitsubishi Corporation



Ken Kobayashi*

2010 President, Chief Executive Officer
1971 Joined Mitsubishi Corporation



Hideto Nakahara

2010 Global Strategy & Business Development
2007 *to present*
Executive Vice President
1973 Joined Mitsubishi Corporation



Tsuneo Iyobe*

2010 Corporate Administration, Legal & Human
Resources
2008 *to present*
Executive Vice President
1973 Joined Mitsubishi Corporation



Kiyoshi Fujimura

2010 Audits & Internal Control
2008 *to present*
Executive Vice President
1972 Joined Mitsubishi Corporation



Tamotsu Nomakuchi**

2009 *to present*
President, National Institute of Advanced
Industrial Science and Technology
2007 *to present*
Member of the Board, Mitsubishi Corporation
Chairman, Mitsubishi Electric Corporation (April
2009: Director, Mitsubishi Electric Corporation,
Retired in June 2010)
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 of Commerce and
Management, Hitotsubashi University



Kazuo Tsukuda**

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



Ryoichi Ueda*

2010 Senior Executive Vice President, Chief Financial Officer, MC Group Management Foundations Development
1973 Joined Mitsubishi Corporation



Masahide Yano*

2010 Senior Executive Vice President, Group CEO, Living Essentials Group, Regional Strategy (Japan)
1971 Joined Mitsubishi Corporation



Hideyuki Nabeshima*

2010 Senior Executive Vice President, Group CEO, Business Service Group, Corporate Communications, Chief Compliance Officer, CSR & Environmental Affairs
1972 Joined Mitsubishi Corporation



Yasuo Nagai*

2010 Executive Vice President, Regional Strategy (Japan), (Concurrently) General Manager, Kansai Branch
1977 Joined Mitsubishi Corporation



Mikio Sasaki

2010 Senior Corporate Advisor
1960 Joined Mitsubishi Corporation



Ryozo Kato**

2009 *to present*
Member of the Board, Mitsubishi Corporation
2008 Retired from the Ministry of Foreign Affairs of Japan
to present
Commissioner, Nippon Professional Baseball
1965 Joined the Ministry of Foreign Affairs of Japan



Hidehiro Konno**

2010 Member of the Board, Mitsubishi Corporation
2003 Chairman and CEO, Nippon Export and Investment Insurance (Retired in July 2009)
2002 Retired from Ministry of International Trade and Industry
1968 Joined Ministry of International Trade and Industry (MITI)

■ * Indicates a representative director.
■ ** Indicates an outside director as provided for in Article 2-15 of the Companies Act.

Executive Officers

(As of July 1, 2010)

Ken Kobayashi**

President,
Chief Executive Officer

[Senior Executive Vice Presidents]

Ryoichi Ueda**

Chief Financial Officer,
MC Group Management
Foundations Development

Masahide Yano**

Group CEO,
Living Essentials Group,
Regional Strategy (Japan)

Hideyuki Nabeshima**

Group CEO,
Business Service Group,
Corporate Communications,
Chief Compliance Officer,
CSR & Environmental Affairs

[Executive Vice Presidents]

Tsunao Kijima

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

Koichi Komatsu

Regional CEO, Americas,
(Concurrently)
Chairman,
Mitsubishi International Corporation

Hideshi Takeuchi

Group CEO,
Industrial Finance, Logistics
& Development Group

Seiji Kato

Group CEO,
Energy Business Group

Hideto Nakahara*

Global Strategy
& Business Development

Tsuneo Iyobe**

Corporate Administration,
Legal & Human Resources

Jun Yanai

Group COO,
Energy Business Group

Shosuke Yasuda

General Manager,
Nagoya Branch

Jun Kinukawa

Group CEO,
Metals Group

Kiyoshi Fujimura*

Audits & Internal Control

Osamu Komiya

Group CEO,
Machinery Group

Seiei Ono

Chief Regional Officer,
North America,
(Concurrently)
President,
Mitsubishi International Corporation

Takahisa Miyauchi

Group CEO,
Chemicals Group

Tetsuro Terada

Regional CEO,
Europe-CIS,
Middle East & Africa,
(Concurrently)
Managing Director,
Mitsubishi Corporation International
(Europe) Plc.

Nobuaki Kojima

Group CEO,
Global Environment Business
Development Group

Masayuki Mizuno

Regional CEO,
Asia & Oceania,
(Concurrently)
General Manager,
Jakarta Representative Office

Seiji Shiraki

Group COO,
Machinery Group

Toru Moriyama

Group COO,
Living Essentials Group

Yasuo Nagai**

Regional Strategy (Japan),
(Concurrently)
General Manager,
Kansai Branch

[Senior Vice Presidents]

Tetsuro Kuwabara

Division COO,
Natural Gas Business Div. B

Hiroyuki Tarumi

Chief Regional Officer, Africa,
(Concurrently)
General Manager,
Johannesburg Branch

Sumio Ariyoshi

Division COO,
Healthcare & Marketing
Service Div.

Tetsuo Nishiumi

Executive Vice President,
Mitsubishi International Corporation

Chikara Yamaguchi

Deputy Chief Representative
for China,
(Concurrently)
President,
Mitsubishi Corporation
(Shanghai) Ltd.

Hironobu Abe

General Manager,
Kyushu Branch

Ichiro Ando

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

Michio Kaga

Division COO,
General Merchandise Div.

Tomohiko Fujiyama

Senior Assistant to EVP,
Business Development

Shigeaki Yoshikawa

Chief Regional Officer,
Middle East

Koichi Narita

President, SIGMAXYZ Inc.

Keiichi Nakagaki

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

Eiichi Tanabe

Treasurer

Takahiro Mazaki

Officer for E&P,
Energy Business Group

Yasuyuki Sakata

General Manager,
Industrial Finance, Logistics &
Development Group CEO Office

Yasuyuki Sugiura

General Manager,
Corporate Communications Dept.

Shuma Uchino

General Manager,
Corporate Accounting Dept.

Toshimitsu Urabe

Deputy Chief Representative
for China,
(Concurrently)
President,
Mitsubishi Corporation
(Hong Kong) Ltd.

Morikazu Chokki

Division COO,
Isuzu Business Div.

Keiichi Asai

Division COO,
Environmental & Water Business Div.

Ichiro Miyahara

Division COO,
Development & Construction
Project Div.

Kozo Shiraji

Division COO,
Motor Vehicle Business Div.

Shunichi Matsui

President,
Mitsubishi International G.m.b.H.,
(Concurrently)
Senior Assistant to
Regional CEO, Europe-CIS,
Middle East & Africa

Morinobu Obata

Division COO,
Textiles Div.

Kenji Tani

Division COO,
Non-Ferrous Metals Div.

Takehiko Kakiuchi

Division COO,
Foods (Commodity) Div.

Kazushi Okawa

Division COO,
Infrastructure Project Div.

Yoshihiko Kawamura

Division COO,
IT Service Div.

Yasuhiro Hirota

General Manager,
Corporate Administration Dept.

Hajime Hirano

Division COO,
Petroleum Business Div.

Yuichi Hiromoto

Division COO,
Asset Finance &
Business Development Div.

Kanji Nishiura

General Manager,
Metals Group CEO Office

Tatsuya Kiyoshi

Division COO,
Commodity Chemicals Div. A

* Represents members of the Board
** Represents representative directors

Corporate Section

086 General Information

090 Principal Subsidiaries and Affiliates

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, 2010

	Number of shares issued	Number of shareholders
As of March 31, 2009	1,696,046,684	281,707
Change	640,187	-48,673
As of March 31, 2010	1,696,686,871	233,034

Note: The increase in the number of shares issued was due to the exercise of stock options and stock acquisition rights of bonds with acquisition rights during the fiscal year ended March 31, 2010.

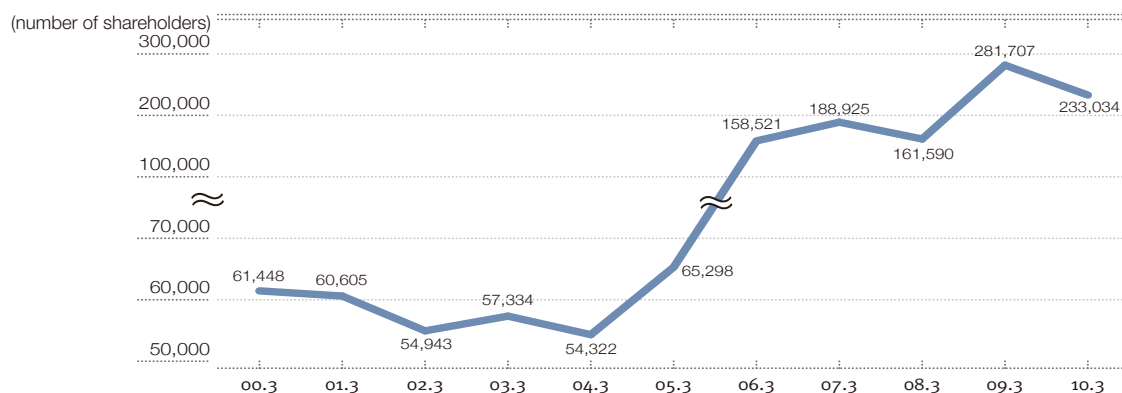
- (3) The Company decided to reduce its Unit Stock from 1,000 shares to 100 shares on September 1, 2004.

Principal Shareholders

Name	Shareholding (Rounded down to the nearest thousand shares)	
	Number of shares (thousands)	Shareholding (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	113,153	6.88
Tokio Marine & Nichido Fire Insurance Co., Ltd.	90,061	5.47
Meiji Yasuda Life Insurance Company	72,052	4.38
The Master Trust Bank of Japan, Ltd. (Trust Account)	68,698	4.17
The Master Trust Bank of Japan, Ltd. (Mitsubishi Heavy Industries, Ltd. Account, Retirement Benefit Trust Account)	48,920	2.97
The Chase Manhattan Bank, N.A. London, S.L. Omnibus Account	33,061	2.01
State Street Bank and Trust Company 505225	26,883	1.63
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	25,620	1.55
The Nomura Trust and Banking Co., Ltd. (Pension Benefit Trust Account, Mitsubishi UFJ Trust and Banking Corporation)	22,088	1.34
Mellon Bank, N.A. As Agent For Its Client Mellon Omnibus US Pension	19,963	1.21

- Notes: 1. As of March 31, 2010.
 2. In addition to the above, the Company has treasury stock of 52,924,915 shares.
 3. Shareholding was computed excluding total treasury stock.

Number of Shareholders



Shareholder Composition (Shareholding Ratio)



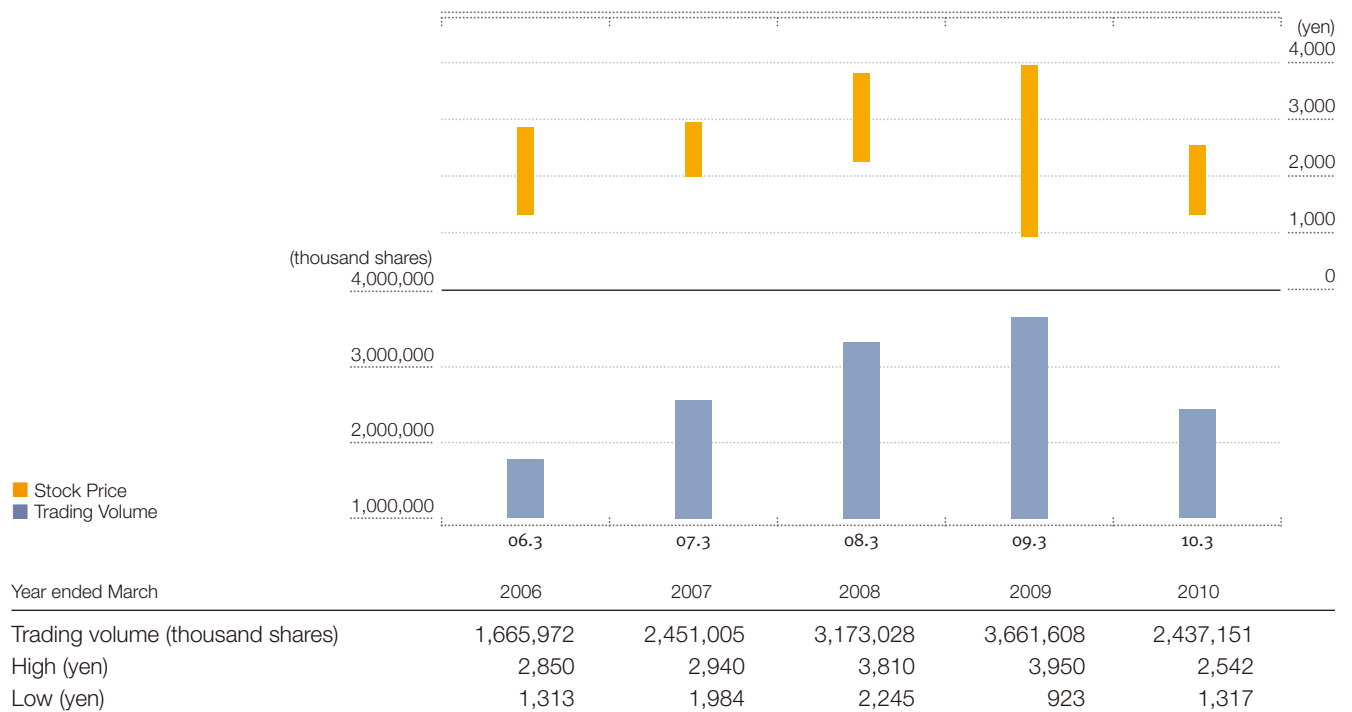
	Public sector	Financial institutions	Securities companies	Other companies	Foreign companies, etc.	Individuals and others	Total
Year ended March 2010	561	6,729,628	269,655	1,376,247	6,027,557	2,557,435	16,961,083
Year ended March 2005	2	7,572,158	104,710	1,865,911	4,702,818	1,421,727	15,667,326
Year ended March 2000	49	856,569	3,038	260,649	283,923	154,503	1,558,731

(One Unit Stock)

Notes: 1. Figures represent Unit Stock.

2. The number of shares for 1 Unit Stock for the year ended March 2000 was 1,000 shares, and from the year ended March 2005 was 100 shares.

Stock Price Range and Trading Volume



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	—	—	125	480	591	9,578	13,324
Class and number of shares to be issued for the purpose of issuing stock acquisition rights	3,000 shares of Mitsubishi Corporation's common stock	254,000 shares of Mitsubishi Corporation's common stock	125,000 shares of Mitsubishi Corporation's common stock	480,000 shares of Mitsubishi Corporation's common stock	591,000 shares of Mitsubishi Corporation's common stock	957,800 shares of Mitsubishi Corporation's common stock	1,332,400 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, 2010.
 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	June 1, 2009	August 3, 2009
Number of stock acquisition rights	2,640	138	1,463	3,277	266	4,008	590	10,976
Class and number of shares to be issued for the purpose of issuing stock acquisition rights	264,000 shares of Mitsubishi Corporation's common stock	13,800 shares of Mitsubishi Corporation's common stock	146,300 shares of Mitsubishi Corporation's common stock	327,700 shares of Mitsubishi Corporation's common stock	26,600 shares of Mitsubishi Corporation's common stock	400,800 shares of Mitsubishi Corporation's common stock	59,000 shares of Mitsubishi Corporation's common stock	1,097,600 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	Issued in gratis	Issued in gratis
Price per share due upon exercise of stock acquisition rights (Exercise Price)	¥1	¥1	¥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	June 2, 2009 through June 25, 2038	August 4, 2009 through June 24, 2039

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 ("rjji") 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 ("rjji") of the Company, they cannot exercise such rights. Regarding August 2008 and June 2009 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 ("rjji") 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 ("rjji") of the Company, they cannot exercise such rights. Regarding grants in August 2009, eligible persons may exercise their stock acquisition rights from the earlier of June 25, 2011 or the day after losing their position as either a director, executive officer or senior vice president ("rjji") 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 ("rjji") of the Company, they cannot exercise such rights.
 2. The "Number of stock acquisition rights" is the number remaining as of March 31, 2010.

(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	181
Class and number of shares to be issued for the purpose of issuing stock acquisition rights	761,784 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, 2010.

Directors' and Corporate Auditors' Shareholdings

Title	Name	Number of shares held (thousands)	Title	Name	Number of shares held (thousands)
Chairman of the Board	Yorihiko Kojima	119	Director	Tamotsu Nomakuchi	3
President, Chief Executive Officer	Ken Kobayashi	40	Director	Kunio Ito	-
Director	Ryoichi Ueda	36	Director	Kazuo Tsukuda	3
Director	Masahide Yano	55	Director	Ryozo Kato	1
Director	Hideyuki Nabeshima	35	Director	Hidehiro Konno	3
Director	Hideito Nakahara	30	Senior Corporate Auditor	Yukio Ueno	90
Director	Tsuneo Iyobe	27	Corporate Auditor	Eiji Oshima	5
Director	Kiyoshi Fujimura	26	Corporate Auditor	Shigeru Nakajima	-
Director	Yasuo Nagai	7	Corporate Auditor	Eiko Tsujiyama	-
Director	Mikio Sasaki	172	Corporate Auditor	Eisuke Nagatomo	-

Note: The number of shares held is as of June 24, 2010. 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 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 procedures for handling shares, shareholders with a trading account at a securities company or other institution should contact that securities company or other institution, while shareholders who have not opened an account with a securities company or other institution should contact the following Account Management Institution regarding special accounts. Non-resident shareholders are required to appoint and notify the Company of a standing proxy in Japan.

(Transfer Agent for Shares and Special Accounts, Account Management Institution)
Mitsubishi UFJ Trust and Banking Corporation
Corporate Agency Division
10-11, Higashisuna 7-chome, Koto-ku, Tokyo 137-8081, Japan
Telephone: 0120-232-711 (within Japan)

IR Site

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

(English)

<http://www.mitsubishicorp.com/jp/en/ir/>

(Japanese)

<http://www.mitsubishicorp.com/jp/ja/ir/>

Principal Subsidiaries and Affiliates

(As of March 31, 2010)

Corporate Development Section*¹

COMPANY NAME	VOTING RIGHTS (%)	MAIN BUSINESS
<Subsidiaries>		
■ Bewith, Inc. (Japan)	100.00	Outsourcing service provider (Contact Center)
■ IT Frontier Corporation (Japan)	100.00	IT-related business solutions, system integration services, IT management services and product marketing, etc.
MC Silicon Valley, Inc. (U.S.A.)* ²	100.00	Management of marketable securities
<Equity-method affiliates>		
■ Amper Central Solar, S.A. (Portugal)	34.40	Solar photovoltaic energy
■ Frontier Carbon Corporation (Japan)	50.00	Production and sales of fullerenes

*¹ Due to reorganization on April 1, 2010, ■ were transferred to the Global Environment Business Development Group while ■ were transferred to the Business Service Group.

*² MC Silicon Valley, Inc. was transferred from the Corporate Development Section to the Innovation Center.

Industrial Finance, Logistics & Development Group

COMPANY NAME	VOTING RIGHTS (%)	MAIN BUSINESS
<Subsidiaries>		
Alternative Investment Capital Ltd. (Japan)	51.00	Private equity fund investments
Diamond Realty Investments, Inc. (U.S.A.)	100.00	Real estate investment
Diamond Realty Management Inc. (Japan)	100.00	Real estate asset management and investment advisory
Healthcare Management Partners, Inc. (Japan)	66.00	Asset management of a fund investing in hospitals and nursing care facilities
Lifetime Partners, Inc. (Japan)	100.00	Management support for hospitals and nursing care providers
MC Aviation Financial Services (Europe) B.V. (The Netherlands)	100.00	Aircraft leasing and finance
MC Aviation Partners Inc. (Japan)	100.00	Aircraft leasing and management services
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 Terminal Co., Ltd. (Japan)	100.00	Tankyard operation
MCAP EUROPE LIMITED (Ireland)	100.00	Aircraft leasing and management services
Mitsubishi Corporation Insurance Co., Ltd. (Japan)	100.00	Insurance agency
Mitsubishi Corporation Capital Ltd. (Japan)	100.00	Financial instruments dealing business
Mitsubishi Corporation LT, Inc. (Japan)	100.00	Warehousing and total logistics services
Mitsubishi Corp.-UBS Realty Inc. (Japan)	51.00	Investment management business
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
RED DIAMOND CAPITAL PARTNERS, LP (U.S.A.)	100.00	Investment fund
Seto Futo Co., Ltd. (Japan)	61.65	Dry bulk terminal 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 UFJ Lease & Finance Company Ltd. (Japan)	20.00	Leasing, installment sales, other financing
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
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 Exploration (USA) 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 P.T. Medco Energi Internasional (Indonesia)
Energi Mega Pratama Inc. (Indonesia)	25.00	Exploration, development, and production of oil and natural gas in Indonesia
Japan Australia LNG (MIM) 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	Mining of chrome ore, production and sales of ferrochrome
JECO Corporation (Japan)	70.00	Investment company for Minera Escondida Ltda. copper mines in Chile
M.C. Inversiones Limitada (Chile)	100.00	Investment company for Chilean iron ore mines
MC Copper Holdings B.V. (The Netherlands)	100.00	Investment company for Los Pelambres copper mine in Chile
MC Iron Ore Sales Inc. (U.S.A.)	100.00	Partner in partnership (IOC OS) selling Iron Ore Company of Canada iron ore
Metal One Corporation (Japan)	60.00	Steel products operations
Mitsubishi Corporation Futures Ltd. (Japan)	100.00	Commodity broker
Mitsubishi Development Pty Ltd (Australia)	100.00	Investment, production and sales of coals and other metals resources
Mitsubishi Corporation Unimetals Ltd. (Japan)*	100.00	Metal trading 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
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)	91.70	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 (Japan)	97.31	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)	39.24	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

* Mitsubishi Corporation Unimetals Ltd. and Mitsubishi Shoji Light Metal Sales Corporation were merged and renamed Mitsubishi Corporation Unimetals Ltd. on April 1, 2010.

Machinery Group*1

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 and chartering
■ Diamond Generating Asia, Limited (Hong Kong)	100.00	Independent power producer
■ 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 domestic 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 machinery and other equipment
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
Spitalgate Dealer Services Ltd. (U.K.)	100.00	Automobile finance
■ TeaM Diamond Holding Corporation (Philippines)	51.21	Independent power producer
Thai Auto Sales Co., Ltd. (Thailand)* ²	93.50	Automobile finance
The Colt Car Company Ltd. (U.K.)	100.00	Distribution of automobiles
Tri Petch Isuzu Sales Co., Ltd. (Thailand)	88.73	Distribution of automobiles
<Equity-method affiliates>		
Chiyoda Corporation	33.75	Plant engineering business
■ Curaçao Energy Company, Ltd. (Cayman Islands, British overseas territory)	50.00	Independent power producer
■ 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
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
Vina Star Motors Corporation (Vietnam)	25.00	Automobile assembly and distribution

*¹ Due to reorganization on April 1, 2010, ■ were transferred to the Global Environment Business Development Group.

*² Thai Auto Sales Co., Ltd. was renamed Tri Petch Isuzu Leasing Co., Ltd. on April 1, 2010.

Chemicals Group

COMPANY NAME	VOTING RIGHTS (%)	MAIN BUSINESS
<Subsidiaries>		
Chuo Kasei Co., Ltd. (Japan)	100.00	Manufacturing and marketing of chemical products
KIBIKASEI CO., LTD. (Japan)	100.00	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 Ferticom Co., Ltd. (Japan)	72.83	Manufacturing and marketing of fertilizer
MC Life Science Ventures, Inc. (U.S.A.)	100.00	Corporate venture capital and business incubation
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)	33.05	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 processed 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
d-rights Inc. (Japan)	100.00	Production of animation and other contents, sale of broadcasting rights and licensing business
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)	65.03	Fast-food restaurant chain and home-delivery pizza stores
Life Gear Corporation (Japan)	100.00	Sales and marketing of footwear
MC Fashion Co., Ltd. (Japan)* ¹	100.00	Design, manufacturing and sales of apparel products
MC Merchant Services Co., Ltd. (Japan)	100.00	Credit card processing and payment services
MC Medical, Inc. (Japan)	100.00	Export and import as well as domestic sales of medical equipment and devices

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	Sales and marketing of packaging materials, paper, paperboard and corrugated containerboard, as well as 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
Nihon Hospital Service Co., Ltd. (Japan)* ²	66.00	Procurement of medical supplies, management of supply centers and back-office support for hospital management
Nippon Care Supply Co., Ltd. (Japan)	65.53	Rental and sales of nursing care equipment and items
Nitto Fuji Flour Milling Co., Ltd. (Japan)	64.02	Flour miller
Nosan Corporation (Japan)	100.00	Manufacturing and marketing of livestock feed
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)	51.16	Wholesale of food products
San-Esu Inc. (Japan)	91.93	Wholesale of confectionery
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)	81.73	Processing and sales of marine products
Tredia Fashion Co., Ltd. (Hong Kong)	100.00	Sales and production control of apparel products
<Equity-method affiliates>		
Atunes De Levante, S.A. (Spain)	49.00	Farming of tuna
Coca-Cola Central Japan Co., Ltd. (Japan)	22.95	Manufacturing and sales of soft drinks
create restaurants inc. (Japan)	41.07	Operation of restaurants based on various concepts under different brands in Japan
Ensui 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 Kishu Paper, Co., Ltd. (Japan)	24.72	Manufacturing, processing and sales of paper and pulp
Itoham Foods, Inc (Japan)	20.06	Manufacturing and sales of meats and processed foods
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, importing and sales of mineral water
LAWSON, INC. (Japan)	32.67	Franchise chain of LAWSON convenience stores
Life Corporation (Japan)	21.30	Supermarket chain stores
Maruichi Co., Ltd. (Japan)	20.00	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
T-Gaia Corporation (Japan)	22.78	Handling of subscriber contracts for various communication services, sales of hand-sets and equipment
The Nisshin Oil&O 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 CORPORATION (Japan)	24.60	Sales of meats, manufacturing and sales of processed foods

*¹ MC Fashion Co., Ltd. was renamed Mitsubishi Corporation Fashion Co., Ltd. on April 1, 2010.

*² Nihon Hospital Service Co., Ltd. and Apprecia, Inc. were merged and renamed MC Healthcare, Inc. on April 1, 2010.

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	Treasury services, 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

Main Regional Subsidiaries

COMPANY NAME	VOTING RIGHTS (%)	MAIN BUSINESS
<Subsidiaries>		
Mitsubishi Corporation International N.V.* ¹	100.00	Holding company for European subsidiaries
Mitsubishi Australia Ltd.	100.00	Trading
Mitsubishi Corporation (Hong Kong) Ltd.	100.00	Trading
Mitsubishi Corporation (UK) PLC* ²	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 Ltd.	67.80	Trading

*¹ Mitsubishi Corporation International N.V. was renamed MC Europe Holdings N.V. on April 1, 2010.

*² Mitsubishi Corporation (UK) PLC was renamed Mitsubishi Corporation International (Europe) Plc. on April 1, 2010.

Financial Section

096	Management's Discussion and Analysis of Financial Condition and Results of Operations
124	Six-Year Financial Summary
126	Consolidated Balance Sheets
128	Consolidated Statements of Income
129	Consolidated Statements of Comprehensive Income (Loss)
130	Consolidated Statements of Equity
131	Consolidated Statements of Cash Flows
132	Notes to Consolidated Financial Statements
179	Independent Auditors' Report
180	Supplementary Explanation
181	Management Internal Control Report (Translation)
182	Independent Auditors' Report filed under the Financial Instruments and Exchange Act of Japan (Translation)
184	Responsibility Statement

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 Act 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.

MC has had a Disclosure Committee, which evaluated the information contained in the financial section of this annual report for the year ended March 2010 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.



A handwritten signature in black ink, appearing to be 'Ryoichi Ueda', written in a cursive style.

Ryoichi Ueda
Member of the Board,
Senior Executive Vice President,
Chief Financial Officer

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

1. Results of Operations

In the year ended March 2010, the world economy headed for recovery thanks to pump-priming measures and quantitative easing by countries around the world after having witnessed a sharp downturn in the previous fiscal year. Emerging countries saw steady economic expansion on the back of strong internal demand in China, India and certain other nations. This contrasted with developed countries, which failed to achieve bona fide economic recoveries as stimulus measures had only a limited impact and worsening employment conditions dampened consumption. Share prices and international commodity prices posted moderate rises under the aforementioned conditions. In Japan, an upturn in exports, mainly to emerging countries, helped the economy to stage a gentle improvement. Strengthening deflation, attributable in part to the yen's appreciation, and anemic domestic demand, however, meant that the recovery lacked strength.

Against this economic backdrop, we saw gross profit decline ¥446.5 billion, or 30.5%, to ¥1,016.7 billion, mainly reflecting the impact of lower prices for Australian-produced coking coal, lower sales volumes of steel products accompanying falling demand, and declines in commodity prices across the board.

Other expenses (income), selling, general and administrative expenses decreased ¥35.0 billion, or 4.0%, as the result of efforts to reduce general and administrative expenses, including travel, transportation and entertainment expenses. Dividend income decreased mainly from resource-related business investments from the previous fiscal year on account of lower resource prices. On the other hand, there was an improvement in loss on marketable securities and investments—net due to lower write-downs of shares (investment impairments) year on year and gains recognized on the sale of shares, despite write-downs (investment impairments) recorded for Japan Airlines Corporation shares and Mitsubishi Motors Corporation preferred shares. Foreign exchange gains and losses improved as well.

Equity in earnings of Affiliated companies declined ¥43.4 billion, or 27.7%, to ¥113.4 billion, mainly due to lower earnings at overseas resource-related companies.

Accordingly, net income attributable to Mitsubishi Corporation dropped ¥96.8 billion, or 26.2%, to ¥273.1 billion. While the Energy and Metals segments recorded lower earnings year on year, the Machinery, Chemicals and Living Essentials segments all saw earnings rise. The Industrial Finance, Logistics & Development segment recorded a substantial improvement.

Total equity increased ¥578.2 billion, or 21.5%, from March 31, 2009 to ¥3,266.8 billion at March 31, 2010. Total Mitsubishi Corporation shareholders' equity rose ¥578.0 billion, or 24.3%, to ¥2,961.4 billion. In addition to the accumulation of net income attributable to Mitsubishi Corporation, this reflected an increase

in net unrealized gains on securities available for sale resulting from an increase in unrealized gains on listed shareholdings, and an improvement in foreign currency translation adjustments as a result of an increase in net assets denominated in Australian dollars and the Thai baht due to the yen's depreciation.

Net interest-bearing liabilities, gross interest-bearing liabilities minus cash and cash equivalents, at March 31, 2010 were ¥2,955.2 billion, a decrease of ¥596.0 billion, or 16.8%, from March 31, 2009. As a result, the net debt-to-equity ratio, which is net interest-bearing liabilities divided by total Mitsubishi Corporation shareholders' equity at year-end, was 1.0, which was 0.5 of a point lower than at March 31, 2009.

Free cash flow, the sum of operating and investing cash flows, was ¥619.4 billion.

Net cash provided by operating activities was ¥760.6 billion. Cash was chiefly provided by progress made collecting funds in line with a decrease in working capital requirements primarily at the Parent and Metal One Corporation, in addition to cash flows from operating transactions at resource-related subsidiaries and firm growth in dividend income from business investments, mainly resource-related companies. On the other hand, net cash used in investing activities was only ¥141.2 billion, the result of curbing investment.

Net cash used in financing activities was ¥755.1 billion. In addition to the payment of dividends by the Parent, cash was used for the repayment of debt in line with a decrease in working capital requirements.

As a result of the above, cash and cash equivalents at March 31, 2010 were ¥1,093.5 billion, down ¥121.6 billion, or 10.0%, from March 31, 2009.

In terms of our forecast for the year ending March 2011, we are projecting net income attributable to Mitsubishi Corporation of ¥370.0 billion, ¥96.9 billion, or 35.0%, higher year on year, due to expected higher transaction volumes from recovery in commodities markets and improvement in real economies, and an improvement in gain (loss) on marketable securities and investments—net.

Regarding fluctuations in exchange rates, a ¥1 per US\$ depreciation had an approximate ¥1.6 billion positive impact on net income attributable to Mitsubishi Corporation in the past. However, we now estimate that impact at ¥2.1 billion after reviewing forecasts for the year ending March 2011 and other assumptions. The forecast for the year ending March 2011 includes projected total write-downs of listed shareholdings of approximately ¥6.0 billion (after-tax), assuming a Nikkei Average of ¥11,000, the level at the end of March 2010.

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.

Core Earnings

	Millions of Yen				
	2006.3	2007.3	2008.3	2009.3	2010.3
Gross profit—SG&A expenses	¥356,861	¥411,602	¥351,196	¥597,677	¥186,177
Interest expense (net of interest income)	(4,409)	(14,411)	(12,292)	(23,318)	(12,627)
Dividend income	72,065	136,999	134,623	124,663	91,516
Equity in earnings of Affiliated companies	124,797	152,208	155,008	156,763	113,373
Core earnings*	¥549,314	¥686,398	¥628,535	¥855,785	¥378,439

* 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.

Year Ended March 2010 vs. Year Ended March 2009

1) Total Revenues

Total revenues were ¥4,541.5 billion, down ¥1,604.9 billion, or 26.1%, from the year ended March 2009.

There was a ¥1,476.1 billion, or 27.1%, year-on-year decrease in revenues from trading, manufacturing and other activities to ¥3,968.2 billion. Trading margins and commissions on trading transactions decreased ¥128.8 billion, or 18.3%, to ¥573.3 billion. The main reasons for changes by segment were as follows:

- The Energy Business Group saw revenues decrease ¥584.9 billion, or 37.6%, to ¥969.2 billion, as the result mainly of a decline in earnings on transactions at the Parent and overseas resource-related subsidiaries, due to lower crude oil prices and the stronger yen, which led to a decline in revenues from trading, manufacturing and other activities.
- The Metals Group recorded a ¥651.1 billion, or 49.2%, year-on-year decline in revenues to ¥672.4 billion, reflecting a decrease in revenues from trading, manufacturing and other activities. This decline was attributable to a number of factors, including lower commodity prices and lower transactions at the Parent, lower sales prices at an Australian resource-related subsidiary (coking coal), and lower sales prices for steel products and sales volume at a steel products-related subsidiary.
- The Chemicals Group recorded a ¥156.0 billion, or 17.9%, decline in revenues to ¥715.5 billion, reflecting a decline in revenues from trading, manufacturing and other activities from the previous fiscal year when strong commodity chemical transactions were recorded on the back of soaring prices.
- The Living Essentials Group recorded a ¥153.0 billion, or 9.3%, year-on-year decline in revenues to ¥1,494.9 billion. This reflected a decrease in revenues from trading, manufacturing and other activities due to lower earnings on transactions at the Parent, food-related businesses and general merchandise-related subsidiaries.

2) Gross Profit

Gross profit declined ¥446.5 billion, or 30.5%, to ¥1,016.7 billion, mainly reflecting the impact of lower coking coal prices, lower sales volumes of steel products accompanying soft demand, and declines mainly in resource-related commodity prices.

3) Selling, General and Administrative Expenses

Selling, general and administrative (SG&A) expenses decreased ¥34.9 billion, or 4.0%, to ¥830.6 billion. This decline resulted from successful efforts to reduce general and administrative expenses, including travel, transportation and entertainment expenses, as well as lower selling expenses in line with a drop in sales volumes.

4) Provision for Doubtful Receivables

The expense for Provision for doubtful receivables that was recorded during the year ended March 2010 was ¥4.7 billion, which is a ¥4.1 billion or 46.6% decrease from the provision expensed in the previous fiscal year. The decline in provision is a result of a partial recovery in the global economy from the severe economic conditions that existed in the previous fiscal year.

5) Interest Expense (net of interest income)

Net interest expense was ¥12.6 billion, ¥10.7 billion, or 45.9%, lower year on year. This resulted from lower funding costs due mainly to lower yen interest rates.

6) Dividend Income

Dividend income decreased ¥33.1 billion, or 26.6%, to ¥91.5 billion, due to a drop in dividend income particularly from non-ferrous metals-related businesses in line with falling commodity prices. Of the dividend income, resource-related dividend income was ¥68.0 billion and dividend income related to manufacturing, sales and other activities was ¥23.5 billion.

7) Loss on Marketable Securities and Investments—Net

In the year ended March 2010, we recorded a net loss of ¥2.9 billion, but this represented a substantial improvement of ¥152.9 billion, or 98.1%, from the previous fiscal year, when we recorded large write-downs of listed shares due to falling share prices across the board. The improvement in the year ended March 2010 reflected the impairment losses in the previous fiscal year as well as an increase in gains on the sale of shares.

8) Loss on Property and Equipment—Net

We recorded a net loss on property and equipment of ¥15.6 billion, ¥29.6 billion, or 65.5%, less than the net loss recorded in the year ended March 2009, when we recorded impairment losses on property and equipment at overseas resource-related projects.

9) Other (Income) Expense—Net

We recorded net other income of ¥52.4 billion, an improvement of ¥153.3 billion, or 151.9%, from the net other expense recorded in the year ended March 2009. This primarily reflected an improvement in foreign exchange gains and losses of overseas subsidiaries commensurate with gross profit.

10) Income From Continuing Operations Before Income Taxes and Equity in Earnings of Affiliated Companies

Income from continuing operations before income taxes decreased ¥93.9 billion, or 24.2%, to ¥294.3 billion. This reflected a ¥446.5 billion, or 30.5%, drop in gross profit resulting from lower coking coal prices, lower sales volumes of steel products accompanying falling demand, and falling resource-related and other commodity prices. The extent of the decline in earnings, however, was limited by reduced selling, general and administrative expenses, in addition to substantial improvements in net loss on marketable securities and investments, net loss on property and equipment, and net other income.

11) Income Taxes

Income taxes decreased ¥30.9 billion, or 20.8%, to ¥118.0 billion, due mainly to the decline in income from continuing operations before income taxes. Our effective tax rate was 40.1%.

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

	Billions of Yen		
	2008.3	2009.3	2010.3
Dividend income	¥134.6	¥124.7	¥ 91.5
Equity in earnings of Affiliated companies	155.0	156.8	113.4
Interest expense (net of interest income)	(12.3)	(23.3)	(12.6)

12) Equity in Earnings of Affiliated Companies

Equity in earnings of affiliated companies decreased ¥43.4 billion, or 27.7%, to ¥113.4 billion, primarily due to lower earnings at overseas resource-related companies.

13) Net Income Attributable to Noncontrolling Interest

Net income attributable to noncontrolling interests decreased ¥14.2 billion, or 46.3%, to ¥16.5 billion.

14) Net Income Attributable to Mitsubishi Corporation

Net income attributable to Mitsubishi Corporation decreased ¥96.8 billion, or 26.2%, to ¥273.1 billion. However, this result exceeded our initial forecast of ¥220.0 billion by ¥53.1 billion, or 24.1%. ROE decreased 3.9 percentage points to 10.2% from the previous fiscal year.

Diluted Earnings Per Share (EPS), Cash Dividends, Return on Equity (ROE), Price Earnings Ratio (PER), Price Book-value Ratio (PBR)

	2008.3	2009.3	2010.3
Diluted EPS (yen)	¥282.55	¥224.75	¥165.86
Cash dividends (yen)	56.00	52.00	38.00
ROE (%)	16.3	14.1	10.2
PER (times)	11.19	10.54	12.23
PBR (times)	1.8	1.6	1.1

Note: Annual average share price is used to calculate PER and PBR.

Year Ended March 2009 vs. Year Ended March 2008

1) Total Revenues

Total revenues were ¥6,146.4 billion, up ¥115.6 billion, or 1.9%, from the year ended March 2008. There was a ¥164.2 billion, or 3.1%, year-on-year increase in revenues from trading, manufacturing and other activities to ¥5,444.3 billion, despite lower commodity prices having a negative effect on revenues at the Parent. The rise was mostly the result of increased revenues due to higher commodity prices at subsidiaries.

Trading margins and commissions on trading transactions decreased ¥48.6 billion, or 6.5%, to ¥702.1 billion.

The main reasons for changes by segment were as follows:

- The Industrial Finance, Logistics & Development Group saw revenues decrease ¥81.8 billion year on year due mainly to lower transactions in the real estate-related business.
- The Metals Group recorded a ¥343.0 billion increase in revenues due to higher sales prices at an Australian resource-related subsidiary (coking coal).
- The Machinery Group saw revenues decline ¥239.6 billion from the year ended March 2008 on account of lower sales in overseas automobile operations and the effect of deconsolidating some subsidiaries.
- The Chemicals Group posted a ¥132.7 billion year-on-year decline in revenues, principally due to decreased revenues from lower commodity prices at the Parent.
- The Living Essentials Group recorded an increase of ¥182.5 billion in revenues due mainly to new consolidations of subsidiaries at the Parent.

2) Gross Profit

Gross profit increased ¥290.9 billion, or 24.8%, to a record high of ¥1,463.2 billion. This all-time-high result mainly reflected higher earnings on transactions due to increased sales prices at an Australian resource-related subsidiary (coking coal) and increased earnings from new consolidations.

3) Selling, General and Administrative Expenses

Selling, general and administrative (SG&A) expenses rose ¥44.5 billion, or 5.4%, to ¥865.5 billion, mainly due to increased pension expenses at the Parent and new consolidations. The increase came despite reduced personnel expenses at overseas subsidiaries.

4) Provision for Doubtful Receivables

The provision for doubtful receivables in the year ended March 2009 was ¥8.8 billion, ¥12.7 billion worse than the credit for doubtful receivables recorded in the previous fiscal year when there was a partial reversal of provisions and other factors.

5) Interest Expense (net of interest income)

Net interest expense was ¥23.3 billion, ¥11.0 billion higher year on year. This was the result of increased funding expenses accompanying higher yen interest and higher interest expenses at subsidiaries.

6) Dividend Income

Dividend income decreased ¥10.0 billion, or 7.4%, to ¥124.7 billion. The main reason was a drop in dividend income particularly from non-ferrous metals-related businesses in line with falling commodity prices.

7) Loss on Marketable Securities and Investments—Net

In the year ended March 2009, we recorded a net loss of ¥155.8 billion, ¥213.3 billion worse than the net gain recorded in the previous fiscal year. In addition to lower gains on the sales of shares, this reflected increased write-downs of listed shares due to falling share prices across the board.

8) Loss on Property and Equipment—Net

We recorded a net loss on property and equipment of ¥45.2 billion, ¥39.4 billion more than the net loss recorded in the year ended March 2008. This increase reflected mainly impairment losses on property and equipment at overseas resource-related projects.

9) Other Income (Expense)—Net

We recorded net other expense of ¥100.9 billion, ¥124.5 billion worse than the net other income recorded in the fiscal year ended March 2008. This mainly reflected deterioration in foreign exchange gains and losses of overseas subsidiaries commensurate with gross profit.

10) Income From Continuing Operations Before Income Taxes

Income from continuing operations before income taxes decreased ¥164.3 billion, or 29.7%, to ¥388.2 billion. Although gross profit increased ¥290.9 billion year on year to a record high, the overall decline reflected the net loss on marketable securities and investments due to falling share prices, the higher net loss on property and equipment, increased SG&A expenses, and the drop in net other income to net other expenses because of foreign currency movements.

11) Income Taxes

Income taxes decreased ¥32.8 billion to ¥148.9 billion. This was due mainly to the decline in pre-tax income. As a result, our effective tax rate was approximately 38%.

12) Equity in Earnings of Affiliated Companies

Equity in earnings of affiliated companies rose ¥1.8 billion, or 1.1%, to ¥156.8 billion, although these earnings were depressed by the recognition of listed share write-downs at an overseas IPP business. The main reason for the overall increase was higher earnings at overseas energy resource-related businesses which benefited from strong crude oil and other commodity prices in the first six months of the year ended March 2009.

13) Net Income Attributable to Noncontrolling Interests (Same as Minority Interests in Income of Consolidated Subsidiaries through the year ended March 2009)

Net income attributable to noncontrolling interests decreased ¥20.7 billion to ¥30.7 billion.

14) Net Income Attributable to Mitsubishi Corporation

Net income decreased ¥100.9 billion, or 21.4%, to ¥369.9 billion. As a result, ROE declined 2.2 percentage points from 16.3% to 14.1%.

2. Year Ended March 2010 Segment Information Operating Segments

1) Industrial Finance, Logistics & Development Group

The Industrial Finance, Logistics & Development Group is developing *shosha*-type industrial financing businesses. These include merchant banking and M&A businesses such as asset management and buyout investment; asset finance and business development businesses such as leasing businesses and real estate funds; and businesses in other fields including real estate development, ownership and management, and logistics services and insurance.

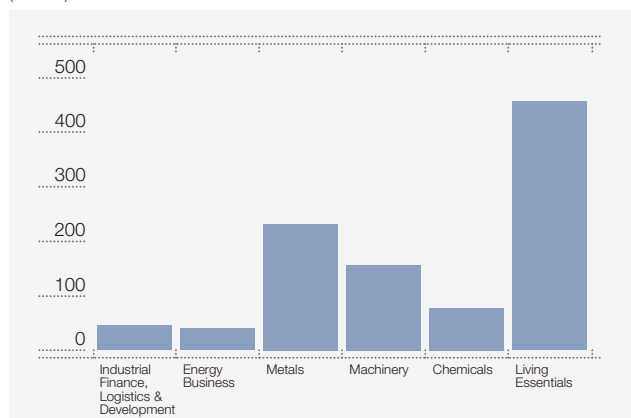
In the year ended March 2010, segment revenues decreased ¥15.0 billion, or 13.3%, to ¥98.0 billion, mainly due to lower contract construction and real estate transactions.

Gross profit edged down only ¥0.1 billion, or 0.2%, to ¥44.9 billion due to the opening of a new shopping center and other factors. The segment posted a ¥2.5 billion, or 37.3%, drop in operating income to ¥4.2 billion.

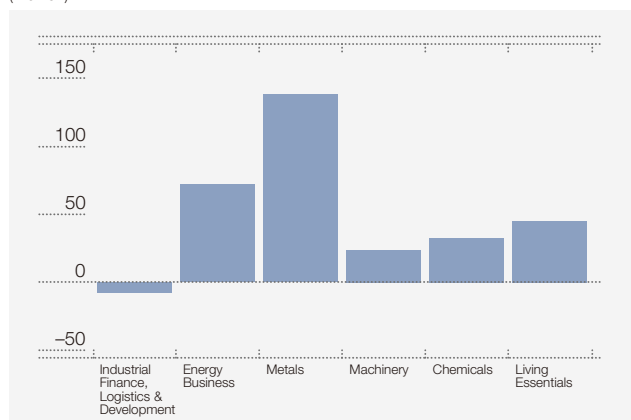
Equity in earnings of Affiliated companies increased ¥7.7 billion, or 247.2%, to ¥10.8 billion, the result of higher fund investment-related earnings outweighing a drop in equity-method earnings at lease-related businesses.

The segment recorded a net loss attributable to Mitsubishi Corporation of ¥7.6 billion, an improvement of ¥33.6 billion year on year. Although it recorded an impairment of its investment in Japan Airlines Corporation (JAL) and certain other shares, the narrower loss reflected the absence of share write-downs recorded in the year ended March 2009.

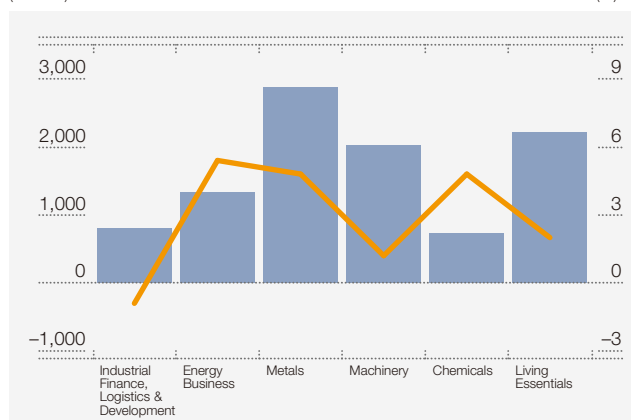
Gross Profit by Operating Segment (Year Ended March, 2010)
(¥ billion)



Net Income (Loss) Attributable to Mitsubishi Corporation by Operating Segment (Year Ended March, 2010)
(¥ billion)



Total Assets and Return on Assets by Operating Segment
(As of March, 2010)
(¥ billion) (%)



■ Total Assets by Operating Segment (Left)
— Return on Assets by Operating Segment (Right)

2) Energy Business Group

The Energy Business Group, in addition to developing and investing in oil and gas projects, conducts trading activities in areas such as crude oil, petroleum products, liquefied petroleum gas (LPG), liquefied natural gas (LNG), and carbon materials and products.

In the year ended March 2010, segment revenues declined ¥584.9 billion, or 37.6%, to ¥969.2 billion, the result mainly of a decline in earnings on transactions at the Parent and overseas resource-related subsidiaries, due to lower crude oil prices and the stronger yen.

Gross profit declined ¥29.0 billion, or 42.2%, to ¥39.8 billion. Furthermore, the segment recorded an operating loss of ¥1.4 billion, which was ¥28.4 billion, or 105.2%, worse than the profit recorded in the year ended March 2009.

Equity in earnings of Affiliated companies declined ¥30.1 billion, or 43.1%, to ¥39.7 billion due to the impact of lower equity-method earnings from overseas resource-related business investees due to lower crude oil prices and the stronger yen.

The segment recorded net income attributable to Mitsubishi Corporation of ¥71.9 billion, a decrease of ¥10.9 billion, or 13.2%, year on year. The absence of impairment losses on property and equipment recorded at overseas resource-related subsidiaries in the previous fiscal year contributed to segment performance. The improvements were offset by losses related to fuel derivative transactions with a JAL subsidiary.

3) Metals Group

The Metals Group trades, develops businesses and invests in a range of fields. These include steel products such as steel sheets and thick plates, steel raw materials such as coking coal and iron ore, and non-ferrous raw materials and products such as copper and aluminum.

In the year ended March 2010, the segment recorded a ¥651.1 billion, or 49.2%, year-on-year decline in revenues to ¥672.4 billion, reflecting a number of factors. These included lower commodity prices and lower transactions at the Parent, lower sales prices at an Australian resource-related subsidiary (coking coal), and lower sales prices for steel products and sales volume at a steel products-related subsidiary.

Gross profit declined ¥337.9 billion, or 59.3%, to ¥231.8 billion for the above reasons, as well as the recording of losses related to fuel derivative transactions with a JAL subsidiary. Furthermore, operating income declined ¥313.8 billion, or 75.2%, to ¥103.4 billion.

Equity in earnings of affiliated companies dropped ¥41.7 billion, or 87.1%, to ¥6.2 billion due to lower equity-method earnings from overseas resource-related business investees (iron ore, aluminum and copper) and a steel products-related subsidiary.

The segment recorded net income attributable to Mitsubishi Corporation of ¥137.9 billion, representing a decrease of ¥78.8 billion, or 36.4%, year on year, despite the absence of share write-downs (investment impairments) recorded in the previous fiscal year.

4) Machinery Group

The Machinery Group trades machinery in a broad range of fields, in which it also develops businesses and invests. These fields extend from large plants for essential industrial materials, including electricity, gas, petroleum, chemicals and steel, to equipment and machinery for transportation and distribution industries, including ships, trains and automobiles. It is also active in the aerospace and defense industries, and in general industrial equipment and machinery, including construction machinery, machine tools, and agricultural machinery.

In the year ended March 2010, this segment saw revenues edge down ¥10.6 billion, or 1.8%, to ¥567.4 billion year on year. In addition to a pull-back from the high ship charter rates in the previous fiscal year, and lower transactions of machinery and equipment sold in large volumes, the decreased revenues were due to the impact of lower sales in overseas automobile operations and foreign currency fluctuations.

Gross profit decreased ¥19.3 billion, or 11.0%, to ¥156.4 billion. Furthermore, operating income decreased ¥18.4 billion, or 31.7%, to ¥39.7 billion.

Equity in earnings of Affiliated companies increased ¥15.6 billion, or 264.4%, to ¥21.5 billion due primarily to higher earnings of overseas Independent Power Producer (IPP) businesses.

The segment recorded net income attributable to Mitsubishi Corporation of ¥23.6 billion, an increase of ¥5.8 billion, or 32.6%, year on year. Although there was an investment impairment of preferred shares of Mitsubishi Motors Corporation of ¥16.7 billion (after-tax), or ¥28.3 billion (before tax), the increase was attributable to the absence of share write-downs (investment impairments) and impairment losses on property and equipment recorded in the previous fiscal year.

5) Chemicals Group

The Chemicals Group trades chemical products in a broad range of fields, in which it also develops businesses and invests. These fields extend from raw materials produced upstream from crude oil and natural gas, minerals and plants, marine resources and so forth, to downstream areas such as plastics, functional materials, electronic materials, food ingredients, fertilizer and fine chemicals.

In the year ended March 2010, segment revenues declined ¥156.0 billion, or 17.9%, to ¥715.5 billion. This reflected a decline in revenues from trading, manufacturing and other activities from the previous fiscal year when strong commodity chemical transactions were recorded on the back of soaring prices.

Gross profit declined ¥17.1 billion, or 18.0%, to ¥77.8 billion. Furthermore, operating income declined ¥11.7 billion, or 33.5%, to ¥23.2 billion.

Equity in earnings of Affiliated companies increased ¥6.4 billion, or 59.3%, to ¥17.2 billion due to the reversal of deferred tax liabilities at a petrochemical business-related company, despite lower earnings accompanying a fall in market prices.

The segment recorded net income attributable to Mitsubishi Corporation of ¥32.4 billion, an increase of ¥5.6 billion, or 20.9%, year on year due mainly to the absence of share write-downs (investment impairments) recorded in the previous fiscal year.

6) Living Essentials Group

The Living Essentials Group provides products and services, develops businesses and invests in various fields closely linked with peoples' lives, including foods, clothing, paper, packaging materials, cement, construction materials, medical equipment and nursing care. These fields extend from the procurement of raw materials to the consumer market.

In the year ended March 2010, the segment recorded a ¥153.0 billion, or 9.3%, decline in revenues to ¥1,494.9 billion. This reflected a decrease in revenues from trading, manufacturing and other activities due to lower earnings on transactions at Parent, food-related businesses and general merchandise-related subsidiaries.

Gross profit declined ¥24.5 billion, or 5.1%, to ¥457.2 billion. Furthermore, operating income declined ¥11.3 billion, or 15.5%, to ¥61.6 billion.

Equity in earnings of Affiliated companies decreased ¥2.0 billion, or 9.3%, to ¥19.5 billion primarily due to a decrease resulting from the recording of losses at a LAWSON, INC. subsidiary.

The segment recorded net income attributable to Mitsubishi Corporation of ¥45.1 billion, an increase of ¥11.1 billion, or 32.6%, year on year, the result chiefly of the absence of share write-downs (investment impairments) recorded in the year ended March 2009.

Performance of Consolidated Subsidiaries and Affiliates

	Billions of Yen		
	2008.3	2009.3	2010.3
Total profits	¥429.8	¥518.1	¥357.7
No. of companies reporting profits	456	433	425
Total losses	¥ (29.9)	¥ (94.8)	¥ (68.8)
No. of companies reporting losses	129	157	137
Percentage of profitable group companies	78%	73%	76%

Geographic Information

1) Japan

Revenues in the year ended March 2010 were ¥3,389.5 billion, ¥1,209.8 billion, or 26.3%, down year on year. This decline reflected a drop in energy-related transactions at the Parent because of lower crude oil prices and sales volumes, as well as a decrease due to soft demand for steel products at a steel products-related subsidiary.

Gross profit declined ¥84.9 billion, or 10.7%, to ¥710.4 billion for the same reasons as above.

2) Australia

In the year ended March 2010, revenues declined ¥258.4 billion, or 40.0%, to ¥388.3 billion, due primarily to lower coking coal prices at an Australian resource-related subsidiary.

As a result of this decline in revenues, gross profit decreased ¥250.4 billion, or 66.7%, to ¥125.3 billion.

3) Thailand

Revenues in the year ended March 2010 increased ¥9.2 billion, or 3.2%, to ¥297.3 billion on the back of an increase from a recovery in our automobile operations, among other factors.

Gross profit inched up ¥0.1 billion, or 0.3%, to ¥39.2 billion.

4) U.K.

Revenues in the year ended March 2010 dropped ¥49.1 billion, or 24.9%, to ¥147.9 billion due mainly to losses related to fuel derivative transactions for a JAL subsidiary.

Because of this decline, gross profit fell ¥32.3 billion, or 62.7%, to ¥19.2 billion.

5) U.S.A.

Revenues in the year ended March 2010 decreased ¥51.6 billion, or 27.7%, to ¥134.6 billion. The decline reflected lower transactions at resource-related subsidiaries due to falling commodity prices, lower transactions at food-related subsidiaries, and lower steel products transactions at steel products-related subsidiaries.

Gross profit declined ¥20.4 billion, or 29.7%, to ¥48.3 billion.

6) Other

Revenues in the year ended March 2010 dropped ¥45.2 billion, or 21.3%, to ¥183.9 billion. Gross profit declined ¥58.4 billion, or 44.0%, to ¥74.3 billion.

3. Year Ended March 2009

Operating Segments

1) Industrial Finance, Logistics & Development Group

In the year ended March 2009, segment gross profit declined ¥15.5 billion, or 25.6%, year on year to ¥45.0 billion due primarily to lower transactions in the real estate-related business.

Operating income dropped ¥20.9 billion, or 75.7%, to ¥6.7 billion. Equity in earnings of Affiliated companies declined ¥2.9 billion, or 48.5%, to ¥3.1 billion on account of lower equity-method earnings from real estate- and distribution-related businesses.

The segment recorded a net loss attributable to Mitsubishi Corporation of ¥41.2 billion, ¥65.4 billion worse year on year for the above reasons as well as share write-downs.

2) Energy Business Group

In the year ended March 2009, segment gross profit was impacted by lower production volumes at resource-related subsidiaries and a stronger yen and decreased ¥12.8 billion, or 15.7%, to ¥68.8 billion. Operating income declined ¥15.1 billion, or 35.9%, to ¥27.0 billion. Equity in earnings of Affiliated companies increased ¥24.4 billion, or 53.7%, to ¥69.8 billion, the result of increased equity in earnings of overseas resource-related business investees due to higher crude oil prices in the first half of the year ended March 2009.

The segment recorded net income attributable to Mitsubishi Corporation of ¥82.8 billion, down ¥11.4 billion, or 12.1%, year on year, despite higher dividend income from overseas resource-related business investees due to higher crude oil prices. This result principally reflected impairment losses on property and plant at overseas resource-related subsidiaries.

3) Metals Group

The segment recorded gross profit of ¥569.7 billion, a rise of ¥287.7 billion, or 102.0%, year on year, thanks primarily to increased earnings on transactions from higher sales prices at an Australian resource-related subsidiary (coking coal). Operating income increased ¥277.3 billion, or 198.2%, to ¥417.2 billion.

Equity in earnings of Affiliated companies increased ¥6.2 billion, or 15.0%, to ¥47.9 billion, the result of higher equity in earnings of overseas resource-related business investees (iron ore).

The segment recorded a ¥58.5 billion, or 36.9%, increase in net income attributable to Mitsubishi Corporation to ¥216.7 billion, although it recorded share write-downs (investment impairments), and lower dividend income due to falling resource prices.

4) Machinery Group

In the year ended March 2009, the segment recorded gross profit of ¥175.7 billion, a decrease of ¥17.1 billion, or 8.9%, year on year. Although ship charter fee income increased, the segment recorded lower sales in automobile operations and was impacted by the effect of making an Asian automobile-related subsidiary an affiliate company and foreign currency fluctuations. Operating income decreased ¥18.6 billion, or 24.3%, to ¥58.1 billion.

Equity in earnings of Affiliated companies declined ¥21.9 billion, or 78.8%, to ¥5.9 billion. This reflected lower equity in earnings of overseas IPP business-related companies due to share write-downs, as well as the sale of a European automobile-related company.

The segment recorded a ¥50.4 billion, or 73.9%, decline in net income attributable to Mitsubishi Corporation to ¥17.8 billion due to the above factors as well as impairment losses on property and equipment and share write-downs (investment impairments).

Performance at Principal Subsidiaries and Affiliates (Profits over ¥1.0 billion or losses over ¥1.0 billion)

Companies Reporting Profits

Group	Company Name	Share- holding (%)	Equity in earnings (¥ Billion)		Main Business
			Year Ended March 2010	Year Ended March 2009	
Domestic:					
Chemicals	SPDC Ltd.	30.39	16.3	8.0	Investment and petroleum and petrochemicals-related businesses
Metals	JECO Corporation	70.00	7.1	14.0	Investment company for Minera Escondida Ltda. copper mines in Chile
Metals	Metal One Corporation	60.00	5.4	13.3	Steel products operations
Living Essentials	LAWSON, INC.	32.67	3.6	8.2	Franchise chain of LAWSON convenience stores
Industrial Finance, Logistics & Development	Mitsubishi UFJ Lease & Finance Company Ltd.	20.00	2.5	3.1	Leasing, installment sales, other financing
Energy	Astomos Energy Corporation	49.00	2.4	2.0	Import, trading, domestic distribution and sales of LPG
Living Essentials	RYOSHOKU LIMITED	51.16	2.4	1.8	Wholesale of food products
Energy	MPDC Gabon Co., Ltd.	100.00	2.2	5.0	Exploration, development and production of oil in Gabon
Living Essentials	Dai-Nippon Meiji Sugar Co., Ltd.	100.00	1.7	1.2	Manufacturing and wholesale of sugar products
Living Essentials	San-Esu Inc.	91.93	1.4	1.4	Wholesale of confectionery
Living Essentials	Mitsubishi Shoji Packaging Corporation	88.22	1.4	1.3	Sales and marketing of packaging materials, paper, paperboard and corrugated containerboard, as well as export of paper and paperboard
Living Essentials	Nihon Shokuhin Kako Co., Ltd.	59.77	1.4	1.1	Manufacturing of corn starch and related processed products
Chemicals	Kohjin Co., Ltd.	73.09	1.3	(1.4)	Manufacturing of specialty papers, plastic films, biochemicals and fine chemicals
Chemicals	Mitsubishi Shoji Plastics Corp.	100.00	1.3	1.3	Marketing of synthetic raw materials and plastics
Living Essentials	Nitto Fuji Flour Milling Co., Ltd.	64.02	1.3	0.8	Flour miller
Industrial Finance, Logistics & Development	Mitsubishi Corporation LT, Inc.	100.00	1.2	1.6	Warehousing and total logistics services
Machinery	Mitsubishi Corporation Machinery, Inc.	100.00	1.2	0.9	Export, import and domestic trading of machine parts
Machinery	Mitsubishi Corporation Power Systems, Inc.	100.00	1.1	1.0	Supply, installation work, maintenance, inspection of power generating systems and related equipment, in-plant transportation services
Overseas:					
Metals	Mitsubishi Development Pty Ltd (Australia)	100.00	112.8	191.7	Investment, production and sales of coal and other metals resources
Corporate Staff	Mitsubishi International Corporation (U.S.A.)	100.00	7.3	2.2	Trading
Machinery	Tri Petch Isuzu Sales Co., Ltd. (Thailand)	88.73	6.7	5.1	Distribution of automobiles
Metals	M.C. Inversiones Limitada (Chile)	100.00	5.3	12.6	Investment company for Chilean iron ore mines
Metals	Iron Ore Company of Canada (Canada)	26.18	4.6	14.5	Iron ore production and sales
Machinery	Diamond Generating Asia, Limited (Hong Kong)	100.00	4.6	–	Independent Power Producer
Living Essentials	Princes Limited (U.K.)	100.00	3.9	4.2	Manufacturing of food products and soft drinks
Machinery	Isuzu Operations (Thailand) Co., Ltd. (Thailand)	80.00	2.9	3.8	Distribution of automobiles
Energy	Diamond Gas Resources Pty, Ltd. (Australia)	100.00	2.8	4.1	Sales agent of JALP crude oil and condensate
Metals	MC Copper Holdings B.V. (The Netherlands)	100.00	2.8	4.5	Investment company for Los Pelambres copper mine in Chile
Machinery	PT. Krama Yudha Tiga Berlian Motors (Indonesia)	40.00	2.7	(0.4)	Distribution of automobiles
Machinery	MC Automobile (Europe) N.V. (The Netherlands)	100.00	2.5	0.5	Company overseeing European automobile operations
Machinery	Isuzu Motors Co., (Thailand) Ltd. (Thailand)	27.50	2.4	2.7	Manufacturing of automobiles
Energy	Pacific Orchid Shipping S.A. (Panama)	100.00	1.9	0.5	Ownership of tankers for transporting crude oil and heavy oil
Metals	Triland Metals Ltd. (U.K.)	100.00	1.9	2.8	Commodity broker on the London Metal Exchange (LME)
Machinery	Diamond Generating Corporation (U.S.A.)	100.00	1.9	2.9	Independent Power Producer
Living Essentials	AGREX, Inc. (U.S.A.)	100.00	1.5	1.4	Storage and marketing of grain
Corporate Staff	Mitsubishi Corporation (Shanghai) Ltd. (China)	100.00	1.3	1.6	Trading
Living Essentials	Indiana Packers Corporation (U.S.A.)	80.00	1.3	1.5	Processing and sales of pork
Living Essentials	California Oils Corporation (U.S.A.)	100.00	1.2	0.7	Manufacturing and sales of specialty vegetables oils and fats
Machinery	Thai Auto Sales Co., Ltd. (Thailand)	93.50	1.1	0.7	Automobile finance

Companies Reporting Losses

Group	Company Name	Share- holding (%)	Equity in earnings (¥ Billion)		Main Business
			Year Ended March 2010	Year Ended March 2009	
Domestic:					
Corporate Development Section	Sigmaxyz	78.22	(1.2)	(0.8)	A business consulting service which supports the value creation of client enterprises
Energy	MCX North Africa Ltd	100.00	(1.4)	(0.1)	Exploration, development and production of oil in North Africa
Machinery	Nikken Corporation	96.83	(1.6)	0.4	Rental and sales of construction machinery and other equipment
Metals	Mitsubishi Corporation Futures Ltd.	100.00	(2.0)	(1.5)	Commodity broker
Overseas:					
Metals	Strand Minerals (Indonesia) Pte. Ltd. (Singapore)	33.40	(1.0)	0.0	Investment company for nickel mine in Indonesia
Energy	MC Krueng Mane Limited (U.K.)	100.00	(1.1)	(1.1)	Exploration of crude oil and natural gas
Energy	Energi Mega Pratama Inc. (Indonesia)	25.00	(1.5)	(1.1)	Stockholding company for the companies engaged in exploration, development, and production of oil and natural gas in Indonesia
Energy	MCX Exploration (USA) Ltd. (U.S.A.)	100.00	(1.9)	(18.6)	Exploration, development and production of oil and natural gas
Energy	Diamond Tanker Pte. Ltd. (Singapore)	100.00	(2.3)	1.5	Marine transportation, etc.
Industrial Finance, Logistics & Development	MC Global Investment Inc. (U.S.A.)	100.00	(2.7)	(0.4)	Financial investment company
Industrial Finance, Logistics & Development	Diamond Realty Investments, Inc. (U.S.A.)	100.00	(4.2)	(5.3)	Real estate investment
Metals	Petro-Diamond Risk Management Ltd. (U.K.)	100.00	(20.4)	1.6	Energy risk management

5) Chemicals Group

In the year ended March 2009, the segment recorded gross profit of ¥94.9 billion, down ¥2.9 billion, or 2.9%, year on year, due primarily to lower earnings on transactions at overseas regional subsidiaries. Operating income decreased ¥7.8 billion, or 18.4%, to ¥34.9 billion.

Equity in earnings of Affiliated companies decreased ¥1.2 billion, or 10.0%, to ¥10.8 billion, due to a decrease in equity in earnings because of lower sales prices at affiliated companies overseas.

The segment recorded net income attributable to Mitsubishi Corporation of ¥26.8 billion, ¥7.9 billion, or 22.8%, down year on year, for the above reasons and due to the absence of tax benefits from a higher equity interest in a petrochemical business-related company recorded in the year ended March 2008.

6) Living Essentials Group

In the year ended March 2009, the segment recorded gross profit of ¥481.7 billion, a rise of ¥46.0 billion, or 10.5%, year on year due primarily to the consolidation of food-related companies. Operating income increased ¥3.0 billion, or 4.3%, to ¥72.9 billion.

Equity in earnings of Affiliated companies decreased ¥2.5 billion, or 10.5%, to ¥21.5 billion, due to lower equity in earnings of general merchandise-related business investees because of lower sales.

The segment recorded net income attributable to Mitsubishi Corporation of ¥34.0 billion, down ¥20.4 billion, or 37.6%, year on year, for the above reasons and due to share write-downs (investment impairments).

Geographic Information

1) Japan

In the year ended March 2009, revenues increased ¥56.5 billion, or 1.2%, from ¥4,542.8 billion to ¥4,599.3 billion, despite a decrease in metals- and chemical products-related transactions at the Parent because of falling prices. The overall increase in revenues reflected higher energy-related transactions at the Parent and higher transactions at Metal One.

Gross profit rose ¥29.1 billion, or 3.8%, to ¥795.4 billion, due mainly to the effect of new consolidations of food-related subsidiaries.

2) Australia

Revenues in the year ended March 2009 increased sharply by ¥315.5 billion, or 95.3%, to ¥646.7 billion, the result mainly of higher sales prices at an Australian resource-related subsidiary (coking coal). Gross profit increased ¥287.9 billion, or 327.7%, to ¥375.8 billion for similar reasons.

3) Thailand

Revenues in the year ended March 2009 decreased ¥163.3 billion, or 36.2%, to ¥288.1 billion, due in part to a drop in sales units in automobile operations and foreign currency movements. Gross profit declined ¥15.5 billion, or 28.4%, to ¥39.1 billion as a result.

4) U.K.

Revenues in the year ended March 2009 decreased ¥17.4 billion, or 8.1%, to ¥197.0 billion, mainly reflecting lower revenues of food-related subsidiaries because of foreign currency movements. Gross profit decreased ¥5.5 billion, or 9.6%, to ¥51.5 billion as a result.

5) U.S.A.

Revenues in the year ended March 2009 decreased ¥1.8 billion, or 1.0%, to ¥186.2 billion. Although transactions increased at resource-related subsidiaries, the overall decline reflected the impact of lower commodity prices and foreign currency movements at overseas regional subsidiaries. Gross profit decreased ¥8.7 billion, or 11.2%, to ¥68.7 billion, despite a boost from new consolidations of food-related companies. This decrease was mainly due to the deconsolidation of some overseas regional subsidiaries and the effect of foreign currency movements.

6) Other

Revenues in the year ended March 2009 decreased ¥74.0 billion, or 24.4%, to ¥229.1 billion. Gross profit increased ¥3.7 billion, or 2.9%, to ¥132.7 billion.

4. Year Ended March 2010 Operating Environment and Year Ending March 2011 Outlook by Operating Segment

1) Industrial Finance, Logistics & Development Group

In the year ended March 2010, financial markets put behind them the worst period of the financial crisis, and growth in China and other emerging markets drove real economies, which spurred steady progress with restrictions on inventory management. Although these and other factors led to the feeling that economic conditions had turned the corner, economic activity failed to recover to the level seen before the financial crisis. Furthermore, financial institutions and institutional investors continued to take a cautious stance toward financing and investment despite the nascent recovery.

In our buyout investment* business in Japan, a fund managed by Marunouchi Capital Co., Ltd. purchased 15% of the issued shares of TOMY COMPANY, LTD., one of the world's leading toymakers, and subscribed to a private placement of shares to raise capital in JOYFUL COMPANY Co., Ltd., which is developing a number of large home centers under the JOYFUL HONDA name. Besides these investments, Marunouchi Capital also sent executives to these investees to help raise their corporate value. In the year ending March 2011, we expect to see rising needs in the industrial sector for buyout investments and for M&A activity to increase in Japan to restructure businesses to achieve greater efficiency amid a low-growth Japanese economy.

In the leasing business, we strengthened cooperation with Mitsubishi UFJ Lease & Finance Company Ltd. in various fields and areas, including the environment, ships, real estate and overseas markets. Through MC Aviation Partners Inc. we enhanced our aircraft leasing business. Although conditions in the airline industry remain unpredictable, signs of a recovery from the impact of the financial crisis have begun to emerge. Consequently, we anticipate continued demand for aircraft

operating leases going forward. We will therefore continue to properly manage our fleet of aircraft in the year ending March 2011, while gradually adding to our asset portfolio of aircraft for leasing.

In the real estate market in the year ended March 2010, the purchase of properties by J-REITs, which had been a main driving force in the market, plummeted after the financial crisis. With demand from tenants also weak, we exercised restraint in purchasing properties. The Japanese real estate market is forecast to bottom out in the year ending March 2011 and remain stable, albeit at a low level, for the time being. We will therefore focus on creating an earnings structure that is less susceptible to changes in market conditions. In order to achieve this objective, we will make greater efforts to strengthen and fuse our finance, development and construction, and logistics services, centered on our commercial and logistics facilities, where we are particularly knowledgeable.

The Japanese logistics industry in the year ending March 2011 is expected to be shaped by intensifying competition due to the impact of falling prices in the retail industry, and by increasing logistics industry restructuring and M&A activity. On the other hand, as a result of reductions of restrictions on inventory management, primarily driven by economic growth in China and other emerging markets, the distribution sector is recovering worldwide, and this trend is likely to continue in the year ending March 2011.

We believe that market conditions generally bottomed out during the past fiscal year as a whole, despite continuing uncertainty. We feel that our operations have gradually increased due to certain proven business frameworks that were established when the group was formed. In the year ending March 2011, in addition to enhancing our portfolio of quality assets and strengthening asset management capabilities, we will push ahead with efforts to capitalize on growth in emerging markets such as China.

* Buyout investment: an investment technique for earning an investment return by investing in an existing company and providing management support to increase the invested company's corporate value.

2) Energy Business Group

In the year ended March 2010, the price of crude oil staged a recovery, which had plummeted due to global financial unease and a credit crunch sparked by the so-called "Lehman Shock" in the fall of 2008. Rising demand in China and other emerging economies drove market prices higher, and ongoing production cutbacks among OPEC (Organization of the Petroleum Exporting Countries) member countries and economic pump-priming measures around the world underpinned the crude oil price. In addition, the market price has been lifted by the inflow once again of speculative money into commodities markets due to increasing signs that economic activity has bottomed out and

fears of inflation. Illustrating this point was that the crude oil price generally traded in the range of US\$60/BBL to US\$80/BBL between June and December 2009.

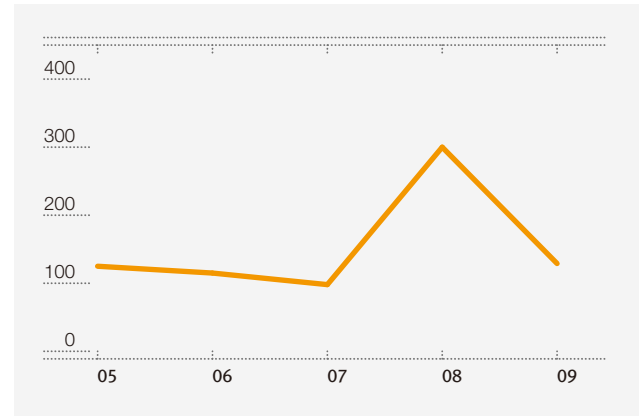
After the beginning of the new year, from January to April 2010, oil demand strengthened on the back of widening optimism about the economic outlook, reflecting stronger indications of economic recovery in economic indexes in the U.S. and other industrialized nations, in addition to ongoing strong demand in emerging markets. As a result, the rising trend in the crude oil price became even clearer, as the crude oil price peaked at around US\$85/BBL.

However, since the beginning of May, government debt problems in the euro zone, including Greece, have resurfaced and contagion from this has led to a rapid decline in the crude oil price to below US\$70/BBL. Crude oil prices could temporarily drop further depending on global economic developments going forward. Similar to the year ended March 2010 rising demand in emerging economies, the outlook for recovering demand in industrialized nations, the inflationary effect of geopolitical risk, and speculative investments are all factors which should help to see the price of crude oil firm.

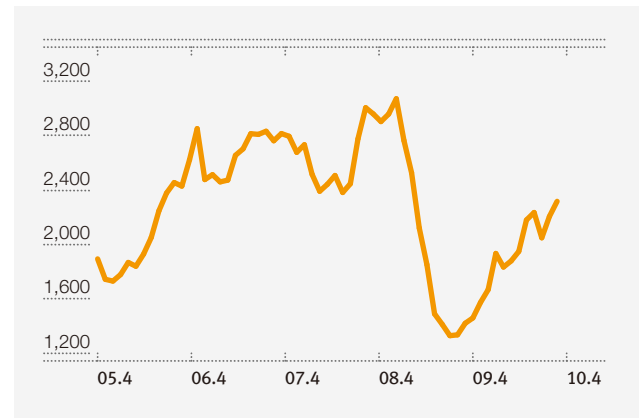
Our projection of net income attributable to Mitsubishi Corporation for the year ending March 2011 for this business group assumes a crude oil price of US\$75/BBL (Dubai spot price).

The Energy Business Group owns upstream rights to LNG and oil, and LNG liquefaction facilities in 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 attributable to Mitsubishi

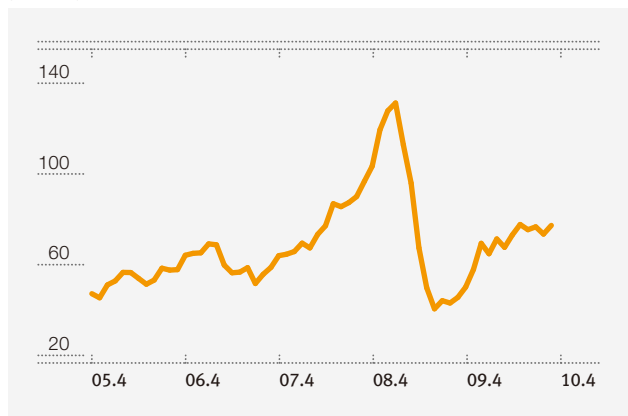
FOB Price of Australian Coking Coal Shipped to Japan
(US\$/MT)



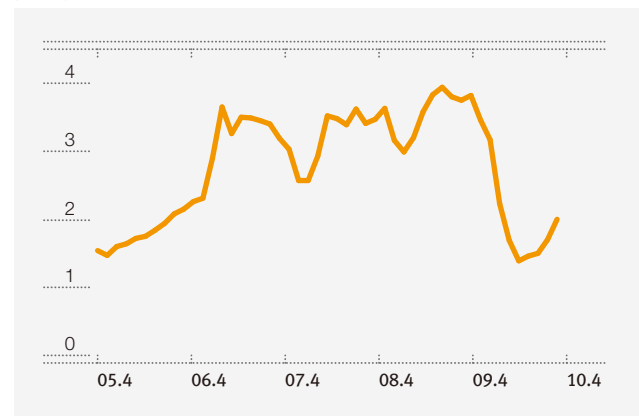
Aluminum Price
(US\$/MT)



Crude Oil Price (Dubai Spot Price)
(US\$/BBL)



Copper Price
(US\$/lb)



Corporation in this business group, 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.

3) Metals Group

In the metal resources business, demand remained subdued in the first half of the year ended March 2010, due to the lingering effects of the global economic slowdown caused by the financial crisis in the previous fiscal year. The business environment slowly improved in the second half of the year ended March 2010, due to economic recovery in China and other emerging markets. In non-ferrous metals, including copper and aluminum, expanding internal demand in China such as for infrastructure, the inflow of speculative money with the U.S. dollar weak and interest rates low, and other factors led to an upturn in prices, which had fallen sharply in the previous fiscal year, although different levels of strength in demand meant some commodities performed better than others. The average annual price of aluminum ingots dropped from US\$2,227 per MT to US\$1,866 per MT for the year ended March 2010. The price was affected by the automobile and construction materials fields where lackluster demand had a major impact. Contrastingly, the average annual price of copper cathode rose from US\$2.66 per pound to US\$2.77 per pound for the year ended March 2010 on the back of growing internal demand in China. Against this backdrop, net income in the metal resources business in the past fiscal year decreased year on year. In addition to a large drop in dividend income from copper- and aluminum-related business investees, this overall decline reflected a substantial ¥78.9 billion decrease in net income to ¥112.8 billion at key Australian resource-related subsidiary MDP due mainly to lower coking coal prices.

Demand for metal resources is expected to remain firm for the time being, supported by strong economies in China and other emerging markets. Consequently, despite financial unease in the euro zone, changes in the way ferrous raw material prices are set, and other uncertainties, the metal resources business is projecting a year-on-year rise in net income in the year ending March 2011. This projection is premised on continued firm commodity prices as well as increased earnings at MDP resulting from higher coking coal prices.

In the steel products business, the first half of the year ended March 2010 saw prices remain low because of a sharp drop-off in demand resulting from the previous fiscal year's global economic slowdown. From the beginning of the second half, much as was the case with the metal resources business, rebounding demand centered on emerging markets drove prices higher. World steel production in 2009 registered a sharp drop of 8.0% to 1.22 billion tonnes, due to much lower demand mainly in

industrialized nations. But on a monthly basis, production was higher year on year in the second half of the year ended March 2010. Metal One Corporation, which was established in January 2003 by joint investment of Mitsubishi Corporation (60%) and Sojitz Corporation (40%), recorded a drop in net income mainly as a result of lower volumes due to lower demand. Metal One began to see signs of recovery by capturing demand in emerging markets in the second half of the past fiscal year, however.

Based on these conditions, the steel products business is forecasting a year-on-year increase in net income for the year ending March 2011. Although there are uncertainties such as financial turmoil in the euro zone, this forecast assumes robust demand mainly from emerging markets.

In the year ended March 2010, the Metals Group recorded losses related to fuel derivative transactions with a Japan Airlines Corporation (JAL) subsidiary following JAL's petition for corporate rehabilitation.

4) Machinery Group

All business domains of the Machinery Group, including plants, industrial machinery, ships and motor vehicles, encountered difficult operating environments in the first half of the year ended March 2010 because of the severe impact of the global economic recession triggered by the financial crisis. In the second half, however, all business domains began to see signs of recovering market conditions, especially in emerging markets, with the exception of some industrial machinery businesses where economic recovery was slow. While the outlook for the year ending March 2011 is unpredictable, we are actively developing growth markets in ship- and automobile-related businesses, as well as in infrastructure and resource and energy projects, where global demand prospects remain firm.

In plant-related business, plant orders for the year ended March 2010 were approximately ¥550.0 billion, down on the previous fiscal year due to the impact of frozen or postponed new projects after the financial crisis erupted. Although a rapid economic recovery cannot be expected, economies have been recovering since the latter half of 2009, led by Asia and some parts of the Middle East. We will work to generate earnings by focusing on high-priority projects that are highly likely to come to fruition. At the same time, we intend to step up activities in nuclear power generation export projects and the environment and energy fields.

In the industrial machinery business where we sell machinery and equipment in large volumes, the business environment was severe, particularly in the wake of the financial crisis as demand dropped and the yen appreciated. While an economic recovery will take time, we will work to strengthen our operations to ensure we are ready for the upturn.

In the ship-related business, results were down from the previous fiscal year, in spite of relatively strong bulker market conditions in the second half. Our performance in this business reflected overall sluggishness in the marine transport and ship-building markets in the first half due to the financial crisis. With conditions expected to remain harsh for the time being, we aim to build an earnings structure not easily affected by changing market conditions.

In business related to Mitsubishi Motors Corporation (MMC) brand automobiles, sales of automobiles softened worldwide after the financial crisis broke. Nevertheless, we turned in an improved performance, which was driven by the recovery in Asia in the second half of the fiscal year. Governments around the world aided this recovery by launching policies that promoted auto sales. We expect conditions to remain challenging though, with the possibility of a pull-back in industrialized nations as stimulus programs wind down. For the time being, therefore, as well as strengthening our existing business base, centered on Indonesia, we will step up actions in Russia, China and other newly emerging countries, which are strategic from a medium- to long-term perspective.

In business related to Isuzu Motors Limited brand automobiles, the operating environment was similarly difficult in the aftermath of the financial crisis. In the first half of the year, companies around the world heavily managed inventory levels. In the second half of the year, sales increased in ASEAN member countries, including Thailand, and in Australia, leading to an improved performance in this business. For the time being, we intend to strengthen the foundations of our existing businesses, including a manufacturing and sales business for commercial vehicles in Thailand that is operated as a joint venture with Isuzu Motors Limited. At the same time, we will focus on expanding the export business of completed vehicles from Thailand to other countries as a medium- to long-term strategy.

5) Chemicals Group

The chemical products market in the year ended March 2010 saw demand remain soft in the U.S. and Europe because of a slow recovery from the economic crisis. In contrast, in China, other Asian countries, South America, India and other emerging markets, there was increasing internal demand for automobiles and other consumer goods. In China, in particular, government measures to stimulate internal demand proved successful, enabling the country to maintain a high growth rate largely through the end of the fiscal year, apart from the Chinese New Year period.

Large, new petrochemical plants in the Middle East, which had been delayed, successively came on stream from the third quarter of the year ended March 2010, and initial operational problems are being progressively resolved.

In terms of the outlook on the supply side, supply is increasing due to new construction and more products from the Middle East, which has an overwhelming competitive edge in terms of cost in natural gas. This is expected to lead to structural changes in the petrochemical industry, such as industry restructuring and facility integration and closures, and along with this, increasing domination by fewer players and changes in distribution flows.

On the demand side, chemical product demand continues to grow, especially in emerging markets such as China, India and Brazil. In industrialized nations in Europe and the U.S., meanwhile, demand for imported products is rising as substitutes for locally produced products. Against this backdrop, we foresee increasing business opportunities in fields where we can bring our functions to bear.

Moreover, ever-increasing interest in health, safety, security and the environment caused by environmental problems and trends such as aging societies and falling birthrates is expected to continue underpinning growing demand in the life science, and environment and new energy fields.

In light of these economic and chemical industry needs, we plan to focus on tapping into growth markets overseas.

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 vigorously take up the challenge of entering new energy, life science and other fields that respond to today's needs. And we plan to actively develop our trading functions and make more related business investments.

6) Living Essentials Group

More than one year after the so-called "Lehman Shock" of fall 2008, emerging markets produced a rapid recovery, but with economic conditions stagnating and uncertainty prevailing there was no escape from the economic doldrums for industrialized nations in the year ended March 2010. In its markets, the Living Essentials Group is witnessing major changes in consumer spending patterns and values, reflecting such phenomena as rising interest in food safety and environmental preservation, in addition to protracted sluggishness in consumption resulting from the economic crisis. Amid rapid economic expansion and population growth in emerging nations and increasing demand for biofuels, competition is also intensifying for procuring food and forestry resources. Coupled with more corporate consolidations and other factors, the macroeconomic landscape is expected to continue to change dramatically.

The Living Essentials Group sees business opportunities in all this change and will flexibly and swiftly respond to these shifting

market conditions by actively reforming its existing business models and developing new businesses. This should result in more growth for this business group.

In the food field, with the tight supply-demand balance expected to continue worldwide, we will push ahead with efforts to strengthen our framework for procuring raw materials globally in order to respond to market needs, such as for the stable supply of food and for quality products. At the same time, we plan to build and reinforce integrated value chains extending from raw materials to transportation and processing, and product distribution and sales. These value chains will revolve around core subsidiaries in each field. And we will continue to actively target our efforts at growth markets overseas. The functions of AGREX, Inc., a U.S. subsidiary engaged in storage and marketing of grain, and Princes Limited, a U.K. subsidiary manufacturing food products and soft drinks, will play a pivotal role here.

The Textiles Division continues to face a challenging business environment in which personal consumption is slowing and competition based on low prices is escalating, including with foreign competitors. We established MC Fashion Co., Ltd. to consolidate the functions of three subsidiaries in a single entity in order to further develop OEM functions and achieve greater efficiency in the apparel field, as well as improve services under solid alliances with SPA companies (specialty store retailers of private label apparel). And we will continue looking to actively sell environment-related products and materials for optical communications, among other high functional materials.

The General Merchandise Division felt the full impact of the economic crisis, most notably in its U.S. cement operations, and markets have yet to see a bona fide recovery in demand. However, the Division will bolster paper-related businesses, centered on Hokuetsu Kishu Paper Co., Ltd., Mitsubishi Shoji Packaging Corporation and Canadian pulp manufacturing subsidiary Alpac Forest Products Inc. Moreover, we will upgrade the basic capabilities of our cement businesses in the U.S. and China so that they are well placed to benefit from an economic recovery going forward. And we will continue to steadily expand sales of tires in overseas growth markets, including emerging nations.

The Human Care & Media Division, which began activities in this business group in April 2009, was renamed the Healthcare & Marketing Service Division in April 2010. This Division will continue to develop business in the healthcare field, which is expected to grow in size as a market along with the aging of Japan's population and increasing awareness of lifestyle-related diseases. It will also be active in developing new distribution channels and providing sales promotion, payment settlement, loyalty point and other services to cater to changing market needs.

5. R&D Activities

Research and development costs in the year ended March 2010 were ¥3.7 billion. Included in these costs are product development expenses in the animal feed business at food-related consolidated subsidiary Nosan Corporation, and development expenses for foodservice and home-use products for confectionery and breadmaking manufacturers, deep-frozen food manufacturers and fast food booked at food-related consolidated subsidiary, Nitto Fuji Flour Milling Co., Ltd.

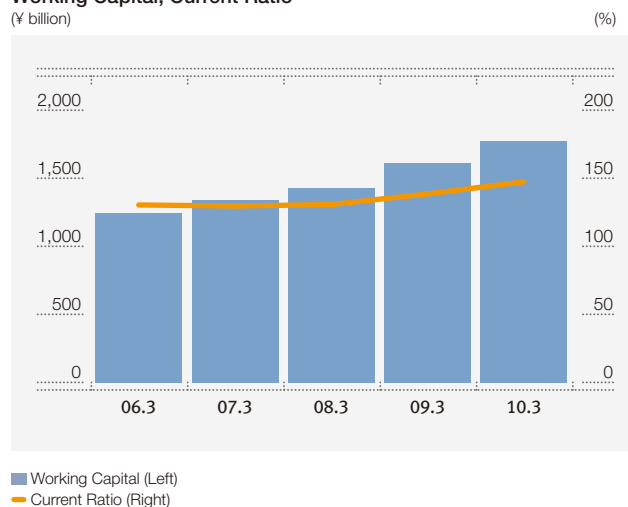
Costs also included product development expenses for biochemicals, fine chemicals and other products at chemical products-related consolidated subsidiary Kohjin Co., Ltd., and product development and application development expenses for sugar alcohols, seasonings and other products at consolidated subsidiary Mitsubishi Shoji Food Tech 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 procure funds in a stable and cost-effective manner. For funding 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. We have a strong reputation in capital markets. 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.

Working Capital, Current Ratio



In the year ended March 2010, the financial environment, which had deteriorated rapidly following the so-called “Lehman Shock,” headed gently for recovery as countries around the world moved quickly to implement countermeasures. We put the utmost priority on preserving our financial soundness and under this policy brought forward the procurement of medium- and long-term funds. At the same time, we made progress repaying borrowings, particularly short-term borrowings, as the demand for working capital and other funds declined.

As a result of these funding activities, on March 31, 2010, gross interest-bearing liabilities stood at approximately ¥4,200.0 billion, approximately ¥700.0 billion lower than March 31, 2009. Of these gross interest-bearing liabilities, approximately 87% represented long-term financing. Gross interest-bearing liabilities at the Parent were approximately ¥3,100.0 billion, of which approximately 98% represented long-term financing, and the average remaining period was about 5 years.

In the year ending March 2011, we plan to continue procuring funds mainly through long-term financing. Furthermore, so as to prepare for future demand for funds, we will seek to diversify funding sources and at the same time look to continue raising funding efficiency on a consolidated basis. Moreover, because financial markets remain unpredictable, we will remain vigilant and secure sufficient cash and deposits, as well as increase our bank commitment lines, to enhance our liquidity further.

Regarding management of funds on a consolidated basis, we have a group financing policy in which funds are raised principally by the Parent, as well as domestic and overseas finance companies and overseas regional subsidiaries, and distributed to other subsidiaries. As of March 31, 2010, approximately 82% of consolidated gross interest-bearing liabilities were accounted for by the Parent, domestic and overseas finance companies, and overseas regional subsidiaries. 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, 2010 was approximately 147% on a consolidated basis. In terms of liquidity, management has judged that the Parent has a high level of financial soundness. The Parent, Mitsubishi International Corporation (U.S.A.) and Mitsubishi Corporation Finance PLC (U.K.) had ¥223.1 billion in short-term debt as of March 31, 2010, namely commercial paper and bonds scheduled for repayment within a year. But, since the sum of cash and deposits and bond investments due to mature within a year together with a commitment line amount to ¥1,435.5 billion, we believe we have a sufficient level of liquidity to meet current obligations. The excess coverage amount was ¥1,212.4 billion. The Parent has a yen-denominated commitment line of ¥510.0 billion with major Japanese banks, a commitment line of US\$1.0 billion with leading U.S. and European banks, and

a soft currency facility with major U.S. and European banks equivalent to US\$0.3 billion.

To procure 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 stable) by R&I, A1/P-1 (outlook stable) by Moody's, and A+/A-1 (outlook stable) by S&P.

Rating Information (As of June 1, 2010)

Credit Agency	Long-term/Short-term
Rating and Investment Information, Inc. (R&I)	AA-/a-1+ (outlook stable)
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		
	2008.3	2009.3	2010.3
Operating income	¥355.1	¥588.9	¥181.4
Interest income	74.3	59.1	37.7
Dividend income	134.6	124.7	91.5
Total	564.0	772.7	310.6
Interest expense	(86.6)	(82.5)	(50.3)
Interest coverage ratio (times)	6.5	9.4	6.2

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

2) Total Assets, Liabilities and Total Equity

Total assets as of March 31, 2010 were ¥10,891.3 billion, down ¥26.7 billion, or 0.2%, from March 31, 2009.

Current assets decreased ¥276.7 billion, or 4.8%, to ¥5,525.2 billion. Cash and cash equivalents decreased due to a decrease in liquidity in hand secured to withstand financial market turmoil at the end of the previous fiscal year, and inventories decreased in line with softer demand.

Total investments and non-current receivables increased ¥247.9 billion, or 7.9%, to ¥3,368.1 billion. This primarily reflected an increase in unrealized gains on listed shareholdings mainly at the Parent along with the recovery in share prices, as well as earnings at equity-method affiliates.

Property and equipment—net increased ¥120.4 billion, or 7.6%, to ¥1,697.4 billion, due principally to new capital expenditures and an increase in foreign currency-denominated assets because of the yen's depreciation.

Total liabilities decreased ¥605.0 billion, or 7.4%, to ¥7,624.5 billion, the result of decreases in both current liabilities and long-term liabilities.

Current liabilities decreased ¥440.5 billion, or 10.5%, to ¥3,748.4 billion, despite an increase in trade accounts payables in line with improvements in commodity prices. The overall decline was principally the result of progress in repaying short-term borrowings in line with decreased demand for funds, such as a decrease in working capital requirements.

Non-current liabilities decreased ¥164.4 billion, or 4.1%, to ¥3,876.1 billion, principally because of the reclassification of debt to current maturities of long-term debt.

Total equity increased ¥578.2 billion, or 21.5%, to ¥3,266.8 billion. Total Mitsubishi Corporation shareholders' equity was ¥2,961.4 billion, which represented an increase of ¥578.0 billion, or 24.3%, from March 31, 2009. In addition to the accumulation of net income attributable to Mitsubishi Corporation, this reflected an increase in net unrealized gains on securities available for sale resulting from an increase in unrealized gains on listed shareholdings, and an improvement in foreign currency translation adjustments as a result of an increase in net assets denominated in Australian dollars and the Thai baht due to the yen's depreciation.

Noncontrolling interest increased ¥0.2 billion, or 0.1%, to ¥305.4 billion due to an increase commensurate with net unrealized gains on securities available for sale at consolidated subsidiaries.

Net interest-bearing liabilities, gross interest-bearing liabilities minus cash and cash equivalents, at March 31, 2010 were ¥2,955.2 billion, a decrease of ¥596.0 billion, or 16.8%, from March 31, 2009. As a result, the net debt-to-equity ratio, which is net interest-bearing liabilities divided by total Mitsubishi Corporation shareholders' equity at year-end, was 1.0, which was 0.5 of a point lower than at March 31, 2009.

Interest-Bearing Liabilities, Net Debt-to-Equity Ratio, Return on Invested Capital (ROIC)

	Billions of Yen		
	2008.3	2009.3	2010.3
Short-term borrowings . . .	¥1,126.9	¥1,464.9	¥ 961.6
Long-term borrowings	3,056.7	3,414.4	3,193.1
Cash and deposits	(761.7)	(1,328.1)	(1,199.5)
Interest-bearing liabilities (net)	3,421.9	3,551.2	2,955.2
Total shareholders' equity . .	2,873.5	2,383.4	2,961.4
Net debt-to-equity ratio (times)	1.2	1.5	1.0
ROIC (core earnings) (%) . . .	10.0	14.4	6.4

Notes: 1. Interest-bearing liabilities excludes the impact of adopting ASC 815, "Accounting for Derivative Instruments and Hedging Activities."

2. Short-term borrowings above is the total of short-term debt, commercial paper and current maturities of long-term debt. Long-term borrowings is the total of long-term debt and long-term bonds.

3. ROIC (core earnings) = Core earnings / (Total shareholders' equity + Interest-bearing liabilities (net))

3) Cash Flows

Cash and cash equivalents at March 31, 2010 were ¥1,093.5 billion, down ¥121.6 billion, or 10.0%, from March 31, 2009.

(Operating activities)

Net cash provided by operating activities was ¥760.6 billion. Cash was chiefly provided by progress made collecting funds in line with a decrease in working capital requirements primarily at the Parent and Metal One, in addition to cash flows from operating transactions at resource-related subsidiaries and firm growth in dividend income from business investments, mainly resource-related companies.

There was a ¥210.1 billion year-on-year increase in cash flows from operating activities in the year ended March 2010, despite decreases in cash flows from operating transactions and dividend income. The year-on-year increase was attributable to a substantial decline in working capital requirements.

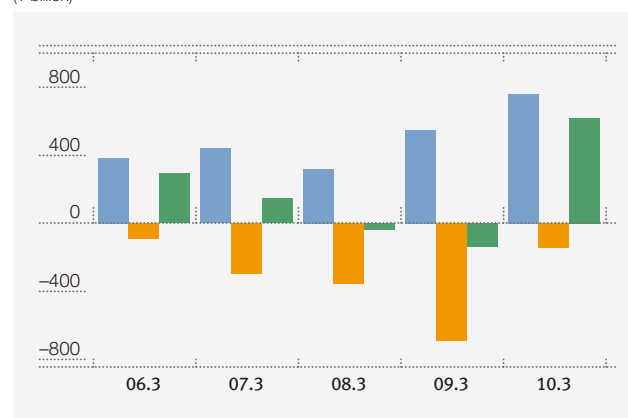
(Investing activities)

Net cash used in investing activities was ¥141.2 billion. Cash was mainly used for capital expenditures primarily at overseas resource-related subsidiaries.

Net cash used in investing activities decreased ¥550.1 billion from the year ended March 2009. This reflected the use of cash in the year ended March 2009 for the purchase of additional shares in Chiyoda Corporation and Mitsubishi UFJ Lease & Finance Company Ltd. via subscription to a private placement and for the acquisition of new rights in a coking coal project by an Australian resource-related subsidiary.

As a result of the above, free cash flow, the sum of operating and investing cash flows, was ¥619.4 billion.

Cash Flows
(¥ billion)



■ Net Cash Provided by Operating Activities
■ Net Cash Used in Investing Activities
■ Free Cash Flows

(Financing activities)

Net cash used in financing activities was ¥755.1 billion. In addition to the payment of dividends at the Parent, cash was used for the repayment of debt in line with a decrease in working capital requirements.

There was a ¥1,405.7 billion year-on-year decrease in cash flows from financing activities. In addition to proactive fund procurement to be prepared for financial market instability and to meet demand for new investments and other uses in the previous fiscal year, this was attributable to the repayment of debt in the year ended March 2010 in line with lower demand for working capital.

7. Strategic Issues

1) Management Issues and Plans

(1) Medium-Term Management Plan—INNOVATION

2009 Overview

Under our two-year INNOVATION 2009 medium-term management plan initiated in the year ended March 2009, Mitsubishi Corporation set forth the vision of becoming “A New Industry Innovator.” Guided by this vision, Mitsubishi Corporation executed various management initiatives to realize three basic concepts and raise corporate value on a consolidated basis: Grasp Change and Open Up A New Era (Promote Growth Strategy), Develop Human Assets (Develop and Utilize Human Resources), and Solidify Our Ground (Continuously Strengthen Management Foundations).

In light of the major changes that took place in the business environment due to the financial crisis that began in the fall of 2008, Mitsubishi Corporation positioned the year ended March 2010 as a year for implementing urgent measures to address the changing business environment and put the utmost priority for the time being on preserving financial soundness. We implemented various emergency measures which included overhauling investment plans and cutting costs. In these ways, we worked as a whole to address management issues with a sense of urgency.

While the business environment was difficult, we believe that the structural changes taking place globally would give rise to new industry needs. Based on this belief, we established the Corporate Development Section, which reported directly to the president. This section targeted four areas for corporate development: “Functional Development,” “Business Sector Development,” “Customer Relationship Development,” and “Regional Development.” The Corporate Development Section concentrated on all these areas on a Companywide basis to create new growth drivers for the future. We are now moving into full swing with initiatives in fields expected to grow over the medium and long terms such as new energy and environmental businesses.

As a result of these efforts, we posted net income attributable to Mitsubishi Corporation of ¥273.1 billion for the year ended March 2010, surpassing our initial ¥220.0 billion forecast. We also achieved the goal set when the INNOVATION series of management plans was initiated in the year ended March 2005 of creating a company capable of consistently generating net income attributable to Mitsubishi Corporation of at least ¥200.0 billion.

In terms of the business environment for the year ending March 2011 and thereafter, the world economy as a whole is expected to maintain a gentle recovery course on the back of steady economic expansion in emerging economies such as China. Furthermore, moves to create a low carbon society, which are linked to various countries’ economic stimulus measures, are likely to gain further traction against a backdrop of rising interest in the environment around the world. There should also be expansion in demand for infrastructure, particularly in emerging nations.

Conscious of these conditions, we will step up ongoing efforts to strengthen core businesses and actively reform our business model as a global business enterprise. Our goal is to contribute to the continuous advancement of society.

We have established the Global Environment Business Development Group in order to integrate and strengthen efforts in infrastructure projects businesses, which had previously been carried out as part of Business Sector Development in the Corporate Development Section. This new group is actively working in business fields expected to be pillars of earnings in the future for Mitsubishi Corporation, namely new energy, environmental and water, overseas power generation and energy solutions businesses.

We have also established the Business Service Group in order to enhance and strengthen the structure for providing comprehensive functional services to raise the corporate value of Mitsubishi Corporation and its business groups. The new group combines IT services, which up until now have been carried out as part of Functional Development in the Corporate Development Section, with logistics, insurance, trade management and other business areas.

We are pursuing a strategy that seeks to innovate by making full use of our contacts with various industries, one of our strengths as a general trading company (*sogo shosha*). We are approaching this strategy from three angles: regions, customers and industries.

The MC Group is made up of many diverse consolidated business investees. We plan to develop a stronger sense of unity throughout our consolidated companies and steadily enhance and strengthen our group-wide management foundations to support these companies.

The business environment surrounding the MC Group is undergoing rapid and major change. However, we are determined to create a company that wins recognition from shareholders, customers and all other stakeholders and that contributes to society by continuing to challenge the future to seize upon future business opportunities.

(2) Earnings Plan and Management Policies for the Year Ending March 2011

Looking ahead, our goal remains to contribute to the continuous advancement of society as a global business enterprise. For the year ending March 2011, we have set the numerical goal of net income attributable to Mitsubishi Corporation of ¥370.0 billion. We will work as one to achieve this goal and implement the following measures.

We will strive to improve our earnings power further in core businesses that are the cornerstone of our current earnings, while actively targeting infrastructure fields such as new energy, environmental and water businesses, and overseas independent power producer business, which we see as future sources of earnings. And we will strengthen functional development so that we can provide specialist services in an integrated manner in business domains such as logistics, insurance and trade management as well as IT services as in the past. We will also innovate by taking full advantage of our strengths as a general trading company (*sogo shosha*) with contacts with a host of industries. The MC Group is made up of many diverse consolidated business investees. We plan to develop a stronger sense of unity throughout our consolidated companies and steadily enhance and strengthen our group-wide management foundations to support these companies.

2) Basic Policy Regarding the Appropriation of Profits

(1) Investment Plans

We plan to invest in the resources and energy fields, which we expect to remain key earnings drivers, as well as new energy and environmental businesses, which we see as future sources of earnings. We will also invest in the machinery, chemicals, living essentials and other fields. All investments will be made with the aim of sustaining our growth.

In the year ended March 2010, investments were limited to ¥270.0 billion as a result of putting top priority on maintaining and improving financial soundness, partly in response to the changing external environment amid the worldwide economic crisis. However, in the year ending March 2011, we plan to invest around ¥700.0 billion.

(2) Capital Structure Policy and Dividend Policy

Our basic policy is to sustain growth and maximize corporate value by balancing earnings growth, capital efficiency and financial soundness. For this, we will continue to utilize retained earnings for investments to drive growth, while maintaining our financial soundness.

In terms of shareholder returns, our basic policy is to increase the annual dividend per share through earnings growth with a targeted consolidated dividend payout ratio in the range of 20% to 25%. We will also purchase treasury stock flexibly depending on earnings growth, progress with our investment plans and other factors.

The 2010 Ordinary General Meeting of Shareholders approved a dividend per common share applicable to the year ended March 2010 of ¥21, because net income attributable to Mitsubishi Corporation at ¥273.1 billion exceeded the forecast announced in January 2010. As a result, the annual ordinary dividend per share applicable to the year ended March 2010 was ¥38, including an interim dividend of ¥17.

In accordance with the aforementioned policy, we plan to pay a dividend of ¥52 per common share for the year ending March 2011, providing we achieve our present forecast for net income attributable to Mitsubishi Corporation of ¥370.0 billion.

Resolution Date	Total Dividend Amount (¥ millions)	Dividend per Share (¥)
October 30, 2009 Board of Directors	¥27,936	¥17
June 24, 2010 Ordinary General Meeting of Shareholders	34,519	21
Annual ordinary dividend per share applicable to the year ended March 2010	62,455	38

- Notes: 1. Our basic policy is to pay dividends from retained earnings twice a year in the form of interim and year-end dividends. The year-end dividend is determined by the Ordinary General Meeting of Shareholders while the interim dividend is decided by the Board of Directors.
2. Under our Articles of Incorporation, interim dividends can be paid by a resolution of the Board of Directors to those shareholders or pledgees who are entered or recorded in the register of shareholders as of the close of business on September 30 of each year.

[For Reference: Annual Ordinary Dividends]

- Year ended March 2003 = ¥8 per common share
- Year ended March 2004 = ¥12 per common share
- Year ended March 2005 = ¥18 per common share
- Year ended March 2006 = ¥35 per common share
- Year ended March 2007 = ¥46 per common share
- Year ended March 2008 = ¥56 per common share
- Year ended March 2009 = ¥52 per common share
- Year ended March 2010 = ¥38 per common share

3) Main Investment Activities

In April 2009, we established the Corporate Development Section as an organization that reports directly to the president.

The Corporate Development Section worked to step up activities in the new energy, and environment and water fields to create new growth drivers.

The following July, we signed a Memorandum of Understanding with Spanish company ACCIONA S.A., the world's largest renewable energy company, regarding a comprehensive strategic alliance to collaborate in renewable energy and the environmental business domains around the world.

Through collaboration with ACCIONA, which is already developing renewable energy and environmental businesses on a global scale, we hope to develop sustainable businesses that are both environmentally and economically viable in response to rising environmental awareness worldwide. At the same time, we aim to become a global leader in the renewable energy and environmental business domains.

The alliance includes a number of facets. Firstly, MC and ACCIONA will jointly develop and operate renewable energy power generation businesses centered on solar photovoltaic, wind and solar thermal power generation as well as bioenergy. Secondly, besides the renewable energy power generation businesses, the two companies will explore cooperation in a wider scope of fields in the environmental and water business domains, including the water business, and the construction of buildings and transportation systems with lower greenhouse gas emissions. Thirdly, the two companies will conduct joint research and development projects in the energy, water, environmental infrastructure and other fields. Fourthly, MC and ACCIONA will conduct personnel exchanges and training programs. MC and ACCIONA will work together on a global basis, to develop renewable energy projects or invest in companies that fall within the joint strategy framework. The partners' target for the scope of this business is 2 billion euros in total (around ¥260 billion at ¥130/euro).

As the first step, we acquired a 34% share of Portugal's Amper Central Solar, S.A. (Amper), which is wholly owned by ACCIONA. Amper developed and operates the world's largest photovoltaic solar plant in Moura, Portugal, and the 45.8MW facility has already been grid-connected and is now operational. At an investment of 261 million euros, its estimated annual output is of 93 Gwh (93 million Kwh). It is also expected to cut CO₂ emissions by about 89,000 tonnes per year.

We have built up considerable know-how in managing water businesses, particularly waterworks, through participation in Manila Water Company Inc. in the Philippines, which is seen as one of the world's most successful waterworks privatization projects, as well as through management of Japan Water

Corporation, one of the first joint-venture waterworks privatization operating companies in Japan. Based on this know-how, in March 2010, we acquired a 33.3% share in Ebara Engineering Service Co., Ltd. (EES), a water business subsidiary of Ebara Corporation. JGC Corporation also acquired a 33.3% share at the same time, meaning that since April 2010 EES has been managed equally by three companies.

The new joint venture aims to parlay each company's strengths into a stronger business platform for EES in Japan and further expansion in the global water business market, where European companies have a commanding presence. EES has engineering expertise in the water business, and has built up know-how and a Japanese network in the operation and maintenance (O&M) of water supply and sewage systems. We possess a global network as well as expertise in business management and financing, while JGC has a proven track record in global engineering and project management.

EES is the first step in the three companies' strategy to grow a competitive Japanese consortium in the global water market, leveraging each partner's advanced technologies and business capabilities. The group hopes that EES will promote greater developments in water infrastructure that can eventually contribute to safe and sustainable water supplies the world over, including desalination, reuse, and purification.

From July 21 to the end of August 2009, we conducted a tender offer for the common shares of one of our consolidated subsidiaries, Nosan Corporation, to make it a wholly owned consolidated subsidiary. Nosan manufactures and sells quality animal feed in the animal and livestock industry, and is developing a food business centered on the Hikari brand of iodine-enriched eggs. MC and Nosan began their business relationship in the trade of animal feed ingredients and formulated feed. Subsequently, we have worked with Nosan to help it build a competitive production system. As a partner in the formulated feed business and businesses producing, processing and selling meat in Japan, we have a longstanding, cordial business relationship with Nosan. By making Nosan a wholly owned subsidiary of MC, MC and Nosan will maximize synergies from the utilization of each other's business advantages. Nosan possesses animal feed technology development and production technology capabilities as well as production infrastructure, while we have the ability to procure raw materials for animal feed, meat production and processing infrastructure and expertise in selling meat. By maximizing synergies, MC and Nosan believe that they can further strengthen the earnings base and increase the corporate value of the MC Group.

In November 2009, we acquired 40% of Rolf Import (RI), a Russian foreign automotive distribution company, and a subsidiary of Rolf Group of Companies (Rolf). We have built a close

working relationship with Rolf, Russia's leading automotive business group, and achieved proven results in Russia's automobile sales business over the past 18 years. The initial purchase price was US\$72 million with scope for additional payments of up to US\$128 million contingent on the business performance of RI.

RI has steadily expanded vehicle sales in Russia ever since the launch of MMC's dealer business in 1992. MMC's brand is highly valued for its high quality and sporty image and high-quality after-sales service. The MMC brand has thus already become well established in Russia.

Through our investment in RI, we aim to further strengthen our MMC-brand automobile distribution business in Russia, where we expect the auto market to grow over the medium and long terms.

4) Outlook for Year Ending March 2011

We are forecasting operating transactions of ¥18,800.0 billion, ¥1,701.3 billion up on the year ended March 2010, due to expected higher transaction volumes from recovery in commodities markets and improvement in real economies. Gross profit is forecast to increase ¥133.3 billion to ¥1,150.0 billion due to higher coking coal prices and other factors.

Combined with the fact that selling, general and administrative expenses are projected to remain on a par with the year ended March 2010, operating income is forecast to increase ¥98.6 billion to ¥280.0 billion.

In other items, we are forecasting improvements in the loss on marketable securities and investments—net and loss on property and equipment—net, due to the absence of impairment losses recorded in the year ended March 2010.

As a result, net income attributable to Mitsubishi Corporation is projected at ¥370.0 billion, an increase of ¥96.9 billion year on year.

Projections are based on the following assumptions.

Reference: Change of basic assumptions

	2011.3 (Est.)	2010.3 (Act.)	Change
Exchange rate (¥/US\$)	¥90.0/US\$1	¥92.9/US\$1	-¥2.9/US\$1
Crude oil price (US\$/BBL)	US\$75.0/BBL	US\$69.6/BBL	+US\$5.4/BBL
Interest rate (TIBOR, %)	0.45%	0.53%	-0.08%

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.

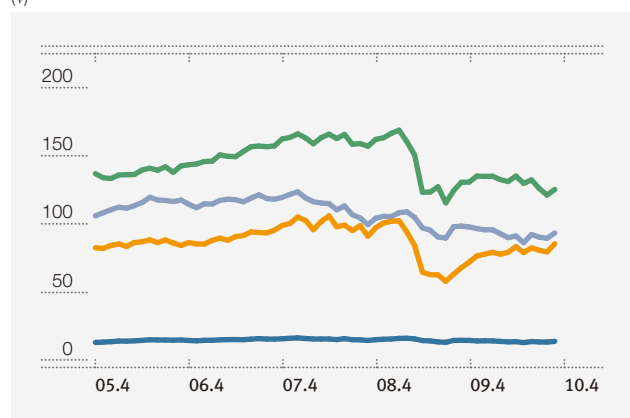
8. Business Risks

1) Risks of Changes in Global Macroeconomic Conditions

As we conduct businesses on a global scale, our operating results are impacted by economic trends in overseas countries as well as those in Japan.

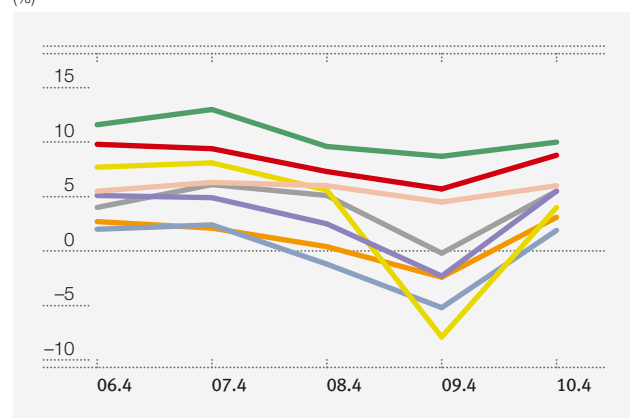
For instance, a decline in prices of energy and metal resources could have a large impact on our resource-related import transactions and earnings from business investments. Furthermore, the worldwide economic slowdown could affect our entire export-related business, including plants, construction machinery parts, automobiles, steel products, ferrous raw materials, chemical products, and other products.

Exchange Rates of Major Currencies (¥)



— US\$ — AS\$
— Euro — Yuan

Real GDP Growth Rates of Major Countries / Regions (%)



— Japan — India
— U.S.A. — China
— Brazil — Thailand
— Russia — Indonesia

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.

In the year ended March 2010, the world economy headed for recovery thanks to pump-priming measures and quantitative easing by countries around the world after having witnessed a sharp downturn in the previous fiscal year. Emerging countries saw steady economic expansion on the back of strong internal demand in China, India and certain other nations. This contrasted with developed countries, which failed to achieve bona fide economic recoveries as stimulus measures had only a limited impact and worsening employment conditions dampened consumption. Share prices and international commodity prices posted moderate rises under the aforementioned conditions.

2) Market Risks

(Unless otherwise stated, calculations of effects on future net income are based on net income for the year ended March 2010. Net income, as used hereinafter, refers to "Net income attributable to Mitsubishi Corporation.")

(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 Australia, Malaysia, Brunei, the U.S., including the Gulf of Mexico, Gabon, Angola and other parts of the world. 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 ¥1.0 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 Mitsubishi Development Pty Ltd (MDP), we sell around 27-28 million tons of coal per year, mainly coking coal, a ferrous raw material. Fluctuations in the price of coking coal may affect our operating results through MDP's earnings. 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. Regarding copper, variables besides price fluctuations can have an impact. These include the grade of mined ore, the status of production operations, and reinvestment plans (capital expenditures). This makes a sensitivity estimate for copper difficult. Regarding aluminum, a US\$100 fluctuation in the price per MT of aluminum would have a ¥1.0 billion effect on our 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, such as export, import and offshore trading. While we use forward contracts and other hedging strategies, there is no assurance that we can completely avoid foreign currency risk.

In addition, 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. 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 net income. In terms of sensitivity, a ¥1 change relative to the U.S. dollar would have an approximate ¥2.1 billion effect on 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, 2010, we owned approximately ¥1,500.0 billion (market value basis) of marketable securities, mostly equity issues of customers, suppliers and affiliated companies. These investments expose us to the risk of fluctuations in stock prices. As of the same date, we had net unrealized gains of approximately ¥600.0 billion based on market prices, a figure that could change depending on future trends in stock prices.

In our corporate pension fund, some of the pension assets managed are marketable stocks. Accordingly, a fall in stock prices could cause an increase in pension expenses by reducing pension assets.

(4) Interest Rate Risk

As of March 31, 2010, we had gross interest-bearing liabilities of approximately ¥4,154.7 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 corresponding to 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 the risk of interest rate fluctuations.

3) Credit Risk

We extend credit to customers in the form of trade credit, including accounts receivables and advance payments, finance, 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. Based on internal rules determined by 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. We reduce transactions and take measures to protect our receivables when there is deterioration in the credit condition of customers. We also have a policy for dealing with bankrupt customers and work to collect receivables. However, failure to collect receivables and other credit 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 money in terms of the sum total of the amount of investments, advances, and guarantees, and the amount of 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 we 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 increasing our commercial rights 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 profits. Regarding the management of business investment risk, in the case of new business investments, we clarify the investment meaning and purpose, quantitatively grasp 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 efficiently replace assets in our 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

Investment in and Operations with Mitsubishi Motors Corporation

Following requests from Mitsubishi Motors Corporation (MMC), we injected equity totaling ¥140.0 billion in MMC from June 2004 through January 2006 by subscribing to ordinary and preferred MMC shares. We recorded an impairment of ¥28.3 billion of our holdings in MMC preferred shares with a fair value of ¥66.7 billion during the year ended March 2010, and as a result, our risk exposure in MMC proper was approximately ¥145.0 billion as of March 2010.

We cooperate with MMC developing business at sales companies mainly outside of Japan and across the related value chain. Our risk exposure in connection with these dealings, such as investments in businesses, finance, trade receivables and other related business was approximately ¥220.0 billion as of March 31, 2010.

Our total MMC-related risk exposure, including both the aforementioned risk exposure to MMC proper and our risk exposure to related business, was thus around ¥365.0 billion as of March 31, 2010.

For the year ended March 2010, MMC posted consolidated sales of ¥1,400.0 billion, operating income of ¥13.9 billion and a net income of ¥4.8 billion.

We plan to continue to cooperate with MMC in the areas of human resources and sales activities outside of Japan.

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 Companies Act, tax laws, Financial Instruments and Exchange Act, anti-monopoly laws, international 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 our offices, facilities or systems and affects employees could hinder sales and production activities.

We have 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 our operating results.

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.

9. Critical Accounting Policies and Estimates

The preparation of these consolidated 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. 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, 2009, we decreased our total allowance for doubtful accounts by ¥7.8 billion, or 11.1%, to ¥62.7 billion.

For the year ended March 31, 2010, we increased our total allowance for doubtful accounts by ¥0.5 billion, or 0.9%, to ¥63.2 billion. The allowance for doubtful accounts represented approximately 1.8% of our total receivables (current and noncurrent) as of March 31, 2009 and 2010, 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, among others, 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 assessed investments for impairment using similar methods and determined that, based on our assumptions, certain investments have been other-than-temporarily impaired. For the years ended March 31, 2008, 2009 and 2010, impairment losses of ¥14.9 billion, ¥166.1 billion, and ¥71.2 billion respectively, were recognized in "(Gain) loss 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 determined not to be other-than-temporarily 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 asset or asset group, 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 an asset or asset group to be held and used is measured by comparing the carrying amount of the asset or group to undiscounted future 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.

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, useful lives 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 were impaired. These amounts were included in "Loss on property and equipment—net" in the consolidated statements of

income. For the years ended March 31, 2008, 2009 and 2010, such impairment losses amounted to ¥7.9 billion, ¥45.6 billion and ¥18.1 billion respectively.

During the year ended March 31, 2010, attributable to a depression on real estate markets, the Company recognized impairment losses for long-lived assets, including real estate owned by overseas subsidiaries of the Industrial Finance, Logistics & Development segment.

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. As a result, we may be required 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 3.1%, an equal for the year ended March 31, 2009. For the year ended March 31, 2010, we set the weighted average discount rate at 2.7%, a decrease of 0.4 of a percentage point for the previous year.

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 used the expected long-term rate of return of 3.4% for the year ended March 31, 2009. As there was a downturn in investment returns, due mainly to a sharp decline in the domestic equity market, we calculated pension benefit costs for the year ended March 31, 2010 using a rate of return of 2.1%, a decrease of 1.2 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

The Company recognizes revenues when there is 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 collectability is reasonably assured.

The Company manufactures a wide variety of products, such as electronics, metals, machinery, chemicals, general consumer merchandise, and the development of natural resources. Manufacturing and other activities are typically conducted through consolidated subsidiaries. The Company also trades a wide variety of commodities and may take ownership risk of such inventory or merely facilitate the Company's customer's purchases and sales of commodities and other products where it earns a commission for this service.

The Company acts as a principal or agent in its activities for earning revenues. The Company presents revenue transactions with corresponding cost of revenues on a gross basis as "Revenues from trading, manufacturing and other activities" in the consolidated statements of income, for transactions traded as a primary obligor in manufacturing, processing and service rendering for sales with general inventory risk before customer orders. The revenues that are recognized on a net basis are presented as "Trading margins and commissions on trading transactions" in the consolidated statements of income.

The Company acts as a principal in manufacturing and other activities. It also acts as a principal in various trading transactions where the Company carries commodity inventory and generates a profit or loss on the spread between bid and asked prices for commodities. Delivery in these transactions is considered to have occurred at the point in time when the delivery conditions as agreed to by customers have been met. This is generally when the goods have been delivered to and accepted by the customer, title to the goods has been transferred, or the implementation testing has been duly completed.

The Company also enters into long-term construction contracts as part of its manufacturing business. Depending on the nature of the contract, revenues from long-term construction projects are accounted for using the completed contract method. In cases where the estimated costs to complete and extent of progress toward completion of long-term contracts are reasonably dependable and there is an enforceable agreement between the parties who can fulfill the obligations the Company uses the percentage-of-completion method.

The Company also performs other activities, which 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 Company is engaged in certain rental activities or leasing of properties,

including office buildings, aircraft and other industrial assets. Revenues from service-related activities are recognized when the contracted services have been 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.

The Company acts as an agent and records revenues earned from margins and commissions related to various trading transactions in which it acts as an agent. Through these trading activities, the Company facilitates its customers' purchases and sales of commodities and other products and earns a commission for this service. The trading margins and commissions are recognized when other all revenue recognition criteria have been met.

6) Derivatives

The Company utilizes derivative instruments primarily to manage interest rate risks, reduce exposure to movements in foreign exchange rates, and to hedge various inventory and trading commitments. All derivative instruments are reported on the balance sheet at fair value as assets or liabilities.

Generally, on the date on which the derivative contract is executed, the Company designates such derivative as either a fair value hedge or a cash flow hedge to the extent that hedging criteria are met.

Fair Value Hedge—Derivative instruments designated as fair value hedges primarily consist of interest rate swaps used to convert fixed rate assets or debt obligations to floating rate assets or debts. Changes in fair values of hedging derivative instruments are recognized in earnings, offset against the changes in fair value of related assets, liabilities and firm commitment, and are included in "Other expense (income)—net."

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 which qualify as cash flow hedges are utilized. Changes in the fair values of derivatives that are designated as cash flow hedges are deferred and recorded as a component of AOCI. Derivative unrealized gains and losses included in AOCI are reclassified into earnings at the time that the associated hedged transactions impact the income statement.

Hedge of the Net Investment in Foreign Operations—The Parent 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 are included in foreign currency translation adjustments within "Other comprehensive (loss) income."

Derivative Instruments Used for Other than Hedging

Activities—The Company enters into derivative financial instruments as a part of its trading activities. The Company clearly distinguishes derivatives used in trading activities from derivatives used for risk management purposes. Internal control policies of the Company mandate that the Company 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.

Changes in fair value of derivatives not designated as hedging instruments and held or issued for trading purposes are recorded in earnings. The Company offsets the fair value amounts recognized for cash collateral against the fair value of amounts recognized for derivative instruments that are executed with the same counterparty under the same master netting arrangement.

7) Recent Accounting Pronouncements

Recently adopted accounting pronouncements:

Effective April 1, 2009, the Company adopted Statement of Financial Accounting Standards ("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 a business combination. The adoption of SFAS No. 141R did not have a material impact on the Company's consolidated financial position and results of operations in the fiscal year ended March 31, 2010. SFAS No. 141 was subsequently codified in ASC Topic 805, effective July 1, 2009.

Effective April 1, 2009, the Company adopted 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. Upon the adoption of SFAS No. 160, noncontrolling interests, which were previously referred to as minority interests and classified between total liabilities and shareholders' equity on the consolidated balance sheets were recharacterized as noncontrolling interests and are reported as a component of equity separate from the parent's equity.

Purchases or sales of equity interests that do not result in a change in control will be accounted for as equity transactions. In addition, the consolidated statements of income now includes the net income (loss) attributable to noncontrolling interest. These financial statement presentation requirements have been adopted retrospectively and prior year amounts in the consolidated financial statements including the consolidated statements of cash flows have been reclassified to conform to SFAS No. 160. SFAS No. 160 was subsequently codified in ASC Paragraph 810-10-65-1, effective July 1, 2009.

Effective April 1, 2009, the Company adopted SFAS No. 165, "Subsequent Events." The objective of SFAS No. 165 is to establish general standards of accounting for and disclosures of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. Entities are required to disclose the date through which subsequent events were evaluated as well as the rationale for why that date was selected. The adoption of SFAS No. 165 did not have a material impact on the Company's consolidated financial position and results of operations in the fiscal year ended March 31, 2010. SFAS No. 165 was subsequently codified in ASC Sub topic 855-10, effective July 1, 2009.

Effective April 1, 2009, the Company adopted FASB Staff Position ("FSP") No. FAS 115-2 and FAS 124-2, "Recognition and Presentation of Other-Than-Temporary Impairments ("OTTI")." FSP No. FAS 115-2 and FAS 124-2 modify the existing OTTI model for investments in debt securities. Under the FSP No. FAS 115-2 and FAS 124-2, the primary change to the OTTI model for investments in marketable debt securities is the change in focus from an entity's intent and ability to hold a security until recovery. Instead, an OTTI is recognized in its entirety in earnings when the fair value has declined below cost and if (1) the Company has the intent to sell the security, (2) the Company is more-likely-than-not that it will be required to sell the security before recovery, or (3) the Company does not expect to recover its entire amortized cost basis of the security. In addition, FSP No. FAS 115-2 and FAS 124-2 changes the presentation of an OTTI in the income statement. However, if an entity does not intend to sell the security and it is not more-likely-than-not that it will be required to sell the security before recovery, but the security is considered to have suffered a credit loss, the impairment charge will be separated into the credit loss component, which is recorded in earnings, and the remainder of the impairment charge, which is recorded in other comprehensive income. The adoption of FSP No. FAS 115-2 and 124-2 did not have a material impact on the Company's consolidated financial position and results of operations in the fiscal year ended March 31, 2010. FSP No. FAS 115-2 and FAS 124-2 were subsequently codified in ASC Section 320-10-65, effective July 1, 2009.

Effective March 31, 2010, the Company adopted Accounting Standards Update ("ASU") No. 2010-03, "Oil and Gas Estimation and Disclosures." This update aligns the current oil and natural gas reserve estimation and disclosure requirements of the extractive industries oil and gas topic ASC topic 932. ASU No. 2010-03 expands the information required for reserves of equity method investment which has significant oil and gas-producing activities in the supplemental oil and gas information, and required to estimate proved oil and natural gas reserves by using the average of the price as of the first day of each month during the fiscal year. The adoption of ASU No. 2010-03 does not have a material impact on the Company's consolidated financial position and results of operations in the fiscal year ended March 31, 2010.

Recent accounting pronouncements not yet adopted:

In June 2009, the FASB issued SFAS No. 166, "Accounting for Transfers of Financial Assets—an amendment of FASB Statement No. 140." SFAS No. 166 is a revision to SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," which removes the concept of a qualifying special-purpose entity, changes the requirements for derecognizing financial assets, and requires additional disclosures. SFAS No. 166 is effective for the reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period and for interim and annual reporting periods thereafter. The Company will adopt SFAS No. 166 as of April 1, 2010. The adoption of SFAS No. 166 will not have a material impact on the Company's consolidated financial position and results of operations. SFAS No. 166 was subsequently codified in ASC Sub topic 860-10, effective July 1, 2009.

In June 2009, the FASB issued SFAS No. 167, "Amendments to FASB Interpretation No. 46(R)." SFAS No. 167 is a revision to FASB Interpretation No. 46(R), and changes how a company determines whether an entity that is insufficiently capitalized or is not controlled through voting or similar rights should be consolidated. The determination of whether a company is required to consolidate an entity is based on, among other things, an entity's purpose and design and a company's ability to direct the activities of the entity that most significantly impact the entity's economic performance. SFAS No. 167 is effective for the reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period and for interim and annual reporting periods thereafter. The Company will adopt SFAS No. 167 as of April 1, 2010. The adoption of SFAS No. 167 will not have a material impact on the Company's consolidated financial position and results of operations. SFAS No. 167 was subsequently codified in ASC Sub topic 810-10, effective July 1, 2009.

In October 2009, the FASB issued ASU No. 2009-13, "Multiple-Deliverable Revenue Arrangements a consensus of the FASB Emerging Issues Task Force." This guidance modifies the criteria for separating consideration under multiple-deliverable arrangements and requires allocation of the overall consideration to each deliverable using the estimated selling price in the absence of vendor-specific objective evidence or third-party evidence of selling price for deliverables. As a result, the residual method of allocating arrangement consideration will no longer be permitted. The guidance also requires additional disclosures about how a vendor allocates revenue in its arrangements and about the significant judgments made and their impact on revenue recognition. ASU No. 2009-13 is effective for fiscal years beginning on or after June 15, 2010 and is required to be adopted by the Company no later than the first quarter beginning April 1, 2011. The Company is currently evaluating ASU No. 2009-13 to determine its impact on the Company's consolidated financial position and results.

In April 2010, the FASB issued ASU No. 2010-17, "Milestone Method of Revenue Recognition a consensus of the FASB Emerging Issues Task Force." ASU No. 2010-17 establishes a revenue recognition model for contingent consideration that is payable upon the achievement of an uncertain future event, referred to as a milestone. The scope of ASU No. 2010-17 limited to research or development arrangements. ASU No. 2010-17 is effective for fiscal years beginning on or after June 15, 2010 and is required to be adopted by the Company no later than the first quarter beginning April 1, 2011. The Company is currently evaluating ASU No. 2010-17 to determine its impact on the Company's consolidated financial position and results.

Six-Year Financial Summary

Mitsubishi Corporation and Subsidiaries
Years Ended March 31

	2005 As Reclassified**4	2006 As Reclassified**4
Performance Measure:		
Operating transactions**1	¥17,122,034	¥19,069,181
Results of Operations:		
Revenues	¥ 4,133,338	¥ 4,812,087
Gross profit	878,707	1,052,990
Net income from continuing operations attributable to Mitsubishi Corporation	188,433	360,397
Net income attributable to Mitsubishi Corporation	186,641	356,734
Financial Position at Year-End:		
Total assets	¥ 9,048,561	¥10,299,588
Working capital**2	1,017,681	1,246,194
Long-term debt, less current maturities	2,975,701	2,875,398
Total Mitsubishi Corporation shareholders' equity	1,493,175	2,348,000
Amounts per Share:		
Net income from continuing operations attributable to Mitsubishi Corporation per share:		
Basic EPS	¥120.36	¥221.75
Diluted EPS	111.17	211.72
Net income attributable to Mitsubishi Corporation per share:		
Basic EPS	119.21	219.50
Diluted EPS	110.11	209.56
Cash dividends declared for the year	18.00	35.00
Common Stock:		
Number of shares outstanding at year-end**3	1,565,749	1,685,767
Exchange Rates into U.S. Currency: (Per the Federal Reserve Bank of New York)		
At year-end	¥107.22	¥117.48
Average for the year	107.28	113.67
Range:		
Low	114.30	120.93
High	102.26	104.41

Notes: The U.S. dollar amounts represent translations, for convenience, of yen amounts at the rate of ¥93=\$1.

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

**2 Working capital consists of all current assets and liabilities, including cash and short-term debt.

**3 Treasury stock is not included.

**4 The Company adopted ASC Paragraph 810-10-65-1, "Consolidation-Overall-Transaction" for the fiscal year relating to the quarterly fiscal period under review. These financial statement representation requirements have been adopted retrospectively and prior year amounts in the consolidated financial statements have been reclassified or adjusted to conform to ASC Paragraph 810-10-65-1, "Consolidation-Overall-Transaction."

Millions of Yen				Millions of U.S. Dollars
2007 As Reclassified**4	2008 As Reclassified**4	2009 As Reclassified**4	2010	2010
¥20,526,570	¥23,103,043	¥22,389,104	¥17,098,705	\$183,857
¥ 5,068,749	¥ 6,030,806	¥ 6,146,406	¥ 4,541,500	\$ 48,833
1,145,532	1,172,222	1,463,152	1,016,683	10,932
424,500	474,463	365,366	273,147	2,937
419,273	470,859	369,936	273,147	2,937
¥11,423,924	¥11,750,441	¥10,918,003	¥10,891,275	\$117,110
1,339,852	1,430,739	1,612,979	1,776,774	19,105
2,862,408	3,096,818	3,467,766	3,246,029	34,904
2,918,386	2,873,510	2,383,387	2,961,376	31,842
Yen				U.S. Dollars
¥251.62	¥285.99	¥222.46	¥166.24	\$1.79
250.25	284.71	221.97	165.86	1.78
248.52	283.82	225.24	166.24	1.79
247.17	282.55	224.75	165.86	1.78
46.00	56.00	52.00	38.00	0.41
Thousands of Shares				
1,688,303	1,641,203	1,642,904	1,643,532	
Yen per U.S. Dollar				
¥117.56	¥ 99.85	¥ 99.15	¥ 93.40	
116.55	113.61	100.85	92.49	
121.81	124.09	110.48	100.71	
110.07	96.88	87.80	86.12	

Consolidated Balance Sheets

Mitsubishi Corporation and Subsidiaries
March 31, 2009 and 2010

ASSETS	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2009	2010	2010
Current assets:			
Cash and cash equivalents (Notes 4 and 11)	¥ 1,215,099	¥ 1,093,478	\$ 11,758
Time deposits	113,029	106,021	1,140
Short-term investments (Notes 4 and 11)	60,058	55,757	599
Receivables—trade (Notes 8 and 23):			
Notes and loans	491,577	518,059	5,571
Accounts	2,186,044	2,245,566	24,146
Affiliated companies	162,298	195,922	2,107
Allowance for doubtful receivables (Note 6)	(29,029)	(30,221)	(325)
Inventories	1,005,934	858,322	9,229
Advance payments to suppliers	136,270	146,661	1,577
Deferred income taxes (Note 14)	63,301	43,907	472
Other current assets (Notes 10, 11 and 15)	397,339	291,728	3,137
Total current assets	5,801,920	5,525,200	59,411
Investments and noncurrent receivables:			
Investments in and advances to Affiliated companies (Notes 5 and 11)	1,085,349	1,238,523	13,317
Other investments (Notes 4, 8 and 11)	1,523,364	1,630,450	17,532
Noncurrent notes, loans and accounts receivable—trade (Notes 8 and 23)	545,096	532,098	5,721
Allowance for doubtful receivables (Note 6)	(33,651)	(33,008)	(355)
Total investments and noncurrent receivables	3,120,158	3,368,063	36,215
Property and equipment—net (Notes 7, 8 and 23)	1,576,985	1,697,372	18,251
Goodwill (Note 9)	49,017	48,352	520
Other intangible assets—net (Note 9)	73,383	72,701	782
Other assets (Notes 10, 11, 14 and 15)	296,540	179,587	1,931
Total assets	¥10,918,003	¥10,891,275	\$117,110

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2009	2010	2010
Current liabilities:			
Short-term debt (Notes 8 and 13)	¥ 1,038,926	¥ 555,001	\$ 5,968
Current maturities of long-term debt (Notes 8 and 13)	427,225	408,288	4,390
Payables—trade:			
Notes and acceptances	156,396	152,336	1,638
Accounts	1,812,793	1,893,754	20,363
Affiliated companies	86,151	128,929	1,386
Advances from customers	149,868	149,849	1,611
Accrued income taxes	42,397	43,227	465
Other accrued expenses (Note 15)	108,451	104,227	1,121
Other current liabilities (Notes 10, 11, 14 and 16)	366,734	312,815	3,364
Total current liabilities	<u>4,188,941</u>	<u>3,748,426</u>	<u>40,306</u>
Noncurrent liabilities:			
Long-term debt (Notes 8 and 13)	3,467,766	3,246,029	34,904
Accrued pension and severance liabilities (Note 15)	85,181	54,592	587
Deferred income taxes (Note 14)	107,272	202,595	2,178
Other noncurrent liabilities (Notes 10, 11 and 16)	380,299	372,859	4,009
Total noncurrent liabilities	<u>4,040,518</u>	<u>3,876,075</u>	<u>41,678</u>
Total liabilities	<u>8,229,459</u>	<u>7,624,501</u>	<u>81,984</u>
Commitments and contingencies (Note 26)			
Mitsubishi Corporation shareholders' equity (Notes 18, 19 and 28):			
Common stock—authorized, 2,500,000,000 shares; issued, 2009— 1,696,046,684 shares and 2010— 1,696,686,871 shares; outstanding, 2009— 1,642,903,585 shares and 2010— 1,643,531,984 shares	202,817	203,228	2,185
Additional paid-in capital	261,828	254,138	2,733
Retained earnings:			
Appropriated for legal reserve	42,136	43,170	464
Unappropriated	2,487,404	2,705,291	29,089
Accumulated other comprehensive income (loss):			
Net unrealized gains on securities available-for-sale	146,638	299,983	3,225
Net unrealized (losses) gains on derivatives	(23,464)	11,922	128
Defined benefit pension plans	(101,513)	(80,386)	(864)
Foreign currency translation adjustments	(480,911)	(324,398)	(3,488)
Subtotal	<u>(459,250)</u>	<u>(92,879)</u>	<u>(999)</u>
Less treasury stock—at cost, 53,143,099 shares in 2009 and 53,154,887 shares in 2010	(151,548)	(151,572)	(1,630)
Total Mitsubishi Corporation shareholders' equity	<u>2,383,387</u>	<u>2,961,376</u>	<u>31,842</u>
Noncontrolling interest	305,157	305,398	3,284
Total equity	<u>2,688,544</u>	<u>3,266,774</u>	<u>35,126</u>
Total liabilities and equity	<u>¥10,918,003</u>	<u>¥10,891,275</u>	<u>\$117,110</u>

Consolidated Statements of Income

Mitsubishi Corporation and Subsidiaries
Years Ended March 31, 2008, 2009 and 2010

	Millions of Yen			Millions of U.S. Dollars (Note 1)
	2008	2009	2010	2010
Revenues (Notes 10 and 11):				
Revenues from trading, manufacturing and other activities	¥5,280,155	¥5,444,326	¥3,968,245	\$42,669
Trading margins and commissions on trading transactions	750,651	702,080	573,255	6,164
Total revenues	6,030,806	6,146,406	4,541,500	48,833
Operating transactions (Notes 1 and 21):				
2008—¥23,103,043 million;				
2009—¥22,389,104 million;				
2010—¥17,098,705 million—\$183,857 million]				
Cost of revenues from trading, manufacturing and other activities (Notes 10 and 11)	4,858,584	4,683,254	3,524,817	37,901
Gross profit (Note 21)	1,172,222	1,463,152	1,016,683	10,932
Other expenses (income):				
Selling, general and administrative (Note 15)	821,026	865,475	830,506	8,930
(Credit) provision for doubtful receivables (Note 6)	(3,909)	8,781	4,730	51
Interest expense (net of interest income of: 2008—¥74,293 million; 2009—¥59,144 million; 2010—¥37,727 million—\$406 million) (Note 10)	12,292	23,318	12,627	136
Dividend income	(134,623)	(124,663)	(91,516)	(984)
(Gain) loss on marketable securities and investments—net (Notes 4, 11 and 21)	(57,440)	155,849	2,909	31
Loss on property and equipment—net (Notes 7 and 9)	5,882	45,236	15,573	167
Other (income) expense—net (Notes 9, 10 and 22)	(23,555)	100,928	(52,414)	(563)
Total	619,673	1,074,924	722,415	7,768
Income from continuing operations before income taxes and equity in earnings of Affiliated companies	552,549	388,228	294,268	3,164
Income taxes (Note 14):				
Current	205,529	186,746	112,443	1,209
Deferred	(23,863)	(37,842)	5,554	60
Total	181,666	148,904	117,997	1,269
Income from continuing operations before equity in earnings of Affiliated companies	370,883	239,324	176,271	1,895
Equity in earnings of Affiliated companies (Notes 5, 10 and 21)	155,008	156,763	113,373	1,219
Net income from continuing operations	525,891	396,087	289,644	3,114
(Loss) income from discontinued operations (net of tax) (Note 17)	(3,604)	4,570		
Net income	522,287	400,657	289,644	3,114
Less net income attributable to the noncontrolling interest	(51,428)	(30,721)	(16,497)	(177)
Net income attributable to Mitsubishi Corporation	¥ 470,859	¥ 369,936	¥ 273,147	\$ 2,937
		Yen		U.S. Dollars (Note 1)
Net income attributable to Mitsubishi Corporation per share (Note 20):				
Basic	¥283.82	¥225.24	¥166.24	\$1.79
Diluted	282.55	224.75	165.86	1.78
		Millions of Yen		Millions of U.S. Dollars (Note 1)
Amounts attributable to Mitsubishi Corporation:				
Net income from continuing operations	¥474,463	¥365,366	¥273,147	\$2,937
(Loss) income from discontinued operations (net of tax) (Note 17)	(3,604)	4,570		
Net income	¥470,859	¥369,936	¥273,147	\$2,937

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income (Loss)

Mitsubishi Corporation and Subsidiaries
Years Ended March 31, 2008, 2009 and 2010

	Millions of Yen			Millions of U.S. Dollars (Note 1)
	2008	2009	2010	2010
Net income	¥ 522,287	¥ 400,657	¥289,644	\$3,114
Other comprehensive (loss) income, net of tax:				
Net unrealized (losses) gains on securities available for sale (Notes 4 and 19)	(157,613)	(296,096)	160,000	1,720
Net unrealized gains (losses) on derivatives (Notes 10 and 19)	9,706	(35,969)	35,409	381
Defined benefit pension plans (Notes 15 and 19)	(41,692)	(64,460)	21,945	236
Foreign currency translation adjustments (Note 19)	(107,053)	(396,343)	162,346	1,746
Total other comprehensive (loss) income, net of tax	<u>(296,652)</u>	<u>(792,868)</u>	379,700	4,083
Comprehensive income (loss)	225,635	(392,211)	669,344	7,197
Comprehensive (income) loss attributable to the noncontrolling interest	(38,248)	7,269	(29,826)	(321)
Comprehensive income (loss) attributable to Mitsubishi Corporation	<u>¥ 187,387</u>	<u>¥(384,942)</u>	¥639,518	\$6,876

See notes to consolidated financial statements.

Consolidated Statements of Equity

Mitsubishi Corporation and Subsidiaries
Years Ended March 31, 2008, 2009 and 2010

	Millions of Yen			Millions of U.S. Dollars (Note 1)
	2008	2009	2010	2010
Common stock:				
Balance, beginning of year—Shares issued, 2008—1,689,902,896 shares, 2009—1,694,323,909 shares, 2010—1,696,046,684 shares	¥ 199,228	¥ 201,825	¥ 202,817	\$ 2,181
Issuance of common stock and reclassification adjustment from additional paid-in capital upon exercise of stock options— 2008—902,500 shares, 2009—531,700 shares, 2010—598,100 shares (Note 24)	507	284	387	4
Issuance of common stock upon conversion of convertible bond— 2008—3,518,513 shares, 2009—1,191,075 shares, 2010—42,087 shares (Notes 13 and 27)	2,090	708	24	
Balance, end of year—Shares issued, 2008—1,694,323,909 shares, 2009—1,696,046,684 shares, 2010—1,696,686,871 shares	¥ 201,825	¥ 202,817	¥ 203,228	\$ 2,185
Additional paid-in capital:				
Balance, beginning of year	¥ 254,376	¥ 259,571	¥ 261,828	\$ 2,815
Compensation costs related to stock options (Note 24)	1,608	1,303	1,617	17
Issuance of common stock and reclassification adjustment to common stock upon exercise of stock options (Note 24)	506	252	233	3
Issuance of common stock upon conversion of convertible bond (Notes 13 and 27)	2,090	707	25	
Gain (loss) on sales of treasury stock	991	(5)	(1)	
Equity transactions with the noncontrolling interest and others			(9,564)	(102)
Balance, end of year	¥ 259,571	¥ 261,828	¥ 254,138	\$ 2,733
Retained earnings appropriated for legal reserve:				
Balance, beginning of year	¥ 38,649	¥ 41,295	¥ 42,136	\$ 453
Transfer from unappropriated retained earnings	2,646	841	1,034	11
Balance, end of year	¥ 41,295	¥ 42,136	¥ 43,170	\$ 464
Unappropriated retained earnings:				
Balance, beginning of year	¥1,848,419	¥2,226,695	¥2,487,404	\$26,746
Net income attributable to Mitsubishi Corporation	470,859	369,936	273,147	2,937
Total	2,319,278	2,596,631	2,760,551	29,683
Deduct:				
Cash dividends paid to Mitsubishi Corporation's shareholders (annual rate per share of: 2008—¥54.0; 2009—¥66.0; 2010—¥33.0—\$0.35)	89,937	108,386	54,226	583
Transfer to retained earnings appropriated for legal reserve	2,646	841	1,034	11
Total	92,583	109,227	55,260	594
Balance, end of year	¥2,226,695	¥2,487,404	¥2,705,291	\$29,089
Accumulated other comprehensive income (loss), net of tax:				
Balance, beginning of year	¥ 579,100	¥ 295,628	¥ (459,250)	\$ (4,938)
Other comprehensive (loss) income attributable to Mitsubishi Corporation	(283,472)	(754,878)	366,371	3,939
Balance, end of year	¥ 295,628	¥ (459,250)	¥ (92,879)	\$ (999)
Treasury stock:				
Balance, beginning of year	¥ (1,386)	¥ (151,504)	¥ (151,548)	\$ (1,630)
Purchases—net (Note 18)	(150,118)	(44)	(24)	
Balance, end of year	¥ (151,504)	¥ (151,548)	¥ (151,572)	\$ (1,630)
Total Mitsubishi Corporation shareholders' equity	¥2,873,510	¥2,383,387	¥2,961,376	\$31,842
Noncontrolling interest:				
Balance, beginning of year	¥ 307,460	¥ 334,512	¥ 305,157	\$ 3,281
Cash dividends paid to the noncontrolling interest	(22,342)	(25,158)	(13,647)	(146)
Equity transactions with the noncontrolling interest and others	11,146	3,072	(15,938)	(171)
Net income attributable to the noncontrolling interest	51,428	30,721	16,497	177
Other comprehensive (loss) income attributable to the noncontrolling interest, net of tax	(13,180)	(37,990)	13,329	143
Balance, end of year	¥ 334,512	¥ 305,157	¥ 305,398	\$ 3,284
Total equity:				
Balance, beginning of year	¥3,225,846	¥3,208,022	¥2,688,544	\$28,909
Issuance of common stock upon exercise of stock options	1,013	536	620	7
Compensation expense related to stock options	1,608	1,303	1,617	17
Issuance of common stock upon conversion of convertible bond	4,180	1,415	49	1
Gain (loss) of sales of treasury stock	991	(5)	(1)	
Net income	522,287	400,657	289,644	3,114
Cash dividends paid to Mitsubishi Corporations' shareholders	(89,937)	(108,386)	(54,226)	(583)
Cash dividends paid to the noncontrolling interest	(22,342)	(25,158)	(13,647)	(147)
Other comprehensive (loss) income, net of tax	(296,652)	(792,868)	379,700	4,082
Purchases—net of treasury stock	(150,118)	(44)	(24)	
Equity transactions with the noncontrolling interest and others	11,146	3,072	(25,502)	(274)
Balance, end of year	¥3,208,022	¥2,688,544	¥3,266,774	\$35,126

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Mitsubishi Corporation and Subsidiaries
Years Ended March 31, 2008, 2009 and 2010

	Millions of Yen			Millions of U.S. Dollars (Note 1)
	2008	2009	2010	2010
Operating activities:				
Net income	¥ 522,287	¥ 400,657	¥ 289,644	\$ 3,114
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	154,277	149,584	138,879	1,493
(Credit) provision for doubtful receivables	(3,909)	8,781	4,730	51
Provision for accrued pension and severance liabilities	16,633	21,283	31,367	337
(Gain) loss on marketable securities and investments—net	(57,440)	155,849	2,909	31
Loss on property and equipment—net	5,882	45,236	15,573	167
Equity in earnings of Affiliated companies, less dividends received	(48,895)	(36,691)	(17,653)	(190)
Deferred income taxes	(23,863)	(37,842)	5,554	60
Changes in operating assets and liabilities:				
Short-term investments—trading securities	6,005	20,171	15,032	162
Notes and accounts receivable—trade	(64,876)	687,974	(9,829)	(105)
Inventories	(156,063)	(54,843)	155,786	1,675
Notes, acceptances and accounts payable—trade	4,437	(570,756)	124,920	1,343
Advance payments to suppliers	(24,082)	(61,179)	508	6
Advances from customers	40,262	64,482	(15,249)	(164)
Other accounts receivable	(35,425)	23,487	(50,015)	(538)
Other accounts payable	34,165	(1,773)	(21,513)	(231)
Other accrued expenses	4,073	1,919	2,904	31
Other current assets	(64,219)	(116,324)	113,866	1,224
Other current liabilities	(6,837)	(117,228)	(12,472)	(134)
Other noncurrent liabilities	32,081	(14,998)	20,685	223
Other—net	(15,425)	(17,348)	(35,058)	(377)
Net cash provided by operating activities	319,068	550,441	760,568	8,178
Investing activities:				
Expenditures for property and equipment	(358,205)	(381,172)	(183,567)	(1,974)
Proceeds from sales of property and equipment	32,028	23,866	19,888	214
Investments in and advances to Affiliated companies	(239,267)	(215,363)	(112,478)	(1,209)
Collection of advances to Affiliated companies	290,416	50,096	49,657	534
Purchases of available-for-sale securities	(97,860)	(84,151)	(183,832)	(1,977)
Proceeds from sales and maturities of available-for-sale securities	115,945	40,830	265,899	2,859
Purchases of other investments	(103,010)	(62,152)	(59,829)	(643)
Proceeds from sales of other investments	29,825	41,684	101,939	1,096
Increase in loans receivable	(240,556)	(214,252)	(243,558)	(2,619)
Collection of loans receivable	221,615	216,290	197,819	2,127
Net (increase) decrease in time deposits	(7,590)	(106,892)	6,905	74
Net cash used in investing activities	(356,659)	(691,216)	(141,157)	(1,518)
Financing activities:				
Net increase (decrease) in short-term debt	134,189	400,152	(728,671)	(7,835)
Proceeds from long-term debt—net of issuance cost	659,979	902,493	517,647	5,566
Repayment of long-term debt	(464,745)	(519,051)	(457,372)	(4,918)
Payment of dividends	(89,937)	(108,386)	(54,226)	(583)
Payment of dividends to the noncontrolling interest	(22,342)	(25,158)	(13,647)	(147)
Payment for acquisition of subsidiary's interests from the noncontrolling interest			(19,445)	(209)
Proceeds from issuing common stock upon exercise of stock options	1,013	536	620	7
Purchase of treasury stock	(148,685)	(40)	(23)	
Net cash provided by (used in) financing activities	69,472	650,546	(755,117)	(8,119)
Effect of exchange rate changes on cash and cash equivalents	(35,443)	(44,800)	14,085	151
Net (decrease) increase in cash and cash equivalents	(3,562)	464,971	(121,621)	(1,308)
Cash and cash equivalents, beginning of year	753,690	750,128	1,215,099	13,066
Cash and cash equivalents, end of year	¥ 750,128	¥ 1,215,099	¥ 1,093,478	\$ 11,758

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”), together with its consolidated domestic and foreign subsidiaries (collectively, the “Company”), is a diversified organization engaged in a wide variety of business activities, providing various types of products and services on a global basis. Through the Company’s domestic and overseas network, the Company is engaged in general trading, including the purchasing, supplying and manufacturing of a wide range of products related to energy, metals, machinery, chemicals and living essentials, in addition to financial businesses and development of natural resources and other projects. The Company is also engaged in other businesses such as development of new business models in the new energy and environmental fields, and new technology-related businesses.

Basis of Financial Statements—The accompanying consolidated financial statements are stated in Japanese yen, the currency of the country in which the Parent is incorporated and principally operates. The translation of Japanese yen amounts into United States (“U.S.”) dollar amounts with respect to the year ended March 31, 2010 is included solely for the convenience of readers outside Japan and has been made at the rate of ¥93=\$1, the rate of exchange as of March 31, 2010. Such translation should not be construed as a representation that the Japanese yen amounts could be converted into U.S. dollars at the above or any other rate.

The Parent 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.

The Financial Accounting Standards Board (“FASB”) has made the Accounting Standards Codification (“ASC”) effective for financial statements issued for interim and annual periods ending after September 15, 2009. The ASC combines all previously issued authoritative U.S. GAAP into one codified set of guidance organized by subject area. In these financial statements, references to previously issued accounting standards have been replaced with the relevant ASC references.

“Operating transactions,” as presented in the consolidated statements of income, is a voluntary disclosure commonly made by Japanese trading companies. It represents the gross transaction value of sales contracts in which the Company acts as a principal and as an agent. Operating transactions exclude the contract value of transactions in which the Company’s role is limited to that of a broker. Operating transactions are not meant to represent revenues in accordance with U.S. GAAP and should not be construed as equivalent to, or a substitute or proxy for, revenues. However, ASC Subtopic 605-45 states: “Voluntary disclosure of gross transaction value 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies applied in the preparation of the accompanying consolidated financial statements are summarized below:

Consolidation and Investments in Subsidiaries and Affiliated Companies—The consolidated financial statements include the accounts of the Parent and its majority-owned domestic and foreign subsidiaries that the Parent controls. In addition, the Company consolidates variable interest entities (“VIEs”) for which the Company is the primary beneficiary. Unincorporated joint ventures, which the Company holds an undivided interest in the assets and is proportionately liable for the liabilities, are proportionately consolidated by the Company.

Affiliated companies are accounted for using the equity method of accounting and consist of less than 50% owned companies over which the Company is able to exert significant influence over the operating and financial decisions, and corporate joint ventures. If a decline in fair value of investments in Affiliated companies accounted for using the equity method is determined to be other-than-temporary, an impairment loss is recognized equal to the difference between the investments’ carrying amount and their fair value. Certain majority-owned entities are also accounted for using the equity method where the minority

shareholder or shareholders have substantive participating rights. 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’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 in the years ended March 31, 2009 and 2010.

Foreign Currency Translation—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”). Monetary assets and liabilities denominated in a foreign currency are translated into Japanese yen at year-end exchange rates with the resulting exchange gains or losses recognized in “Other (income) expense—net” in the consolidated statements of income.

Cash Equivalents—Cash equivalents are defined as short term (original maturities of three months or less), highly liquid investments, including short-term time deposit, commercial paper and debt securities, which are readily convertible into cash and have no significant risk of changes in value.

Investment in Marketable and Nonmarketable Securities—All debt and marketable equity securities are classified as either trading securities or available-for-sale securities. Trading securities are accounted for at fair value with unrealized gains and losses included in earnings. Available-for-sale securities are accounted for at fair value with unrealized gains and losses excluded from earnings and reported, net of tax, in AOCI until realized.

Investments in nonmarketable securities include investments in unaffiliated customers, suppliers and certain financial institutions, as well as investments in preferred stock and are carried at cost (“cost method investments”) as their fair value is not readily determinable. Investments in nonmarketable securities are included in “Other Investments” in the consolidated balance sheets.

The appropriateness of the classification is reassessed at each balance sheet date. The cost of marketable securities sold is determined based on the moving-average cost method.

The Company reviews investments in marketable and nonmarketable securities for impairments 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.

For investments in marketable equity securities classified as available-for-sale securities, other-than-temporary declines in fair value are evaluated based on various factors, such as the length of the time and the extent to which the market value is less than cost, the financial condition and near-term prospects of the issuer, and the Company’s intent and ability to retain the investment for a period of time sufficient to allow for any anticipated recovery in market value. If the decline in fair value is determined to be other-than-temporary, the cost basis of the investment is written down to fair value. The resulting realized loss is included in earnings in the period in which the decline was deemed to be other-than-temporary.

For investments in marketable debt securities classified as available-for-sale securities, other-than-temporary impairment is recognized in its entirety in earnings when the fair value has declined below cost and (1) an Company has the intent to sell the security, (2) it is more-likely-than-not that the Company will be required to sell the security before recovery, or (3) the Company does not expect to recover its entire amortized cost basis of the security. However, if the Company does not intend to sell the security and it is not more-likely-than-not that it will be required to sell the security before recovery, but the security is considered to have suffered a credit loss, the impairment charge will be separated into the credit loss component, which is recorded in earnings, and the remainder of the impairment charge, which is recorded in other comprehensive income.

For investments in nonmarketable debt and equity securities, 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 considered to be other-than-temporary, the investment is written down to its estimated fair value. The resulting realized loss is included in earnings in the period in which the decline was deemed to be other-than-temporary.

Allowance for Doubtful Receivables—An allowance for doubtful receivables is established based primarily upon the

Company’s past credit losses experience and an evaluation of potential losses. For loans receivables, an allowance for doubtful receivables is recognized when it is probable that the Company will be unable to collect 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.

Inventories—Inventories, which mainly consist of commodities and materials, are stated at the lower of cost (based, principally, on a moving-average basis or a specific-identification basis) or market (based on current replacement cost).

Property and Equipment—Property and equipment are stated at cost. Depreciation of property and equipment other than mineral rights are calculated principally using the declining-balance method by the Parent and domestic subsidiaries and using the straight-line method by foreign subsidiaries based on the estimated useful lives of the assets. The Company determines estimated useful lives to be a range of 5 to 40 years for buildings, 5 to 40 years for machinery and equipment and 13 to 25 years for aircraft 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 repairs, minor renewals and betterments are charged to earnings as incurred.

Leases—The Company leases properties under arrangements which are classified as direct financing leases and operating leases. For direct financing leases, unearned income is amortized to income over the lease term at a constant periodic rate of return on the net investment. Operating lease income is recognized over the term of underlying leases on a straight-line basis.

The Company is also a lessee of various assets. For capital leases, leased assets and capital lease obligations are recognized by the present value of net minimum lease payments. Rental expenses under operating leases are recognized over the respective lease terms using a straight-line method.

Impairment of Long-lived Assets—The Company reviews 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 discounted 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.

Business Combinations—Business combinations were accounted for by the purchase method. The Company has adopted the acquisition method for business combinations occurring after April 1, 2009. The policy adopted is described in the New Accounting Standards section for the adoption of SFAS No. 141 (revised 2007) “Business Combinations” (SFAS No. 141R”). The Company separately recognizes and reports acquired intangible assets as goodwill or intangible assets.

Goodwill and Other Intangible Assets—Goodwill and intangible assets with indefinite useful lives are not amortized, but are tested for impairment at least annually and when an event occurs or circumstances change such that it is more likely than not that an impairment may exist.

The Company tests goodwill for impairment by first comparing the carrying value of net assets to the fair value of the related operations. If the fair value is determined to be less than carrying value, a second step is performed to compute the amount of the impairment. In this process, a fair value for goodwill is estimated, based in part on the fair value of the operations, and is compared to its carrying value. The shortfall of the fair value below carrying value represents the amount of the impairment.

Intangible assets with indefinite useful lives consist of trade names, rights to use land and customer relationship. The Company tests these intangible assets for impairment by comparing their carrying value to current projections of discounted cash flows attributable to the trade names, rights to use land and customer relationship. Any excess carrying value over the amount of discounted cash flows represents the amount of the impairment.

Intangible assets with definite useful lives consist of software and manufacturing, sales and services licenses. These assets are amortized over their respective estimated useful lives.

Oil and Gas Exploration and Development—Oil and gas exploration and development costs are accounted for using 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. 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 with any impairment charged to expense.

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 mineral rights and are amortized using the unit-of-production method based on the proven and probable reserves.

The stripping costs incurred during the production phase of the mine are accounted for as variable production costs and are included in the costs of the inventory produced during the period that the stripping costs are incurred.

Employee Benefit Plans—The Company has defined benefit pension plans, defined contribution pension plans and unfunded severance indemnity plans. The costs of defined benefit pension plans are accrued based on amounts determined using the actuarial methods.

Asset Retirement Obligations—The Company records the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When a liability is initially recorded, the Company capitalizes the related costs by increasing the carrying amount of the long-lived asset. Over time, the liability is accreted to its present value each period and the capitalized cost is depreciated over its useful life of the related assets.

Stock-based Compensation—Stock-based compensation cost is measured at the grant date, based on the estimated fair value of stock-based awards made to employees, net of an estimated forfeiture rate and is recognized on a straight-line basis over the employee's requisite service period. The fair values of stock options are estimated using the Black-Scholes option pricing model.

Revenue Recognition—The Company recognizes revenues when there is 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 collectability is reasonably assured.

The Company manufactures a wide variety of products, such as electronics, metals, machinery, chemicals, general consumer merchandise, and the development of natural resources. Manufacturing and other activities are typically conducted through consolidated subsidiaries. The Company also trades a wide variety of commodities and may take ownership risk of such inventory or merely facilitate the Company's customer's purchases and sales of commodities and other products where it earns a commission for this service.

The Company acts as a principal or agent in its activities for earning revenues. The Company presents revenue transactions with corresponding cost of revenues on a gross basis as "Revenues from trading, manufacturing and other activities" in the consolidated statements of income, for transactions traded as a primary obligor in manufacturing, processing and service rendering for sales with general inventory risk before customer orders. The revenues that are recognized on a net basis are presented as "Trading margins and commissions on trading transactions" in the consolidated statements of income.

The Company acts as a principal in manufacturing and other activities. It also acts as a principal in various trading transactions where the Company carries commodity inventory and generates a profit or loss on the spread between bid and asked prices for commodities. Delivery in these transactions is considered to have occurred at the point in time when the delivery conditions as agreed to by customers have been met. This is generally when the goods have been delivered to and accepted by the customer, title to the goods has been transferred, or the implementation testing has been duly completed.

The Company also enters into long-term construction contracts as part of its manufacturing business. Depending on the nature of the contract, revenues from long-term construction projects are accounted for using the completed contract method. In cases where the estimated costs to complete and extent of progress toward completion of long-term contracts are reasonably dependable and there is an enforceable agreement between the parties who can fulfill the obligations the Company uses the percentage-of-completion method.

The Company also performs other activities, which 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 Company is engaged in certain rental activities or leasing of properties, including office buildings, aircraft and other industrial assets. Revenues from service-related activities are recognized when the contracted services have been 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.

The Company acts as an agent and records revenues earned from margins and commissions related to various trading transactions in which it acts as an agent. Through these trading activities, the Company facilitates its customers' purchases and sales of commodities and other products and earns a commission for this service. The trading margins and commissions are recognized when all other revenue recognition criteria have been met.

Advertising Costs—Advertising costs are expensed when incurred. Advertising costs for the years ended March 31, 2008, 2009 and 2010 were ¥17,070 million, ¥16,335 million and ¥14,136 million (\$152 million), respectively.

Research and Development Costs—Research and development costs are charged to expense when incurred. Research and development costs for the years ended March 31, 2008, 2009 and 2010 were ¥3,213 million, ¥2,604 million and ¥3,659 million (\$39 million), respectively.

Income Taxes—The provision for income taxes is computed based on "Income from continuing operations before income taxes and equity in earnings of Affiliated companies" 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 carry-forwards 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.

The Company recognizes 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% 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.

Derivatives—The Company utilizes derivative instruments primarily to manage interest rate risks, reduce exposure to movements in foreign exchange rates, and to hedge various inventory and trading commitments. All derivative instruments are reported on the balance sheet at fair value as assets or liabilities.

Generally, on the date on which the derivative contract is executed, the Company designates such derivative as either a fair value hedge or a cash flow hedge to the extent that hedging criteria are met.

Fair Value Hedge—Derivative instruments designated as fair value hedges primarily consist of interest rate swaps used to convert fixed rate assets or debt obligations to floating rate assets or debts. Changes in fair values of hedging derivative instruments are recognized in earnings, offset against the changes in fair value of related assets, liabilities and firm commitment and are included in "Other expense (income)—net."

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 which qualify as cash flow hedges are utilized. Changes in the fair values of derivatives that are designated as cash flow hedges are deferred and recorded as a component of AOCI. Derivative unrealized gains and losses included in AOCI are reclassified into earnings at the time that the associated hedged transactions impact the income statement.

Hedge of the Net Investment in Foreign Operations—The Parent 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 are included in foreign currency translation adjustments within "Other comprehensive (loss) income."

Derivative Instruments Used for Other than Hedging Activities—The Company enters into derivative financial instruments as a part of its trading activities. The Company clearly distinguishes derivatives used in trading activities from derivatives used for risk management purposes. Internal control policies of the Company mandate that the Company 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.

Changes in fair value of derivatives not designated as hedging instruments and held or issued for trading purposes are recorded in earnings. The Company offsets the fair value amounts recognized for cash collateral against the fair value of amounts recognized for derivative instruments that are executed with the same counterparty under the same master netting arrangement.

Use of Estimates in the Preparation of the Financial Statements—The preparation of consolidated financial statements in conformity with U.S. 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.

Earnings per Share ("EPS")—Basic EPS is computed by dividing net income attributable to the Company 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.

Guarantees—The Company recognizes, at the inception of a guarantee, a liability for fair value of the obligation undertaken for the guarantee.

Discontinued Operations—The Company presents the results of discontinued operations as a separate line item in the Consolidated Statements of Income under (loss) income from discontinued operations, net of taxes.

Fair Value Measurements—Certain assets and liabilities are required to be recorded at fair value. The estimated fair values of those assets and liabilities have been determined using market information and valuation methodologies. There are three levels of inputs that may be used to measure fair value:

Level 1—Quoted prices for identical assets and liabilities in active markets;

Level 2—Quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets; and

Level 3—Valuation derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

Fair Value Option—The Company has not elected to measure any financial assets and financial liabilities at fair value which were not previously required to be measured at fair value.

**New Accounting Standards—
Recently adopted accounting pronouncements:**

Effective April 1, 2009, the Company adopted Statement of Financial Accounting Standards (“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 a business combination. The adoption of SFAS No. 141R did not have a material impact on the Company’s consolidated financial position and results of operations in the fiscal year ended March 31, 2010. SFAS No. 141 was subsequently codified in ASC Topic 805, effective July 1, 2009.

Effective April 1, 2009, the Company adopted 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. Upon the adoption of SFAS No. 160, noncontrolling interests, which were previously referred to as minority interests and classified between total liabilities and shareholders’ equity on the consolidated balance sheets were recharacterized as noncontrolling interests and are reported as a component of equity separate from the parent’s equity. Purchases or sales of equity interests that do not result in a change in control will be accounted for as equity transactions. In addition, the consolidated statements of income now includes the net income (loss) attributable to noncontrolling interest. These financial statement presentation requirements have been adopted retrospectively and prior year amounts in the consolidated financial statements including the consolidated statements of cash flows have been reclassified to conform to SFAS No. 160. SFAS No. 160 was subsequently codified in ASC Paragraph 810-10-65-1, effective July 1, 2009.

Effective April 1, 2009, the Company adopted SFAS No. 165, “Subsequent Events.” The objective of SFAS No. 165 is to establish general standards of accounting for and disclosures of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. Entities are required to disclose the date through which subsequent events were evaluated as well as the rationale for why that date was selected. The adoption of SFAS No. 165 did not have a material impact on the Company’s consolidated financial position and results of operations in the fiscal year ended March 31, 2010. SFAS No. 165 was subsequently codified in ASC Subtopic 855-10, effective July 1, 2009.

Effective April 1, 2009, the Company adopted FASB Staff Position (“FSP”) No. FAS 115-2 and FAS 124-2, “Recognition and Presentation of Other-Than-Temporary Impairments (“OTTI”).” FSP No. FAS 115-2 and FAS 124-2 modify the existing OTTI model for investments in debt securities. Under the FSP No. FAS 115-2 and FAS 124-2, the primary change to the OTTI model for investments in marketable debt securities is the change in focus

from an entity’s intent and ability to hold a security until recovery. Instead, an OTTI is recognized in its entirety in earnings when the fair value has declined below cost and if (1) the Company has the intent to sell the security, (2) the Company is more-likely-than-not that it will be required to sell the security before recovery, or (3) the Company does not expect to recover its entire amortized cost basis of the security. In addition, FSP No. FAS 115-2 and FAS 124-2 changes the presentation of an OTTI in the income statement. However, if an entity does not intend to sell the security and it is not more-likely-than-not that it will be required to sell the security before recovery, but the security is considered to have suffered a credit loss, the impairment charge will be separated into the credit loss component, which is recorded in earnings, and the remainder of the impairment charge, which is recorded in other comprehensive income. The adoption of FSP No. FAS 115-2 and 124-2 did not have a material impact on the Company’s consolidated financial position and results of operations in the fiscal year ended March 31, 2010. FSP No. FAS 115-2 and FAS 124-2 were subsequently codified in ASC Section 320-10-65, effective July 1, 2009.

Effective March 31, 2010, the Company adopted Accounting Standards Update (“ASU”) No. 2010-03, “Oil and Gas Estimation and Disclosures.” This update aligns the current oil and natural gas reserve estimation and disclosure requirements of the extractive industries oil and gas topic ASC topic 932. ASU No. 2010-03 expands the information required for reserves of equity method investment which has significant oil and gas-producing activities in the supplemental oil and gas information, and required to estimate proved oil and natural gas reserves by using the average of the price as of the first day of each month during the fiscal year. The adoption of ASU No. 2010-03 does not have a material impact on the Company’s consolidated financial position and results of operations in the fiscal year ended March 31, 2010.

Recent accounting pronouncements not yet adopted:

In June 2009, the FASB issued SFAS No. 166, “Accounting for Transfers of Financial Assets—an amendment of FASB Statement No. 140.” SFAS No. 166 is a revision to SFAS No. 140, “Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities,” which removes the concept of a qualifying special-purpose entity, changes the requirements for derecognizing financial assets, and requires additional disclosures. SFAS No. 166 is effective for the reporting entity’s first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period and for interim and annual reporting periods thereafter. The Company will adopt SFAS No. 166 as of April 1, 2010. The adoption of SFAS No. 166 will not have a material impact on the Company’s consolidated financial position and results of operations. SFAS No. 166 was subsequently codified in ASC Subtopic 860-10, effective July 1, 2009.

In June 2009, the FASB issued SFAS No. 167, “Amendments to FASB Interpretation No. 46(R).” SFAS No. 167 is a revision to FASB Interpretation No. 46(R) and changes how a company determines whether an entity that is insufficiently capitalized or is not controlled through voting or similar rights should be consolidated. The determination of whether a company is required to consolidate an entity is based on, among other things, an entity’s purpose and design and a company’s ability to direct the activities of the entity that most significantly impact the entity’s economic performance. SFAS No. 167 is effective for the reporting entity’s first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period and for interim and annual reporting periods thereafter. The Company will adopt SFAS No. 167 as of April 1, 2010. The adoption of SFAS No. 167 will not

have a material impact on the Company's consolidated financial position and results of operations. SFAS No. 167 was subsequently codified in ASC Subtopic 810-10, effective July 1, 2009.

In October 2009, the FASB issued ASU No. 2009-13, "Multiple-Deliverable Revenue Arrangements a consensus of the FASB Emerging Issues Task Force." This guidance modifies the criteria for separating consideration under multiple-deliverable arrangements and requires allocation of the overall consideration to each deliverable using the estimated selling price in the absence of vendor-specific objective evidence or third-party evidence of selling price for deliverables. As a result, the residual method of allocating arrangement consideration will no longer be permitted. The guidance also requires additional disclosures about how a vendor allocates revenue in its arrangements and about the significant judgments made and their impact on revenue recognition. ASU No. 2009-13 is effective for fiscal years beginning on or after

June 15, 2010 and is required to be adopted by the Company no later than the first quarter beginning April 1, 2011. The Company is currently evaluating ASU No. 2009-13 to determine its impact on the Company's consolidated financial position and results.

In April 2010, the FASB issued ASU No. 2010-17, "Milestone Method of Revenue Recognition a consensus of the FASB Emerging Issues Task Force." ASU No. 2010-17 establishes a revenue recognition model for contingent consideration that is payable upon the achievement of an uncertain future event, referred to as a milestone. The scope of ASU No. 2010-17 is limited to research or development arrangements. ASU No. 2010-17 is effective for fiscal years beginning on or after June 15, 2010 and is required to be adopted by the Company no later than the first quarter beginning April 1, 2011. The Company is currently evaluating ASU No. 2010-17 to determine its impact on the Company's consolidated financial position and results.

3. ACQUISITIONS

Material acquisitions completed during the year ended March 31, 2008 were as follows:

Nosan Corporation—In June 2007, the 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 Company owned a 22.17% interest of Nosan Corporation which was accounted for by the equity method. As a result of the tender offer, the Company's controlling interest of Nosan Corporation increased to 56.22%, making it a consolidated subsidiary. The acquisition would enable the Company 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 Company's expertise in procuring raw materials for animal feed, meat production and processing technology as well as expertise in selling meat.

The acquisition cost of ¥15,793 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 and ¥42,412 million, respectively. The Company also recognized goodwill of ¥8,028 million at the date of acquisition. The goodwill has been assigned to the Living Essentials segment. Acquisition cost for purchase price allocation was determined based on an overall assessment, considering an evaluation report by the financial advisor, estimation using the discounted cash flow method and others, and the results of due diligence. The results of operations of Nosan Corporation have been included in the Company's consolidated statement of income since the acquisition date.

Kentucky Fried Chicken Japan—In December 2007, the Company acquired a 33.15% equity interest in Kentucky Fried Chicken Japan, a company involved in the distribution of fried chicken, processed chicken and pizza, through its tender offer. Prior to the acquisition, the Company 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 Company's controlling interest of Kentucky Fried Chicken Japan increased to 64.26%, making it a consolidated subsidiary. The acquisition would enable

the Company to further expand profits and improve the corporate value of Kentucky Fried Chicken Japan by enhancing human resources, supporting raw material procurement, logistics, product development, marketing and pursuing synergies with the Company.

The acquisition cost of ¥14,971 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 and ¥17,594 million, respectively. In connection with the acquisition, the Company recognized franchise agreements as intangible assets subject to amortization of ¥7,274 million. The franchise agreements will continue to be amortized on a straight-line basis over their estimated useful lives of 17 years. The Company also recognized goodwill of ¥3,315 million at the date of acquisition. The goodwill has been assigned to the Living Essentials segment. Acquisition cost for purchase price allocation was determined based on an evaluation report on Kentucky Fried Chicken Japan by the financial advisor, and estimation using a market price analysis and others. The results of operations of Kentucky Fried Chicken Japan have been included in the Company's consolidated statement of income since the acquisition date.

Automotive Brake Hose Business—In January 2008, the 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 a newly established holding company in Japan. These acquisitions would enable the Company 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, excluding the minority interest of ¥711 million, and the aggregate purchase price was ¥7,301 million. Goodwill of ¥5,182 million was recognized at the date of acquisition. The goodwill has been assigned to the Industrial Finance, Logistics & Development segment.

No material acquisitions were completed during the years ended March 31, 2009 and 2010.

4. INVESTMENTS IN MARKETABLE AND NONMARKETABLE SECURITIES

Debt and Marketable Equity Securities—Substantially all of the Company's investments in debt securities and marketable equity securities were classified as available-for-sale securities except for

certain items classified as trading securities. Information regarding each category of securities classified as trading and available-for-sale at March 31, 2009 and 2010 was as follows:

March 31, 2009	Millions of Yen			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities classified as:				
Trading				¥ 26,965
Available-for-sale:				
Equity securities	¥552,360	¥357,861	¥(39,562)	870,659
Debt securities	339,908	309	(26,268)	313,949

March 31, 2010	Millions of Yen			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities classified as:				
Trading				¥ 14,450
Available-for-sale:				
Equity securities	¥525,829	¥566,880	¥(9,564)	1,083,145
Debt securities	257,795	363	(7,159)	250,999

March 31, 2010	Millions of U.S. Dollars			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities classified as:				
Trading				\$ 155
Available-for-sale:				
Equity securities	\$5,654	\$6,096	\$(103)	11,647
Debt securities	2,772	4	(77)	2,699

Available-for-sale equity securities primarily consist of domestic stocks and debt securities primarily consist of commercial paper and corporate bonds for the years ended March 31, 2009 and 2010.

The carrying amounts of debt securities classified as available-for-sale securities with original maturities of three months or less included in cash and cash equivalents in the consolidated balance sheets were ¥183,111 million and ¥120,581 million (\$1,297 million) for the years ended March 31, 2009 and 2010, respectively.

The carrying values of debt securities classified as available-for-sale at March 31, 2010, by contractual maturity, were as follows:

	Millions of Yen	Millions of U.S. Dollars
Due in one year or less	¥161,823	\$1,740
Due after one year through five years	57,312	616
Due after five years through ten years	30,231	325
Due after ten years	1,633	18
Total	¥250,999	\$2,699

Proceeds and gross realized gains and losses from sales of investments in debt and marketable equity securities classified as available-for-sale securities for the years ended March 31, 2008, 2009 and 2010 were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2008	2009	2010	2010
Proceeds from sales	¥115,945	¥40,830	¥96,804	\$1,041
Gross realized gains	¥ 27,106	¥ 5,082	¥46,539	\$ 501
Gross realized losses	(1,102)	(1,048)	(629)	(7)
Net realized gains	¥ 26,004	¥ 4,034	¥45,910	\$ 494

The amounts of trading gains and losses for the period that relates to trading securities still held at reporting date were gains of ¥2,894 million, losses of ¥5,604 million and gains of ¥828 million (\$9 million), for the years ended March 31, 2008, 2009 and 2010, respectively.

For the years ended March 31, 2008, 2009 and 2010, impairment losses of ¥9,382 million, ¥85,432 million and ¥9,536 million (\$103 million), respectively, were recognized on the investments in debt and marketable securities classified as available-for-sale

securities as decline in the market value was considered to be other-than-temporary.

The Company also recognized differences between the fair value and the carrying value of certain debt securities deemed to be other-than-temporarily impaired. Such losses were recognized

in the consolidated statements of income as they were deemed to be attributable to credit losses.

The following table sets forth 12-month roll-forward of the amount related to credit losses recognized in earnings for debt securities held as of March 31, 2010:

	Millions of Yen	Millions of U.S. Dollars
	2010	2010
Balance at beginning of year	¥ 9,449	\$102
Additions for debt securities that have been previously impaired	139	1
Additions for debt securities that have not been previously impaired	85	1
Reductions due to sales or redemptions	(1,377)	(15)
Balance at end of year	<u>¥ 8,296</u>	<u>\$ 89</u>

The Company considers the investment rating, the contractual nature of the investments, the underlying collateral, the rights to and priority of the investment's cash flows and the condition of the issuers, when recognizing and measuring the amount related to credit losses.

The following table sets forth gross unrealized losses and the

fair value of the Company's investments in debt and marketable securities classified as available-for-sale securities with 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, 2009 and 2010:

	Millions of Yen					
	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
March 31, 2009						
Marketable equity securities	¥101,690	¥(38,531)	¥ 2,938	¥ (1,031)	¥104,628	¥(39,562)
Debt securities	39,480	(14,140)	49,872	(12,128)	89,352	(26,268)
Total	<u>¥141,170</u>	<u>¥(52,671)</u>	<u>¥52,810</u>	<u>¥(13,159)</u>	<u>¥193,980</u>	<u>¥(65,830)</u>

	Millions of Yen					
	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
March 31, 2010						
Marketable equity securities	¥39,514	¥(2,248)	¥20,477	¥ (7,316)	¥ 59,991	¥ (9,564)
Debt securities	2,795	(123)	71,931	(7,036)	74,726	(7,159)
Total	<u>¥42,309</u>	<u>¥(2,371)</u>	<u>¥92,408</u>	<u>¥(14,352)</u>	<u>¥134,717</u>	<u>¥(16,723)</u>

	Millions of U.S. Dollars					
	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
March 31, 2010						
Marketable equity securities	\$425	\$(24)	\$220	\$ (79)	\$ 645	\$(103)
Debt securities	30	(2)	774	(75)	804	(77)
Total	<u>\$455</u>	<u>\$(26)</u>	<u>\$994</u>	<u>\$(154)</u>	<u>\$1,449</u>	<u>\$(180)</u>

Marketable equity securities—The Company's unrealized losses on investments in marketable equity securities mainly relate to investment in common stocks of approximately 230 customers and suppliers of the Company. The unrealized losses were due to decline in market prices. The fair value of individual investments is approximately 1% to 46% less than cost. Based on the Company's 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 markets have gradually showed a certain level of recovery after the year ended 2009, the Company does not consider these investments to be other-than-temporarily impaired at March 31, 2010.

Debt securities—The Company's unrealized losses on investments in debt securities, mainly relate to approximately 50 corporate bonds with individual fair value of approximately 1% to 36% less than cost. The Company asserts that it has no intent to sell, and it

is not more-likely-than-not the Company will be required to sell these investments before recovery of fair value. The Company has its ongoing review process which includes consideration of the investment rating, the contractual nature of the investments, the underlying collateral, the rights to and priority of the investment's cash flows, and the condition of the issuers. The Company currently believes that all amounts will be redeemed when due according to the contractual terms of these investments. Therefore, the Company does not consider these investments to be other-than-temporarily impaired at March 31, 2010.

In connection with certain business combinations and reorganizations undertaken by issuers in which the Parent held shares, the Parent 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 ¥791 million for the year ended March 31, 2008. No gain or loss was recorded for the years ended March 31, 2009 and 2010, respectively.

Investments Other than Debt and Marketable Equity Securities—Other investments include investments in nonmarketable equity securities of unaffiliated customers, suppliers and certain financial institutions, which include certain preferred stocks, amounting to ¥480,231 million and ¥371,749 million (\$3,998 million) at March 31, 2009 and 2010, respectively. Other investments also include guarantee deposits, investments in noncurrent time deposits, and others, amounting to ¥74,729 million and ¥86,445 million (\$930 million) at March 31, 2009 and 2010, respectively.

Investments in nonmarketable 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 Company determines fair value of the investment. If the carrying value of the investment exceeds the estimated fair value and the decline in the fair value is considered to be other-than-temporary, the investment is written down to its estimated fair value.

Cost method investments of ¥469,524 million and ¥324,098 million (\$3,485 million) at March 31, 2009 and 2010, 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 Company determined that it was not practicable to estimate the fair values of the investments.

Impairment losses recognized for cost method investments were ¥5,518 million, ¥19,444 million and ¥54,867 million (\$590 million) for the years ended March 31, 2008, 2009 and 2010, respectively.

5. INVESTMENTS IN AND ADVANCES TO AFFILIATED COMPANIES

Investments in and advances to Affiliated companies at March 31, 2009 and 2010 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2009	2010	2010
Investments in Affiliated companies	¥1,048,744	¥1,177,052	\$12,656
Advances	36,605	61,471	661
Total	¥1,085,349	¥1,238,523	\$13,317

Affiliated companies include, among others, LAWSON, INC. (“LAWSON,” 32.67%), Japan Australia LNG (MIMI) Pty, Ltd. (50.00%), OneEnergy Limited (50.00%), MI Berau B.V. (“MI Berau,” 56.00%), Hokuetsu Kishu Paper Co., Ltd. (24.72%), SPDC Ltd. (30.39%), Mozal S.A.R.L. (25.00%), ENCORE ENERGY PTE. LTD. (39.40%), Chiyoda Corporation (33.75%) and Mitsubishi UFJ Lease & Finance Company Ltd. (20.00%).

The Company holds a 56% ownership interest in MI Berau, a Netherlands corporation. MI Berau is a joint venture, participating in the Tangguh LNG Project in Indonesia, established 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 Company and INPEX. The rights given to INPEX in the joint venture agreement are considered substantive participating rights, and control over the operations or assets of MI Berau does not rest with the Company. Accordingly, the Company accounts for investment in MI Berau using the equity method.

The Affiliated companies operate mainly in the manufacturing, resource development and service industries, and significantly

participate in the Company’s operating transactions as either purchasers or suppliers. They principally operate in Japan, Asia, Oceania, Europe and North America.

The difference between the carrying value of the investments in Affiliated companies and the Company’s equity in the underlying net assets of such Affiliated companies was primarily composed of equity method goodwill of ¥169,533 million and ¥185,556 million (\$1,995 million) at March 31, 2009 and 2010, respectively.

Investments in Affiliated companies included investments in marketable equity securities with carrying amounts of ¥369,356 million and ¥374,493 million (\$4,027 million) at March 31, 2009 and 2010, respectively. Corresponding aggregate quoted market values were ¥335,846 million and ¥401,907 million (\$4,322 million), respectively. Included in such amounts were the investment in LAWSON of ¥138,354 million and ¥136,926 million (\$1,472 million) with quoted market values of ¥132,189 million and ¥129,273 million (\$1,390 million) at March 31, 2009 and 2010, respectively.

Summarized financial information with respect to the Affiliated companies accounted for using the equity method for the years ended March 31, 2008, 2009 and 2010 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2009	2010	2010
Current assets	¥ 6,575,455	¥ 6,413,741	\$ 68,965
Property and equipment—net	2,798,704	3,214,447	34,564
Other assets	1,722,588	1,819,708	19,567
Total assets	¥11,096,747	¥11,447,896	\$123,096
Current liabilities	¥ 5,143,419	¥ 4,824,438	\$ 51,876
Noncurrent liabilities	2,816,474	3,091,657	33,243
Affiliated companies’ shareholders’ equity	3,008,722	3,388,614	36,437
Noncontrolling interest	128,132	143,187	1,540
Total liabilities and equity	¥11,096,747	¥11,447,896	\$123,096

	Millions of Yen			Millions of U.S. Dollars
	2008	2009	2010	2010
Revenues	¥6,581,882	¥6,944,164	¥6,129,049	\$65,904
Gross profit	¥1,727,406	¥1,977,492	¥1,683,923	\$18,107
Net income attributable to Affiliated companies	¥ 527,088	¥ 526,735	¥ 363,840	\$ 3,912

Revenues recognized on the transactions with Affiliated companies for the years ended March 31, 2008, 2009 and 2010 were ¥363,217 million, ¥383,069 million and ¥313,017 million (\$3,366 million), respectively. Purchases from Affiliated companies for the years ended March 31, 2008, 2009 and 2010 were ¥666,893 million, ¥523,306 million and ¥443,697 million (\$4,771 million), respectively.

Dividends received from Affiliated companies for the years ended March 31, 2008, 2009 and 2010 were ¥106,113 million, ¥120,072 million and ¥95,720 million (\$1,029 million), respectively.

Impairment losses recognized for investments in Affiliated

companies for the years ended March 31, 2009 and 2010 were ¥61,221 million and ¥6,810 million (\$74 million), respectively.

In connection with certain business combinations and reorganizations undertaken by the Company's Affiliated companies, the Company recognized exchange gains of ¥7,057 million and ¥8,799 million (\$95 million) for the years ended March 31, 2009 and 2010, respectively. The gains were the result of the difference between the carrying value and fair value of the shares exchanged. The gains are recorded in "(Gain) loss on marketable securities and investments-net" in the consolidated statements of income.

6. ALLOWANCE FOR DOUBTFUL RECEIVABLES

Analyses of the allowance for doubtful receivables for the years ended March 31, 2008, 2009 and 2010 are as follows:

	Millions of Yen			Millions of U.S. Dollars
	2008	2009	2010	2010
Balance at beginning of year	¥ 81,946	¥ 70,528	¥ 62,680	\$674
(Credit) provision for doubtful receivables	(3,909)	8,781	4,730	51
Net charge-offs:				
Charge-offs	(13,303)	(15,489)	(8,319)	(89)
Recoveries	4,940	3,516	3,358	36
Total net charge-offs	(8,363)	(11,973)	(4,961)	(53)
Other*	854	(4,656)	780	8
Balance at end of year	¥ 70,528	¥ 62,680	¥ 63,229	\$680

* "Other" principally includes the effect of consolidation and deconsolidation of certain subsidiaries and the effect of changes in foreign currency exchange rates.

At March 31, 2009 and 2010, the total recorded loans receivable that were considered to be impaired including those trade receivables with terms exceeding one year, was ¥41,570 million and ¥50,038 million (\$538 million), respectively, and the related allowance for credit losses provided at each year-end was ¥39,233 million and ¥48,508 million (\$522 million), respectively.

The average amounts of outstanding loans receivable that were impaired during the years ended March 31, 2008, 2009 and 2010 were ¥43,136 million, ¥40,020 million and ¥45,804 million (\$493 million), respectively.

Interest income on impaired loans recognized for each of the three years in the period ended March 31, 2010 was not material. The Company generally recognizes interest income on impaired loans on a cash basis.

7. PROPERTY AND EQUIPMENT

Property and equipment at March 31, 2009 and 2010 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2009	2010	2010
Real estate held for development and resale	¥ 105,450	¥ 106,742	\$ 1,148
Land	293,459	285,595	3,071
Buildings, including leasehold improvements	679,717	746,482	8,027
Machinery and equipment	801,992	883,644	9,502
Aircraft and vessels	436,856	445,141	4,786
Mineral rights	279,718	357,826	3,848
Projects in progress	59,859	67,757	729
Total	2,657,051	2,893,187	31,111
Less accumulated depreciation	(1,080,066)	(1,195,815)	(12,860)
Property and equipment—net	¥ 1,576,985	¥ 1,697,372	\$ 18,251

Depreciation expense for the years ended March 31, 2008, 2009 and 2010 was ¥132,443 million, ¥128,625 million and ¥119,613 million (\$1,286 million), respectively.

The impairment loss on long-lived assets for the year ended March 31, 2010 related principally to real estate properties owned by certain subsidiaries in North America, which are included in the Industrial Finance, Logistics & Development segment, and were attributable to a depression in the real estate markets. The impairment loss also includes impairments recorded on certain oil and gas properties, plants and other long-lived assets.

The impairment loss on long-lived assets for the year ended

March 31, 2009 was principally attributable to oil and gas properties owned by subsidiaries. These impairments mainly related to lower oil and gas reserve estimates and oil price declines.

The impairment loss on long-lived assets for the year ended March 31, 2008 was principally attributable to chemical products manufacturing equipment owned by a subsidiary, distribution centers, warehouses and land for lease owned by a subsidiary. These impairments mainly related to declining profitability resulting from the deterioration of the business environment caused by an increase in competition, and changes in operations of subsidiaries.

Impairment losses recognized for the years ended March 31, 2008, 2009 and 2010 were applicable to the following segments:

Segment	Millions of Yen			Millions of U.S. Dollars
	2008	2009	2010	2010
Industrial Finance, Logistics & Development		¥ 690	¥ 4,446	\$ 48
Energy Business	¥ 2,759	28,624	3,933	42
Metals	739	4,464	2,059	22
Machinery	797	9,682	390	4
Chemicals	4,892	1,885	673	7
Living Essentials	1,047	272	2,546	27
Other*	(2,313)		4,039	44
Total	¥ 7,921	¥45,617	¥18,086	\$194

* "Other" represents impairment losses attributable to the assets for corporate use which have not been allocated to specific operating segments, and reclassification to "(Loss) Income from discontinued operations (net of tax)."

* Effective April 1, 2009, the Company reorganized the "Business Innovation" into "Living Essentials" and "Other" and transferred a part of the business of the "Chemicals" to the "Machinery." The consolidated financial position and the results of operations of related reportable operating segments for the years ended March 31, 2008 and 2009 have also been reclassified accordingly.

These impairment losses were included in "Loss on property and equipment—net" in the accompanying consolidated statements of income. The Company assesses whether the carrying amount of long-lived assets are recoverable by using undiscounted cash flows, whenever events or changes in circumstances indicate that the carrying amount of an asset may not

be recoverable. Estimated fair values of assets were primarily determined based on independent appraisals and discounted cash flows.

Capitalized interest was ¥223 million, ¥732 million and ¥205 million (\$2 million) for the years ended March 31, 2008, 2009 and 2010, respectively.

8. PLEDGED ASSETS

At March 31, 2010, assets pledged as collateral for short-term debt, long-term debt and guarantees of contracts and others of the Company were as follows:

	Millions of Yen	Millions of U.S. Dollars
Notes, loans and accounts receivable—trade (current and noncurrent)	¥ 29,243	\$ 314
Noncurrent investment securities (carrying value)	131,564	1,415
Property and equipment (net of accumulated depreciation)	264,885	2,848
Other	52,373	563
Total	¥478,065	\$5,140

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	¥ 19,396	\$ 209
Long-term debt	290,336	3,122
Guarantees of contracts and others	168,333	1,809
Total	¥478,065	\$5,140

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 Company follows the practice of repaying the related notes and acceptances payable at maturity without applying the sales

proceeds to specific notes or acceptances. Due to large volume of transactions, it is impracticable to determine the aggregate amounts of assets covered by outstanding trust receipts.

See Note 13 for a description of the right of the lending banks to require the Company to provide collateral (or additional collateral).

9. GOODWILL AND OTHER INTANGIBLE ASSETS

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, 2009 and 2010:

March 31, 2009	Millions of Yen		
	Gross Carrying Amount	Accumulated Amortization	Net
Intangible assets subject to amortization:			
Software	¥ 90,074	¥(48,020)	¥42,054
Manufacturing, sales and services licenses, and trademarks	47,624	(34,536)	13,088
Customer relationships	2,021	(452)	1,569
Other	11,276	(5,278)	5,998
Total	¥150,995	¥(88,286)	¥62,709
Intangible assets not subject to amortization:			
Trade names			¥ 3,359
Rights to use land			2,643
Customer relationships			2,365
Other			2,307
Total			10,674
Intangible assets total			¥73,383

March 31, 2010	Millions of Yen			Millions of U.S. Dollars		
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Intangible assets subject to amortization:						
Software	¥ 94,505	¥(52,781)	¥41,724	\$1,016	\$ (567)	\$449
Manufacturing, sales and services licenses, and trademarks	48,032	(37,176)	10,856	516	(400)	116
Customer relationships	2,300	(596)	1,704	25	(6)	19
Other	11,764	(5,833)	5,931	127	(63)	64
Total	¥156,601	¥(96,386)	¥60,215	\$1,684	\$(1,036)	\$648
Intangible assets not subject to amortization:						
Trade names			¥ 3,334			\$ 36
Rights to use land			2,728			29
Customer relationships			2,365			25
Other			4,059			44
Total			12,486			134
Intangible assets total			¥72,701			\$782

Intangible assets subject to amortization acquired during the year ended March 31, 2009 were ¥22,789 million, which primarily consisted of ¥17,626 million of software. The weighted-average amortization period for intangible assets subject to amortization acquired during the year ended March 31, 2009 is 6 years. The weighted-average amortization period for software is 5 years.

Intangible assets subject to amortization acquired during the year ended March 31, 2010 were ¥14,178 million (\$152 million), which primarily consisted of ¥12,060 million (\$130 million) of software. The weighted-average amortization period for intangible assets subject to amortization acquired during the year ended

March 31, 2010 is 6 years. The weighted-average amortization period for software is 5 years.

Intangible assets not subject to amortization acquired during the years ended March 31, 2009 and 2010 were ¥1,499 million and ¥2,762 million (\$30 million), respectively.

Amortization expense for intangible assets subject to amortization was ¥17,161 million, ¥17,078 million and ¥16,322 million (\$176 million) for the years ended March 31, 2008, 2009 and 2010, respectively.

As of March 31, 2010, estimated amortization expense for each of the five succeeding fiscal years is as follows:

Year ending March 31:	Millions of Yen	Millions of U.S. Dollars
2011	¥14,730	\$158
2012	12,292	132
2013	10,095	109
2014	6,647	71
2015	2,967	32

Based on the results of the impairment testing, impairment losses of ¥151 million, ¥313 million and ¥509 million (\$5 million) were recorded for the years ended March 31, 2008, 2009 and 2010, respectively.

These impairment losses are included in “Loss on property and equipment—net” in the consolidated statements of income.

Goodwill

The following tables show changes in the carrying amount of goodwill by reportable operating segment for the years ended March 31, 2009 and 2010:

Segment ⁽¹⁾	March 31, 2009										
	Millions of Yen										
	Beginning of Year			Changes During Year					End of Year		
	Gross Carrying Amount	Accumulated Impairment Losses	Net	Goodwill Additions	Impairment Losses	Divestitures	Currency Exchange	Other ⁽²⁾	Gross Carrying Amount	Accumulated Impairment Losses	Net
Industrial Finance, Logistics & Development . . .	¥ 5,523		¥ 5,523				¥ (531)	¥(253)	¥ 4,739		¥ 4,739
Energy Business											
Metals	12,928		12,928	¥ 589	¥(1,446)		(18)	(35)	13,464	¥(1,446)	12,018
Machinery	2,379		2,379	506				(16)	2,869		2,869
Chemicals	3,564	¥(2,930)	634			¥(270)		3	367		367
Living Essentials	28,621	(99)	28,522	580	(298)	(144)	(1,219)	(100)	27,738	(397)	27,341
Other	4,103		4,103	446	(2,842)		(19)	(5)	2,617	(934)	1,683
Total	¥57,118	¥(3,029)	¥54,089	¥2,121	¥(4,586)	¥(414)	¥(1,787)	¥(406)	¥51,794	¥(2,777)	¥49,017

Segment	March 31, 2010										
	Millions of Yen										
	Beginning of Year			Changes During Year					End of Year		
	Gross Carrying Amount	Accumulated Impairment Losses	Net	Goodwill Additions	Impairment Losses	Divestitures	Currency Exchange	Other ⁽²⁾	Gross Carrying Amount	Accumulated Impairment Losses	Net
Industrial Finance, Logistics & Development . . .	¥ 4,739		¥ 4,739	¥59			¥(249)	¥ 1,746	¥ 7,229	¥ (934)	¥ 6,295
Energy Business								296	296		296
Metals	13,464	¥(1,446)	12,018			¥ (17)	16	4	13,467	(1,446)	12,021
Machinery	2,869		2,869					(13)	2,856		2,856
Chemicals	367		367					4	371		371
Living Essentials	27,738	(397)	27,341		¥(7)	(843)	(13)	35	26,917	(404)	26,513
Other	2,617	(934)	1,683			(5)		(1,678)			
Total	¥51,794	¥(2,777)	¥49,017	¥59	¥(7)	¥(865)	¥(246)	¥ 394	¥51,136	¥(2,784)	¥48,352

Segment	March 31, 2010										
	Millions of U.S. Dollars										
	Beginning of Year			Changes During Year					End of Year		
	Gross Carrying Amount	Accumulated Impairment Losses	Net	Goodwill Additions	Impairment Losses	Divestitures	Currency Exchange	Other ⁽²⁾	Gross Carrying Amount	Accumulated Impairment Losses	Net
Industrial Finance, Logistics & Development . . .	\$ 51		\$ 51	\$1			\$(3)	\$ 19	\$ 78	\$(10)	\$ 68
Energy Business								3	3		3
Metals	145	\$(16)	129						145	(16)	129
Machinery	31		31						31		31
Chemicals	4		4						4		4
Living Essentials	298	(4)	294			\$(9)			289	(4)	285
Other	28	(10)	18					(18)			
Total	\$557	\$(30)	\$527	\$1		\$(9)	\$(3)	\$ 4	\$550	\$(30)	\$520

(1) Effective April 1, 2009, the Company reorganized the “Business Innovation” segment into “Living Essentials” and “Other” and transferred a part of the business of “Chemicals” to “Machinery.” The goodwill of related reportable operating segments for the year ended March 31, 2009 has also been reclassified accordingly.

(2) “Other” shown in “Changes During Year” includes transfers between reportable operating segments.

During the years ended March 31, 2008, 2009 and 2010, the Company recognized impairment losses of ¥99 million, ¥4,586 million and ¥7 million (\$zero million), respectively, which are included in “Other (income) expense—net” in the consolidated statements of income.

10. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

Overall Risk Management—The Company, in the normal course of business, is exposed to market risks from changes in interest rates, foreign exchange rates and commodity prices. To manage the exposures to these risks, the Company generally identifies its net exposures and takes advantage of natural offsets. Additionally, the Company enters into various derivative transactions pursuant to the Company's risk management policies in response to counterparty exposure and to hedge specific risks.

The types of derivatives used by the Company are primarily 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 Company assesses, 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 Company will discontinue hedge accounting.

The Company does not enter into material derivative instruments that contain credit risk related contingent features.

The notional amounts of the Company's derivative instruments as of March 31, 2010 are as follows:

	Billions of Yen	Millions of U.S. Dollars
Interest rate contracts	¥ 3,003	\$ 32,291
Foreign exchange contracts	1,974	21,224
Commodity contracts	7,895	84,897
Total derivative notional amounts	<u>¥12,872</u>	<u>\$138,412</u>

Interest Rate Risk Management—The Company's financing, investing and cash management activities are exposed to risks associated with changes in interest rates. In order to manage these exposures, the Company has 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 debts is to allow the Company to manage the overall value of cash flows attributable to certain assets and debts instruments.

Foreign Currency Risk Management—The Company operates globally and is exposed to foreign currency risks related to purchasing, selling, financing and investing in currencies other than the local currencies in which the Company operates. The Company's 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 nonfunctional currencies. The Company believes that in circumstances where these foreign currency contracts have not been designated as hedging instruments, such contracts effectively hedge the impact of the variability in exchange rates. Hedged currencies primarily include the U.S. dollar, the Euro and the Australian dollar.

Commodity Price Risk Management—The Company is exposed to fluctuations in commodity prices associated with various commodities used in its trading and other operating activities. The Company enters into commodity futures, forwards, options and swaps contracts, to hedge the variability in commodity prices in accordance with its risk management procedures. Except in certain cases where these contracts have been designated as fair value hedge and cash flow hedge, these contracts are generally not designated as hedging instruments.

Fair Value Hedge—Derivative instruments designated as fair value hedge primarily consist of interest rate swaps used to convert fixed-rate assets or debt obligations to floating-rate assets or debts.

Cash Flow Hedge—Derivative instruments designated as cash flow hedge 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 which qualify as cash flow hedge are utilized. Current open contracts hedge the Company's exposure to the variability in future cash flows for forecasted transactions until 2020.

Hedge of the Net Investment in Foreign Operations—The Company uses foreign exchange contracts and nonderivative financial instruments such as foreign-currency-denominated debt in order to reduce the foreign currency exposure in the net investment in a foreign operation. The amount included in the foreign currency translation adjustments was net gains of ¥9,718 million, ¥47,069 million and ¥32,461 million (\$349 million) for the years ended March 31, 2008, 2009 and 2010, respectively.

Derivative Instruments Used for Other than Hedging Activities—The Company enters into derivative financial instruments as part of its trading activities. The Company clearly distinguishes derivatives used in trading activities from derivatives used for risk management purposes. As part of its internal control policies, the Company has set strict limits on the positions which can be taken in order to minimize potential losses for these derivative transactions and periodically monitors the open positions for compliance.

Impact of Derivatives on the Consolidated Balance Sheets—The followings are the fair value of derivative instruments and not designated as accounting hedges by type of derivative contract on a gross basis as of March 31, 2009 and 2010.

As of March 31, 2009	Millions of Yen			
	Asset Derivatives		Liability Derivatives	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments				
Interest rate contracts	Other current assets	¥ 1,217	Other current liabilities	¥ 318
	Other assets	52,531	Other noncurrent liabilities	3,972
Foreign exchange contracts	Other current assets	6,523	Other current liabilities	24,673
	Other assets	9,506	Other noncurrent liabilities	1,210
Commodity contracts	Other current assets	233	Other current liabilities	901
	Other assets	4,180	Other noncurrent liabilities	2,787
	Total	<u>¥ 74,190</u>		<u>¥ 33,861</u>
Derivatives not designated as hedging instruments				
Interest rate contracts	Other current assets	¥ 3,080	Other current liabilities	¥ 4,299
	Other assets	12,178	Other noncurrent liabilities	17,682
Foreign exchange contracts	Other current assets	59,897	Other current liabilities	47,207
	Other assets	41,786	Other noncurrent liabilities	9,700
Commodity contracts	Other current assets	561,775	Other current liabilities	464,766
	Other assets	187,803	Other noncurrent liabilities	156,442
	Total	<u>¥ 866,519</u>		<u>¥ 700,096</u>
Total Derivatives (gross basis)		<u>¥ 940,709</u>		<u>¥ 733,957</u>
Netting		<u>¥(567,612)</u>		<u>¥(601,853)</u>
Net Derivatives on Consolidated Balance Sheets				
	Other current assets	¥ 197,951	Other current liabilities	¥ 104,766
	Other assets	175,146	Other noncurrent liabilities	27,338
Total Net Derivatives on Consolidated Balance Sheets		<u>¥ 373,097</u>		<u>¥ 132,104</u>

*1. The Company offsets fair value amounts recognized for derivative instruments against fair value amounts recognized for cash collateral receivable or cash collateral payable arising from derivative instruments executed with the same counterparty when a legally enforceable master netting agreement exists. At March 31, 2009, the cash collateral receivable and payable that were offset were ¥84,271 million and ¥50,030 million, respectively. The cash collateral receivable and payable that were not offset were ¥21,955 million and ¥32,840 million, respectively.

*2. There were no nonderivative financial instruments designated as hedging instruments as of March 31, 2009.

As of March 31, 2010	Millions of Yen			
	Asset Derivatives		Liability Derivatives	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments				
Interest rate contracts	Other current assets	¥ 364	Other current liabilities	¥ 109
	Other assets	52,854	Other noncurrent liabilities	3,442
Foreign exchange contracts	Other current assets	23,945	Other current liabilities	3,850
	Other assets	6,741	Other noncurrent liabilities	1,254
Commodity contracts	Other current assets	6,507	Other current liabilities	8,025
	Other assets	9,622	Other noncurrent liabilities	99
	Total	<u>¥ 100,033</u>		<u>¥ 16,779</u>
Derivatives not designated as hedging instruments				
Interest rate contracts	Other current assets	¥ 2,448	Other current liabilities	¥ 3,985
	Other assets	14,698	Other noncurrent liabilities	17,935
Foreign exchange contracts	Other current assets	35,187	Other current liabilities	14,834
	Other assets	26,664	Other noncurrent liabilities	6,391
Commodity contracts	Other current assets	349,732	Other current liabilities	363,087
	Other assets	59,974	Other noncurrent liabilities	58,422
	Total	<u>¥ 488,703</u>		<u>¥ 464,654</u>
Total Derivatives (gross basis)		<u>¥ 588,736</u>		<u>¥ 481,433</u>
Netting		<u>¥(410,185)</u>		<u>¥(411,384)</u>
Net Derivatives on Consolidated Balance Sheets				
	Other current assets	¥ 84,323	Other current liabilities	¥ 43,357
	Other assets	94,228	Other noncurrent liabilities	26,692
Total Net Derivatives on Consolidated Balance Sheets		<u>¥ 178,551</u>		<u>¥ 70,049</u>

As of March 31, 2010	Millions of U.S. Dollars			
	Asset Derivatives		Liability Derivatives	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments				
Interest rate contracts	Other current assets	\$ 4	Other current liabilities	\$ 1
	Other assets	568	Other noncurrent liabilities	37
Foreign exchange contracts	Other current assets	257	Other current liabilities	41
	Other assets	72	Other noncurrent liabilities	13
Commodity contracts	Other current assets	70	Other current liabilities	86
	Other assets	103	Other noncurrent liabilities	1
	Total	<u>\$ 1,074</u>		<u>\$ 179</u>
Derivatives not designated as hedging instruments				
Interest rate contracts	Other current assets	\$ 26	Other current liabilities	\$ 43
	Other assets	158	Other noncurrent liabilities	193
Foreign exchange contracts	Other current assets	378	Other current liabilities	160
	Other assets	287	Other noncurrent liabilities	69
Commodity contracts	Other current assets	3,761	Other current liabilities	3,904
	Other assets	645	Other noncurrent liabilities	628
	Total	<u>\$ 5,255</u>		<u>\$ 4,997</u>
Total Derivatives (gross basis)		<u>\$ 6,329</u>		<u>\$ 5,176</u>
Netting		<u>\$(4,409)</u>		<u>\$(4,423)</u>
Net Derivatives on Consolidated Balance Sheets				
	Other current assets	\$ 907	Other current liabilities	\$ 466
	Other assets	1,013	Other noncurrent liabilities	287
Total Net Derivatives on Consolidated Balance Sheets		<u>\$ 1,920</u>		<u>\$ 753</u>

* The Company offsets fair value amounts recognized for derivative instruments against fair value amounts recognized for cash collateral receivable or cash collateral payable arising from derivative instruments executed with the same counterparty when a legally enforceable master netting agreement exists. At March 31, 2010, the cash collateral receivable and payable that were offset were ¥49,394 million (\$531 million) and ¥48,195 million (\$518 million), respectively. The cash collateral receivable and payable that were not offset were ¥8,819 million (\$95 million) and ¥32,904 million (\$354 million), respectively.

Nonderivative designated as hedging instruments	Balance Sheet Location	Carrying Amount	
		Millions of Yen	Millions of U.S. Dollars
Foreign-currency-denominated debt	Current maturities of long-term debt	¥ 4,466	\$ 48
	Long-term debt	49,125	528
	Total	<u>¥53,591</u>	<u>\$576</u>

Impact of Derivatives and Hedged Items on the Consolidated Statements of Income and on Other Comprehensive Income—

The followings are the pretax effects of derivative instruments on the consolidated statements of income for the quarter ended March 31, 2009 (from January 1, 2009 to March 31, 2009) and for the year ended March 31, 2010.

During the quarter ended March 31, 2009

Derivatives Designated as Fair Value Hedge

Derivative type	Location of Gain or (Loss) Recognized in Earnings on Derivative/Hedged Item	Amount of Gain or (Loss) Recognized in Earnings on Derivative	
		Millions of Yen	Millions of Yen
Interest rate contracts	Other (income) expense	¥(3,046)	¥3,047
Foreign exchange contracts	Other (income) expense	(5,638)	5,567

*1. Amounts related to ineffective portion and excluded from hedge effective testing are immaterial for the quarter ended March 31, 2009.

*2. There were no gains or losses recognized in earnings as a result of hedged firm commitments no longer qualifying as fair value hedge during the quarter ended March 31, 2009.

Derivatives Designated as Cash Flow Hedge

Derivative type	Amount of Gain or (Loss) Recognized in OCI (effective portion)		Location of Gain or (Loss) Reclassified from AOCI into Earnings	Amount of Gain or (Loss) Reclassified from AOCI into Earnings (effective portion)	
	Millions of Yen	Millions of Yen		Millions of Yen	Millions of Yen
Interest rate contracts	¥(1,516)		Interest expense	¥	(98)
			Equity in earnings of Affiliated companies		(115)
Foreign exchange contracts	2,273		Other (income) expense		(26,492)
Commodity contracts	3,070		Revenues/(cost of revenues)		(1,722)
			Equity in earnings of Affiliated companies		(131)

*1. Amounts related to ineffective portion and excluded from hedge effective testing are immaterial for the quarter ended March 31, 2009.

*2. During the quarter ended March 31, 2009, the amount reclassified from AOCI at the end of the preceding period December 31, 2008, into earnings as a result of the discontinuance of cash flow hedges, because it is probable that the original forecasted transactions will not occur by the end of the originally specified time period, was losses of ¥11,884 million (\$120 million).

Derivatives Designated as Net Investment Hedge

Derivative type	Amount of Gain or (Loss) Recognized in OCI (effective portion)
	Millions of Yen
Foreign exchange contracts	¥18,691

*1. Amounts related to ineffective portion and excluded from hedge effective testing are immaterial for the quarter ended March 31, 2009.

*2. No gains or losses were reclassified from AOCI into earnings for the quarter ended March 31, 2009.

During the year ended March 31, 2010

Derivatives Designated as Fair Value Hedge

Derivative type	Location of Gain or (Loss) Recognized in Earnings on Derivative/Hedged Item	Amount of Gain or (Loss) Recognized in Earnings on Derivative		Amount of Gain or (Loss) Recognized in Earnings on Hedged Item	
		Millions of Yen	Millions of U.S. Dollars	Millions of Yen	Millions of U.S. Dollars
Interest rate contracts	Other (income) expense	¥ (550)	\$ (6)	¥ 569	\$ 6
Foreign exchange contracts	Other (income) expense	4,294	46	(4,457)	(48)
Commodity contracts	Revenues/(cost of revenues)	(8,025)	(86)	8,025	86

*1. Amounts related to ineffective portion and excluded from hedge effective testing are immaterial for the quarter ended March 31, 2010.

*2. There were no gains or losses recognized in earnings as a result of hedged firm commitments no longer qualifying as fair value hedge during the year ended March 31, 2010.

Derivatives Designated as Cash Flow Hedge

Derivative type	Amount of Gain or (Loss) Recognized in OCI (effective portion)		Location of Gain or (Loss) Reclassified from AOCI into Earnings	Amount of Gain or (Loss) Reclassified from AOCI into Earnings (effective portion)	
	Millions of Yen	Millions of U.S. Dollars		Millions of Yen	Millions of U.S. Dollars
Interest rate contracts	¥ 763	\$ 8	Interest expense	¥ (467)	\$ (5)
Foreign exchange contracts	58,141	625	Other (income) expense	(22,344)	(240)
Commodity contracts	14,913	160	Revenues/(cost of revenues)	(3,189)	(34)

*1. Amounts related to ineffective portion and excluded from hedge effective testing are immaterial for the quarter ended March 31, 2010.

*2. Derivative unrealized gains and losses included in AOCI are reclassified into earnings at the time that the associated hedged transactions impact earnings. Approximately ¥13,000 million (\$140 million) of net unrealized gains, net of tax, included in AOCI at March 31, 2010, will be reclassified into earnings within 12 months from that date.

*3. During the year ended March 31, 2010, there were immaterial gains or losses reclassified from AOCI at the end of the preceding period, March 31, 2009, into earnings as a result of the discontinuance of cash flow hedges because it is probable that the original forecasted transactions will not occur by the end of the originally specified time period.

Derivatives Designated as Net Investment Hedge

Derivative type	Amount of Gain or (Loss) Recognized in OCI (effective portion)		Location of Gain or (Loss) Reclassified from AOCI into Earnings	Amount of Gain or (Loss) Reclassified from AOCI into Earnings (effective portion)	
	Millions of Yen	Millions of U.S. Dollars		Millions of Yen	Millions of U.S. Dollars
Foreign exchange contracts	¥(25,894)	\$ (278)	(Gain) loss on marketable securities and investments—net	¥(17,698)	\$ (190)

*1 Amounts related to ineffective portion and excluded from hedge effective testing are immaterial for the year ended March 31, 2010.

*2 No gains or losses were reclassified from AOCI into earnings for the year ended March 31, 2010.

Derivatives Not Designated as Hedging Instruments

Derivative type	Location of Gain or (Loss) Recognized in Earnings on Derivative Item	Amount of Gain or (Loss) Recognized on Earnings	
		Millions of Yen	Millions of U.S. Dollars
Interest rate contracts	Interest expense	¥ (428)	\$ (5)
	Other (income) expense	(5,624)	(60)
Foreign exchange contracts	Interest expense	(6,016)	(65)
	Other (income) expense	40,329	434
Commodity contracts	Revenues/(Cost of revenues)	¥(18,707)	\$(201)

11. FAIR VALUE MEASUREMENTS

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following tables present information regarding assets and liabilities that are measured at fair value on a recurring basis at March 31, 2009 and 2010:

March 31, 2009	Millions of Yen				
	Level 1	Level 2	Level 3	Netting	Total
Assets:					
Cash equivalents		¥ 183,111			¥ 183,111
Investments	¥878,655	122,861	¥26,946		1,028,462
Derivative assets	55,741	879,175	5,793	¥(567,612)	373,097
Total assets	¥934,396	¥1,185,147	¥32,739	¥(567,612)	¥1,584,670
Liabilities:					
Derivative liabilities . . .	¥ 13,480	¥ 714,761	¥ 5,716	¥(601,853)	¥ 132,104
Total liabilities	¥ 13,480	¥ 714,761	¥ 5,716	¥(601,853)	¥ 132,104

March 31, 2010	Millions of Yen					Millions of U.S. Dollars				
	Level 1	Level 2	Level 3	Netting	Total	Level 1	Level 2	Level 3	Netting	Total
Assets:										
Cash equivalents		¥120,581			¥ 120,581		\$1,297			\$ 1,297
Investments										
Trading securities		12	¥14,438		14,450			\$155		155
Available-for-sale:										
Equity securities	¥1,082,708	437			1,083,145	\$11,642	5			11,647
Debt securities	8,224	122,194			130,418	88	1,314			1,402
Total investments	1,090,932	122,643	14,438		1,228,013	11,730	1,319	155		13,204
Derivative assets										
Interest rate contracts	317	70,047				3	753			
Foreign exchange contracts	124	92,413				1	994			
Commodity contracts	24,296	399,654	1,885			261	4,297	20		
Total derivative assets	¥ 24,737	¥562,114	¥ 1,885	¥(410,185)	¥ 178,551	\$ 265	\$6,044	\$ 20	\$(4,409)	\$ 1,920
Total assets	¥1,115,669	¥805,338	¥16,323	¥(410,185)	¥1,527,145	\$11,995	\$8,660	\$175	\$(4,409)	\$16,421
Liabilities:										
Derivative liabilities										
Interest rate contracts	¥ 364	¥ 25,107				\$ 4	\$ 270			
Foreign exchange contracts	162	26,167				2	281			
Commodity contracts	25,128	402,644	¥ 1,861			269	4,330	\$ 20		
Total derivative liabilities	¥ 25,654	¥453,918	¥ 1,861	¥(411,384)	¥ 70,049	\$ 275	\$4,881	\$ 20	\$(4,423)	\$ 753
Total liabilities	¥ 25,654	¥453,918	¥ 1,861	¥(411,384)	¥ 70,049	\$ 275	\$4,881	\$ 20	\$(4,423)	\$ 753

*1 The Company offset fair value amounts recognized for derivative instruments against fair value amounts recognized for cash collateral receivable or cash collateral payable arising from derivative instruments executed with the same counterparty when a legally enforceable master netting agreement exists.

*2 There were no significant transfers between Level 1 and Level 2.

Majority of investments in marketable equity securities and debt securities classified as available-for-sale securities are designated as Level 1 and are valued using quoted market prices in active markets. Certain debt securities, including those classified as cash equivalents, which include investments in corporate bonds and commercial papers are designated as Level 2 and are valued using quoted market prices for similar assets in active markets, or quoted prices for identical or similar assets in markets that are not active. Investments in securities classified as trading securities, principally comprised of investments in hedge funds ("alternative investment") are designated as Level 3 and are valued based on net asset value per share of investees. The fair value of the alternative investments at March 31, 2009 and 2010 were ¥26,946 million and ¥14,438 million (\$155 million), respectively. The investment strategies of investees are mainly arbitrage, credit arbitrage and multi-strategy. Redemption frequency of these investments are mainly monthly or quarterly. These investments can be redeemable with 30–90 days notice. Although certain

investments are under procedure of withdrawal, the terms to redemption are currently unknown.

Derivatives are comprised of interest rate derivative contracts, foreign exchange derivative contracts and commodity derivative contracts. Derivatives classified in Level 1 are comprised principally of commodity derivative contracts traded either on exchanges or liquid over-the-counter markets, which are valued using quoted prices. Derivatives classified in Level 2 are comprised principally of commodity derivative contracts traded over-the-counter markets, which are valued by pricing models using observable market inputs such as interest rates, foreign exchange rates and commodity prices. Derivatives classified in Level 3 are comprised principally of more structured commodity derivatives, which are valued based on unobservable inputs that reflect the companies' own assumptions.

The following tables present the changes in Level 3 assets and liabilities that are measured at fair value on a recurring basis for the years ended March 31, 2009 and 2010.

Millions of Yen						
	Balance at Beginning of Year	Net Realized/ Unrealized Gains (Losses) Included in Earnings	Net Realized/ Unrealized Gains (Losses) Included in Other Comprehensive Income (Loss)	Purchases, Issuances, and Settlements	Balance at End of Year	Net Change in Unrealized Gains (Losses) Related to Assets Still Held at End of Year
March 31, 2009						
Investments	¥62,700	¥(13,207)	¥(3,395)	¥(19,152)	¥26,946	¥(8,773)
Derivatives, net	46	59	(46)	18	77	77
Total	¥62,746	¥(13,148)	¥(3,441)	¥(19,134)	¥27,023	¥(8,696)

Millions of Yen							
	Balance at Beginning of Year	Net Realized/ Unrealized Gains (Losses) Included in Earnings	Net Realized/ Unrealized Gains (Losses) Included in Other Comprehensive Income (Loss)	Purchases, Issuances, and Settlements	Transfer in and/or out of Level 3	Balance at End of Year	Net Change in Unrealized Gains (Losses) Related to Assets Still Held at End of Year
March 31, 2010							
Investments							
Trading securities	¥26,946	¥ 2,222	¥ (10)	¥(14,720)		¥14,438	¥828
Derivatives, net							
Commodity contracts	77	(31,120)	1,041	(4,763)	¥34,789	24	24
Total	¥27,023	¥(28,898)	¥1,031	¥(19,483)	¥34,789	¥14,462	¥852

Millions of U.S. Dollars							
	Balance at Beginning of Year	Net Realized/ Unrealized Gains (Losses) Included in Earnings	Net Realized/ Unrealized Gains (Losses) Included in Other Comprehensive Income (Loss)	Purchases, Issuances, and Settlements	Transfer in and/or out of Level 3	Balance at End of Year	Net Change in Unrealized Gains (Losses) Related to Assets Still Held at End of Year
March 31, 2010							
Investments							
Trading securities	\$290	\$ 24		\$(159)		\$155	\$9
Derivatives, net							
Commodity contracts	1	(335)	\$11	(51)	\$374		
Total	\$291	\$(311)	\$11	\$(210)	\$374	\$155	\$9

*1 Total Level 3 derivative exposures have been netted on these tables for presentation purpose only.

*2 Transfers in and/or out of Level 3 are recognized as of the beginning of the interim periods.

A transfer into Level 3 resulting from deterioration in the credit of a customer was recognized for the year ended March 31, 2010.

All gains and losses included in earnings are reported in "(Gain) loss on marketable securities and investments—net" for investments and "Revenues/(Cost of revenues)" for derivative assets and liabilities in the consolidated statements of income.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

The following tables present assets and liabilities measured at fair value on a nonrecurring basis for the years ended March 31, 2009 and 2010:

	Millions of Yen				
	Fair Value Measurement Amount	Level 1	Level 2	Level 3	Total Gains (Losses)
March 31, 2009					
Investments	¥96,285	¥81,101	¥904	¥14,280	¥(80,689)

* Fair value measurement amount of "Investments" includes investments in Affiliated companies of ¥81,101 million and cost-method investments of ¥15,184 million. Total gains (losses) of "Investments" includes impairment losses recognized for investments in Affiliated companies of ¥61,221 million and impairment losses recognized for cost-method investments of ¥19,444 million.

	Millions of Yen				
	Fair Value Measurement Amount	Level 1	Level 2	Level 3	Total Gains (Losses)
March 31, 2010					
Investments	¥57,022	¥6,509		¥50,513	¥(61,990)
Fixed assets	¥14,134			¥14,134	¥(18,595)

	Millions of U.S. Dollars				
	Fair Value Measurement Amount	Level 1	Level 2	Level 3	Total Gains (Losses)
March 31, 2010					
Investments*	\$613	\$70		\$543	\$(667)
Fixed assets	\$152			\$152	\$(200)

* Fair value measurement amount of "Investments" includes investments in Affiliated companies of ¥7,709 million (\$83 million) and cost-method investments of ¥48,607 million (\$523 million). Total gains (losses) of "Investments" includes impairment losses recognized for investments in Affiliated companies of ¥6,810 million (\$74 million) and impairment losses recognized for cost-method investments of ¥54,867 million (\$590 million).

Investments and fixed assets presented above are measured at fair value on a nonrecurring basis as a result of other-than-temporary impairments. The fair value of the investments classified as Level 1 instruments above are determined using quoted prices in active markets. The fair value of the investments classified as Level 3 instruments above are valued mainly based on net

asset value of investees or discounted future cash flow method using unobservable inputs, such as estimated cash flows. The fair value of the fixed assets classified as Level 3 instruments above are valued based on independent appraisals or discounted future cash flow method using unobservable inputs, such as estimated cash flows.

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company, in the normal course of its business, deals with various financial instruments. The Company engages in operating transactions with a significant number of customers in a wide variety of industries all over the world, and its receivables from and guarantees to such parties are broadly diversified. Consequently, in management's opinion, no significant concentration of credit risk exists for the Company. The Company manages credit risk of these financial instruments through credit line approvals by management and by periodically monitoring the counterparties based on the Company's risk management policy. The Company requires collateral to the extent considered necessary.

The valuation methodology of the fair value is discussed in Note 11. 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 carrying amounts of cash, time deposits, trade receivables and payables, and short-term debts approximate their fair values due to the relatively short maturities of these instruments. See Note 11 for the valuation methodology of the fair value of debt securities classified as available-for-sale securities with original maturities within three months included in cash equivalents.

Short-term Investments and Other Investments—The fair values of marketable and nonmarketable investments included in "Short-term investments" and "Other investments" are estimated using the valuation methodology set forth in Note 11. Due to large numbers of investments, it is not practicable to estimate fair values of nonmarketable investments. There are approximately one thousand small investments in customers and suppliers, as such estimation was not readily determinable. However, the fair values of nonmarketable investments measured on a nonrecurring basis as a result of other-than-temporary impairments are estimated using the valuation methodology set forth in Note 11.

Noncurrent 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 Company's debt are estimated based on the present value of estimated future cash flows computed using interest rates that are currently available to the Company for debt with similar terms and remaining maturities.

Derivative Instruments—The fair values of the derivative instruments are estimated using the valuation methodology set forth in Note 11.

The following table presents the carrying amounts and fair values of financial instruments at March 31, 2009 and 2010. The fair values of the derivative instruments are excluded from the table below as they are disclosed in Note 10.

	Millions of Yen				Millions of U.S. Dollars	
	2009		2010		2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:						
Current financial assets other than short-term investments, net of allowance for doubtful receivables	¥4,139,018	¥4,139,018	¥4,128,825	¥4,128,825	\$44,396	\$44,396
Short-term investments and other investments, for which it is:						
Practicable to estimate fair value	1,039,869	1,039,869	1,275,979	1,275,979	13,720	13,720
Not practicable to estimate fair value	543,553		410,228		4,411	
Noncurrent notes, loans and accounts receivable and advances to Affiliated companies, net of allowance for doubtful receivables	410,042	394,597	436,805	443,628	4,697	4,770
Financial liabilities:						
Current financial liabilities	3,202,717	3,202,717	2,834,247	2,834,247	30,476	30,476
Long-term debt, including current maturities, and noncurrent trade payables, included in "Other noncurrent liabilities"	4,100,803	4,034,045	3,870,467	3,872,581	41,618	41,641

13. SHORT-TERM AND LONG-TERM DEBT

Short-term debt at March 31, 2009 and 2010 consisted of the following:

	2009		2010		2010
	Millions of Yen	Interest Rate	Millions of Yen	Interest Rate	Millions of U.S. Dollars
Bank loans	¥ 740,406	1.7%	¥479,640	1.0%	\$5,158
Commercial paper	298,520	0.5	75,361	0.3	810
Total	¥1,038,926		¥555,001		\$5,968

The interest rates represent weighted average rates on outstanding balances at March 31, 2009 and 2010.

Assets pledged as collateral for short-term debt is disclosed in Note 8.

Long-term debt at March 31, 2009 and 2010 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2009	2010	2010
Long-term debt with collateral (see Note 8):			
Banks and insurance companies, maturing serially through 2034—principally 0% to 1.9%	¥ 97,996	¥ 121,367	\$ 1,305
Government-owned banks and government agencies, maturing serially through 2023—principally 1% to 2.9%	15,564	19,084	205
Government-owned bank, maturing serially through 2014 (payable in foreign currency)—principally 5% to 6.9%	12,784	10,276	111
Banks and others, maturing serially through 2016 (payable in foreign currencies)—principally 1% to 5.9%	30,582	30,894	332
Japanese yen bonds (fixed rate 1.5%, due 2009)	500		
Japanese yen bonds (floating rate 0.69% to 2.55%, due 2010–2013)	4,820	4,740	51
U.S. dollar bonds (fixed rate 6.07%, due 2021)	6,342	6,083	65
Total	168,588	192,444	2,069

	Millions of Yen		Millions of U.S. Dollars
	2009	2010	2010
Long-term debt without collateral:			
Banks and insurance companies, maturing serially through 2027—principally 0% to 1.9%	¥2,026,832	¥2,029,051	\$21,818
Government-owned banks and government agencies, maturing serially through 2024—principally 0% to 1.9%	113,470	215,415	2,316
Government-owned banks, maturing serially through 2021 (payable in foreign currency)—principally 0% to 1.9%	47,615	100,141	1,077
Banks and others, maturing serially through 2026 (payable in foreign currencies)—principally 0% to 4.9%	182,237	160,703	1,728
Japanese yen callable bonds (floating rate 1.2% as of March 31, 2010, due 2015)	10,000	10,000	108
Japanese yen callable bonds (adjustable fixed rate 1.5%, due 2015)	10,000	10,000	108
Japanese yen extensible bonds (floating rate 0.938% as of March 31, 2009, due 2009)	34,400		
Japanese yen bonds (floating rate 2.335% to 2.529% as of March 31, 2010 due 2010)	57,000	57,000	613
Japanese yen bonds (floating rate 0.305% to 2.136% as of March 31, 2010, due 2013–2014)	65,000	85,000	914
Japanese yen bonds (floating rate 1.862% to 2.278% as of March 31, 2010, due 2015–2016)	55,000	55,000	590
Japanese yen bonds (floating rate 0.305% to 1.955% as of March 31, 2010, due 2017–2018)	30,000	50,000	538
Japanese yen bonds (fixed rate 2.08% to 2.425%, due 2009)	85,000		
Japanese yen bonds (fixed rate 2.24%, due 2010)	85,000	35,000	376
Japanese yen bonds (fixed rate 0.91% to 3.18%, due 2011–2019)	469,000	519,000	5,581
Japanese yen bonds (fixed rate 0.63% to 1.02%, due 2010)	10,280	120	1
Japanese yen bonds (fixed rate 1.43%, due 2011)	120	80	1
Thai baht bonds (fixed rate 5.84%, due 2009)	5,520		
Japanese yen convertible bond (zero coupon, due 2011)	955	905	10
Medium-term notes (payable in Japanese yen), due 2009–2028 0.48% to 3.05% in 2009 and due 2010–2019 0.07% to 3.05% in 2010	66,905	54,248	583
Medium-term notes (payable in U.S. dollars), due 2009–2018 2.84% to 5.00% in 2009 and due 2014–2018 1.46% to 3.10% in 2010	7,872	3,722	40
Commercial paper (payable in Japanese yen), with average interest rate of 0.11%	310,000	22,000	237
Total	<u>3,672,206</u>	<u>3,407,385</u>	<u>36,639</u>
Total long-term debt	3,840,794	3,599,829	38,708
Less unamortized issue premium	(63)	(54)	(1)
Add adjustments to fair value under fair value hedge accounting	54,260	54,542	587
Total	<u>3,894,991</u>	<u>3,654,317</u>	<u>39,294</u>
Less current maturities	(426,019)	(406,582)	(4,372)
Less adjustments to fair value under fair value hedge accounting related to “current maturities”	(1,206)	(1,706)	(18)
Long-term debt, less current maturities	<u>¥3,467,766</u>	<u>¥3,246,029</u>	<u>\$34,904</u>

On June 17, 2002, the Parent 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’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 were or will be redeemable at the option of the Parent commencing June 17, 2008 through June 16, 2009 at the redemption price of 102% (101% commencing June 17, 2009

through June 16, 2010) of the principal. During the years ended March 31, 2009 and 2010, ¥1,415 million and ¥50 million (\$1 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 bonds payable and amortized over the term of the bonds. The Parent paid ¥3,750 million for debt issuance costs related to the bonds. The debt issuance costs have been included in other assets and are being amortized to interest expense over the term of the bonds.

Annual maturities of long-term debt as of March 31, 2010, based on their contractual terms, are as follows, excluding the effect of adjustments to fair value under fair value hedge accounting:

	Millions of Yen	Millions of U.S. Dollars
Year ending March 31:		
2011 (included in current liabilities)	¥ 406,582	\$ 4,372
2012	447,434	4,811
2013	420,544	4,522
2014	612,322	6,584
2015	419,972	4,516
2016 and thereafter	1,292,975	13,903
Total	<u>¥3,599,829</u>	<u>\$38,708</u>

The Company 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 after giving effect to such swap agreements were generally based on the three month LIBOR (London Interbank Offered Rate).

The Company maintains lines of credit with various banks, including Japanese yen facilities of ¥510,000 million (\$5,484 million) held by the Parent and ¥90,000 million (\$968 million) held by a domestic subsidiary, and a U.S. dollar facility of \$1,301 million held by the Parent and a U.S. subsidiary held at March 31, 2010. The Parent, 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's current debt rating. The Parent, the domestic subsidiary and the U.S. subsidiary are required to maintain certain financial covenants to keep the facilities. The short-term and long-term portions of unused lines of credit, including overdraft contracts as well as the above committed lines, totaled ¥951,408 million (\$10,230 million) and ¥443,086 million (\$4,764 million), respectively, at March 31, 2010, compared with ¥952,532 million and ¥413,562 million, respectively, at March 31, 2009.

The Parent utilizes its long-term lines of credit, discussed above, totaling ¥310,000 million which mature in December 2014, to support the Parent's commercial paper program of ¥310,000 million. The commercial paper program is used from time to time to fund working capital and other general corporate requirements as needed. The outstanding commercial paper of ¥310,000

million at March 31, 2009 and ¥22,000 million (\$237 million) at March 31, 2010 was classified as long-term debt on the consolidated balance sheets since the Parent 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, allow banks, under certain conditions, to require the Company 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 allow the banks to require the Company 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 Company is 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, 2009 and 2010, the Company did not receive any request of the kind described above and does not expect that any such request will be received.

14. INCOME TAXES

Income taxes in Japan applicable to the Company, imposed by the national, prefectural and municipal governments, in the aggregate, result in a normal effective statutory rate of approximately 41% for the years ended March 31, 2008, 2009 and 2010. On March 31, 2009, the Diet enacted certain revisions to the tax laws. Under the revised tax laws, the majority of dividends

received from a foreign company by a domestic corporation is excluded from taxable income. Deferred tax liabilities recorded for undistributed earnings and income tax expense as of March 31, 2009 was reduced by ¥29,243 million as a result of the enactment. 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 before income taxes and equity in earnings of Affiliated companies for the years ended March 31, 2008, 2009 and 2010 to the effective income tax rates on income from continuing operations reflected in the accompanying consolidated statements of income was as follows:

	2008	2009	2010
Combined statutory income tax rate applied to income from continuing operations before income taxes and equity in earnings of Affiliated companies	41.0%	41.0%	41.0%
Expenses not deductible for income tax purposes	0.8	1.1	1.1
Operating losses of certain subsidiaries	1.3	6.5	7.6
Tax benefits on losses of subsidiaries	(0.7)	(1.6)	(4.1)
Lower income tax rates applicable to income in certain foreign countries	(4.8)	(10.2)	(8.0)
Tax effect on earnings or losses of equity method investees	(2.0)	0.5	1.0
Effect of taxation on dividends	1.8	3.0	1.7
Tax assessments	(3.2)	(2.2)	0.3
Other—net	(1.3)	0.3	(0.5)
Effective income tax rate on income from continuing operations	<u>32.9%</u>	<u>38.4%</u>	<u>40.1%</u>

Amounts provided for income taxes for the years ended March 31, 2008, 2009 and 2010 were allocated as follows:

	Millions of Yen			Millions of U.S. Dollars
	2008	2009	2010	2010
Income tax expense on income from continuing operations	¥ 181,666	¥ 148,904	¥117,997	\$1,269
(Loss) income from discontinued operations	194	(9,266)		
Other comprehensive income (loss)	(136,001)	(301,584)	154,930	1,666
Total income tax expense (benefit)	<u>¥ 45,859</u>	<u>¥(161,946)</u>	<u>¥272,927</u>	<u>\$2,935</u>

Significant components of deferred tax assets and liabilities at March 31, 2009 and 2010 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2009	2010	2010
Assets:			
Allowance for doubtful receivables	¥ 13,429	¥ 12,465	\$ 134
Pension and severance	58,683	34,460	370
Impairment loss on property and equipment	11,483	9,357	101
Net operating loss carryforwards	38,711	50,743	546
Accruals and other	95,357	84,390	907
Gross deferred tax assets	217,663	191,415	2,058
Less valuation allowance	(43,912)	(48,904)	(526)
Deferred tax assets—less valuation allowance	<u>173,751</u>	<u>142,511</u>	<u>1,532</u>
Liabilities:			
Depreciation	55,501	92,642	996
Investments	14,042	109,933	1,182
Property and intangible fixed assets	42,477	38,072	410
Pension and severance	1,008	1,607	17
Other	27,268	33,483	360
Gross deferred tax liabilities	140,296	275,737	2,965
Net deferred tax assets (liabilities)	<u>¥ 33,455</u>	<u>¥(133,226)</u>	<u>\$ (1,433)</u>

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 ¥4,773 million for the year ended March 31, 2008, increased by ¥17,441 million for the year ended March 31, 2009, and increased by ¥4,992 million (\$54 million) for the year ended March

31, 2010. The increase in the valuation allowance for the year ended March 31, 2010 was primarily due to a decrease in the amount of deferred tax assets considered realizable in certain subsidiaries under the severe economic environment.

Net deferred tax assets and liabilities included in the consolidated balance sheets at March 31, 2009 and 2010 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2009	2010	2010
Current assets—Deferred income taxes	¥ 63,301	¥ 43,907	\$ 472
Other assets	78,688	32,802	352
Other current liabilities	(1,262)	(7,340)	(79)
Long-term liabilities—Deferred income taxes	(107,272)	(202,595)	(2,178)
Net deferred tax assets (liabilities)	<u>¥ 33,455</u>	<u>¥(133,226)</u>	<u>\$ (1,433)</u>

No provision for income taxes is recognized for the undistributed earnings of subsidiaries where the Parent considers that such earnings are not expected to be remitted in the foreseeable future. At March 31, 2009 and 2010, the amount of undistributed earnings of subsidiaries on which a deferred tax liability has not been recognized in the accompanying consolidated financial statements aggregated ¥807,147 million and ¥976,747 million (\$10,503 million), respectively. Determination of the deferred tax

liability related to the undistributed earnings of foreign subsidiaries is not practicable.

At March 31, 2010, the Company had aggregate operating loss carryforwards of approximately ¥138,538 million (\$1,490 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:		
2011	¥ 3,956	\$ 43
2012	3,512	38
2013	4,339	47
2014	9,765	105
2015	11,415	123
2016 through 2020	46,916	504
2021 through 2025	2,529	27
2026 and thereafter	56,106	603
Total	<u>¥138,538</u>	<u>\$1,490</u>

Income from continuing operations before income taxes and equity in earnings of Affiliated companies for the years ended March 31, 2008, 2009 and 2010 consisted of the following:

	Millions of Yen			Millions of U.S. Dollars		
	The Parent and Its Domestic Subsidiaries	Foreign Subsidiaries	Total	The Parent and Its Domestic Subsidiaries	Foreign Subsidiaries	Total
Year ended March 31, 2008	¥271,946	¥280,603	¥552,549			
Year ended March 31, 2009	¥ 42,242	¥345,986	¥388,228			
Year ended March 31, 2010	¥ 50,797	¥243,471	¥294,268	\$546	\$2,618	\$3,164

Income taxes on income from continuing operations for the years ended March 31, 2008, 2009 and 2010 consisted of the following:

	Millions of Yen			Millions of U.S. Dollars		
	The Parent and Its Domestic Subsidiaries	Foreign Subsidiaries	Total	The Parent and Its Domestic Subsidiaries	Foreign Subsidiaries	Total
Year ended March 31, 2008:						
Current	¥124,103	¥ 81,426	¥205,529			
Deferred	(20,953)	(2,910)	(23,863)			
Total	<u>¥103,150</u>	<u>¥ 78,516</u>	<u>¥181,666</u>			
Year ended March 31, 2009:						
Current	¥ 94,054	¥ 92,692	¥186,746			
Deferred	(59,647)	21,805	(37,842)			
Total	<u>¥ 34,407</u>	<u>¥114,497</u>	<u>¥148,904</u>			
Year ended March 31, 2010:						
Current	¥ 50,807	¥ 61,636	¥112,443	\$546	\$663	\$1,209
Deferred	588	4,966	5,554	7	53	60
Total	<u>¥ 51,395</u>	<u>¥ 66,602</u>	<u>¥117,997</u>	<u>\$553</u>	<u>\$716</u>	<u>\$1,269</u>

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2009	2010	2010
Balance at beginning of year	¥ 15,639	¥3,955	\$43
Additions for tax positions of the current year			
Additions for tax positions of prior years	253	1,525	16
Reductions for tax positions of prior years	(19)	(262)	(3)
Settlements	(11,865)	(489)	(5)
Other	(53)	7	
Balance at end of year	<u>¥ 3,955</u>	<u>¥4,736</u>	<u>\$51</u>

The amounts of unrecognized tax benefits at March 31, 2009 and 2010 that would affect the effective tax rate, if recognized, were ¥3,697 million and ¥4,633 million (\$50 million), respectively.

The Company does not believe it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease during the next twelve months.

The Company recognizes interest and penalties associated with uncertain tax positions as a component of income taxes in the consolidated statements of income. For the years ended March 31, 2009 and 2010, interest and penalties recognized as

a component of accrued income taxes and other long-term liabilities in the consolidated balance sheet and as a component of income taxes in the consolidated statements of income are not material.

The Company files income tax returns in Japan and various foreign tax jurisdictions. In Japan, regular examinations by tax authorities have been completed for years before 2007. Apart from regular income tax examinations, tax authorities in Japan have the authority to conduct transfer pricing examinations for years after 2003.

15. ACCRUED PENSION AND SEVERANCE LIABILITIES

The Parent and certain 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 Company uses a March 31 measurement date for the pension 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
	2009	2010	2010
Change in benefit obligation:			
Benefit obligation at beginning of year	¥ 431,734	¥411,947	\$4,430
Service cost	12,207	11,834	127
Interest cost	12,325	11,774	127
Employee contributions	231	196	2
Plan amendments	(6)	(571)	(6)
Actuarial (gain) loss	(15,197)	27,424	295
Benefits paid	(19,853)	(19,981)	(215)
Settlements	(3,270)	(2,428)	(26)
Acquisitions/divestitures and other—net	3,427	(380)	(4)
Change in foreign currency exchange rates	(9,651)	(280)	(4)
Benefit obligation at end of year	411,947	439,535	4,726
Change in plan assets:			
Fair value of plan assets at beginning of year	453,155	339,056	3,646
Actual (loss) gain on plan assets	(115,041)	57,739	621
Employer contributions	25,625	31,059	334
Employee contributions	231	204	2
Benefits paid	(15,448)	(16,045)	(173)
Settlements	(3,270)	(2,428)	(26)
Acquisitions/divestitures and other—net	3,487	(704)	(8)
Change in foreign currency exchange rates	(9,683)	(307)	(3)
Fair value of plan assets at end of year	339,056	408,574	4,393
Funded status at end of year	¥ (72,891)	¥ (30,961)	\$ (333)
Amounts recognized in the consolidated balance sheets consist of:			
Prepaid pension cost included in other current assets and other assets	¥ 8,936	¥ 20,915	\$ 225
Other accrued expenses	(1,173)	(682)	(7)
Accrued pension liability	(80,654)	(51,194)	(551)
Net amount recognized	¥ (72,891)	¥ (30,961)	\$ (333)

The following table presents the pre-tax net loss and prior service cost recognized in AOCI for the years ended March 31, 2009 and 2010:

	Millions of Yen		Millions of U.S. Dollars
	2009	2010	2010
Net loss	¥(163,418)	¥(127,332)	\$(1,369)
Prior service cost	(4,522)	(3,584)	(39)
AOCI income loss	¥(167,940)	¥(130,916)	\$(1,408)

Net periodic pension costs related to the Parent's and certain subsidiaries' pension and indemnity plans for the years ended March 31, 2008, 2009 and 2010 include the following components:

	Millions of Yen			Millions of U.S. Dollars
	2008	2009	2010	2010
Service cost—benefits earned during the period	¥ 12,358	¥12,207	¥11,834	\$127
Interest cost on projected benefit obligation	12,382	12,325	11,774	127
Expected return on plan assets	(10,910)	(9,205)	(4,798)	(52)
Recognized net actuarial loss	557	3,027	10,581	114
Amortization of unrecognized prior service cost	654	383	366	4
Settlement loss	362	1,799	814	9
Net periodic pension cost	<u>¥ 15,403</u>	<u>¥20,536</u>	<u>¥30,571</u>	<u>\$329</u>

Other changes in plan assets and benefit obligation recognized in other comprehensive income for the years ended March 31, 2009 and 2010 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2009	2010	2010
Current year actuarial loss (gain)	¥108,792	¥(24,691)	\$(265)
Recognized net actuarial loss	(3,027)	(10,581)	(114)
Settlement loss	(1,799)	(814)	(9)
Prior service cost due to amendments	(7)	(572)	(6)
Amortization of unrecognized prior service cost	(383)	(366)	(4)
Total recognized in other comprehensive income	<u>¥103,576</u>	<u>¥(37,024)</u>	<u>\$(398)</u>

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, 2011:

	Millions of Yen		Millions of U.S. Dollars
	2011	2011	2011
Net loss	¥7,533		\$81
Prior service cost	338		4
Total	<u>¥7,871</u>		<u>\$85</u>

The total accumulated benefit obligation for the Parent and certain subsidiaries' defined benefit pension plans was ¥386,995 million and ¥410,540 million (\$4,414 million) as of March 31, 2009 and 2010, 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, 2009 and 2010 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2009	2010	2010
Aggregate projected benefit obligation	¥352,319	¥89,007	\$957
Aggregate accumulated benefit obligation	332,926	81,857	880
Aggregate fair value of plan assets	272,521	36,952	397

Plan Assets

The Parent and certain subsidiaries' 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 strategy may be revised as needed. Moreover, the Company continuously monitors and pays extra attention to the

diversification of strategies and investment managers for the purpose of risk control and thereby pursuing efficient risk management.

Recognizing the strong uncertainty of the market environment continuing from the previous year, the Parent's investment policy for the year ending March 31, 2011 is to invest in a conservative portfolio by limiting allocation to equity securities and the like. The Parent's target asset allocations as of March 31, 2010, excluding employee pension trust which primarily consists of equity securities, are 20% equity securities, 60% debt securities, 10% alternative investments, and 10% cash and cash equivalent.

The fair values of Parent and certain subsidiaries' benefit pension plan assets for the year ended March 31, 2010, by asset category are as follows. The three levels of input used to measure fair value are described in Note 2.

	Millions of Yen			Total
	Level 1	Level 2	Level 3	
Equity securities*1:				
Japanese equity securities	¥131,024	¥ 10,064		¥141,088
Global equity securities	23,245	21,945		45,190
Debt securities*2:				
Japanese debt securities		119,232		119,232
Global debt securities	497	19,134	¥ 1,251	20,882
Hedge funds*3			4,728	4,728
Private equities*4			4,402	4,402
Real estate*5			2,655	2,655
Life insurance company accounts*6		12,912	1,240	14,152
Cash and cash equivalents		50,652		50,652
Other assets*7		156	5,437	5,593
Total	¥154,766	¥234,095	¥19,713	¥408,574

	Millions of U.S. Dollars			Total
	Level 1	Level 2	Level 3	
Equity securities*1:				
Japanese equity securities	\$1,409	\$ 108		\$1,517
Global equity securities	250	236		486
Debt securities*2:				
Japanese debt securities		1,281		1,281
Global debt securities	5	206	\$ 14	225
Hedge funds*3			51	51
Private equities*4			47	47
Real estate*5			29	29
Life insurance company accounts*6		139	13	152
Cash and cash equivalents		545		545
Other assets*7		2	58	60
Total	\$1,664	\$2,517	\$212	\$4,393

*1 Both Japanese equities and Global equities include the form of fund units. Global equities include a mixture of Japanese and non-Japanese equities which are held in the form of fund units.

*2 Both Japanese debt securities and Global debt securities include the form of fund units. Global debt securities include mixture of Japanese and non-Japanese debt securities which are held in the form of fund units.

*3 Investments in funds open to a limited range of investors that are permitted by regulators to undertake a broad range of investments to reduce some of the risks inherent in their investments.

*4 Investments in private equity funds that primarily invest in venture and buyout.

*5 Investments in real estate funds.

*6 Life insurance company accounts consist of investments in life insurance company general accounts and special accounts. General Accounts are guaranteed for principal amount and interest rate by life insurance companies while special accounts are not guaranteed for its investment return.

*7 Other assets principally includes Collateralized Loan Obligation Funds and Infrastructure Funds.

Level 1 assets are comprised principally of equity securities, which are valued using quoted market prices in active markets.

Level 2 assets are comprised principally of equity securities and debt securities which are held in the form of fund units. These assets are valued using their net asset values (NAV) per share that are calculated by the administrator of the fund. The NAV per share is based on the value of the underlying assets that are traded principally in active market, minus liabilities and dividend by the

number of shares. Investment in life insurance company accounts are valued by aggregation of its underlying assets that are traded in active market.

Level 3 assets, consisting principally of hedge funds, private equities are valued using unobservable inputs.

The Parent and certain subsidiaries' weighted average asset allocation for its defined benefit pension plans for the year ended March 31, 2009 was as follows:

Asset category:	Asset Allocation 2009
Equity securities	44%
Debt securities	31
Alternative investments*	7
Cash and cash equivalent	16
Other	2
Total	100%

* Alternative investments consist of investments in hedge funds, private equity funds, and real estate funds.

The changes in Level 3 assets for the year ended March 31, 2010 were as follows:

	Millions of Yen					Balance, End of Year
	Balance, Beginning of Year	Net realized/ Unrealized gains (losses)	Purchases, sales and settlements	Transfers in and/or out of Level 3	Other*	
Debt securities:						
Global debt securities		¥ 62	¥ 1,189			¥ 1,251
Hedge funds	¥15,207	2,964	(13,173)			4,728
Private equities	4,433	(434)	403			4,402
Real estate	3,967	(972)	(340)			2,655
Life insurance company accounts	1,159	117	(47)		¥11	1,240
Cash and cash equivalents						
Other assets	3,598	2,017	(193)		15	5,437
Total	¥28,364	¥3,484	¥(12,161)		¥26	¥19,713

	Millions of U.S. Dollars					Balance, End of Year
	Balance, Beginning of Year	Net realized/ Unrealized gains (losses)	Purchases, sales and settlements	Transfers in and/or out of Level 3	Other*	
Debt securities:						
Global debt securities		\$ 1	\$ 13			\$ 14
Hedge funds	\$164	29	(142)			51
Private equities	48	(5)	4			47
Real estate	43	(10)	(4)			29
Life insurance company accounts	12	1				13
Cash and cash equivalents						
Other assets	39	21	(2)			58
Total	\$306	\$ 37	\$(131)			\$212

* Other assets includes the effect of changes in foreign currency exchange rates.

Assumptions

The weighted average assumptions used to determine benefit obligations at March 31, 2009 and 2010 were as follows:

	2009	2010
Weighted average discount rate	3.1%	2.7%
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, 2008, 2009 and 2010 were as follows:

	2008	2009	2010
Weighted average discount rate	3.0%	3.1%	3.1%
Average rate of increase in future compensation levels	2.6	2.6	2.6
Expected long-term rate of return on plan assets	3.7	3.4	2.1

The Company determines 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.

Contributions

The Company's 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 Company expects to contribute approximately ¥27,000 million (\$289 million) to its defined benefit pension plans during the year ending March 31, 2011.

Estimated Future Benefit Payments

Estimated future benefit payments are as follows:

	Millions of Yen	Millions of U.S. Dollars
Years ending March 31:		
2011	¥ 22,624	\$ 243
2012	23,628	254
2013	22,696	244
2014	21,842	235
2015	22,713	244
2016 through 2020	116,494	1,253

Defined Contribution Plans

The Parent and certain subsidiaries have defined contribution plans. The expenses related to these defined contribution plans were ¥1,717 million, ¥2,143 million and ¥2,179 million (\$23 million) for the years ended March 31, 2008, 2009 and 2010, respectively.

Early Retirement Program

The Parent has offered an early retirement program to its employees. At March 31, 2009 and 2010, the liability for applicants to the program, discounted to reflect the present value of the expected cash flows, was ¥7,165 million and ¥5,282 million (\$57 million),

respectively. Current and noncurrent portion of such liability is included in "Other accrued expenses" and in "Accrued pension and severance liabilities" in the accompanying consolidated balance sheets, respectively, depending on when the additional benefit payment is expected to be made. Related expenses recognized by the Parent for the years ended March 31, 2008, 2009 and 2010, included in "Selling, general and administrative expenses" in the accompanying consolidated statements of income, were ¥1,230 million, ¥747 million and ¥796 million (\$9 million), respectively.

16. ASSET RETIREMENT OBLIGATIONS

The Company accounts for asset retirement obligations ("AROs"), consisting primarily of costs associated with mine reclamation, landfills and dismantlement of facilities. These costs reflect the legal obligations associated with the normal operation of the Company's 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.

The changes in the carrying amount of AROs for the years ended March 31, 2009 and 2010 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2009	2010	2010
Balance at beginning of year	¥30,281	¥38,415	\$413
Accretion expense	2,000	2,062	22
Payments	(1,265)	(1,683)	(18)
Liabilities incurred	17,746	747	8
Revisions in estimated cash flow	(63)	4,812	52
Change in foreign currency exchange rates	(9,680)	5,290	57
Other*	(604)		
Balance at end of year	¥38,415	¥49,643	\$534

* "Other" principally includes the effect of divestitures of certain subsidiaries.

17. DISCONTINUED OPERATIONS

The Company presents the results of discontinued operations as a separate line item in the consolidated statements of income under "(loss) income from discontinued operations (net of tax)."

The Company has no operations that should be presented in a separate line item as discontinued operations during the year ended March 31, 2010.

In March 2008, the Company decided to sell a chemical products manufacturing operation in the U.S. in the Chemicals segment, and classified the operation as a discontinued operation.

The consolidated statements of income and the related notes for the prior years related to the discontinued operation were reclassified in the year ended March 31, 2008. The Company sold the operation during the year ended March 31, 2009, and had no assets and liabilities classified as held-for-sale associated with the operation at March 31, 2009.

Selected financial information for the years ended March 31, 2008 and 2009 of the discontinued operation classified during the year ended March 31, 2008, were as follows:

	Millions of Yen	
	2008	2009
(Loss) income from discontinued operations		
Revenues	¥16,332	
Loss from discontinued operations before income taxes	(3,410)	¥(4,696)
Income taxes	(194)	9,266
(Loss) income from discontinued operations (net of tax)	(3,604)	4,570

18. SHAREHOLDERS' EQUITY

Common Stock—The Companies Act of Japan (the “Companies Act”) 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 additional paid-in capital.

Additional Paid-in Capital and Retained Earnings—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.

The Companies Act provides that subject to certain conditions, such as a resolution of the shareholders' meeting, a company may transfer amounts between common stock, reserves and surplus, while it is not allowed to transfer a portion of retained earnings to the common stock account.

The effects of changes in the Parent's ownership interest in its subsidiary on the Parent's equity for the years ended March 31, 2008, 2009 and 2010 were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2008	2009	2010	2010
Net income attributable to Mitsubishi Corporation	¥470,859	¥369,936	¥273,147	\$2,937
Decrease in additional paid-in capital for purchase of certain subsidiaries' common shares			(9,564)	(103)
Change from net income attributable to Mitsubishi Corporation and transfers to the noncontrolling interest	¥470,859	¥369,936	¥263,583	\$2,834

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 which is calculated based on the amount of the retained earnings recorded in the Parent's general books of accounts maintained in accordance with accounting principles generally accepted in Japan. 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 ¥912,895 million (\$9,816 million) as of March 31, 2010. The distributable amount under the Companies Act may fluctuate until the effective date for the distribution of dividends.

The Companies Act allows for the payment of dividends at any time during the fiscal year upon resolution at the shareholders' meeting. Furthermore, the Parent is also allowed 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—The Companies Act allows the Japanese companies to purchase and hold treasury stock. The Japanese companies are allowed to decide the number, amount and others of the treasury stock to be acquired, not exceeding the amount available for distribution, upon resolution at the shareholders' meeting. The Companies Act allows the Japanese companies to purchase treasury stock through market transactions or tender offer by resolution of the Board of Directors, as far as it is allowed under the Articles of Incorporation, subject to limitations imposed by the Companies Act.

At the ordinary general meeting of shareholders held on June 24, 2004, it was approved that the Parent amended the Articles of Incorporation to entitle the Board of Directors to purchase outstanding shares of the Company's treasury stock by its resolutions.

In August 2007, the Board of Directors of the Parent decided to purchase treasury stock to implement a flexible capital structure policy according to changes in the business environment. As a result, the Parent purchased 51,759,000 shares of treasury stock through market transactions.

19. COMPREHENSIVE INCOME

Comprehensive income attributable to shareholders of Mitsubishi Corporation, for the years ended March 31, 2008, 2009 and 2010 consisted of the following:

	Millions of Yen			Millions of U.S. Dollars
	2008	2009	2010	2010
Net income attributable to Mitsubishi Corporation	¥ 470,859	¥ 369,936	¥273,147	\$ 2,937
Other comprehensive (loss) income attributable to Mitsubishi Corporation:				
Net unrealized (losses) gains on securities available for sale (Note 4):				
Net unrealized holding (losses) gains during the year	(241,976)	(557,449)	289,966	3,118
Reclassification adjustments for net (gains) losses included in net income attributable to Mitsubishi Corporation	(16,347)	79,639	(37,337)	(401)
Net change during the year	(258,323)	(477,810)	252,629	2,717
Income tax benefit (expense) (Note 14)	108,841	194,652	(99,284)	(1,068)
Total	(149,482)	(283,158)	153,345	1,649

	Millions of Yen			Millions of U.S. Dollars
	2008	2009	2010	2010
Net unrealized gains (losses) on derivatives (Note 10):				
Net unrealized gains (losses) during the year	¥ 14,242	¥ (52,633)	¥ 73,817	\$ 794
Reclassification adjustments for net losses (gains) included in net income attributable to Mitsubishi Corporation	3,343	(3,849)	(19,584)	(211)
Net change during the year	17,585	(56,482)	54,233	583
Income tax (expense) benefit (Note 14)	(7,839)	20,513	(18,847)	(203)
Total	9,746	(35,969)	35,386	380
Defined benefit pension plans (Note 15):				
Net unrealized (losses) gains during the year	(73,676)	(110,555)	25,249	271
Reclassification adjustments for net losses included in net income attributable to Mitsubishi Corporation	1,611	5,038	11,629	125
Net change during the year	(72,065)	(105,517)	36,878	396
Income tax benefit (expense) (Note 14)	31,138	42,931	(15,751)	(169)
Total	(40,927)	(62,586)	21,127	227
Foreign currency translation adjustments:				
Translation adjustments during the year	(106,805)	(417,451)	174,921	1,881
Reclassification adjustments for net losses included in net income attributable to Mitsubishi Corporation	135	798	2,640	28
Net change during the year	(106,670)	(416,653)	177,561	1,909
Income tax benefit (expense) (Note 14)	3,861	43,488	(21,048)	(226)
Total	(102,809)	(373,165)	156,513	1,683
Total other comprehensive (loss) income attributable to Mitsubishi Corporation	(283,472)	(754,878)	366,371	3,939
Comprehensive income (loss) attributable to Mitsubishi Corporation	¥ 187,387	¥(384,942)	¥639,518	\$6,876

20. 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
	2008	2009	2010	2010
Numerator:				
Net income from continuing operations attributable to Mitsubishi Corporation	¥474,463	¥365,366	¥273,147	\$2,937
Effect of dilutive securities—Japanese yen convertible bond	(32)	(11)		
Diluted income from continuing operations attributable to Mitsubishi Corporation	¥474,431	¥365,355	¥273,147	\$2,937
(Loss) income from discontinued operations (net of tax)	(3,604)	4,570		
Net income attributable to Mitsubishi Corporation	¥470,859	¥369,936	¥273,147	\$2,937
Effect of dilutive securities—Japanese yen convertible bond	(32)	(11)		
Diluted income attributable to Mitsubishi Corporation	¥470,827	¥369,925	¥273,147	\$2,937
	Thousands of Shares			
Denominator:				
Basic weighted average common shares outstanding	1,659,008	1,642,386	1,643,073	
Effect of dilutive securities:				
Stock options	3,456	2,564	2,971	
Japanese yen convertible bond	3,873	1,020	804	
Diluted outstanding shares	1,666,337	1,645,969	1,646,848	

	Yen			U.S. Dollars
	2008	2009	2010	2010
Per share amount:				
Net income from continuing operations attributable to Mitsubishi Corporation				
Basic	¥285.99	¥222.46	¥166.24	\$1.79
Diluted	284.71	221.97	165.86	1.78
(Loss) income from discontinued operations (net of tax)				
Basic	(2.17)	2.78		
Diluted	(2.16)	2.78		
Net income attributable to Mitsubishi Corporation				
Basic	283.82	225.24	166.24	1.79
Diluted	282.55	224.75	165.86	1.78

21. SEGMENT INFORMATION

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 Company's reportable operating segments consist of the following six business groups:

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, nonorganic 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, and provides services through healthcare and media businesses.

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) attributable to Mitsubishi Corporation. 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 Company's operating segment information at and for the years ended March 31, 2008, 2009 and 2010 was as follows:

2008	Millions of Yen									
	Industrial Finance, Logistics & Development	Energy Business	Metals	Machinery	Chemicals	Living Essentials	Total	Other	Adjustments and Eliminations	Consolidated
Revenues	¥194,795	¥1,551,052	¥ 980,544	¥ 817,588	¥1,004,216	¥1,465,393	¥ 6,013,588	¥ 55,720	¥ (38,502)	¥ 6,030,806
Gross profit	60,471	81,641	282,010	192,772	97,770	435,738	1,150,402	34,289	(12,469)	1,172,222
Equity in earnings of Affiliated companies	6,033	45,410	41,679	27,815	11,965	24,001	156,903	(924)	(971)	155,008
Net income attributable to Mitsubishi Corporation	24,185	94,206	158,241	68,143	34,689	54,412	433,876	32,436	4,547	470,859
Segment assets	804,305	1,705,803	3,281,536	2,207,441	831,342	2,364,121	11,194,548	1,313,034	(757,141)	11,750,441
Investments in Affiliated companies	81,952	244,432	140,041	191,578	113,357	309,949	1,081,309	4,950	(1,690)	1,084,569
Depreciation and amortization	15,990	15,355	40,173	29,363	5,516	26,360	132,757	21,520		154,277
Capital expenditures for long-lived assets	99,186	93,510	58,416	44,878	4,039	28,390	328,419	8,326	(3,762)	332,983
Operating transactions:										
External customers	¥253,233	¥5,000,063	¥5,707,493	¥3,903,406	¥2,469,854	¥5,629,926	¥22,963,975	¥ 175,626	¥ (36,558)	¥23,103,043
Intersegment	29,355	11,904	6,280	2,907	7,951	12,474	70,871	30,941	(101,812)	
Total	¥282,588	¥5,011,967	¥5,713,773	¥3,906,313	¥2,477,805	¥5,642,400	¥23,034,846	¥ 206,567	¥(138,370)	¥23,103,043

Millions of Yen										
2009	Industrial Finance, Logistics & Development	Energy Business	Metals	Machinery	Chemicals	Living Essentials	Total	Other	Adjustments and Eliminations	Consolidated
Revenues	¥113,003	¥1,554,131	¥1,323,490	¥ 578,040	¥ 871,480	¥1,647,904	¥ 6,088,048	¥ 48,045	¥ 10,313	¥ 6,146,406
Gross profit	45,002	68,832	569,650	175,668	94,909	481,676	1,435,737	26,413	1,002	1,463,152
Equity in earnings of										
Affiliated companies	3,109	69,776	47,944	5,896	10,772	21,474	158,971	(2,506)	298	156,763
Net (loss) income attributable to Mitsubishi Corporation	(41,205)	82,778	216,690	17,776	26,763	33,970	336,772	31,719	1,445	369,936
Segment assets	836,701	1,342,270	2,901,728	2,010,188	629,087	2,203,833	9,923,807	2,032,624	(1,038,428)	10,918,003
Investments in Affiliated companies	90,912	204,688	128,309	203,496	93,487	322,063	1,042,955	5,499	290	1,048,744
Depreciation and amortization	18,866	16,301	36,466	25,320	4,432	29,381	130,766	18,818		149,584
Capital expenditures for long-lived assets	54,421	33,974	182,267	44,560	3,922	28,113	347,257	14,367	(1,372)	360,252
Operating transactions:										
External customers	¥205,467	¥5,152,350	¥5,448,600	¥3,540,570	¥2,127,118	¥5,733,310	¥22,207,415	¥ 170,630	¥ 11,059	¥22,389,104
Intersegment	29,598	10,735	8,104	8,779	8,927	13,932	80,075	33,618	(113,693)	
Total	¥235,065	¥5,163,085	¥5,456,704	¥3,549,349	¥2,136,045	¥5,747,242	¥22,287,490	¥ 204,248	¥ (102,634)	¥22,389,104

Millions of Yen										
2010	Industrial Finance, Logistics & Development	Energy Business	Metals	Machinery	Chemicals	Living Essentials	Total	Other	Adjustments and Eliminations	Consolidated
Revenues	¥ 97,971	¥ 969,171	¥ 672,402	¥ 567,408	¥ 715,549	¥1,494,868	¥ 4,517,369	¥ 26,229	¥ (2,098)	¥4,541,500
Gross profit	44,901	39,845	231,832	156,447	77,830	457,169	1,008,024	10,757	(2,098)	1,016,683
Equity in earnings of										
Affiliated companies	10,794	39,731	6,201	21,484	17,231	19,492	114,933	303	(1,863)	113,373
Net (loss) income attributable to Mitsubishi Corporation	(7,594)	71,947	137,928	23,557	32,357	45,058	303,253	(32,319)	2,213	273,147
Segment assets	798,681	1,322,918	2,866,349	2,019,390	732,834	2,218,302	9,958,474	1,826,885	(894,084)	10,891,275
Investments in Affiliated companies	128,980	213,863	147,186	232,126	108,699	327,711	1,158,565	17,154	1,333	1,177,052
Depreciation and amortization	19,138	13,685	34,697	21,975	3,987	27,411	120,893	17,986		138,879
Capital expenditures for long-lived assets	19,890	31,703	55,084	18,861	2,203	25,636	153,377	10,994		164,371
Operating transactions:										
External customers	¥172,362	¥3,212,434	¥3,631,561	¥3,115,189	¥1,784,159	¥5,107,180	¥17,022,885	¥ 78,052	¥ (2,232)	¥17,098,705
Intersegment	17,833	16,258	2,724	7,374	7,440	7,420	59,049	30,791	(89,840)	
Total	¥190,195	¥3,228,692	¥3,634,285	¥3,122,563	¥1,791,599	¥5,114,600	¥17,081,934	¥ 108,843	¥ (92,072)	¥17,098,705

Millions of U.S. Dollars										
2010	Industrial Finance, Logistics & Development	Energy Business	Metals	Machinery	Chemicals	Living Essentials	Total	Other	Adjustments and Eliminations	Consolidated
Revenues	\$1,053	\$10,421	\$ 7,230	\$ 6,101	\$ 7,694	\$16,074	\$ 48,573	\$ 282	\$ (22)	\$ 48,833
Gross profit	483	428	2,493	1,682	837	4,916	10,839	116	(23)	10,932
Equity in earnings of										
Affiliated companies	116	427	67	231	185	210	1,236	3	(20)	1,219
Net (loss) income attributable to Mitsubishi Corporation	(82)	774	1,483	253	348	484	3,260	(348)	25	2,937
Segment assets	8,588	14,225	30,821	21,714	7,880	23,853	107,081	19,644	(9,615)	117,110
Investments in Affiliated companies	1,387	2,300	1,583	2,496	1,169	3,524	12,459	184	13	12,656
Depreciation and amortization	206	147	373	236	43	295	1,300	193		1,493
Capital expenditures for long-lived assets	214	341	592	203	24	276	1,650	117		1,767
Operating transactions:										
External customers	\$1,853	\$34,542	\$39,049	\$33,497	\$19,185	\$54,916	\$183,042	\$ 839	\$ (24)	\$183,857
Intersegment	192	175	29	79	80	80	635	331	(966)	
Total	\$2,045	\$34,717	\$39,078	\$33,576	\$19,265	\$54,996	\$183,677	\$ 1,170	\$ (990)	\$183,857

⁽¹⁾ "Other" represents corporate departments which primarily provide services and operational support to the Company and Affiliated companies. This column also includes certain revenues and expenses from business activities related to financing and human resource services that are not allocated to reportable operating segments. Unallocated corporate assets categorized in "Other" consist primarily of cash, time deposits and securities for financial and investment activities.

⁽²⁾ "Adjustments and Eliminations" include certain income and expense items that are not allocated to reportable operating segments and intersegment eliminations.

⁽³⁾ The "Consolidated" figures for the year ended March 31, 2008 were reclassified to conform to the presentation for discontinued operations made in the year ended March 31, 2009. The reclassifications to "Loss from discontinued operations (net of tax)" are included in "Adjustments and Eliminations."

⁽⁴⁾ The Parent has retrospectively adjusted the operating segment information of "Industrial Finance, Logistics & Development" and "Machinery" for the year ended March 31, 2008 in the year ended March 31, 2009, since the Parent changed accounting for the Parent's ownership interest in the investees from the cost method to the equity method, due to additional interests in certain cost method investees acquired during the year ended March 31, 2009.

⁽⁵⁾ For the year ended March 31, 2009, the amount includes other-than-temporary impairment losses for certain investment in equity and debt securities held by "Industrial Finance, Logistics & Development," "Metals," "Machinery," and "Living Essentials" of ¥47,715 million, ¥55,773 million, ¥20,900 million, and ¥23,273 million (before tax), respectively. For the year ended March 31, 2010, the amount includes other-than-temporary impairment losses for certain investment in equity and debt securities held by "Industrial Finance, Logistics & Development" and "Machinery" of ¥24,735 million (\$266 million) and ¥28,974 million (\$312 million) (before tax), respectively.

⁽⁶⁾ Effective April 1, 2009, the Company reorganized the "Business Innovation" segment into "Living Essentials" and "Other" and transferred a part of the business of the "Chemicals" to the "Machinery." The consolidated financial position and the results of operations of related reportable operating segments for the years ended March 31, 2008 and 2009 have also been reclassified accordingly.

Geographic Information

Revenues are attributed to geographic areas based on the location of the assets producing such revenues. Revenues, gross profit long-lived assets and operation transactions at and for the years ended March 31, 2008, 2009 and 2010 were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2008	2009	2010	2010
Revenues:				
Japan	¥ 4,542,810	¥ 4,599,293	¥ 3,389,518	\$ 36,446
Australia	331,179	646,669	388,289	4,175
Thailand	451,367	288,093	297,288	3,197
Other	705,450	612,351	466,405	5,015
Total	¥ 6,030,806	¥ 6,146,406	¥ 4,541,500	\$ 48,833
Gross profit:				
Japan	¥ 766,336	¥ 795,363	¥ 710,429	\$ 7,639
Australia	87,860	375,791	125,347	1,348
U.S.A.	77,436	68,747	48,316	520
Other	240,590	223,251	132,591	1,425
Total	¥ 1,172,222	¥ 1,463,152	¥ 1,016,683	\$ 10,932
Long-lived assets:				
Japan	¥ 712,280	¥ 689,322	¥ 660,926	\$ 7,107
Australia	301,152	333,168	450,777	4,847
U.S.A.	168,524	122,860	118,735	1,277
Canada	82,233	52,057	60,238	648
Other	250,000	274,128	299,954	3,225
Total	¥ 1,514,189	¥ 1,471,535	¥ 1,590,630	\$ 17,104
Operating transactions*:				
Japan	¥18,150,592	¥18,145,484	¥14,128,751	\$151,922
U.S.A.	1,600,815	1,289,333	752,055	8,087
Thailand	721,362	503,910	492,750	5,298
Other	2,630,274	2,450,377	1,725,149	18,550
Total	¥23,103,043	¥22,389,104	¥17,098,705	\$183,857

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

Neither the Company nor any of its segments depended on any single customer, small group of customers, or government for more than 10% of the Company's revenues for the years ended March 31, 2008, 2009 and 2010, respectively.

22. OTHER (INCOME) EXPENSE—NET

"Other (income) expense—net" for the years ended March 31, 2008, 2009 and 2010 consisted of the following:

	Millions of Yen			Millions of U.S. Dollars
	2008	2009	2010	2010
Net foreign exchange (gains) losses	¥(18,242)	¥101,073	¥(45,600)	\$(490)
Impairment loss of goodwill (See Note 9)	99	4,586	7	
Miscellaneous	(5,412)	(4,731)	(6,821)	(74)
Total	¥(23,555)	¥100,928	¥(52,414)	\$(564)

23. LEASES

Lessor

The Company leases, as lessor, vehicles, vessels and other industrial machinery and equipment under arrangements which are classified as direct financing leases.

Current portion, included in "Receivables—trade" and noncurrent portion, included in "Noncurrent notes, loans and accounts receivable—trade" of net investments in direct financing leases at March 31, 2009 and 2010 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2009	2010	2010
Total minimum lease payments to be received	¥255,733	¥271,064	\$2,915
Estimated unguaranteed residual value of leased assets	2,040	1,861	20
Less—unearned income	(43,033)	(41,112)	(442)
Investment in direct financing leases	214,740	231,813	2,493
Less—allowance for doubtful receivables	(1,223)	(1,220)	(13)
Net investment in direct financing leases	¥213,517	¥230,593	\$2,480

The Company also leases, as lessor, aircraft, vessels and other industrial assets under operating leases.

The following provides the Company's investment in property on operating leases and property held for lease by classes at March 31, 2010:

	Millions of Yen			Millions of U.S. Dollars		
	Cost	Accumulated Depreciation	Net	Cost	Accumulated Depreciation	Net
Land	¥ 22,248		¥ 22,248	\$ 239		\$ 239
Buildings	56,575	¥ (11,870)	44,705	609	\$ (128)	481
Machinery and equipment	68,528	(45,025)	23,503	737	(484)	253
Aircraft and vessels	389,033	(159,499)	229,534	4,183	(1,715)	2,468
Total	¥536,384	¥(216,394)	¥319,990	\$5,768	\$(2,327)	\$3,441

Future minimum lease payments to be received as of March 31, 2010 are as follows:

	Millions of Yen			Millions of U.S. Dollars	
	Direct Financing Leases	Noncancelable Operating Leases	Total	Total	Total
Years Ending March 31:					
2011	¥ 92,420	¥ 39,116	¥131,536		\$1,414
2012	65,791	31,537	97,328		1,046
2013	42,646	27,130	69,776		750
2014	25,304	26,115	51,419		553
2015	12,363	22,020	34,383		370
2016 and thereafter	32,540	48,898	81,438		876
Total	¥271,064	¥194,816	¥465,880		\$5,009

Contingent rentals for the years ended March 31, 2008, 2009 and 2010 were ¥5,011 million, ¥1,428 million and ¥2,488 million (\$2 million), respectively.

Lessee

The Company leases, as lessee, equipment, real estate and others under capital leases. The following provides the Company's leased assets recorded under capital leases as of March 31, 2009 and 2010:

2009	Millions of Yen		
	Cost	Accumulated Depreciation	Net
Buildings	¥ 5,682	¥ (2,059)	¥ 3,623
Machinery	27,123	(13,872)	13,251
Vessels and vehicles	5,576	(3,293)	2,283
Equipment and fixtures	22,693	(12,587)	10,106
Total	¥61,074	¥(31,811)	¥29,263

2010	Millions of Yen			Millions of U.S. Dollars		
	Cost	Accumulated Depreciation	Net	Cost	Accumulated Depreciation	Net
Buildings	¥14,528	¥ (7,027)	¥ 7,501	\$157	\$ (76)	\$ 81
Machinery	24,664	(12,107)	12,557	265	(130)	135
Vessels and vehicles	4,754	(2,768)	1,986	51	(30)	21
Equipment and fixtures	17,030	(8,759)	8,271	183	(94)	89
Total	¥60,976	¥(30,661)	¥30,315	\$656	\$(330)	\$326

Future minimum lease payments under capital leases together with components of the present value of the net minimum lease payments as of March 31, 2010 are as follows:

Years Ending March 31:	Millions of Yen	Millions of U.S. Dollars
2011	¥11,620	\$125
2012	10,340	111
2013	8,510	92
2014	6,637	71
2015	4,911	53
2016 and thereafter	21,858	235
Total minimum lease payments	63,876	687
Less amount representing interest	(5,935)	(64)
Present value of net minimum lease payments	57,941	623
Current capital lease obligations	10,620	114
Long-term capital lease obligations	¥47,321	\$509

Minimum payments have not been reduced by minimum sublease revenues of ¥15,714 million (\$169 million) due in the future under subleases.

The Company leases office space and certain other assets under operating leases. Total rental expenses under operating leases for the years ended March 31, 2008, 2009 and 2010 were

¥36,494 million, ¥44,553 million and ¥51,483 million (\$554 million), respectively. Sublease rental income for the years ended March 31, 2008, 2009 and 2010 were ¥5,214 million, ¥3,837 million and ¥4,607 million (\$50 million), respectively.

Future minimum lease payments under noncancelable leases as of March 31, 2010 are as follows:

Years Ending March 31:	Millions of Yen	Millions of U.S. Dollars
2011	¥ 46,571	\$ 501
2012	39,219	422
2013	32,942	354
2014	30,063	323
2015	27,434	295
2016 and thereafter	133,387	1,434
Total	¥309,616	\$3,329

Minimum payments have not been reduced by minimum sublease rentals of ¥26,174 million (\$281 million) due in the future under noncancelable subleases.

24. STOCK-BASED COMPENSATION

The Parent had two types of stock option plans, stock option Class A and Class B, for certain directors and executive officers, however, the Parent resolved to unify the plan at the Board of Directors' meeting held on July 20, 2007.

The stock option plans resolved by the Board of Directors' meetings held in and before June 2007.

Under the Class A plan, the right to purchase the shares of the Parent 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 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 both director and executive officer of the Parent. Notwithstanding the above, if the stock option holders do not leave their position as both director and executive officer of the Parent, they may exercise their right from the day after 25 years from the grant date. If they leave their position before June 30 of the next year after the grant date, the exercisable number is determined based on the tenure period from the grant date.

The stock option plans resolved by the Board of Directors' meetings held in and after July 2007.

Under the unified plan, the right to purchase the shares of the Parent 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 both director and executive officer of the Parent. The stock option holders may exercise their stock acquisition right during the 10-year period starting on the day after leaving their position as both director and executive officer of the Parent. If they leave their position before June 30 of the next year after the grant date, the exercisable number is determined based on the tenure period from the grant date.

The total stock-based compensation cost recognized for the years ended March 31, 2008, 2009 and 2010 was ¥1,608 million, ¥1,303 million and ¥1,617 million (\$17 million), respectively. The total tax benefit recognized related thereto for the years ended March 31, 2008, 2009 and 2010 was ¥383 million, ¥475 million and ¥663 million (\$7 million), respectively. The tax benefit realized from stock options exercised for the years ended March 31, 2009 and 2010 was ¥7 million and ¥63 million (\$1 million), respectively.

No stock-based compensation cost was capitalized for the years ended March 31, 2008, 2009 and 2010.

The weighted-average fair value of options granted under the Parent's stock option plan for the years ended March 31, 2008, 2009 and 2010 was ¥3,062, ¥2,645 and ¥1,540 (\$16.56) per share, respectively.

The fair value of these stock options is estimated using the Black-Scholes option pricing model with the assumptions noted in the following table. The risk-free interest rate is based on the yield of government bonds in effect at the grant date having a remaining life equal to the option's expected life. Expected volatilities are based on the historical volatility of the Parent's stock for the period equal to the option's expected life from the grant date. The expected dividend yield is based on the actual dividends made in the preceding year. Expected life represents the period of time that the options granted are expected to be outstanding.

	2008	2009	2010
Risk-free interest rate	1.50%	1.17%–1.54%	1.14%–1.30%
Expected volatility	33.74%	35.78%–35.91%	41.88%–42.01%
Expected dividend yield	1.36%	1.53%–1.89%	2.71%–2.74%
Expected life	7 years	7 years	8 years

The following table summarizes information about stock option activities for the years ended March 31, 2008, 2009 and 2010:

	2008		2009		2010	
	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		U.S. Dollars	
Outstanding at beginning of the fiscal year . . .	6,159,600	¥1,379	5,621,500	¥1,331	5,519,500	¥1,259 \$13.5
Granted	367,600	1	434,200	1	1,163,800	1
Canceled or expired	(3,200)	1	(4,500)	1	(6,200)	1
Exercised	<u>(902,500)</u>	1,123	<u>(531,700)</u>	1,007	(598,100)	1,036 11.1
Outstanding at end of the fiscal year	<u>5,621,500</u>	1,331	<u>5,519,500</u>	1,259	6,079,000	1,041 11.2
Exercisable at end of the fiscal year	<u>3,531,800</u>	1,181	<u>4,415,900</u>	1,573	4,308,700	1,468 15.8

The following table summarizes information for options outstanding and exercisable at March 31, 2010:

	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	6,079,000	12.8	¥8,565	\$92
Exercisable	¥1–2,435	4,308,700	6.3	4,231	45

The total intrinsic value of options exercised during the years ended March 31, 2008, 2009 and 2010 was ¥1,797 million, ¥687 million and ¥558 million (\$6 million), respectively. As of March 31, 2010, the total unrecognized compensation cost related

to nonvested stock options granted under the plans was ¥417 million (\$4 million), which is expected to be recognized over a weighted-average period of 0.3 years.

25. VARIABLE INTEREST ENTITIES

The Company evaluates its involvement with VIEs to determine whether the Company has variable interests in these VIEs and whether the Company is the primary beneficiary of the VIEs.

The Company is the primary beneficiary in case the Company absorbs a majority of the VIE's expected losses. Even if there is no single party that absorbs a majority of the VIE's expected losses, the Company is determined to be the primary beneficiary

if the Company receives a majority of the VIE's expected residual returns.

Following is the information regarding the VIEs that are consolidated by the Company because the Company is deemed to be the primary beneficiary and the VIEs in which the Company has significant interest but does not consolidate as the Company is not the primary beneficiary in such VIEs.

Consolidated VIEs

The Company utilizes VIEs primarily in the real estate development business. The Company purchases real estate or beneficial interests in real estate with the intention to resell after enhancing its value by developing real estate properties. These VIEs are financed mainly by borrowings. The Company utilizes these VIEs to obtain nonrecourse loans from third parties to limit the Company's risks on activities related to the real estate development and real estate investment trusts businesses. The total amounts of equity investments without voting rights in these VIEs were ¥81,630 million and ¥80,245 million (\$863 million) as of March 31, 2009 and 2010, respectively. Total assets of these VIEs were ¥134,819 million and ¥170,965 million (\$1,838 million), total assets of VIEs on the Consolidated Balance Sheets were ¥134,694 million and ¥165,796 million (\$1,783 million), and total liabilities of VIEs on the Consolidated Balance Sheets were ¥48,062 million and ¥83,445 million (\$897 million) as of March 31, 2009 and 2010, respectively. The assets consisted primarily of property and equipment and the liabilities consisted primarily of long-term debt.

A portion of the assets is pledged as collateral for these VIEs' long-term debt. The carrying amount was ¥56,237 million and ¥104,634 million (\$1,125 million) as of March 31, 2009 and 2010,

respectively, and was primarily classified as property and equipment in the Consolidated Balance Sheets.

Several consolidated VIEs of the Company as of March 31, 2009 are no longer consolidated as of March 31, 2010 due to the Company's disposition of interests in the VIEs and the liquidation of the VIEs. The effect on the consolidated financial statements for the year ended March 31, 2010 was immaterial.

Nonconsolidated VIEs

The Company has significant variable interests in VIEs involved in various businesses in the form of equity investments, guarantees and loans for which the Company is not the primary beneficiary. These VIEs are financed mainly by borrowings. One of the significant VIEs, in which the Company has had significant variable interests since its establishment, is an entity established to execute project financing in the infrastructure business.

The following table summarizes the total assets of these VIEs, carrying amounts of assets and liabilities that relate to the Company's variable interests in the VIEs, and the Company's maximum exposures to losses as a result of the Company's involvement in these VIEs as of March 31, 2009 and 2010. The total assets of the VIEs represent the latest information available to the Company.

	Millions of Yen		Millions of U.S. Dollars
	2009	2010	2010
Total assets of VIEs	¥386,246	¥484,358	\$5,208
Carrying amounts of assets that relate to Company's variable interests in the VIEs	57,476	76,830	826
Carrying amounts of liabilities that relate to Company's variable interests in the VIEs	8,618	7,285	78
Maximum exposures to loss	74,335	95,850	1,031

Carrying amounts of assets that relate to the Company's variable interests in the VIEs consisted primarily of noncurrent loans, and carrying amounts of liabilities that relate to Company's variable interests in the VIEs consisted primarily of advances from customers. The Company's maximum exposures to losses, which

consisted primarily of loans and guarantees, usually do not represent anticipated losses generally to incur from the Company's involvement with the VIEs, and are considered to exceed the anticipated losses considerably.

26. COMMITMENTS AND CONTINGENCIES

Long-term Commitments

The Company, in the normal course of trading operations, enters into substantial long-term purchase commitments for various commodities, principally metals, chemical, and machinery products at fixed prices or basis prices adjustable to market. Such purchase commitments are, in most instances, matched with counterparty sales contracts. At March 31, 2010, the outstanding long-term purchase commitments amounted to ¥5,148,286 million (\$55,358 million) for which deliveries are at various dates through 2038.

Purchases made under unconditional purchase obligations for the years ended March 31, 2008, 2009 and 2010 were ¥486,854 million, ¥814,727 million and ¥716,006 million (\$7,699 million), respectively.

The Company also had long-term financing commitments aggregating ¥221,146 million (\$2,378 million) at March 31, 2010 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 Company is a party to various agreements under which it has undertaken obligations resulting from the issuance of certain guarantees. The guarantees have been issued for Affiliated companies, customers and suppliers of the Company.

Credit Guarantees

As of March 31, 2009 and 2010, the Company provided ¥275,058 million and ¥316,524 million (\$3,403 million), respectively, of credit guarantees for certain customers and suppliers, and ¥52,124 million and ¥46,745 million (\$503 million), respectively, for Affiliated companies, in the form of standby letters of credit and performance guarantees. These credit guarantees enable the Company's customers, suppliers, and Affiliated companies to execute transactions or obtain desired financing arrangements with third parties. Most of these guarantees outstanding at March 31, 2010 will expire within ten years, with certain credit guarantees expiring by the end of 2035. Should the customers, suppliers, and Affiliated companies fail to perform under the terms of the transaction or financing arrangement, the Company would be required to perform on their behalf.

The Company has set internal ratings based on various information, such as the guaranteed party's financial statements, and manages risks of credit guarantees by establishing limits on guarantees for each guaranteed party based on these internal ratings and require collateral or reinsurance as necessary.

At March 31, 2009 and 2010, the amount of possible recoveries under recourse provisions from third parties or from collateral pledged were ¥32,020 million and ¥37,522 million (\$403 million), respectively.

The liabilities for these credit guarantees were ¥6,124 million and ¥3,219 million (\$35 million) at March 31, 2009 and 2010, respectively.

As of March 31, 2010, there were no credit guarantees with a high probability of a significant loss due to enforcement of the guarantee.

Indemnification

In the context of certain sales or divestitures of business, the Company occasionally commits to indemnify contingent losses, such as environmental losses, or the imposition of additional taxes. Due to the nature of the indemnifications, the Company's

maximum exposure under these arrangements cannot be estimated. No provisions have been recorded for such indemnifications as the Company's obligations under them are not probable and estimable, except for certain cases which already have been claimed.

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, 2009 and 2010 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2009	2010	2010
Balance at beginning of year	¥ 3,784	¥3,572	\$38
Accrued cost	1,875	919	10
Payments	(1,968)	(847)	(9)
Other*	(119)	(460)	(5)
Balance at end of year	¥ 3,572	¥3,184	\$34

* "Other" principally includes the effect of divestiture of certain subsidiaries and the effect of changes in foreign currency exchange rates.

Litigation

The Company is a party to litigation arising in the ordinary course of business. In the opinion of management, the liability of the Company, if any, when ultimately determined from the progress

of the litigation, will not have a materially adverse effect on the consolidated operating results or consolidated financial position of the Company.

27. SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental information related to Consolidated Statements of Cash Flows is as follows:

	Millions of Yen			Millions of U.S. Dollars
	2008	2009	2010	2010
Cash paid during the year for:				
Interest (net of amounts capitalized)	¥ 83,010	¥ 84,918	¥ 55,013	\$ 592
Income taxes	283,242	201,522	108,108	1,162
Noncash investing and financing activities:				
Exchange of shares in connection with business combinations and reorganizations involving investees (Notes 4 and 5):				
Fair market value of shares received	896	12,431	12,812	138
Cost of shares surrendered	105	5,374	4,013	43
Acquisition of subsidiaries (Note 3):				
Fair value of assets acquired (including goodwill)	243,647	53,622	5,153	56
Fair value of liabilities assumed	165,866	42,052	2,973	32
Noncontrolling interest in the acquiree	43,648	443	623	7
Cash paid, net	34,133	11,127	1,557	17
Issuance of common stock upon conversion of convertible bonds	¥ 4,180	¥ 1,415	¥ 49	\$ 1

28. SUBSEQUENT EVENTS

The Company has evaluated the subsequent events through June 24, 2010.

Merger of Affiliated company in Chile

MC Inversiones Limitada, a wholly owned subsidiary of the Company located in Chile, had executed an agreement to merge Compania Minera Huasco S.A., a 50% owned equity method affiliate, with Compania Minera del Pacifico S.A., a subsidiary of CAP S.A., a mining and steel producing conglomerate in Chile, and this agreement became effective on April 30. As a result of the merger, the Company will recognize a pretax gain from the

difference between the carrying value and fair value of the common stock exchanged of approximately ¥37,000 million (\$400 million) in the first quarter of the fiscal year ending March 31, 2011.

Dividends

At the general shareholders' meeting held on June 24, 2010.

The Parent was authorized to pay a cash dividend of ¥21 (\$0.23) per share, or a total of ¥34,519 million (\$371 million) to shareholders of record on March 31, 2010.

SUPPLEMENTAL OIL AND GAS INFORMATION (Unaudited)

The Company's oil and gas exploration, development and production activities are conducted through subsidiaries and Affiliated companies in offshore and onshore areas of the Pacific Rim, America, Africa and Europe. Supplementary information on

the subsidiaries and on the Company's share of Affiliated companies presented below is prepared in accordance with FASB disclosure requirements.

Table 1: Capitalized Costs Relating to Oil and Gas Producing Activities

	Millions of Yen			
	Consolidated Companies	Affiliated Companies		
	Total	Australia	Indonesia	Total
March 31, 2008				
Proved oil and gas properties	¥ 78,845	—	—	—
Unproved oil and gas properties	52,685	—	—	—
Subtotal	131,530	—	—	—
Accumulated depreciation, depletion, amortization and valuation allowances	(24,300)	—	—	—
Net capitalized costs	¥107,230	¥94,073	¥125,212	¥219,285
	Millions of Yen			
	Consolidated Companies	Affiliated Companies		
	Total	Australia	Indonesia	Total
March 31, 2009				
Proved oil and gas properties	¥104,137	—	—	—
Unproved oil and gas properties	21,352	—	—	—
Subtotal	125,489	—	—	—
Accumulated depreciation, depletion, amortization and valuation allowances	(32,847)	—	—	—
Net capitalized costs	¥ 92,642	¥68,610	¥128,630	¥197,240
	Millions of Yen			
	Consolidated Companies	Affiliated Companies		
	Total	Australia	Indonesia	Total
March 31, 2010				
Proved oil and gas properties	¥126,944	¥181,316	¥132,620	¥ 313,936
Unproved oil and gas properties	19,055	—	38,324	38,324
Subtotal	145,999	181,316	170,944	352,260
Accumulated depreciation, depletion, amortization and valuation allowances	(40,473)	(89,879)	(31,515)	(121,394)
Net capitalized costs	¥105,526	¥ 91,437	¥139,429	¥ 230,866
	Millions of U.S. Dollars			
	Consolidated Companies	Affiliated Companies		
	Total	Australia	Indonesia	Total
March 31, 2010				
Proved oil and gas properties	\$1,365	\$1,950	\$1,426	\$ 3,376
Unproved oil and gas properties	205	—	412	412
Subtotal	1,570	1,950	1,838	3,788
Accumulated depreciation, depletion, amortization and valuation allowances	(435)	(967)	(339)	(1,306)
Net capitalized costs	\$1,135	\$ 983	\$1,499	\$ 2,482

Table 2: Costs Incurred in Oil and Gas Property Acquisition, Exploration and Development Activities

Year Ended March 31, 2008	Millions of Yen			
	Consolidated Companies Total	Affiliated Companies		
		Australia	Indonesia	Total
Acquisition of proved properties	¥20,565	—	—	—
Acquisition of unproved properties	50,423	—	—	—
Exploration costs	8,547	—	—	—
Development costs	14,718	—	—	—
Total costs incurred	¥94,253	¥18,677	¥90,729	¥109,406

Year Ended March 31, 2009	Millions of Yen			
	Consolidated Companies Total	Affiliated Companies		
		Australia	Indonesia	Total
Acquisition of proved properties	¥ 3,772	—	—	—
Acquisition of unproved properties	245	—	—	—
Exploration costs	6,630	—	—	—
Development costs	19,869	—	—	—
Total costs incurred	¥30,516	¥17,354	¥48,366	¥65,720

Year Ended March 31, 2010	Millions of Yen			
	Consolidated Companies Total	Affiliated Companies		
		Australia	Indonesia	Total
Acquisition of proved properties			¥ 531	¥ 531
Acquisition of unproved properties	¥ 252			
Exploration costs	3,845	¥ 132	680	812
Development costs	22,768	13,029	17,284	30,313
Total costs incurred	¥26,865	¥13,161	¥18,495	¥31,656

Year Ended March 31, 2010	Millions of U.S. Dollars			
	Consolidated Companies Total	Affiliated Companies		
		Australia	Indonesia	Total
Acquisition of proved properties			\$ 6	\$ 6
Acquisition of unproved properties	\$ 3			
Exploration costs	41	\$ 1	8	9
Development costs	245	141	184	325
Total costs incurred	\$289	\$142	\$198	\$340

Table 3: Results of Operations for Producing Activities

Year Ended March 31, 2008 ^{*1}	Millions of Yen			
	Consolidated Companies	Affiliated Companies		
		Total	Australia	Indonesia
Revenues:				
Sales to external customers	¥44,534	—	—	—
Intersegment sales	12,273	—	—	—
Expenses:				
Production costs	19,604	—	—	—
Exploration costs	7,030	—	—	—
Depreciation, depletion, amortization and valuation allowances . . .	10,890	—	—	—
Income tax expenses	7,746	—	—	—
Results of operations from producing activities (excluding corporate overhead and interest costs)	¥11,537	¥29,900	¥1,654	¥31,554

Year Ended March 31, 2009 ^{*1}	Millions of Yen			
	Consolidated Companies	Affiliated Companies		
		Total	Australia	Indonesia
Revenues:				
Sales to external customers	¥ 38,503	—	—	—
Intersegment sales	15,569	—	—	—
Expenses:				
Production costs	20,738	—	—	—
Exploration costs	5,727	—	—	—
Depreciation, depletion, amortization and valuation allowances . . .	39,240	—	—	—
Income tax expenses	2,485	—	—	—
Results of operations from producing activities (excluding corporate overhead and interest costs)	¥(14,118)	¥43,052	¥3,060	¥46,112

Year Ended March 31, 2010 ^{*1}	Millions of Yen			
	Consolidated Companies	Affiliated Companies		
		Total	Australia	Indonesia
Revenues:				
Sales to external customers	¥21,092	¥68,012	¥ 4,400	¥72,412
Intersegment sales	11,739	—	5,786	5,786
Expenses:				
Production costs	17,235	20,546	6,343	26,889
Exploration costs	2,491	254	828	1,082
Depreciation, depletion, amortization and valuation allowances . . .	12,304	6,594	4,065	10,659
Income tax expenses	448	12,140	1,064	13,204
Results of operations from producing activities (excluding corporate overhead and interest costs)	¥ 353	¥28,478	¥(2,114)	¥26,364

Year Ended March 31, 2010 ^{*1}	Millions of U.S. Dollars			
	Consolidated Companies	Affiliated Companies		
		Total	Australia	Indonesia
Revenues:				
Sales to external customers	\$227	\$731	\$ 48	\$779
Intersegment sales	126	—	62	62
Expenses:				
Production costs	185	220	69	289
Exploration costs	27	3	9	12
Depreciation, depletion, amortization and valuation allowances . . .	132	71	44	115
Income tax expenses	5	131	11	142
Results of operations from producing activities (excluding corporate overhead and interest costs)	\$ 4	\$306	\$(23)	\$283

Table 4: Reserve Quantity Information

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. In accordance

with FASB requirements, amounts for the year ended March 31, 2010 were calculated based on the average of the price as of the first day of each month during the fiscal year. Prior year amounts were computed using end-of-year prices and costs.

Year Ended March 31, 2008 ^{*2}	Crude Oil , Condensate and Natural Gas Liquids (Millions of Barrels)			
	Consolidated Companies	Affiliated Companies		Total
	Total	Australia	Indonesia	
Proved developed and undeveloped reserves:				
Beginning of year	22	—	—	—
Revisions of previous estimates	17	—	—	—
Improved Recovery	—	—	—	—
Extensions and discoveries	7	—	—	—
Purchases	5	—	—	—
Sales	—	—	—	—
Production	(6)	—	—	—
End of year	45	34	22	56
Proved developed reserves—end of year	31	—	—	—

Year Ended March 31, 2009 ^{*2}	Natural Gas (Billions of Cubic Feet)			
	Consolidated Companies	Affiliated Companies		Total
	Total	Australia	Indonesia	
Proved developed and undeveloped reserves:				
Beginning of year	39	—	—	—
Revisions of previous estimates	(3)	—	—	—
Improved Recovery	—	—	—	—
Extensions and discoveries	5	—	—	—
Purchases	3	—	—	—
Sales	—	—	—	—
Production	(5)	—	—	—
End of year	39	722	873	1,595
Proved developed reserves—end of year	20	—	—	—

Year Ended March 31, 2009 ^{*2}	Crude Oil , Condensate and Natural Gas Liquids (Millions of Barrels)			
	Consolidated Companies	Affiliated Companies		Total
	Total	Australia	Indonesia	
Proved developed and undeveloped reserves:				
Beginning of year	45	—	—	—
Revisions of previous estimates	5	—	—	—
Improved Recovery	—	—	—	—
Extensions and discoveries	—	—	—	—
Purchases	7	—	—	—
Sales	—	—	—	—
Production	(4)	—	—	—
End of year	53	32	18	50
Proved developed reserves—end of year	44	—	—	—

Natural Gas
(Billions of Cubic Feet)

	Natural Gas (Billions of Cubic Feet)			
	Consolidated Companies	Affiliated Companies		
	Total	Australia	Indonesia	Total
Proved developed and undeveloped reserves:				
Beginning of year	39	-	-	-
Revisions of previous estimates	(14)	-	-	-
Improved Recovery		-	-	-
Extensions and discoveries	36	-	-	-
Purchases	10	-	-	-
Sales		-	-	-
Production	(4)	-	-	-
End of year	<u>67</u>	<u>714</u>	<u>795</u>	<u>1,509</u>
Proved developed reserves—end of year	<u>19</u>	<u>-</u>	<u>-</u>	<u>-</u>

Crude Oil , Condensate and Natural Gas Liquids
(Millions of Barrels)

	Crude Oil , Condensate and Natural Gas Liquids (Millions of Barrels)			
	Consolidated Companies	Affiliated Companies		
	Total	Australia	Indonesia	Total
Year Ended March 31, 2010*				
Proved developed and undeveloped reserves:				
Beginning of year	53	32	18	50
Revisions of previous estimates	(5)	6	(1)	5
Improved Recovery			6	6
Extensions and discoveries				
Purchases	1		(1)	(1)
Sales				
Production	(4)	(5)	(3)	(8)
End of year	<u>45</u>	<u>33</u>	<u>19</u>	<u>52</u>
Proved developed reserves—end of year	<u>28</u>	<u>17</u>	<u>17</u>	<u>34</u>

Natural Gas
(Billions of Cubic Feet)

	Natural Gas (Billions of Cubic Feet)			
	Consolidated Companies	Affiliated Companies		
	Total	Australia	Indonesia	Total
Proved developed and undeveloped reserves:				
Beginning of year	67	714	795	1,509
Revisions of previous estimates	(16)	30	329	359
Improved Recovery			145	145
Extensions and discoveries				
Purchases			3	3
Sales			(6)	(6)
Production	3	(54)	(10)	(64)
End of year	<u>54</u>	<u>690</u>	<u>1,256</u>	<u>1,946</u>
Proved developed reserves—end of year	<u>16</u>	<u>315</u>	<u>1,004</u>	<u>1,319</u>

Table 5: Standardized Measure of Discounted Future Net Cash Flows and Changes therein Relating to Proved Oil and Gas Reserves

A standardized measure of discounted future net cash flows relating to the proved reserve quantities is based on prices and costs, currently enacted tax rates and a 10% annual discount factor. Prices and costs for the year ended March 31, 2010 were calculated based on the average of the price as of the first day of each month during the fiscal year. Prior year amounts were computed using end-of-year prices and costs. 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 Company's expected future cash flows or value of the proved reserves.

(1) Standardized Measure of Discounted Future Net Cash Flows

Year Ended March 31, 2008**1*2	Millions of Yen			
	Consolidated Companies Total	Affiliated Companies		
		Australia	Indonesia	Total
Future cash inflows	¥ 440,708	–	–	–
Future production costs	(203,946)	–	–	–
Future development costs	(56,433)	–	–	–
Future income tax expenses	(47,522)	–	–	–
Undiscounted future net cash flows	132,807	–	–	–
10% annual discount for estimated timing of cash flows	(42,895)	–	–	–
Standardized measure of discounted future net cash flows	¥ 89,912	¥280,094	¥67,978	¥348,072

Year Ended March 31, 2009**1*2	Millions of Yen			
	Consolidated Companies Total	Affiliated Companies		
		Australia	Indonesia	Total
Future cash inflows	¥ 260,522	–	–	–
Future production costs	(130,043)	–	–	–
Future development costs	(75,367)	–	–	–
Future income tax expenses	(14,965)	–	–	–
Undiscounted future net cash flows	40,147	–	–	–
10% annual discount for estimated timing of cash flows	(17,264)	–	–	–
Standardized measure of discounted future net cash flows	¥ 22,883	¥109,034	¥40,910	¥149,944

Year Ended March 31, 2010**1*3	Millions of Yen			
	Consolidated Companies Total	Affiliated Companies		
		Australia	Indonesia	Total
Future cash inflows	¥ 265,303	¥ 619,827	¥251,957	¥ 871,784
Future production costs	(102,064)	(183,213)	(71,611)	(254,824)
Future development costs	(82,991)	(91,828)	(46,567)	(138,395)
Future income tax expenses	(15,554)	(112,723)	(47,951)	(160,674)
Undiscounted future net cash flows	64,694	232,063	85,828	317,891
10% annual discount for estimated timing of cash flows	(23,777)	(94,161)	(49,700)	(143,861)
Standardized measure of discounted future net cash flows	¥ 40,917	¥ 137,902	¥ 36,128	¥ 174,030

Year Ended March 31, 2010**1*3	Millions of U.S. Dollars			
	Consolidated Companies Total	Affiliated Companies		
		Australia	Indonesia	Total
Future cash inflows	\$ 2,852	\$ 6,664	\$2,710	\$ 9,374
Future production costs	(1,097)	(1,970)	(770)	(2,740)
Future development costs	(892)	(987)	(501)	(1,488)
Future income tax expenses	(167)	(1,212)	(516)	(1,728)
Undiscounted future net cash flows	696	2,495	923	3,418
10% annual discount for estimated timing of cash flows	(256)	(1,012)	(535)	(1,547)
Standardized measure of discounted future net cash flows	\$ 440	\$ 1,483	\$ 388	\$ 1,871

(2) Details of Changes for the Year

Millions of Yen

Year Ended March 31, 2008*2	Millions of Yen			
	Consolidated Companies	Affiliated Companies		
	Total	Australia	Indonesia	Total
Discounted future net cash flows at April 1	¥ 37,493	¥195,614	¥ 32,880	¥228,494
Sales and transfer of oil and gas produced, net of production costs	(36,758)	(44,805)	(4,719)	(49,524)
Development costs incurred	12,195	16,472	5,647	22,119
Purchases of reserves	19,920		31,621	31,621
Net changes in prices, development and production costs	38,273	78,369	(43,437)	34,932
Extensions, discoveries and improved recovery, less related costs	12,740	13,768		13,768
Revisions of previous quantity estimates	9,937	10,172	14,303	24,475
Accretion of discount (10%)	4,946	20,812	25,567	46,379
Net change in income taxes	(7,838)	(36,636)	7,487	(29,149)
Others		13,820		13,820
Difference of foreign exchange rates	(996)	12,507	(1,370)	11,137
Discounted future net cash flows at March 31	¥ 89,912	¥280,093	¥ 67,979	¥348,072

Millions of Yen

Year Ended March 31, 2009*2	Millions of Yen			
	Consolidated Companies	Affiliated Companies		
	Total	Australia	Indonesia	Total
Discounted future net cash flows at April 1	¥ 89,912	¥ 280,093	¥ 67,979	¥ 348,072
Sales and transfer of oil and gas produced, net of production costs	(28,340)	(42,690)	(10,994)	(53,684)
Development costs incurred	14,399	10,450	11,182	21,632
Purchases of reserves	(1,490)			
Net changes in prices, development and production costs	(88,784)	(88,682)	12,702	(75,980)
Extensions, discoveries and improved recovery, less related costs	6,870			
Revisions of previous quantity estimates	13,922	11,256	(20,652)	(9,396)
Accretion of discount (10%)	9,410	17,505	(11,075)	6,430
Net change in income taxes	16,396	26,143	5,538	31,681
Difference of foreign exchange rates	(9,412)	(105,042)	(13,769)	(118,811)
Discounted future net cash flows at March 31	¥ 22,883	¥ 109,033	¥ 40,911	¥ 149,944

Millions of Yen

Year Ended March 31, 2010*3	Millions of Yen			
	Consolidated Companies	Affiliated Companies		
	Total	Australia	Indonesia	Total
Discounted future net cash flows at April 1	¥ 22,883	¥109,034	¥ 40,911	¥149,945
Sales and transfer of oil and gas produced, net of production costs	(14,119)	(52,842)	16,652	(36,190)
Development costs incurred	22,567	14,504	12,073	26,577
Purchases of reserves	341			
Net changes in sales and transfer prices and production costs related to future production	9,707	(7,142)	(28,179)	(35,321)
Changes in estimated future development costs	(27,387)	(15,446)	(7,707)	(23,153)
Extensions, discoveries and improved recovery, less related costs				
Revisions of previous quantity estimates	8,141	28,945	(12,651)	16,294
Accretion of discount (10%)	5,339	14,329	12,149	26,478
Net change in income taxes	13,299	12,267	2,397	14,664
Difference of foreign exchange rates	146	34,253	483	34,736
Discounted future net cash flows at March 31	¥ 40,917	¥137,902	¥ 36,128	¥174,030

Millions of U.S. Dollars

Year Ended March 31, 2010*3	Millions of U.S. Dollars			
	Consolidated Companies	Affiliated Companies		
	Total	Australia	Indonesia	Total
Discounted future net cash flows at April 1	\$ 246	\$1,172	\$ 440	\$1,612
Sales and transfer of oil and gas produced, net of production costs	(153)	(567)	177	(390)
Development costs incurred	243	156	130	286
Purchases of reserves	4			
Net changes in sales and transfer prices and production costs related to future production	104	(77)	(303)	(380)
Changes in estimated future development costs	(294)	(166)	(83)	(249)
Extensions, discoveries and improved recovery, less related costs				
Revisions of previous quantity estimates	88	311	(136)	175
Accretion of discount (10%)	57	154	131	285
Net change in income taxes	143	132	26	158
Difference of foreign exchange rates	2	368	6	374
Discounted future net cash flows at March 31	\$ 440	\$1,483	\$ 388	\$1,871

*1 Natural gas activities include revenues and costs related to the production of LNG.

*2 Based on end-of-year price

*3 Based on the average of the price as of the first day of each month during the fiscal year

Independent Auditors' Report



Deloitte Touche Tohmatsu LLC
MS Shibaura Building
4-13-23, Shibaura
Minato-ku, Tokyo 108-8530
Japan

Tel: +81 (3) 3457 7321
Fax: +81 (3) 3457 1694
www.deloitte.com/jp

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 (the "Company") as of March 31, 2009 and 2010, and the related consolidated statements of income, comprehensive income (loss), equity, and cash flows for each of the three years in the period ended March 31, 2010 (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 in accordance with attestation standards established by the American Institute of Certified Public Accountants 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 the Company as of March 31, 2009 and 2010, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2010, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the consolidated financial statements, the Company adopted the provisions of a new accounting standard relating to noncontrolling interests for the year ended March 31, 2010. Also as discussed in Note 2, the Company adopted the reporting and disclosure requirements of a new accounting standard regarding oil and gas reserves for the year ended March 31, 2010.

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, 2010 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 LLC

June 24, 2010

Member of
Deloitte Touche Tohmatsu

NOTE TO READERS:

Notwithstanding the second paragraph of the Independent Auditors' Report, Deloitte Touche Tohmatsu LLC ("DTT") has performed an audit of management's report on internal control over financial reporting ("ICFR") under the Financial Instruments and Exchange Act of Japan. A translated copy of management's report on ICFR along with a translated copy of DTT's report is included within this annual report as information for readers.

Supplementary Explanation

Internal Controls Over Financial Reporting in Japan

The Financial Instruments and Exchange Act in Japan (“the Act”) requires the management of Japanese public companies to annually evaluate whether internal controls over financial reporting (“ICFR”) are effective as of each fiscal year-end and to disclose the assessment to investors in “Management Internal Control Report.” The Act also requires that the independent auditors of the financial statements of these companies report on management’s assessment of the effectiveness of ICFR in an Independent Auditors’ Report (“indirect reporting”). Under the Act, these reports are required for fiscal years beginning on or after April 1, 2008.

We have thus evaluated our internal controls over financial reporting as of March 31, 2010 in accordance with “The Standards and Practice Standards for Management Assessment and Audit of Internal Control Over Financial Reporting” published by the Business Accounting Council.

As a result of conducting an evaluation of internal controls over financial reporting in the fiscal year ended March 31, 2010, we concluded that our internal control system over financial reporting as of March 31, 2010 was effective and reported such in the Management Internal Control Report.

Our Independent Auditors, Deloitte Touche Tohmatsu LLC, performed an audit of the Management Internal Control Report under the Act.

An English translation of the Management Internal Control Report and the Independent Auditors’ Report filed under the Act is attached on the following pages.

Mitsubishi Corporation

Management Internal Control Report (Translation)

NOTE TO READERS:

Following is an English translation of management's report on internal control over financial reporting ("ICFR") filed under the Financial Instruments and Exchange Act of Japan. This report is presented merely as supplemental information.

There are differences between the management assessment of ICFR under the Financial Instruments and Exchange Act ("ICFR under FIEA") and one conducted under the attestation standards established by the American Institute of Certified Public Accountants ("AICPA").

In the management assessment of ICFR under FIEA, there is detailed guidance on the scope of management assessment of ICFR such as quantitative guidance on business location selection and/or account selection. In the management assessment of ICFR under the attestation standards established by the AICPA, there is no such detailed guidance. Accordingly, based on the quantitative guidance which provides an approximate measure for the scope of assessment of internal control over business processes, we used a measure of approximately 70% of total assets and income before income taxes for the selection of significant location and business units.

(TRANSLATION)

1 [Matters relating to the basic framework for internal control over financial reporting]

Ken Kobayashi, President and CEO, and Kiyoshi Fujimura, Director and Executive Vice President, are responsible for designing and operating effective internal control over financial reporting of our company (the "Company") and have designed and operated internal control over financial reporting in accordance with the basic framework for internal control set forth in "The Standards and Practice Standards for Management Assessment and Audit of Internal Control Over Financial Reporting" published by the Business Accounting Council.

The internal control is designed to achieve its objectives to the extent reasonable through the effective function and combination of its basic elements. Therefore, there is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

2 [Matters relating to the scope of assessment, the basic date of assessment and the assessment procedures]

The assessment of internal control over financial reporting was performed as of March 31, 2010, which is the end of this fiscal year. The assessment was performed in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

In conducting this assessment, we evaluated internal controls which may have a material effect on our entire financial reporting in a consolidation ("company-level controls"). And we appropriately selected business processes to be evaluated, analyzed these selected business processes, identified key controls that may have a material impact on the reliability of the Company's financial reporting, and assessed the design and operation of these key controls. These procedures have allowed us to evaluate the effectiveness of the internal controls of the Company.

We determined the required scope of assessment of internal control over financial reporting for the Company, as well as its consolidated subsidiaries and equity-method affiliated companies, from the perspective of the materiality that may affect the reliability of their financial reporting. The materiality that may affect the reliability of the financial reporting is determined taking into account the materiality of quantitative and qualitative impacts. We confirmed that we had reasonably determined the scope of assessment of internal controls over business processes in light of the results of assessment of company-level controls conducted for the Company, its consolidated subsidiaries and equity-method affiliated companies. We did not include those consolidated subsidiaries and equity-method affiliated companies which do not have any material impact on the consolidated financial statements in the scope of assessment of company-level controls.

Regarding the scope of assessment of internal control over business processes, we accumulated locations and business units in descending order of total assets (before elimination of intercompany accounts) and income before income taxes (before elimination of intercompany transactions) for the prior fiscal year, and those locations and business units whose combined amount of total assets reaches approximately 70% of total assets on a consolidated basis and those locations and business units whose combined amount of income before income taxes reaches approximately 70% of consolidated income before income taxes on a consolidated basis were selected as "significant locations and business units." At the selected significant locations and business units, we included, in the scope of assessment, (i) those business processes leading to sales or revenue, accounts receivable and inventories, and those leading to investments and loans, as significant accounts that may have a material impact on the business objectives of the Company, and (ii) those business processes leading to other quantitatively material accounts. Further, not only at selected significant locations and business units but also at other locations and business units, we added to the scope of assessment, as business processes having greater materiality considering their impact on the financial reporting, (i) those business processes relating to greater likelihood of material misstatements and significant accounts involving estimates and the management's judgment, and (ii) those business processes relating to businesses or operations dealing with high-risk transactions.

3 [Matters relating to the results of the assessment]

As a result of the assessment described above, we concluded that the Company's internal control over financial reporting was effective as of the end of this fiscal year.

4 [Supplementary information]

Not applicable

5 [Special information]

Not applicable

Independent Auditors' Report filed under the Financial Instruments and Exchange Act of Japan (Translation)

NOTE TO READERS:

Following is an English translation of the Independent Auditors' Report filed under the Financial Instruments and Exchange Act of Japan. This report is presented merely as supplemental information.

There are differences between an audit of internal control over financial reporting ("ICFR") under the Financial Instruments and Exchange Act ("ICFR under FIEA") and one conducted under the attestation standards established by the American Institute of Certified Public Accountants ("AICPA").

In an audit of ICFR under FIEA, the auditors express an opinion on management's report on ICFR, and do not express an opinion on the Company's ICFR directly. In an audit of ICFR under the attestation standards established by the AICPA, the auditors express an opinion on the Company's ICFR directly. Also in an audit of ICFR under FIEA, there is detailed guidance on the scope of an audit of ICFR, such as quantitative guidance on business location selection and/or account selection. In an audit of ICFR under the attestation standards established by the AICPA, there is no such detailed guidance. Accordingly, based on the quantitative guidance which provides an approximate measure for the scope of assessment of internal control over business processes, we used a measure of approximately 70% of total assets and income before income taxes for the selection of significant location and business units.

(TRANSLATION)

Independent Auditors' Report
(filed under the Financial Instruments and Exchange Act of Japan)

June 24, 2010

To the Board of Directors of Mitsubishi Corporation

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant: Masahiro Watanabe

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant: Shigeo Ogi

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant: Michio Fujii

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant: Takashi Mine

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant: Masayuki Yamada

< Audit of Financial Statements >

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements included in the Financial Section, namely, the consolidated balance sheet as of March 31, 2010 of Mitsubishi Corporation (the "Company") and consolidated subsidiaries, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for the fiscal year from April 1, 2009 to March 31, 2010. 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mitsubishi Corporation and consolidated subsidiaries as of March 31, 2010, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America (Refer to "Preparing of consolidated financial statements").

< Additional information >

As discussed in Note 2 "SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES," the consolidated financial statements referred to above have been prepared in accordance with certain updates to Accounting Standards Codification Topic 810, "Consolidation," which were newly adopted for this fiscal year.

< Audit of Internal Control over Financial Reporting >

Pursuant to the second paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited management's report on internal control over financial reporting of Mitsubishi Corporation as of March 31, 2010. The Company's management is responsible for designing and operating effective internal control over financial reporting and preparing its report on internal control over financial reporting. Our responsibility is to express an opinion on management's report on internal control over financial reporting based on our audit. There is a possibility that material misstatements will not completely be prevented or detected by internal control over financial reporting.

We conducted our audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether management's report on internal control over financial reporting is free of material misstatement. An audit includes examining, on a test basis, the scope, procedures and results of assessment of internal control made by management, as well as evaluating the overall presentation of management's report on internal control over financial reporting. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, management's report on internal control over financial reporting referred to above, which represents that the internal control over financial reporting of Mitsubishi Corporation as of March 31, 2010 is effectively maintained, presents fairly, in all material respects, the assessment of internal control over financial reporting in conformity with assessment standards for internal control over financial reporting generally accepted in Japan.

Our firm and the engagement partners do not have any financial interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Law.

(The above represents a translation, for convenience only, of the original report issued in the Japanese language.)

June 24, 2010

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.

Ken Kobayashi, 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, 2010)

Mitsubishi Corporation

Date Established: July 1, 1954
(Date Registered: April 1, 1950)

Capital: ¥203,228,112,456

Shares of Common Stock Issued:
1,696,686,871

Head Office:

Mitsubishi Shoji Building
3-1, Marunouchi 2-chome,
Chiyoda-ku, Tokyo, 100-8086, Japan
(Registered address of our company)
Telephone: +81-3-3210-2121

Marunouchi Park Building
6-1, Marunouchi 2-chome,
Chiyoda-ku, Tokyo, 100-8086, Japan

Number of Employees:

Parent company: 5,742
Consolidated: 58,583

Independent Auditors:

Deloitte Touche Tohmatsu LLC/
Tohmatsu Tax Co.

Number of Shareholders: 233,034

Stock Listings:

Tokyo, Osaka, Nagoya, London

**Transfer Agent for Shares and Special
Accounts, Account Management Institution:**

Mitsubishi UFJ Trust and Banking
Corporation
Corporate Agency Division
10-11, Higashisuna 7-chome, Koto-ku,
Tokyo 137-8081, Japan
Telephone: 0120-232-711
(within Japan)

American Depositary Receipts:

Ratio (ADR:ORD): 1:2
Exchange: OTC (Over-the-Counter)
Symbol: MSBHY
CUSIP: 606769305

Depository:

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>

Contact:

Investor Relations Department,
Mitsubishi Corporation
3-1, Marunouchi 2-chome,
Chiyoda-ku, Tokyo 100-8086, Japan
Telephone: +81-3-3210-2121

Internet

Mitsubishi Corporation's latest annual reports, financial reports and news releases are available on the Investor Relations homepage.

URL: <http://www.mitsubishicorp.com/jp/en/ir/>

www.mitsubishicorp.com

