

MITSUI & CO LTD  
Form 20-F  
August 13, 2010  
Table of Contents

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 20-F**

**REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**OR**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**For the fiscal year ended March 31, 2010**

**OR**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**For the transition period from                      to**

**OR**

**SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**Date of event requiring this shell company report**

**Commission file number 0-9929**

# MITSUI BUSSAN KABUSHIKI KAISHA

*(Exact name of Registrant as specified in its charter)*

## MITSUI & CO., LTD.

*(Translation of Registrant's name into English)*

**JAPAN**

*(Jurisdiction of incorporation or organization)*

**2-1, OHTEMACHI 1-CHOME, CHIYODA-KU, TOKYO 100-0004, JAPAN**

*(Address of principal executive offices)*

**Kenichi Hori, 81-3-3285-7533, [K.Hori@mitsui.com](mailto:K.Hori@mitsui.com)**

*(Name, Telephone, E-mail Address of Company Contact Person)*

**Securities registered or to be registered pursuant to Section 12(b) of the Act.**

| <b>Title of Each Class</b> | <b>Name of Each Exchange On Which Registered</b> |
|----------------------------|--|
| <b>Common Stock</b>        | <b>Nasdaq Stock Market</b>                       |

**Securities registered or to be registered pursuant to Section 12(g) of the Act.**

**None**

**Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.**

**None**

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

**As of March 31, 2010, 1,824,821,883 shares of common stock were outstanding including**

**23,440,400 shares represented by an aggregate of 1,172,020 American Depositary Shares.**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

## Edgar Filing: MITSUI & CO LTD - Form 20-F

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP  International Financial Reporting Standards as issued  
by the International Accounting Standards Board  Other

If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

## **Table of Contents**

### **Certain References and Information**

As used in this report, Mitsui is used to refer to Mitsui & Co., Ltd. (Mitsui Bussan Kabushiki Kaisha), we, us, and our are used to indicate Mitsui & Co., Ltd. and subsidiaries, unless otherwise indicated. Share means one share of Mitsui's common stock, ADS means an American Depositary Share representing 20 shares, and ADR means an American Depositary Receipt evidencing one or more ADSs. Also, dollar or \$ means the lawful currency of the United States of America, and yen or ¥ means the lawful currency of Japan.

All financial statements and information contained in this annual report have been prepared in accordance with accounting principles generally accepted in the United States, or U.S. GAAP, except where otherwise noted.

### **A Cautionary Note on Forward-Looking Statements**

This annual report includes forward-looking statements based on our current expectations, assumptions, estimates and projections about our business, our industry and capital markets around the world. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as may, expect, anticipate, estimate, plan or similar words. The forward-looking statements in this annual report are subject to various risks, uncertainties and assumptions. These statements discuss future expectations, identify strategies, contain projections of results of operations or of our financial position, or state other forward-looking information. Known and unknown risks, uncertainties and other factors could cause our actual operating results to differ materially from those contained or implied in any forward-looking statement. Our expectations expressed in these forward-looking statements may not turn out to be correct, and our actual results could materially differ from and be worse than our expectations.

Important risks and factors that could cause our actual results to differ materially from our expectations are discussed in this Item 3.D. Risk Factors or elsewhere in this annual report and include, without limitation:

changes in economic conditions that may lead to unforeseen developments in markets for products handled by us;

fluctuations in currency exchange rates that may cause unexpected deterioration in the value of transactions;

adverse political developments in the various jurisdictions where we operate, which among things, may create delays or postponements of transactions and projects;

changes in laws, regulations or policies in any of the countries where we conduct our operations; and

significant changes in the competitive environment.

We do not assume, and specifically disclaim, any obligation to update any forward-looking statements which speak only as of the date made.

**Table of Contents****TABLE OF CONTENTS**

|   | <b>Page</b> |
|---|-------------|
| <b><u>PART I</u></b>  | <b>5</b>    |
| <b><u>Item 1. Identity of Directors, Senior Management and Advisers</u></b> | <b>5</b>    |
| <b><u>Item 2. Offer Statistics and Expected Timetable</u></b>               | <b>5</b>    |
| <b><u>Item 3. Key Information</u></b>                                       | <b>5</b>    |
| <b><u>A. Selected Financial Data</u></b>                                    | <b>5</b>    |
| <b><u>B. Capitalization and Indebtedness</u></b>                            | <b>7</b>    |
| <b><u>C. Reasons for the Offer and Use of Proceeds</u></b>                  | <b>7</b>    |
| <b><u>D. Risk Factors</u></b>   | <b>8</b>    |
| <b><u>Item 4. Information on the Company</u></b>                            | <b>16</b>   |
| <b><u>A. History and Development of the Company</u></b>                     | <b>16</b>   |
| <b><u>B. Business Overview</u></b>  | <b>21</b>   |
| <b><u>C. Organizational Structure</u></b>                                   | <b>60</b>   |
| <b><u>D. Property, Plant and Equipment</u></b>                              | <b>66</b>   |
| <b><u>Item 4A. Unresolved Staff Comments</u></b>                            | <b>88</b>   |
| <b><u>Item 5. Operating and Financial Review and Prospects</u></b>          | <b>88</b>   |
| <b><u>A. Operating Results</u></b>  | <b>88</b>   |
| <b><u>B. Liquidity and Capital Resources</u></b>                            | <b>154</b>  |
| <b><u>C. Research &amp; Development</u></b>                                 | <b>168</b>  |
| <b><u>D. Trend Information</u></b>  | <b>168</b>  |
| <b><u>E. Off-Balance Sheet Arrangements</u></b>                             | <b>168</b>  |
| <b><u>F. Tabular Disclosure of Contractual Obligations</u></b>              | <b>169</b>  |
| <b><u>Item 6. Directors, Senior Management and Employees</u></b>            | <b>170</b>  |
| <b><u>A. Directors and Senior Management</u></b>                            | <b>170</b>  |
| <b><u>B. Compensation</u></b>   | <b>180</b>  |
| <b><u>C. Board Practices</u></b>  | <b>181</b>  |
| <b><u>D. Employees</u></b>  | <b>184</b>  |
| <b><u>E. Share Ownership</u></b>  | <b>185</b>  |
| <b><u>Item 7. Major Shareholders and Related Party Transactions</u></b>     | <b>186</b>  |
| <b><u>A. Major Shareholders</u></b>   | <b>186</b>  |
| <b><u>B. Related Party Transactions</u></b>                                 | <b>187</b>  |
| <b><u>C. Interests of Experts and Counsel</u></b>                           | <b>188</b>  |
| <b><u>Item 8. Financial Information</u></b>                                 | <b>188</b>  |
| <b><u>A. Consolidated Statements and Other Financial Information</u></b>    | <b>188</b>  |
| <b><u>B. Significant Changes</u></b>  | <b>189</b>  |
| <b><u>Item 9. The Offer and Listing</u></b>                                 | <b>190</b>  |
| <b><u>A. Offer and Listing Details</u></b>                                  | <b>190</b>  |
| <b><u>B. Plan of Distribution</u></b>                                       | <b>191</b>  |
| <b><u>C. Markets</u></b>  | <b>191</b>  |
| <b><u>D. Selling Shareholders</u></b>                                       | <b>191</b>  |
| <b><u>E. Dilution</u></b>   | <b>191</b>  |
| <b><u>F. Expenses of the Issue</u></b>                                      | <b>191</b>  |
| <b><u>Item 10. Additional Information</u></b>                               | <b>191</b>  |
| <b><u>A. Share Capital</u></b>  | <b>191</b>  |
| <b><u>B. Memorandum and Articles of Association</u></b>                     | <b>191</b>  |
| <b><u>C. Material Contracts</u></b>   | <b>200</b>  |
| <b><u>D. Exchange Controls</u></b>  | <b>201</b>  |
| <b><u>E. Taxation</u></b>   | <b>202</b>  |
| <b><u>F. Dividends and Paying Agents</u></b>                                | <b>206</b>  |
| <b><u>G. Statement by Experts</u></b>                                       | <b>206</b>  |

**Table of Contents**

|  | <b>Page</b> |
|--|-------------|
| <u>H. Documents on Display</u>   | 206         |
| <u>I. Subsidiary Information</u>   | 206         |
| <u>Item 11. Quantitative and Qualitative Disclosures about Market Risk</u>                   | 206         |
| <u>Item 12. Description of Securities Other than Equity Securities</u>                       | 210         |
| <u>PART II</u>   | 211         |
| <u>Item 13. Defaults, Dividend Arrearages and Delinquencies</u>                              | 211         |
| <u>Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds</u> | 211         |
| <u>Item 15. Controls and Procedures</u>  | 211         |
| <u>Item 16A. Audit Committee Financial Expert</u>  | 212         |
| <u>Item 16B. Code of Ethics</u>  | 212         |
| <u>Item 16C. Principal Accountant Fees and Services</u>                                      | 213         |
| <u>Item 16D. Exemptions from the Listing Standards for Audit Committees</u>                  | 214         |
| <u>Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers</u>      | 215         |
| <u>Item 16F. Change in Registrant's Certifying Accountant</u>                                | 215         |
| <u>Item 16G. Corporate Governance</u>  | 215         |
| <u>PART III</u>  | 219         |
| <u>Item 17. Financial Statements</u>   | 219         |
| <u>Item 18. Financial Statements</u>   | 219         |
| <u>Item 19. Exhibits</u>   | 219         |

**Table of Contents****PART I****Item 1. Identity of Directors, Senior Management and Advisers.**

Not applicable.

**Item 2. Offer Statistics and Expected Timetable.**

Not applicable.

**Item 3. Key Information.****A. Selected Financial Data.**

The selected consolidated income statement data and the selected consolidated cash flow statement data for the years ended March 31, 2010, 2009, and 2008 and the selected consolidated balance sheet data as of March 31, 2010 and 2009 below are derived from our audited consolidated financial statements prepared in accordance with U.S. GAAP, which are included elsewhere in this Form 20-F. The selected consolidated income statement data and the selected consolidated cash flow statement data for the years ended March 31, 2007 and 2006 and the selected consolidated balance sheet data as of March 31, 2008, 2007 and 2006 are derived from our previously published audited consolidated financial statements prepared in accordance with U.S. GAAP, which are not included in this Form 20-F. The consolidated financial statements as of March 31, 2010 and 2009 and for the years ended March 31, 2010, 2009 and 2008 have been audited by Deloitte Touche Tohmatsu LLC, an independent registered public accounting firm, whose report is filed as part of this Form 20-F.

The selected financial data have been prepared in accordance with U.S. GAAP and should be read in conjunction with, and are qualified in their entirety by reference to Item 5. Operating and Financial Review and Prospects, and our consolidated financial statements and notes thereto included elsewhere in this Form 20-F.

|   | In Billions of Yen, Except Amounts per Share<br>and Common Stock Data<br>As of or for the Years Ended March 31, |         |         |         |         |
|---|---|---------|---------|---------|---------|
|   | 2010  | 2009    | 2008    | 2007    | 2006    |
| <b>Consolidated Income Statement Data:</b>  |   |         |         |         |         |
| Results of Operations:  |   |         |         |         |         |
| Revenues  | ¥ 4,096   | ¥ 5,505 | ¥ 5,715 | ¥ 4,777 | ¥ 4,020 |
| Gross Profit  | 702   | 999     | 981     | 860     | 780     |
| Equity in Earnings of Associated Companies - Net                                    | 131   | 121     | 213     | 213     | 141     |
| Income from Continuing Operations<br>before attribution of Noncontrolling Interests | 168   | 209     | 383     | 315     | 228     |
| Net Income attributable to Mitsui & Co., Ltd.                                       | 150   | 178     | 410     | 302     | 202     |
| Income from Continuing Operations<br>attributable to Mitsui & Co., Ltd. per Share:  |   |         |         |         |         |
| Basic   | 82.48   | 95.74   | 186.71  | 172.18  | 133.89  |
| Diluted   | 82.47   | 95.47   | 184.76  | 163.35  | 126.01  |
| Net Income attributable to Mitsui & Co., Ltd. per Share:                            |   |         |         |         |         |
| Basic   | 82.12   | 97.59   | 227.20  | 174.26  | 126.26  |
| Diluted   | 82.11   | 97.32   | 224.82  | 165.32  | 118.85  |
| Cash Dividends Declared per Share   | 7   | 48      | 40      | 31      | 20      |
| Cash Dividends Declared per Share in U.S. Dollars <sup>(1)</sup>                    | \$ 0.08   | \$ 0.48 | \$ 0.35 | \$ 0.27 | \$ 0.17 |

**Table of Contents**

|   | In Billions of Yen, Except Common Stock Data<br>As of or for the Years Ended March 31, |           |           |           |           |
|---|--|-----------|-----------|-----------|-----------|
|   | 2010   | 2009      | 2008      | 2007      | 2006      |
| <b>Consolidated Balance Sheet Data:</b>             |  |           |           |           |           |
| Financial Position at Year-End:                     |  |           |           |           |           |
| Total Assets  | ¥ 8,369  | ¥ 8,364   | ¥ 9,538   | ¥ 9,813   | ¥ 8,574   |
| Total Mitsui & Co., Ltd. Shareholders Equity        | 2,230  | 1,882     | 2,184     | 2,110     | 1,678     |
| Total Equity  | 2,430  | 2,111     | 2,428     | 2,349     | 1,796     |
| Long-term Debt, less Current Maturities             | 2,910  | 2,841     | 2,944     | 2,888     | 2,659     |
| Common Stock  | 341  | 340       | 338       | 323       | 296       |
| Other Information at Year-End:                      |  |           |           |           |           |
| Common Stock:                                       |  |           |           |           |           |
| Number of Shares Outstanding (in Thousands)         | 1,824,822  | 1,821,158 | 1,816,640 | 1,784,627 | 1,722,954 |
|   | In Billions of Yen<br>For the Years Ended March 31,                                    |           |           |           |           |
|   | 2010   | 2009      | 2008      | 2007      | 2006      |
| <b>Consolidated Cash Flow Statement Data:</b>       |  |           |           |           |           |
| Cash Flows:   |  |           |           |           |           |
| Net Cash Provided by Operating Activities           | ¥ 632  | ¥ 583     | ¥ 416     | ¥ 239     | ¥ 146     |
| Net Cash Used in Investing Activities               | (180)  | (291)     | (105)     | (418)     | (347)     |
| Net Cash (Used in) Provided by Financing Activities | (214)  | (10)      | (185)     | 272       | 92        |
|   | For the Years Ended March 31,  |           |           |           |           |
|   | 2010   | 2009      | 2008      | 2007      | 2006      |
| <b>Other:</b>                                       |  |           |           |           |           |
| Return on Equity <sup>(2)</sup>                     | 7.3%   | 8.7%      | 19.1%     | 15.9%     | 14.5%     |
| Number of Shareholders                              | 134,564  | 130,019   | 105,338   | 102,324   | 121,503   |

- (1) The U.S. dollar amounts represent translations of the Japanese yen amounts at the rates in effect on the respective dividend payment dates.
- (2) Return on Equity is calculated as annual consolidated net income divided by average balance of Mitsui & Co., Ltd. shareholders equity between beginning date and ending date of each fiscal year.
- (3) Effective the year ended March 31, 2010, we adopted Accounting Standards Codification ( ASC ) 810-10-65, Consolidation-Transition Related to Financial Accounting Standards Board ( FASB ) Statement No.160, Noncontrolling Interests in Consolidated Financial Statements an amendment of Accounting Research Bulletin ( ARB ) No.51, which was formerly Statement of Financial Accounting Standards ( SFAS ) No.160, Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No.51. As a result of the adoption of this section, Net Income changes to Net Income attributable to Mitsui & Co., Ltd.
- (4) In accordance with ASC205-20, Presentation of Financial Statements-Discontinued Operations, which was formerly SFAS No.144, Accounting for the Impairment or Disposal of Long-Lived Assets, the figures for the year ended March 31, 2009, 2008, 2007 and 2006 relating to discontinued operations have been reclassified.



**Table of Contents**

- (5) In the statements of consolidated income, tax effects on investments in associated companies which were formerly included in Equity in Earnings of Associated Companies Net (After Income Tax Effect) are included in Income Taxes for the year ended March 31, 2010. At the same time, Equity in Earnings of Associated Companies Net (After Income Tax Effect) has been changed to Equity in Earnings of Associated Companies Net. The amounts of tax effects on investments in associated companies for the years ended March 31, 2009, 2008, 2007 and 2006 have been reclassified to conform to the current year presentation.

*Exchange Rate Information*

The information set forth below with respect to exchange rates is based on the daily exchange rate data for Japanese yen of the Federal Reserve Board. These rates are provided solely for the convenience of the reader and are not the exchange rates used by us in the preparation of our consolidated financial statements included in this annual report.

The official exchange rate on July 30, 2010 was ¥86.43 = U.S.\$1.00. The following table sets forth the high and low official noon buying rates for Japanese yen of the Federal Reserve Board in each month of the previous six months.

|               | Yen per U.S. Dollar |       |
|---------------|---------------------|-------|
|               | High                | Low   |
| July 2010     | 88.59               | 86.40 |
| June 2010     | 92.33               | 88.39 |
| May 2010      | 94.68               | 89.89 |
| April 2010    | 94.51               | 92.03 |
| March 2010    | 93.40               | 88.43 |
| February 2010 | 91.94               | 88.84 |

The following table sets forth the average exchange rate for each of the last five fiscal years. We have calculated these average rates by using the rate on the daily exchange rate data for Japanese yen of the Federal Reserve Board on the last business day of each month during the relevant fiscal year.

| Year Ended March 31, | Yen per U.S. Dollar |        |
|----------------------|---------------------|--------|
|                      | Average Rate        |        |
| 2010                 | ¥                   | 92.49  |
| 2009                 |                     | 100.85 |
| 2008                 |                     | 113.61 |
| 2007                 |                     | 116.55 |
| 2006                 |                     | 113.67 |

Fluctuations in the exchange rate between the Japanese yen and the U.S. dollar will affect the U.S. dollar equivalent of the Japanese yen-denominated prices of Mitsui's shares and, as a result, will affect the market prices of Mitsui's ADSs in the United States.

**B. Capitalization and Indebtedness.**

Not required.

**C. Reasons for the Offer and Use of Proceeds.**

Not applicable.

---

**Table of Contents**

**D. Risk Factors.**

*You should carefully consider the risks and uncertainties described below and the other information in this annual report, including the discussion in Item 5. Operating and Financial Review and Prospects, as well as our consolidated financial statements and related notes included elsewhere in this annual report.*

***The decline in the volume of trade and the flow of goods and materials resulting from the worldwide economic downturn may adversely impact our business, results of operations and financial condition.***

Our global business activities are affected by economic conditions both globally and regionally. Among other locations, we are particularly vulnerable to downward economic trends in Japan, China and the United States. An economic downturn may cause a reduction in the flow of goods and materials, a decline in consumer spending and capital investment, and subsequently a decline in demand from our customers for our products and services, which may have an adverse impact on our business, results of operations and financial condition. For further discussion about the impact of economic conditions on our results of operations for the years ended March 31, 2010 and 2009, see Item 5.A. Operating Results Results of Operations Summary of Operations for the Years Ended March 31, 2010 and 2009.

***Fluctuations in commodity prices, especially crude oil, iron ore, coal and copper, may adversely affect our business, results of operations and financial condition.***

We are engaged in trades in and, as the case may be, production of a variety of commodities in the global commodities market including mineral resources, energy, chemical and agricultural products. Among others, significance of operating results from our mineral resources and energy producing activities in our overall operating results has considerably intensified, reflecting the rising prices of such commodities as well as increased production in these operations. Unexpected movements in commodity prices may adversely affect our business, results of operations and financial condition.

For further information about the impact by commodity price fluctuations on our results of operations for the year ended March 31, 2010 and in the future, see Item 5.A. Operating Results Results of Operations Operating Results by Operating Segment.

***Exchange rate fluctuations may adversely affect our results of operations, especially because a major part of our results of operations are generated at our overseas subsidiaries and associated companies.***

Although our reporting currency is the Japanese yen, a significant portion of our business operations, consolidated revenues and operating expenses is denominated in currencies other than the Japanese yen. As a result, appreciation or depreciation in the value of other currencies as compared to the Japanese yen could result in material transactional gains or losses. As most of revenues, costs of revenues, and selling, general and administrative expenses incurred from regular business activities at overseas subsidiaries and associated companies are quoted in the U.S. dollar, the Australian dollar, the Brazilian real, or other currencies, our net income may be affected by the fluctuations of these currencies and we are exposed to translation risk in our assets and liabilities denominated in foreign currencies. In addition, exchange rate fluctuations may reduce the value of investment in overseas subsidiaries and associated companies and adversely affect our accumulated other comprehensive income. As a result, exchange rate fluctuations may negatively affect our results of operations.

The recent trend has been for the Japanese yen to appreciate in value against the U.S. dollar. For example, the average U.S. dollar-Japanese yen exchange rate during the year ended March 31, 2010 was 92.61 yen = U.S. \$1, representing Japanese yen appreciation of 8.0% compared to the prior year. In addition, the Japanese yen has further appreciated to the upper 80s range against the U.S. dollar as of the filing of this 20-F. Yen appreciation generally has the effect of reducing our net income. For example, we approximate that yen appreciation by 1 yen against U.S. \$1, Australian \$1 and Brazilian R\$1 would have the net effect of reducing net

---

**Table of Contents**

income by approximately 0.9 billion yen, 2.1 billion yen and 0.7 billion yen, respectively, for the year ending March 31, 2011. See Item 3.A. Selected Financial Data Exchange Rate Information, Item 5.A. Operating Results Summary of Operation for Years ended March 31, 2010 and 2009 Impact of Foreign Currency Exchange Fluctuation on Operating Results for 2010 and Item 5. B. Liquidity and Capital Resources.

*We are subject to diverse counterparty credit risks which our management policy for credit exposure cannot eliminate entirely.*

We are exposed to diverse counterparty credit risks reflecting a variety of businesses. For example:

Many of our customers purchase products and services from us on credit. At March 31, 2010, current trade receivable (less unearned interest and allowance for doubtful receivables current) was ¥1,819.0 billion, representing 21.7% of our total assets and recognized losses for doubtful receivables current for the year ended March 31, 2010 and balance of the allowance for doubtful receivables current were ¥6.2 billion and ¥18.4 billion, respectively;

We engage in significant project financing activities as a lender or guarantor whereby we assume repayment risk; and

We have counterparty payment risk from various derivative transactions we enter into as part of our hedging activities. Diverse types of credit losses may adversely affect our results of operations and business.

*Changes in interest rates could have an adverse effect on our results of operations because of our significant short-term and long-term debt.*

We are exposed to risks associated with interest rate fluctuations, which may affect our overall operational costs and the value of our financial assets and liabilities, particularly our significant debt obligations, including ¥241.4 billion short-term debt and ¥3,230.3 billion long-term debt as of March 31, 2010. An increase in interest rates, especially in Japan and the United States, may adversely affect our results of operations.

For information on our funding sources, see Item 5.B. Liquidity and Capital Resources.

*If the value of assets for which we act as lessor, such as real property, rolling stock, ocean transport vessels and equipment declines, we may record significant impairment losses.*

Assets for which we act as lessor, such as real property, rolling stock, ocean transport vessels and equipment are exposed to potential significant impairment losses due to the decline in the value of these assets. As of March 31, 2010, the value of these assets in which we act as lessor, presented on our Consolidated Balance Sheets as Property leased to others at cost, less accumulated depreciation, was ¥224.0 billion. The carrying amounts of these assets in which we act as lessor are affected by certain factors which are beyond our control such as their global supply and demand, prevailing interest rates, prices of relevant products and services and regional and/or global cyclical trends. Any adjustments for impairment losses with respect to such assets may have an adverse effect on our results of operations and financial condition.

For information on our accounting policies and estimates with respect to impairment on long-lived assets, see Critical Accounting Policies and Estimates Impairment of Long-Lived Assets of Item 5.A. Operating Results.

---

**Table of Contents**

***Declines in the market value of equity and/or debt securities in Japan may decrease the value of our pension assets which in turn may increase the cost of satisfying our unfunded pension obligations.***

Declines in the market value of Japanese government bonds, other debt securities and marketable equity securities in Japan would reduce the value of our pension plan assets. Decline in the value of our pension plan assets or increase in our unfunded pension obligations could adversely affect our results of operations and financial condition.

For information on our accounting policies and estimates with respect to pension benefit costs, see Critical Accounting Policies and Estimates of Item 5.A. Operating Results and Note 14, PENSION COSTS AND SEVERANCE INDEMNITIES, to our consolidated financial statements.

***Our liquidity could be adversely affected by a downgrade in our credit ratings, significant changes in the lending or investment policies of our creditors or investors.***

A downgrade in our credit ratings or significant changes in the lending or investment policies of our creditors or investors could result in an increase in our interest expense and could adversely impact our ability to access the debt markets, and could have an adverse effect on our financial position and liquidity.

For information on our funding sources and credit ratings, see Item 5.B. Liquidity and Capital Resources.

***Due to our significant investments in marketable equity securities, a substantial decline in the stock market could negatively affect our investment portfolio.***

A significant portion of our investment portfolio consists of marketable equity securities. At March 31, 2010, our marketable equity securities were carried at a fair value of ¥475.2 billion, representing 5.7% of our total assets. While we periodically review our investment portfolio volatility, a decline in the equity securities market could negatively impact the value of our investment portfolio and our results of operations and financial condition.

For information on our accounting policies and estimates with respect to impairment of marketable securities, see Critical Accounting Policies and Estimates of Item 5.A. Operating Results.

***Some of our operations are concentrated in a limited number of regions or countries, which could harm our business, results of operations and financial condition if activity levels in these regions or countries decline.***

Various types of businesses worldwide sometimes expose us to risks associated with regional political and economic instabilities. Furthermore, some of our business activities may be exposed to concentration risk in particular industries located in specific regions or countries. For example:

In Russia and Brazil, we have significant interests in the exploration, development and production of mineral resources and energy.

In Indonesia, we actively participate in infrastructure projects, including the operation of power plants, and maintain a nationwide motorcycle retail finance business.

As a result, declining levels of trading activities or asset volumes in specific sectors in certain regions or countries could have a disproportionately negative effect on our business, results of operations and financial condition.

For more information, see Energy Segment, Mineral & Metal Resources Segment and Machinery & Infrastructure Projects Segment of Item 4.B. Business Overview and Critical Accounting Policies and Estimates of Item 5.A. Operating Results.

---

**Table of Contents**

***We may not be able to successfully restructure or eliminate unprofitable or underperforming subsidiaries or associated companies in a timely manner and any efforts to do so may not improve our results of operations and financial condition.***

As of March 31, 2010, we had 292 consolidated subsidiaries and 169 associated companies. We have been continuously restructuring underperforming businesses of our consolidated subsidiaries and associated companies from the viewpoint of operational efficiency as well as profitability. If we fail to successfully restructure or eliminate our underperforming subsidiaries and associated companies in a timely manner or if these efforts fail to improve our business operations as contemplated, our business operations may become less efficient and our results of operations and financial condition may be adversely affected.

***Our alliances by forming joint ventures with third parties and strategic investments in third parties may not result in successful operations.***

We participate in various businesses directly or indirectly through joint ventures or by making strategic investments in other companies and business enterprises. The outcome of these joint ventures and strategic investments is unpredictable because:

operational success is critically dependent on factors that are beyond our control such as the financial condition and performance of the partner companies or the strategic investees; or

with respect to certain associated companies, we may fail to exercise adequate control over the management, operations and assets of the companies in which we invested or may fail to make major decisions without the consent of other shareholders or participants due to lack of common business goals and strategic objectives with our alliance partners.

Any occurrence of these events could have a material adverse effect on our results of operations and financial condition.

***Our businesses in exploration, development and production of mineral resources and oil and gas may not develop in line with assumed costs and schedules, and are subject to the risks associated with estimating reserves and the operating performance of third party operators.***

Reflecting the rising prices of mineral resources and oil and gas as well as increased production in recent years, exploration, development and production of mineral resources and oil and gas are becoming more significant to our results of operations and financial condition. Mining and oil and gas projects involve risks, such as the following:

development of projects may face schedule delays or cost overruns due to difficulties in technical conditions, procurement of materials, financial conditions and government regulations;

reserves are estimated based on available geological, technical, contractual and economic information, and thus actual development and production may significantly differ from originally estimated reserves; and

exploration activities may not produce successful results as originally expected due to technical difficulties in estimating the likelihood of success.

We participate as a non-operator in many of these projects. Under these circumstances, we carefully consider the business potential and profitability of projects based on the information and data provided by operators, who substantially control operations of such projects, including decision-making in the course of development and production. In addition to the above-mentioned risks, an operators' failure in managing those projects may adversely affect our results of operations and financial condition.

For more information, see Mineral & Metal Resources Segment and Energy Segment of Item 4.B. Business Overview.

---

**Table of Contents**

***Intense competition from other Japanese general trading companies could have an adverse effect on our results of operations and financial condition.***

Our primary competition is with other Japanese general trading companies which engage in similar business activities in various fields. Our competitors may have:

stronger business associations and relationships with our customers, suppliers and business partners in both domestic and global markets; or

stronger global network and regional expertise, diversified global customer bases, greater financial engineering skills and market insights.

Unless we can successfully continue to meet the changing needs of our customers by providing them with innovative and integrated services in a cost effective manner, we may lose our market share or relationships with our existing customers in certain of our operating segments. Failure to successfully compete with our competitors may have an adverse effect on our results of operations and financial condition.

***We may lose opportunities for entry into new business areas because of the limitation of required human resources.***

In response to the maturation of consumption in Japan and other developed countries, we have been focusing on entering new consumer oriented businesses. Additionally, we are undertaking a reorganization of our traditional businesses in industrial products and raw materials to better reflect the globalization of the economy and the rapid progress of information technology. However, in certain new business areas which we regard as important, we may have a shortage of required human resources for carrying out our business plans and managing other personnel, which can cause a loss of opportunities to start new businesses, which in turn may adversely affect our future business, results of operations and financial condition.

***Restrictions under environmental laws and regulations and any accidents relating to our use of hazardous materials could negatively affect our business, results of operations and financial condition.***

We are involved in various projects and business transactions worldwide that are subject to extensive environmental laws and regulations. In particular, our Mineral & Metal Resources Segment and Energy Segment may be adversely affected by present or future environmental regulations or enforcement in connection with our exploration, development and production activities. For example, we are subject to complex sets of environmental regulations in Australia, Brazil, Russia, and the Middle East. These laws and regulations may:

require us to perform site clean-ups;

require us to curtail or cease certain operations;

impose fines and payments for significant environmental damage;

require us to install costly pollution control equipment; and

require us to modify our operations.

Newly enacted environmental laws and regulations or changes therein and protests by environmental groups may materially impact the progress of these projects.



---

**Table of Contents**

Mitsui and its United States subsidiary, Mitsui & Co. (U.S.A.), Inc. are shareholders of Coronet Industries Inc. ( Coronet ), a former manufacturer of animal feed supplements, each with 18% and 12% share interest respectively. Coronet has been working with the U.S. Environmental Protection Agency ( EPA ) and the State of Florida on an investigation on environmental conditions related to its prior operations at its facility in the state of Florida. In addition, Coronet has been named as defendant in a civil action initiated by several hundreds of residents residing in areas adjacent to the facility. Mitsui and Mitsui & Co. (U.S.A.), Inc., together with prior owners of Coronet 's assets, have been named as defendants in such action.

***We face significant uncertainty regarding the oil spill incident at the Mississippi Canyon 252 Block in the Gulf of Mexico.***

A third-party semi-submersible drilling rig, known as the Deepwater Horizon rig, which was conducting exploration work on the Mississippi Canyon 252 block in the Gulf of Mexico, experienced an explosion on April 20, 2010, which sank the drilling rig and resulted in a spill of hydrocarbons from the well. MOEX Offshore 2007 LLC, a 100% subsidiary of MOEXUSA Corporation, has a 10% working interest in the Mississippi Canyon 252 block as a non-operator. MOEX USA Corporation is a 100% subsidiary of Mitsui Oil Exploration Co., Ltd., which in turn is a 69.91%-owned subsidiary of Mitsui. A 25% working interest in the block is held by an affiliate of Anadarko Petroleum Corporation. BP Exploration and Production Inc., an affiliate of BP p.l.c. (BP Exploration and Production Inc. and BP p.l.c. are hereinafter collectively called BP ), and the holder of the 65% working interest in the block, which is the operator of the block, as well as other companies and governmental agencies continue to work on operations to stem the flow of oil and to collect and disperse oil that has reached the surface of the sea.

MOEX Offshore 2007 LLC has received, and expects to continue to receive, invoices from BP seeking reimbursement of costs incurred by BP related to BP 's response to the Deepwater Horizon incident. As of the date of this annual report, the aggregate amount of costs covered by these invoices is approximately US\$974 million. Mitsui Oil Exploration Co., Ltd., MOEX USA Corporation, MOEX Offshore 2007 LLC and Mitsui & Co. (U.S.A.), Inc. have been named as defendants in various legal actions. In light of the numerous ongoing investigations that are currently taking place to determine the facts and circumstances surrounding the incident, the numerous lawsuits that are pending and the others that are expected to be commenced against MOEX Offshore 2007 LLC and its affiliates and the provisions of the operating agreement relating to the well that affect the respective rights and responsibilities of the three holders of interests in the lease for costs associated with the incident, MOEX Offshore 2007 LLC is undertaking a very careful and independent review of BP 's claims for reimbursement. For the reasons expressed above, MOEX Offshore 2007 LLC is withholding payment of the referenced invoices, pending further discussions with BP and the resolution of the outstanding issues referenced above.

Given our indirect equity interest in a non-operating holder of the lease on which the rig was drilling, and in light of the ongoing issues referenced above, we currently are unable to estimate the potential liability of MOEX Offshore 2007 LLC or its affiliates, if any, resulting from the incident. However, there can be no assurance that (a) MOEX Offshore 2007 LLC or its affiliates will not be required to contribute to the cost of the ongoing clean-up and other costs associated with the incident as a result of governmental actions, initiatives or proceedings, (b) current and future legal proceedings against MOEX Offshore 2007 LLC or its affiliates brought by governmental or private parties, which may involve civil and criminal claims for damages, penalties or injunctive relief, will not result in substantial liability for MOEX Offshore 2007 LLC or its affiliates, (c) the indemnification provisions of the operating agreement relating to the well, or coverage under insurance policies with respect to the incident will be available or adequate to cover any claims made under the operating agreement or otherwise and (d) the holders of interests in the lease, their affiliates and others will be able to agree to a mutually acceptable allocation of the costs associated with the incident or their ability to pay their share thereof,



---

**Table of Contents**

including to resolve outstanding and future requests for reimbursement of costs made by BP. As a result, given these factors and the magnitude of the incident and the ongoing clean-up efforts, any such liability could have a material adverse effect on our results of operations and financial condition.

*We are subject to extensive laws and regulations in Japan and other countries throughout the world. Changes in these laws and regulations could adversely affect our results of operations and financial condition.*

Our business operations are subject to extensive laws and regulations in Japan and other countries throughout the world. Our operations are subject to laws and regulations governing, among other things, commodities, consumer protection, business and investment approvals, environmental protection, currency exchange control, import and export (including restrictions from the viewpoint of national and international-security), taxation, and antitrust. Moreover, many of our infrastructure projects in developing countries are subject to less developed legal systems. As a result, our costs may increase due to factors such as the lack of a comprehensive set of laws and regulations, an unpredictable judicial system based on inconsistent application and interpretation of laws and regulations, and changing practices of regulatory and administrative bodies. For example, we are subject to sudden and unpredictable changes to:

tariffs for products and services that we provide;

technical specifications with respect to environmental regulations;

income tax and duty rates; and

foreign exchange controls with respect to repatriation of investments and dividends.

Furthermore, while we are involved in the exploration, development and production activities through various contractual arrangements, the contracts may not be honored or extended when they expire. Moreover, the regulatory bodies of these areas may unilaterally interfere and alter the contractual terms of our oil and gas as well as mineral resource producing operations involving production rates, pricing formulas, royalties, environmental protection cost, land tenure or otherwise. If these regulatory bodies unilaterally alter such contractual terms or if we are unable to comply with any new laws and regulations, our business, results of operations and financial condition could be adversely affected.

Furthermore, we could incur substantial additional costs to comply with any new laws and regulations. See Item 4.B. Business Overview Government Regulations.

*The actual amount of dividend payment our shareholders of record receive may differ from the forecasts announced prior to the record date.*

The customary dividend payout practice of publicly listed companies in Japan may significantly differ from the practice widely followed in other markets. Our dividend payout practice is no exception.

We ordinarily announce a certain dividend payout policy at the beginning of each fiscal year and also provide guidance for annual dividends based on the forecast of our financial results including consolidated net income. Interim dividends are paid to shareholders on record of September 30 of each fiscal year after reviewing our financial results during the first six months of each fiscal year as well as our forecast of our financial results during the last six months of the same fiscal year. The decision of declaration and payment is solely a matter of discretion of our Board of Directors, and such a decision may be made after the September 30 record date, and thus may differ from our guidance provided prior to such record date.

The amount and payment of year-end dividend are determined by our Board of Directors based on the actual financial results including consolidated net income. It also requires the approval of shareholders at the annual general meeting held in June of each year, if we propose to declare the year-end dividend. Our Board of Directors

## **Table of Contents**

decides and submits a proposal for the year-end dividend declaration a few weeks before the annual general meeting. If the shareholders approval is given, dividend payments are made to shareholders of record.

The shareholders of record may sell shares after the March 31 record date with the anticipation of receiving a certain dividend payment. However, the declaration of year-end dividends is approved by our shareholders only in June, usually based upon a proposal submitted by our Board of Directors. As such, we may have announced dividend-related forecasts prior to the record date; but, in making a decision on the year-end dividend declaration, neither our shareholders nor our Board of Directors are legally bound by such forecast. Moreover, where our consolidated net income turns out to be lower than we originally forecast, we may not submit any year-end dividend proposal to the annual general meeting of shareholders.

### ***Employee misconduct could adversely affect our results of operations and reputation.***

Due to our size, as well as the operational and geographic breadth of our activities, our day-to-day operations are necessarily de-centralized. As a result, we cannot fully ensure that our employees comply with all applicable laws and regulations as well as our internal policies. For example, our employees may engage in unauthorized trading activities and exceed the allotted market risk exposure for various commodities or extend an unauthorized amount of credit to a client, which, in either case, may result in unknown losses or unmanageable risks. Moreover, our employees could engage in various unauthorized activities prohibited under the laws of Japan or other jurisdictions to which we are subject, including export regulations, anticorruption laws, antitrust laws and tax regulations. The efforts we undertake to ensure employees compliance with applicable laws and regulations as well as our internal policies may not succeed in preventing misconduct by our employees.

Depending on its nature, employees misconduct could have negative effects on our results of operations and reputation.

### ***Failure to maintain adequate internal controls over financial reporting could negatively affect our reputation.***

We are engaged in business activities in a variety of products and services worldwide and thus our internal control over financial reporting needs to be established for numerous transaction patterns. We may be unable to maintain adequate internal control over financial reporting, and thus not be able to assert that our internal control over financial reporting is effective. This could adversely affect the capital market s perception of us and may cause negative market reactions.

### ***Climate change could adversely affect our results of operations.***

Among extreme weather conditions which have been increasing recently due to climate change, intense storms, especially hurricanes and cyclones, which are strong tropical depressions in the Atlantic and South Pacific oceans, respectively, may cause a material negative impact on production and shipments of our mineral resources, coal, oil and gas, and salt producing operations, leading us to recognize increased costs and/or decreased sales volumes. In case that mining sites, productive facilities, and infrastructure used for shipments such as roads, railways and ports, are seriously damaged by extreme weather conditions, operations and shipments could stop for indeterminate periods. Extreme weather conditions could also adversely affect foods raw material producing activities in which we have investments.

Initiatives to reduce greenhouse gases, which are said to be the root cause of climate change and global warming, are undertaken globally, such as the Kyoto Protocol, which came into effect for that objective. Introduction of government-imposed greenhouse gas emission restrictions including environmental tax, and cap and trade schemes of emission credit could adversely affect the results of our businesses which use fossil fuel and emit a large amount of greenhouse gas, such as independent power producing businesses where we have minority share holdings.

---

## **Table of Contents**

***Because of daily price range limitations under Japanese stock exchange rules, you may not be able to sell your shares of our common stock at a particular price on any particular trading day, or at all.***

Stock prices on Japanese stock exchanges are determined on a real-time basis by the equilibrium between bids and offers. These exchanges are order-driven markets without specialists or market makers to guide price formation. To prevent excessive volatility, these exchanges set daily upward and downward price range limitations for each stock, based on the previous day's closing price. Although transactions may continue at the upward or downward limit price if the limit price is reached on a particular trading day, no transactions may take place outside these limits on these exchanges. Consequently, an investor wishing to sell at a price above or below the relevant daily limit on these exchanges may not be able to effect a sale at such price on a particular trading day, or at all.

See Item 10.B. Memorandum and Articles of Association Daily Price Fluctuation Limits under Japanese Stock Exchange Rules.

***As holders of ADSs, you will have fewer rights than a direct shareholder and you will have to act through the depositary to exercise those rights.***

The rights of shareholders under Japanese law to take actions, including exercising voting rights, receiving dividends and distributions, bringing derivative actions, examining our accounting books and records and exercising appraisal rights are available only to holders recorded on our register of shareholders. Because the depositary, through its custodian agents, is the recorded holder of the shares underlying the ADSs, only the depositary can exercise those rights in connection with the deposited shares. The depositary will make efforts to vote the shares underlying your ADSs as instructed by you and will pay to you the dividends and distributions collected from us. However, as ADS holders, you will not be able to bring a derivative action, examine our accounting books and records or exercise appraisal rights except through and with the consent of the depositary.

### **Item 4. Information on the Company.**

#### **A. History and Development of the Company.**

##### *History*

Mitsui Bussan Kabushiki Kaisha (Mitsui & Co., Ltd. in English) was originally incorporated on July 25, 1947, as Daiichi Bussan Kabushiki Kaisha, a corporation (*Kabushiki Kaisha*) under the Commercial Code of Japan with common stock of ¥195,000. We were originally listed on the Tokyo Stock Exchange in May 1949.

Our registered office is located at 2-1, Ohtemachi 1-chome, Chiyoda-ku, Tokyo 100-0004, Japan. Mitsui's telephone number is +81-3-3285-1111.

Since our establishment, our business lines have involved trading in a variety of commodities, including the import of raw materials and the export of industrial products. As we grew in tandem with the Japanese postwar economic recovery, we expanded into overseas activities, such as the establishment of Mitsui & Co. (Australia) Ltd. in 1956. During the 1950s, Daiichi Bussan Kabushiki Kaisha was formed through the merger of various trading companies. On February 16, 1959, that entity took our present name, after having attained the status of being one of the largest general trading companies, and a history closely connected to the development of foreign trade in postwar Japan. An example of a business activity which introduced innovative industrial systems to Japan in our early days was the establishment of Nippon Remington Univac Kaisha Ltd. (currently Nihon Unisys Ltd.), a domestic computer related joint venture with Sperry Rand Corporation of the United States, in 1958.

During the 1960s, the Japanese government promoted trade with foreign countries and deregulated Japanese capital markets, which led to high growth of the Japanese economy. We played a pivotal role in promoting the growth of certain basic industries by supplying foods, industrial raw material and energy such as oil and coal from abroad. This included the development of mineral resources overseas, nurturing markets for Japanese

---

**Table of Contents**

exports and introducing various new technologies. We established Mitsui & Co. (U.S.A.), Inc. in April 1966, and Mitsui Knowledge Industry Co., Ltd. in October 1967. In May 1963, we issued American Depositary Shares which were subsequently listed on The NASDAQ National Market in February 1971.

In the 1970s, as the world economy weathered two oil crises, we began to diversify the supply source of natural resources including development of liquefied natural gas ( LNG ) resources. During this time, the export of industrial plant from Japan, mainly to oil producing countries, drastically increased and we organized and supported projects by arranging finance and on occasion establishing markets for products.

During this period, we suffered losses with respect to Iran-Japan Petrochemical Company. These losses were a result of the petrochemical manufacturing complex being damaged by military attacks, causing the project to finally be dissolved in 1991.

Also during the 1970s, we entered into new industries. For example, in 1971 we established Mitsui Leasing & Development, Ltd. (currently JA Mitsui Leasing, Ltd.), our associated company in the leasing industry, and in 1972 we purchased an equity interest in Mikuni Coca-Cola Bottling Co., Ltd. in the beverage industry.

In the 1980s, Japan's industrial structure moved increasingly towards the production of high-value-added products such as products related to information technology ( IT ) and new materials used for high tech products. Consequently, we began extending our business field to target these new markets. Most notable were the semiconductor materials and carbon fiber fields promoted mainly by our chemical related divisions.

In the late 1990s, the Asian economies experienced a financial crisis. Although the appreciation in real estate and stocks prior to the crisis created a temporary economic boom in Japan, their eventual collapse resulted in a wide-ranging economic slowdown. These conditions necessitated the reorganization of our profit structures and the development of new businesses.

At the same time, however, there was also a rapid development of information infrastructure worldwide, reflecting the deregulation of the communication sector proceeding from the 1980s in Japan and other countries, and the spread of new technology, such as Internet, accelerated communication among market participants in real time and at reduced costs. From the late 1980s, we made investments in IT and communication businesses, including in common carriers such as Tokyo Telecommunication Network Co., Inc (currently KDDI Corporation), JSAT Corporation, a communications satellites company, and broadcasting companies, such as SKY Perfect Communications Inc.

While having been participating in the development of natural resources since the 1960s such as oil, gas and iron and steel raw materials, we reinforced those activities in recent years. In the oil and gas area, we made final investment decision ( FID ) of Sakhalin II project phase 1 in 1997 and FID of the phase 2 in 2003. In 2004, we also acquired a 40% ownership interest in oil production license and exploration permit located in the North West Shelf area in Australia, including those of Enfield and Vincent oil fields. In February 2010, we entered into an agreement with Anadarko Petroleum Corporation to participate in the development and production of the Marcellus Shale gas project in Pennsylvania, U.S.A. In the steel raw material area, we purchased an ownership interest in Valepar S.A., the controlling shareholder of Vale. S.A. (the former Companhia Vale do Rio Doce , which has been renamed legally effective May 22, 2009) in 2003.

*Medium-Term Management Outlook Announced in May 2006*

Mitsui established and announced a new Medium-Term Management Outlook in May 2006, based on a company-wide consideration of the business activities that we should develop over the next three-to-five years (namely, years ending March 31, 2009 to 2011). During the period, we executed new investments and loans amounting to ¥2,360.0 billion while we made asset divestitures amounting to ¥1,250.0 billion. The breakdown of these investments and loans was as follows: the Mineral Resources and Energy accounted for ¥1,050.0 billion

---

**Table of Contents**

mainly for large-scale projects under development such as Sakhalin II, and to expand existing projects such as our LNG project in Western Australia and iron ore and coal production in Australia; the Global Marketing Networks, particularly in steel products, chemical products and machinery, accounted for ¥600.0 billion, taking further steps to strengthen and reorganize our existing business portfolio; the Consumer Services accounted for ¥385.0 billion to build our operations on promising new business domains; the Infrastructure accounted for ¥1,250.0 billion, selectively investing in superior project opportunities.

For further information, including the development of investing activities for the years ended March 31, 2010 and 2009, also see Item 5.B. Liquidity and Capital Resources.

*Medium-term Management Plan to March 31, 2012 Challenge and Innovation 2012 Stronger Mitsui & Co., Ltd., more distinctive and respected Mitsui & Co., Ltd.*

We formulated our new Medium-term Management Plan covering the period until March 31, 2012 which is in line with the vision outlined in our Long-Term Management Vision Dynamic Evolution as a 21 Century Global Business Enabler announced in March 2009. Based on this new Medium-term Management Plan, we will seek to further strengthen our earnings base and to demonstrate our business engineering capabilities to transform Mitsui & Co., Ltd. into a stronger company and a more distinctive and respected company. Four key strategies of the Medium-term Management Plan are: (a) Reinforcement of the earnings base and business engineering capabilities, (b) Acceleration of the implementation of global strategy and strategic deployment of human resources to bolster such acceleration, (c) Evolution of portfolio strategies and (d) Enhancement of the management system to support a strong company.

*(a) Reinforcement of the earnings base and business engineering capabilities*

*Continuous efforts to increase equity production in Mineral Resources and Energy areas*

We will seek to complete the development of large-scale projects, such as the shale gas project in the U.S., and expand and optimize existing projects such as iron ore and coal projects in Australia, while acquiring new high quality assets. We also seek to maximize value of our assets by enhancing our global marketing functions.

*Reinforcement of our earnings base of non-resource businesses*

We will seek to expand our trading activities and investments in emerging economies, particularly in Asia. In doing so, we intend to leverage our global marketing network to accelerate investments with a special focus toward upstream portion in each value chain. We also aim to continue responding to the growing needs to upgrade infrastructure related to power generation, water supply and transportation and also secure stable sources for related raw materials. We also intend to demonstrate our business engineering capabilities to develop new business models in areas such as motor vehicles, medical healthcare and agriculture products.

*Strategy on environment and energy*

We will make efforts to further strengthen the gas value chain ranging from the resources themselves to power generation and distribution facilities. We will also continue with our efforts on renewable energy such as wind and solar power. In addition, we will seek to develop new businesses aiming to provide industrial solutions to environmental protection such as infrastructure business for low-carbon emission society, recycling business and emission trading.

*Reinforcement of our foothold in domestic businesses*

We will focus on further strengthening our domestic customer base which we can leverage to further accelerate globalization of our businesses. In doing so, we will take a proactive approach in consolidating businesses and industries.

**Table of Contents**

We have developed key policies by dividing up our business into the following four areas, as outlined below.

|   |   |
|---|---|
| Mineral Resources & Energy  | <p>Maintain and improve the earnings base by acquiring high quality assets and carrying out recycling of our existing assets</p> <p>Complete the development of existing large-scale projects and enhance their competitiveness</p> <p>Strengthen global marketing to address the increase in demand from emerging economies</p> <p>Provide industrial solutions to environmental issues and develop new businesses with sights set on the future</p>                 |
| Global Marketing Networks<br><br>(particularly steel products, machinery and chemical products) | <p>Build business platforms in the developing countries with a focus on Asia</p> <p>Create new businesses by strengthening relationships with key customers and partners</p> <p>Accelerate investments by leveraging our global marketing network and focus on the upstream part of the value chain</p>   |
| Lifestyle Business  | <p>Shift the business portfolio overseas (especially to Asia) and strengthen marketing capability</p> <p>Reinforce initiatives in the area of food resources and materials</p> <p>Further strengthen initiatives in the focus business areas (electronics distribution, TV shopping, environmental IT, medical and healthcare and outsourcing business)</p>   |
| Infrastructure  | <p>Expand the power generation business as an IPP player and take on a challenge to develop concentrated renewable energy</p> <p>Demonstrate our business engineering capabilities in the marine energy business and gas distribution business in the energy value chain</p> <p>Expand water business with existing water business platforms</p> <p>Take initiative to develop urban transportation projects and infrastructure for a low-carbon-emission society</p> |

\*: From this Medium-term Management Plan, the Consumer Services area will change its name to the Lifestyle Business area, and the Marine & Aerospace Business Unit and the Transportation Logistics Business Unit, both of which were previously included in Global Marketing Networks area, will be transferred to the Infrastructure area.

(b) Acceleration of the implementation of global strategy and strategic deployment of human resources to bolster such acceleration

We will seek to combine our global business strategy of each business unit in the headquarters for each product with a regional vision of the regional business unit which best serves the needs of customers and society with a special focus on BRICs, Mexico and Indonesia. We will also seek to solidify our global marketing capability which serves not only within each region but also between regions in order to capture the growing demand of the Asian countries including China. We will formulate an all round strategic alliance across the industries with strong partners in the world.

## Edgar Filing: MITSUI & CO LTD - Form 20-F

To promote the global strategy, we intend to shift our personnel to and hire more employees in offices in Asian countries.

We intend to carry forward a plan to foster and promote diversified personnel at offices of overseas trading companies and affiliated companies. Furthermore, we will open up more opportunities for staff hired overseas to work and participate in various training sessions at the headquarters so that we can embrace more diversified cultures and exchange a broad range of ideas, and we will move forward with company-wide globalization initiatives.

**Table of Contents**

*(c) Evolution of portfolio strategies*

We will continue to allocate various resources to focus areas clarifying the positioning of each business domain and setting clear policy for it through a system including the Portfolio Management Committee established in the Medium-term Management Outlook period. We will also continue strategic divestitures and recycling of assets.

Together with global deployment of personnel, we will enhance mobilization of functions and focus on fostering managerial talent with a broad view by making continuous efforts on strategic human resources allocation and promoting exchange program of personnel across the units.

*(d) Enhancement of management systems to support a strong company*

To ensure compliance with various regulations, we have decided to implement more thorough on-site management, enhanced control of business processes and promotion of mobilization of personnel. As one of these measures and at the same time with an objective of thoroughly streamlining our operational processes, we will commence a company-wide initiative to improve business process. We also intend to continue to work towards more efficient and effective monitoring and control of market and credit risks.

Upgrading our information technology capabilities is also essential. We will seek to enhance them by promoting continuous improvements in structures and systems of the information strategy as well as the consciousness of employees toward them. We will take initiatives to control investments in information systems from a viewpoint of total optimization of the company, which previously were made for optimization of each stand-alone business unit or affiliate.

We will continue to develop fine-tuned CSR initiatives based on our core business to meet the needs of customers and society while always bearing in mind Yoi-Shigoto (good quality work).

*Investment plan of the Medium-term Management Plan*

See Item 5.B. Liquidity and Capital Resources Finance and Liquidity Management for the information.

*Capital Expenditures*

*Major expenditures and divestitures*

See Item 5.B. Liquidity and Capital Resources Cash Flows for the information.



**Table of Contents***Major mineral resources and energy producing projects*

The table below provides information about major mineral resources and energy producing projects which have involved or will involve significant capital expenditures for property and equipment. See Item 4.B. Business Overview, Item 4.D. Property, Plant and Equipment Mining Activities and Item 5.B. Liquidity and Capital Resources for further information.

| Operating Segment         | Project / Joint Venture<br>(Country)         | Partner<br>(Operator) | Mitsui's share | Planned Capacity <sup>(*1)</sup>   | Budgeted Capital Expenditure <sup>(*2)</sup> | Investment Decision  | Completion / Initial Production |
|---------------------------|--|-----------------------|----------------|--|--|----------------------|---------------------------------|
| Mineral & Metal Resources | Robe River Joint Venture (Australia)         | Rio Tinto             | 33%            | Iron ore export capacity at Cape Lambert from 80 to 180 million tons per annum ( Mtpa )                        | A\$1,200<br>(A\$395)                         | 2008 <sup>(*3)</sup> | End of 2012                     |
|                           |  |                       |                | Mesa A/Warramboe mine, iron ore production capacity 25 Mtpa  | US\$901<br>(US\$297)                         | 2007                 | 2010                            |
|                           | Mt Newman, Yandi, Mt.Goldsworthy (Australia) | BHP Billiton          | 7%             | Iron ore production capacity from 129 to 155 Mtpa  | A\$2,730<br>(A\$190)                         | 2007                 | Second half 2009                |
|                           |  |                       |                | Iron ore production capacity from 155 to 205 Mtpa  | US\$5,600<br>(US\$396)                       | 2008                 | Second half 2011                |
|                           |  |                       |                | Iron ore installation and production capacity to 240 Mtpa  | US\$1,930<br>(US\$93)                        | 2010 <sup>(*3)</sup> | 2013                            |
| Energy                    | Kestrel (Australia)                          | Rio Tinto             | 20%            | Extention for new mining area, coal production capacity 6.5 Mtpa   | A\$1,443<br>(A\$289)                         | 2008                 | 2012                            |
|                           | Marcellus Shale gas (USA)                    | Anadarko              | 32.5%          | Participate in the development and production of the Marcellus Shale gas project in the state of Pennsylvania. | (US\$3,000~4,000)                            | 2010                 | Over 10 years                   |

(\*1) The figures of capacity or production represent 100% volume of projects.

(\*2) Millions of currency units. Figures in parenthesis show Mitsui's budgeted expenditure.

(\*3) Approval of early funding.

**B. Business Overview.**

Throughout this section B. Business Overview, we describe the domicile of our subsidiaries and associated companies, in parentheses following names of those companies. For example, Mitsui Iron Ore Development Pty. Ltd. (Australia) means that the company's name is Mitsui Iron Ore Development Pty. Ltd. and that it is domiciled in Australia.



---

## **Table of Contents**

### *Nature of Our Operations and Principal Activities*

We are a general trading company engaged in a range of global business activities including worldwide trading of various commodities, arranging financing for customers and suppliers in connection with our trading activities, organizing and coordinating industrial projects, participating in financing and investing arrangements, assisting in the procurement of raw materials and equipment, providing new technologies and processes for manufacturing, and coordinating transportation and marketing of finished goods. Our trading activities as a general trading company include the sale, distribution, purchase, marketing, supply of and dealing in a wide variety of products and services, as a principal or an agent, including iron and steel, non-ferrous metals, machinery, electronics, chemicals, energy-related commodities and products, food products, textiles, general merchandise and real estate. We also participate in the development of natural resources such as oil, gas, iron and steel raw materials. Recently, we have been proactively making strategic business investments whereby we invest our own capital and provide management expertise in the development of joint ventures and new enterprises in certain industries such as infrastructure, renewable energy and environmental solution businesses.

While we continue to diversify our activities, the provision of services remains one of our core activities. Specifically, we act as an intermediary between customers and suppliers engaged in import, export, and offshore and domestic trading activities. For example, we develop markets overseas for exporters and locate raw materials or product sources that meet the needs of importers. To facilitate smooth customer transactions between customers and suppliers, we draw upon our various capabilities such as market information analysis, credit supervision, financing and transportation logistics.

In addition to our Head Office, Mitsui had 12 branches and offices located in Japan and 140 branches, offices and overseas trading subsidiaries<sup>(1)</sup> located in other parts of the world as of April 1, 2010. They provide market information to each other and cooperate in developing various business opportunities.

The U.S. Department of State designates Iran, Sudan, Syria and Cuba as state sponsors of terrorism and subjects them to export controls. As a globally operating organization, we conduct business with entities in various countries including Iran, Sudan and Syria. Our activities with entities in these states are insignificant when compared to our entire business (limited to approximately 1% of our consolidated revenues, gross profit and assets for the years ended March 31, 2010, 2009 and 2008). However, we are aware that our reputation is determined largely by others and is inherently outside of our direct control.

In addition, we have internal procedures to ensure compliance with both the sanctions imposed by the Security Council of the United Nations, and the licensing and other requirements of Japanese regulations with respect to export of products for military use and/or dual use to certain countries including those countries mentioned above, and we pay attention to compliance with the relevant regulations of other countries, which include the Export Administration Regulations of the U.S. Department of Commerce as well as other relevant U.S. regulations.

Our Iran-related operations consist both of business activities where we act as principal and those where we act as agent. As principal, we have purchased crude oil, oil products and petrochemical products such as ammonia and methanol from Iranian entities and sold them in Japan and elsewhere. In addition, we have sold some steel and chemical products to Iranian entities but in smaller amounts when compared with the purchase transactions. We have also acted as an agent for Japanese companies (such as Japanese engineering and heavy machinery companies), and assist them with various aspects of entering into and completing industrial projects in

(1) In this annual report, overseas trading subsidiary means subsidiaries such as Mitsui & Co. (U.S.A.), Inc., which represent major parts of the geographic operating segments of Americas; Europe, the Middle East and Africa; and Asia Pacific. See Products and Services and Principal Activities by Reportable Operating Segments for further details.

## **Table of Contents**

Iran. Mitsui has only one asset located in Iran: a subsidiary which renders services to support Mitsui's implementation of the above-mentioned activities. We currently have no plan to expand our Iran-related operations.

The Iran Sanctions Act of 1996, as amended, or the ISA, provides for certain sanctions against any person, including a non-U.S. company, that among other things knowingly makes investments of \$20 million or more (or any combination of smaller investments with an aggregate value of \$20 million or more in any 12-month period) that contribute to the enhancement of Iran's ability to develop petroleum resources, or that transfers goods or services made with the knowledge that they will contribute materially to that country's weapons capabilities. In July 2010, the ISA was enhanced by expanding the scope of sanctions-triggering activity, which now includes the provision of goods, services, technology, information, or support that could facilitate the maintenance or expansion of Iran's domestic production of refined petroleum products as well as exportation of such products to Iran. We closely monitor these and other regulatory changes and continue to enhance our internal control mechanism to ensure full compliance with the enhanced rules.

Our Sudan-related operations consist of sales of chemical raw materials such as urethanes used for the production of polyurethane foams, in which we act as an agent, where our counterparties are neither Sudanese governmental bodies nor entities engaged in oil exploration and production in the country.

Our Syria-related operations consist of sales of chemical products such as urethanes and agrochemicals (insecticides) as well as sundry goods such as photographic film, neither of which are designed for any military use, to non-governmental entities.

We do not have any assets or employees in Sudan and Syria due to extremely low activity levels.

We do not expect to expand our activities with these countries in the foreseeable future.

### *Seasonality of Our Business Activities*

The trading of individual products such as heating oil, foods and textiles is influenced by seasonal factors. For example, heating oil is traded more frequently in winter than in summer months. Another example is our food wholesale business where the revenues of MITSUI FOODS CO., LTD. (Japan) increase from October to December and decrease from January to March, reflecting seasonal consumption habit in Japan. Nonetheless, the seasonality of any product either individually or in the aggregate has marginal impact on our annual operating results.

### *Dependence on Patents and Licenses and Industrial, Commercial or Financial Contracts*

We have various patents and licenses as well as industrial, commercial and financial contracts (including contracts with customers or suppliers) to conduct our business. These patents, licenses or contracts either individually or in the aggregate are not material to our business operations or results of operations.

### *Marketing Channels*

Marketing channels vary by commodity, customer and region. We have established subsidiaries and associated companies for promotion and distribution in response to specific business environments.

See "Products and Services and Principal Activities by Reportable Operating Segments" below. Special sales or purchase methods, including financial arrangements, provided by the Machinery & Infrastructure Projects Segment and the Energy Segment, and supply chain management (SCM) systems conducted by some operating segments are also described therein. SCM means a planning and management of successive and integrated activities which cover procurement of raw materials, inventory control, processing, and logistics management for materials and products, ordinarily maintained through collaboration among suppliers, intermediaries and/or third-party service providers, and customers.

## **Table of Contents**

### *Competitive Position*

Our main competitors are other Japanese general trading companies. Moreover, all of our potential business partners, for supply of products and services; or for establishment of joint venture operations, could also be competitors. To ensure our competitiveness, we strive to continue to successfully meet the changing needs of our customers and suppliers worldwide. Analysis of competitive position by operating segment is provided in *Products and Services and Principal Activities by Reportable Operating Segments* below and also see *Item 3.D. Risk Factors*.

### *Government Regulations*

Our business activities are subject to various governmental regulations in the countries in which we operate. These regulations generally relate to obtaining business and investment approvals, and meeting the requirements of export regulations, including those related to national security considerations, tariffs, antitrust, consumer and business taxation, exchange controls and environmental laws and regulations. Certain of our business transactions such as our activities in the energy, mining, telecommunications, financing, food, consumer products, machinery, chemicals, etc. are regulated and subject to the relevant laws and regulations. See *Item 3.D. Risk Factors*.

### *Governmental Regulations with Respect to the Exploration and Production of Oil, Gas, and Mineral Resources*

We are involved in various projects involving exploration for and production of crude oil, natural gas, iron raw materials and non-ferrous metals in many different countries in which we participate as a minority stakeholder and non-operator. These exploration and production activities are subject to a broad range of local laws and regulations, which affect virtually all aspects of these activities. Contractual arrangements in connection with our oil, gas and mining activities, such as leases, licenses and production agreements are generally entered into with a government entity or a government owned company. See *Mineral & Metal Resources Segment* and *Energy Segment* of *Products and Services and Principal Activities by Reportable Operating Segments* below.

To date, changes in governmental laws and regulations have not had a material adverse effect on our oil, gas and mining projects. Some of our oil, gas and mining projects are located in politically and economically stable regions, such as Australia, where the legal systems are relatively developed. However, we also hold interests in oil, gas and mineral resources in regions where legal systems are less developed. These investments may be adversely impacted by factors such as a lack of comprehensive sets of laws and regulations, an unpredictable judicial system based on inconsistent application and interpretation of laws and regulations, and constantly changing practices of regulatory and administrative bodies.

### *Governmental Regulations with Respect to Infrastructure Projects*

We are engaged in various infrastructure projects worldwide. These include construction of power plants, oil and gas pipelines, telecommunications and broadcasting systems, cargo transportation systems, and public transit systems in developing countries. In these projects, we are subject to extensive laws and regulations with respect to technical specifications, environmental protection, pricing, labor, taxation, foreign exchange and other matters. We commonly enter into contractual arrangements with government owned companies that are subject to their own sets of laws and regulations. Changes in laws and regulations after the commencement of projects may result in lengthy delays which can negatively impact our cash flows and hinder the repatriation of capital from such projects.

### *Governmental Regulations with Respect to Human Health and Environment*

We are subject to extensive laws and regulations worldwide with respect to human health and the environment. Regulations governing food products for human consumption are complex, detailed and stringent.

## **Table of Contents**

For instance, in Japan, our food related operations are under the supervision of the Ministry of Agriculture, Forestry and Fisheries, and the Ministry of Health, Labor and Welfare. We are subject to the Food Safety Basic Law, which codifies the safety standard for food products. For example, it determines the threshold amount at which harmful substances such as pesticide residues are considered to be unacceptable. We must expend significant resources to comply with these regulations not only in Japan but in all jurisdictions where we engage in food-related operations.

We are also subject to complex environmental laws and regulations worldwide. For example, in Japan, when trading, storing or transporting chemical products or disposing of wastes and by-products from our industrial plants, we are required to notify the local regulators and/or obtain approvals or licenses. Any violation of laws and regulations may not only result in severe fines and penalties, but the regulators may require us to curtail or even cease operations, install expensive pollution control systems, and comply with enhanced notification obligations.

### *Products and Services and Principal Activities by Reportable Operating Segments*

For the year ended March 31, 2010, we had eleven reportable operating segments which consisted of eight products and services focused reportable operating segments and three region-focused reportable operating segments listed as below:

Our eight products and services focused operating segments were:

Iron & Steel Products

Mineral & Metal Resources

Machinery & Infrastructure Projects

Chemical

Energy

Foods & Retail

Consumer Service & IT

Logistics & Financial Markets

Our three region-focused operating segments were:

Americas

Europe, the Middle East and Africa

Asia Pacific

**Table of Contents**

For information on the composition of our products and services focused reportable segments and region-focused reportable operating segments, also see Item 5.A. Operating Results Operating Results by Operating Segment. Gross Profit, Operating Income (Loss) and Net Income (Loss) by reportable operating segment for the years ended March 31, 2010, 2009 and 2008 were as follows<sup>(1)(2)(3)(4) (5)</sup>:

**Gross Profit**

|                                     | In Billions, Except Percentages |        |         |        |         |        |
|-------------------------------------|---------------------------------|--------|---------|--------|---------|--------|
|                                     | 2010                            |        | 2009    |        | 2008    |        |
|                                     | ¥                               | %      | ¥       | %      | ¥       | %      |
| Iron & Steel Products               | 34.0                            | 4.8%   | 52.2    | 5.2%   | 61.3    | 6.3%   |
| Mineral & Metal Resources           | 72.5                            | 10.3   | 119.2   | 11.9   | 95.8    | 9.8    |
| Machinery & Infrastructure Projects | 90.6                            | 12.9   | 106.3   | 10.6   | 119.7   | 12.2   |
| Chemical                            | 65.7                            | 9.4    | 80.0    | 8.0    | 100.2   | 10.2   |
| Energy                              | 155.0                           | 22.1   | 272.0   | 27.2   | 219.3   | 22.4   |
| Foods & Retail                      | 83.6                            | 11.9   | 82.4    | 8.2    | 81.2    | 8.3    |
| Consumer Service & IT               | 52.0                            | 7.4    | 73.7    | 7.4    | 116.7   | 11.9   |
| Logistics & Financial Markets       | 31.3                            | 4.5    | 62.1    | 6.2    | 55.1    | 5.6    |
| Americas                            | 73.1                            | 10.4   | 116.0   | 11.6   | 78.5    | 8.0    |
| Europe, the Middle East and Africa  | 16.7                            | 2.4    | 22.2    | 2.2    | 26.8    | 2.7    |
| Asia Pacific                        | 27.9                            | 4.0    | 26.6    | 2.7    | 33.1    | 3.4    |
| Total                               | 702.4                           | 100.1  | 1,012.7 | 101.2  | 987.7   | 100.8  |
| All Other                           | 0.5                             | 0.1    | 2.9     | 0.3    | 5.5     | 0.6    |
| Adjustments and Eliminations        | (0.9)                           | (0.2)  | (16.3)  | (1.5)  | (12.6)  | (1.4)  |
| Consolidated Total                  | ¥ 702.0                         | 100.0% | ¥ 999.3 | 100.0% | ¥ 980.6 | 100.0% |

**Operating Income (Loss)**

|                                     | In Billions, Except Percentages |        |         |        |         |        |
|-------------------------------------|---------------------------------|--------|---------|--------|---------|--------|
|                                     | 2010                            |        | 2009    |        | 2008    |        |
|                                     | ¥                               | %      | ¥       | %      | ¥       | %      |
| Iron & Steel Products               | 1.2                             | 0.8%   | 17.4    | 4.5%   | 25.6    | 6.9%   |
| Mineral & Metal Resources           | 56.8                            | 39.3   | 104.5   | 27.3   | 79.0    | 21.3   |
| Machinery & Infrastructure Projects | 10.7                            | 7.4    | 16.0    | 4.2    | 30.1    | 8.1    |
| Chemical                            | 14.9                            | 10.3   | 24.2    | 6.3    | 42.8    | 11.5   |
| Energy                              | 98.5                            | 68.2   | 214.1   | 56.0   | 172.5   | 46.5   |
| Foods & Retail                      | 20.4                            | 14.1   | 19.0    | 5.0    | 16.6    | 4.5    |
| Consumer Service & IT               | (8.8)                           | (6.1)  | (12.8)  | (3.3)  | 19.0    | 5.1    |
| Logistics & Financial Markets       | 1.5                             | 1.0    | 23.8    | 6.2    | 20.9    | 5.6    |
| Americas                            | 5.4                             | 3.7    | 39.0    | 10.2   | 7.3     | 2.0    |
| Europe, the Middle East and Africa  | (4.0)                           | (2.8)  | (1.9)   | (0.5)  | 1.8     | 0.5    |
| Asia Pacific                        | 2.9                             | 2.0    | (1.5)   | (0.4)  | 7.7     | 2.1    |
| Total                               | 199.5                           | 137.9  | 441.8   | 115.5  | 423.3   | 114.1  |
| All Other                           | (4.5)                           | (3.1)  | (3.0)   | (0.8)  | (1.4)   | (0.4)  |
| Adjustments and Eliminations        | (50.5)                          | (34.8) | (56.3)  | (14.7) | (50.7)  | (13.7) |
| Consolidated Total                  | ¥ 144.5                         | 100.0% | ¥ 382.5 | 100.0% | ¥ 371.2 | 100.0% |



Edgar Filing: MITSUI & CO LTD - Form 20-F

\* Operating income (loss) reflects our (a) Gross Profit, (b) Selling, general and administrative expenses and (c) Provision for doubtful receivables, as presented in the Statements of Consolidated Income.

**Table of Contents****Net Income (Loss)**

|                                     | In Billions, Except Percentages<br>Years Ended March 31, |               |                |               |                |               |
|-------------------------------------|--|---------------|----------------|---------------|----------------|---------------|
|                                     | 2010   |               | 2009           |               | 2008           |               |
| Iron & Steel Products               | ¥ 3.2  | 2.1%          | ¥ (4.8)        | (2.7)%        | ¥ 20.2         | 4.9%          |
| Mineral & Metal Resources           | 62.9   | 42.0          | 90.0           | 50.7          | 177.0          | 43.2          |
| Machinery & Infrastructure Projects | 19.3   | 12.9          | 21.8           | 12.3          | 34.4           | 8.4           |
| Chemical                            | 11.9   | 7.9           | (10.2)         | (5.7)         | 18.3           | 4.5           |
| Energy                              | 83.8   | 56.0          | 153.3          | 86.3          | 124.1          | 30.3          |
| Foods & Retail                      | (0.8)  | (0.5)         | 1.5            | 0.8           | 10.4           | 2.5           |
| Consumer Service & IT               | (9.8)  | (6.5)         | (31.4)         | (17.7)        | 12.0           | 2.9           |
| Logistics & Financial Markets       | (0.8)  | (0.5)         | (14.5)         | (8.2)         | 7.5            | 1.8           |
| Americas                            | (9.6)  | (6.4)         | (7.1)          | (4.0)         | 5.0            | 1.2           |
| Europe, the Middle East and Africa  | (3.8)  | (2.5)         | (11.5)         | (6.5)         | 5.0            | 1.2           |
| Asia Pacific                        | 25.7   | 17.2          | 29.9           | 16.8          | 22.1           | 5.4           |
| <b>Total</b>                        | <b>182.0</b>   | <b>121.7</b>  | <b>217.0</b>   | <b>122.1</b>  | <b>436.0</b>   | <b>106.3</b>  |
| All Other                           | 1.5  | 1.0           | 7.1            | 4.0           | (6.7)          | (1.6)         |
| Adjustments and Eliminations        | (33.8)   | (22.7)        | (46.5)         | (26.1)        | (19.2)         | (4.7)         |
| <b>Consolidated Total</b>           | <b>¥ 149.7</b>   | <b>100.0%</b> | <b>¥ 177.6</b> | <b>100.0%</b> | <b>¥ 410.1</b> | <b>100.0%</b> |

## Notes:

- (1) The figures for Consolidated Total for the years ended March 31, 2009 and 2008 have been reclassified to conform to the change in current year presentation for discontinued operations, in accordance with ASC205-20 Presentation of Financial Statements-Discontinued Operations, which was formerly SFAS No.144, Accounting for the Impairment or Disposal of Long-Lived Assets.
- (2) All Other includes business activities which primarily provide services, such as financing services, and operations services to external customers, and/or to us and associated companies.
- (3) Net loss of Adjustments and Eliminations includes income and expense items that are not allocated to specific reportable operating segments, such as certain expenses of corporate departments, and eliminations of intersegment transactions.
- (4) Transfers between operating segments are made at cost plus a markup.
- (5) During the year ended March 31, 2010, Mitsui & Co. Financial Services (Australia) which was formerly operating under Asia Pacific segment was transferred to All Other. In accordance with this change, the figures for the year ended March 31, 2009 and 2008 have been restated to conform to the current year presentation.

**Iron & Steel Products Segment**

The Iron & Steel Products Segment consists of one business unit, the Iron & Steel Products Business Unit, which has:

9 subsidiaries including Mitsui & Co. Steel Ltd. (Japan), MITSUI BUSSAN KOZAI HANBAI CO., LTD. (Japan), MBK Steel Products West Co., Ltd. (Japan), Seikei Steel Tube Corp. (Japan), Regency Steel Asia Pte Ltd. (Singapore) and Bangkok Coil Center Co., Ltd. (Thailand); and

16 associated companies including Nippon Steel Trading Co., Ltd. (Japan) and Shanghai Bao-Mit Steel Distribution Co., Ltd. (China). Gross profit and net income attributable to Mitsui & Co., Ltd. for this segment for the year ended March 31, 2010 were ¥34.0 billion or 4.8% and ¥3.2 billion or 2.1% of our consolidated total, respectively.



## Table of Contents

This segment handles various iron and steel products used in a wide range of industries including the automotive, appliances, transportation, construction and energy sectors. They serve customers in these industries worldwide and provide support services for steel manufacturers. The Iron & Steel Products Segment conducts, trading, marketing, processing and distribution of:

steel sheet for automotive, containers and appliances, steel plates for shipbuilding and others;

steel products for oil and gas projects including OCTG and line pipes;

steel bars and other steel construction materials;

wire rods, specialty steel and bearings;

semi-finished items including steel slabs to be processed into steel plate, sheet and steel billets to be processed into steel bars and wire rods.

This segment has made investments in subsidiaries and associated companies including steel service centers for processing and distribution; electric furnace steel makers and rolling mills as manufacturing bases; and steel products distribution companies, and this segment has also developed its services based on the proprietary supply-chain network by making use of accumulated IT and logistics expertise. By working closely with manufacturers and users, we optimize distribution and inventory control, thus sharing with customers and suppliers the benefit of associated cost reductions.

For example:

This segment has established steel service centers, galvanizing and tin-plating facilities at our subsidiaries and/or joint ventures with Japanese and overseas steel makers and other local partners in order to meet the rising demand from manufacturers of automotive, appliances and others that have their production centers all over the world. The most representative case is Shanghai Bao-Mit Steel Distribution Co., Ltd., a joint venture established with Shanghai Baosteel Group Corporation, a Chinese integrated steel manufacturer, in order to build a network of steel products service centers in China.

Recently, this business segment has focused on businesses in emerging countries whose steel products markets have grown rapidly. In Asia, Regency Steel Asia Pte Ltd., a steel products wholesale subsidiary has expanded its wholesale operations. This segment also focuses on business opportunities in India by setting up joint ventures with local partners and creating our service networks such as coil centers.

This segment frequently draws upon the unit's logistics expertise in delivering a wide range of materials and products processed properly in large volume under an optimized schedule along with expertise in project financing. We also take advantage of the business relationships and marketing channels of other business units in the fields of mineral and metal resources, energy, industrial plants, shipping and machinery. This enabled this segment to be involved in various industrial projects including the Papua New Guinea LNG project operated by Exxon Mobil Corporation where we supplied steel pipes and the mining projects operated by Rio Tinto plc and Vale S.A. supplying rails for minerals transportation.

On the other hand, in the domestic market which has substantially matured, this business segment concentrates on reorganizations of subsidiaries to improve their sales force and operational efficiency, and to enhancing its internal control base. For example, this business segment established Mitsui & Co. Steel Ltd. by consolidating 4 subsidiaries for steel products in April 2008.

## Edgar Filing: MITSUI & CO LTD - Form 20-F

Some competitors of this segment, other Japanese trading companies, have reorganized their businesses and established new joint ventures, such as Marubeni-Itochu Steel Inc. and Metal One Corporation. In contrast, this segment puts priority in efficiently leveraging business resources of other operating segments through group-wide collaborations.

Recently, an increase in steel production and consumption in newly developing countries such as China and India, as well as a decrease in demand in developed countries stemming from slow down of the economies

## Table of Contents

triggered by financial crisis in the United States are ongoing in tandem. In the domestic market where sluggish demand especially for construction usage continue, this segment focuses on optimizing distribution networks in the partnership with local steel products wholesalers. At the same time, this segment is working to be an insider and build up the operating base in the developing countries.

### *Mineral & Metal Resources Segment*

The Mineral & Metal Resources Segment consists of one business unit, the Mineral & Metal Resources Business Unit. Effective April 1, 2007, the former Iron & Steel Raw Materials and Non-Ferrous Metals Segment was renamed as the Mineral & Metal Resources Segment, and the businesses of coal, nuclear fuels, carbon credits, and hydrogen and fuel cell were transferred to the Energy Segment.

This segment has:

8 subsidiaries, including Mitsui Iron Ore Development Pty. Ltd., Mitsui-Itochu Iron Pty. Ltd. (Australia), Japan Collahuasi Resources B.V. (Netherlands), Mitsui Raw Materials Development Pty. Limited (Australia) and MITSUI BUSSAN METALS CO., LTD. (Japan); and

11 associated companies, including Valepar S.A. (Brazil), Coral Bay Nickel Corporation (The Republic of Philippines), SUMIC Nickel Netherlands B.V. (Netherlands), NIPPON AMAZON ALUMINIUM CO., LTD. (Japan) and Inner Mongolia Erdos Electric Power & Metallurgical Co., Ltd. (China).

Gross profit and net income attributable to Mitsui & Co., Ltd. for this segment for the year ended March 31, 2010 were ¥72.5 billion or 10.3% and ¥62.9 billion or 42.0% of our consolidated totals, respectively.

This segment is engaged in various business activities including:

trading, investment, logistics management and transportation services related to iron and steel raw materials, such as iron ore, metal scrap, ferro-alloys and other minerals;

trading, investment, logistic management and transportation of non-ferrous metal raw materials and ingots such as copper, lead, zinc, nickel, aluminium, alumina, magnesium, cobalt, titanium, other non-ferrous metals; and sales and marketing of semi-fabricated non-ferrous products such as construction materials; and

recycling solutions business.

In the field of iron and steel raw materials, in 1960s this segment started investments in raw materials sourcing projects based on concept of develop-and-import, aiming at stable procurement of those raw materials to Japan through diversified channels. Those projects are supplying raw materials to major iron and steel manufacturing countries including Japan.

**Table of Contents**

The following tables provide information on investments of this segment in iron ore resource projects. For more information on its mining activities including production and reserves, See Item 4.D. Property, Plants and Equipment Mining Activities.

**Iron Ore Mining Activities**

| Joint Venture or Investee            | Mitsui's Subsidiary or Associated Company | Name of Mines                         | Location                          | Mitsui's Percentage of Ownership | Other Major Participants and Their Percentages of Ownership |        |
|--------------------------------------|---|---------------------------------------|-----------------------------------|----------------------------------|---|--------|
| <b>Robe River Iron Associates</b>    | Mitsui Iron Ore Development Pty. Ltd.     | Pannawonica West                      | Pilbara Region, Western Australia | 33.00%                           | Rio Tinto   | 53.00% |
|                                      |   | West Angelas                          |                                   |                                  | Nippon Steel  | 10.50% |
|                                      |   |                                       |                                   |                                  | Sumitomo Metal Industries                                   | 3.50%  |
| <b>Mt. Newman Joint Venture</b>      | Mitsui -Itochu Iron Pty. Ltd.             | Mt. Whaleback                         | Pilbara Region,                   | 7.00%                            | BHP Billiton  | 85.00% |
|                                      |   |                                       | Western Australia                 |                                  | Itochu  |        |
| <b>Yandi Joint Venture</b>           | Mitsui Iron Ore Development Pty. Ltd.     | Marillana Creek                       | Pilbara Region,                   | 7.00%                            | BHP Billiton  | 85.00% |
|                                      |   |                                       | Western Australia                 |                                  | Itochu  |        |
| <b>Mt. Goldsworthy Joint Venture</b> | Mitsui Iron Ore Development Pty. Ltd.     | Northern (Yarrie) (Nimingarra) Area C | Pilbara Region,                   | 7.00%                            | BHP Billiton  | 85.00% |
|                                      |   |                                       | Western Australia                 |                                  | Itochu  |        |

In addition, this segment has a 15% ownership interest (or 18.2% in terms of voting shares as of March 31, 2010), of Valepar S.A., the controlling shareholder of Vale S.A. (the former Companhia Vale do Rio Doce, which has been renamed legally effective May 22, 2009) in Brazil. Vale S.A. is a mining enterprise with operations that include mining of iron ore, other raw non-ferrous metals, coal and fertilizers. This segment purchased the ownership interest in Valepar S.A. in September 2003. In July 2008, Vale S.A. made a public offering of its shares. Valepar S.A. maintained the current controlling ownership at Vale S.A. by exercising its priority subscription rights, and Mitsui contributed to Valepar S.A. on a pro rata basis. Mitsui's additional investment amount was ¥78.4 billion.

In April 2007, this segment sold its entire stake in Sesa Goa Limited, Indian iron ore producer.

Iron ore mining businesses remain our core business, and continue to focus on investments for the enhancement of production capacity and operational efficiency in existing mining operations. Our equity production tonnage is expected to be increasing in accordance with an increase in demand of the newly developing countries, including China, the world largest crude steel producer in a mid- and long-term despite the fact that iron ore demand temporarily stagnated worldwide, mainly in developed countries, due to the economic slow down triggered by the financial crisis in the United States. Regarding further information and discussion on development of this segment's iron ore mining projects, see Item 4.A. History and Development of the Company Capital Expenditure, Item 5.A. Operating Results Operating Results by Operating Segment Mineral & Metal Resources Segment and Item 5.B. Liquidity and Capital Resources Investment Plans and Financial policies of the Medium Term Management Outlook.

**Table of Contents**

Revenues from iron ore producing activities account for a significant portion of this segment. The table below sets forth the break down of revenues of the Mineral & Metal Resources Segment.

| Years Ended March 31, | Revenues from Sales of Products             |  | Revenues from Sales of Services and Other Sales |  | Total Revenues |
|-----------------------|---|--|---|--|----------------|
|                       | Revenues from Iron Ore Producing Activities | Revenues from Sales of Other Products(*) | Revenues from Sales of Services and Other       | Commissions and Trading Margins on Intermediary Services and Other |                |
| 2010                  | ¥ 136.2                                     | ¥ 127.4                                  | ¥ 8.4   |  | ¥ 272.0        |
| 2009                  | 169.5                                       | 224.1                                    | 13.8  |  | 407.4          |
| 2008                  | 116.8                                       | 159.2                                    | 16.7  |  | 292.7          |

(\*) Revenues from sales of other products mainly consist of sales of scrap metals and non-ferrous metals such as copper and aluminum. This segment reports no revenues from mineral producing activities other than iron ore producing activities.

This segment recognizes recycling as industrial solutions to environmental problems, and has set metal recycling business as one of its key businesses. In Japan, Mitsui Bussan Raw Materials Development Corporation (Japan), which had operated a metal recycling business, was merged in April 2008 with a former non-ferrous metal trading subsidiary Mitsui Bussan Metals Sales Co., Ltd. (Japan), to form Mitsui Bussan Metals Co., Ltd., which engages in wide range of products and services in metal resources, recycling and non-ferrous metal products.

In addition, in June 2007, this segment acquired 19.9% of the issued ordinary shares of Sims Group Limited (currently Sims Metal Management Limited) (Australia), a metal and electronics recycler with worldwide operating bases in Australia and Europe as well as in North America, its main operating zone. As a result of Sims Metal Management Limited's merger with Metal Management, Inc, a United States recycler, the subsequent Mitsui's acquisition of additional shares and new share issuance made by Sims Metal Management Limited, this segment's ownership interest was diluted to 17.8% as of March 31, 2010. Mitsui and Sims Metal Management Limited seek opportunities for a joint recycling solutions business in Japan and abroad.

This segment participates in a joint venture which produces Silico-Manganese in the Inner Mongolia Autonomous Region, China, with 24.5% ownership, together with Erdos Electrical Power and Metallurgical Co., Ltd. (Erdos EPMC) and JFE Steel Corporation, a major Japanese integrated steel manufacturer. This project started production of Silico-Manganese in July 2006 with an annual production capacity of 75,000 tons at its initial stage, and an expansion plan to double the capacity to 150,000 tons was completed in December 2008. Erdos EPMC operates five major businesses in the Inner Mongolia Autonomous Region: power generation, coal mining, ferrous alloy production, water pumping from the Yellow River and chemical businesses. In April 2007, this segment completed the acquisition of 25% share ownership in Erdos EPMC.

This segment has been operating, not only mining business but also other joint venture projects to meet the increasing demand for iron and steel raw materials in Japan and abroad. POSCO Terminal Co., Ltd. (Korea) is the representative case established in January 2003 with POSCO, an integrated steel manufacturer in Republic of Korea. It provides logistics services including bulk material transportation, storage and transshipment involving iron and steel raw materials for various customers in Asia.

In non-ferrous metals field, this segment has been engaged in trading raw materials and ingots such as copper, nickel, cobalt, aluminium, alumina and other non-ferrous metals, and also expanding our investments and participations in various non-ferrous metals mining and smelting projects to secure stable supply sources of the raw materials and ingots. For example:

This segment participates in copper mining activities in Chile, through Compania Minera Dona Ines de Collahuasi SCM (Chile) with a 7.4% interest and Los Pelambres copper mine with a 1.3% interest,



**Table of Contents**

which have annual production capacities of about 500,000 tons and 360,000 tons of copper, respectively. In addition, in May 2010 this segment acquired a 25% interest in Caserones copper and molybdenum mining project in Chile, which had been 100% held by Pan Pacific Copper Co., Ltd. Production is expected to start in 2013 and the average annual production volume in the first five years is expected to be about 180,000 tons of copper and about 3,000 tons of molybdenum.

This segment participates in a nickel-cobalt smelting project named Coral Bay in the Rio Tuba area in the Republic of Philippines which has been developed jointly with Sumitomo Metal Mining Co., Ltd., Sojitz Corporation and a local partner. This project started commercial production of nickel-cobalt mixed sulfide in April 2005 using a high-pressure acid leaching process, an advanced processing technology for nickel production, and is operating at its design capacity (10,000 ton Nickel content and 750 ton cobalt content per annum) after March 2006. In February 2007, we decided to participate in the expansion plan for the second production line to double the production capacity. The current production capacity is 22,000 ton Nickel content and 1,400 ton cobalt content per annum. In April 2005, this segment, jointly with Sumitomo Metal Mining Co., Ltd., concluded an agreement for participation in the Goro Nickel Project in New Caledonia, which has been developed by former Inco Limited, (currently called as Vale Limited). This project started its first upstream process operation in the beginning of 2010 and is expected to produce in total about 60,000 tons of nickel and about 5,000 tons of cobalt per annum eventually.

This segment has a 15.0% interest in NIPPON AMAZON ALUMINUM CO., LTD. which has invested in aluminum smelting and alumina refining business in Brazil. We recognize that aluminium continues to be a significant material and pursue relevant business opportunities.

This segment established a special department for rare metals which underpin high-tech industries. The segment has been studying development and undertaking feasibility studies of various rare metal projects. As an example, this segment obtained an exclusive marketing right for Japan, China and Korea from Canada Lithium Corporation in April 2009 to procure the lithium (under development) stably, and are conducting market research for lithium by shipping samples to battery and battery material manufactures.

***Machinery & Infrastructure Projects Segment***

The Machinery & Infrastructure Projects Segment consists of three business units, the Infrastructure Projects Business Unit, the Motor Vehicles Business Unit and the Marine & Aerospace Business Unit.

Gross profit and net income attributable to Mitsui & Co., Ltd. for this segment for the year ended March 31, 2010 were ¥90.6 billion or 12.9% and ¥19.3 billion or 12.9% of our consolidated totals, respectively.

The Machinery & Infrastructure Projects Segment holds 61 subsidiaries, including:

MBK Project Holdings Ltd. (Japan), Mitsui & Co. Plant Systems, Ltd. (Japan), Mitsui Power Ventures Limited (United Kingdom), MIT POWER CANADA LP INC. (Canada), Mitsui Rail Capital Holdings, Inc. (United States), Mitsui Rail Capital Europe B.V. (Netherlands), Mitsui Rail Capital Participacoes Ltda. (Brazil), MITSUI GAS E ENERGIA DO BRASIL LTDA. (Brazil), Cactus Energy Investment B.V. (Netherlands), Mit Investment Manzanillo B.V. (Netherlands), Drillship Investment B.V. (Netherlands) and Atlatec Holdings, S.A. de C.V. (Mexico) in the Infrastructure Projects Business Unit;

Toyota Chile S.A. (Chile), TF USA Inc. (United States), Mitsui Automotive Europe B.V. (Netherlands), Mitsui Automotive CIS Investment B.V. (Netherlands), PT. Bussan Auto Finance (Indonesia), Bussan Automotive Singapore Pte. Ltd. (Singapore), Mitsiam Motors Co., Ltd. (Thailand) and Komatsu-Mitsui Maquinarias Peru S.A. (Peru) in the Motor Vehicles Business Unit; and

Lepta Shipping Co., Ltd. (Liberia), Clio Marine Inc. (Liberia), Orient Marine Co., Ltd. (Japan) and Mitsui Bussan Aerospace Co., Ltd. (Japan) in the Marine & Aerospace Business Unit.



## **Table of Contents**

Additionally it has 54 associated companies such as:

Toyo Engineering Corporation (Japan), IPM Eagle LLP (United Kingdom), IPM (UK) Power Holdings Limited (Gibraltar), P.T. Paiton Energy (Indonesia), Compania de Generacion Valladolid S. de R.L. de C.V. (Mexico), AES JORDAN HOLDCO, LTD. (Cayman Islands) and RLC Power Holding Company Limited (United Arab Emirates) in the Infrastructure Projects Business Unit; and

Toyota Canada Inc. (Canada), Penske Automotive Group, Inc. (United States), PT. Yamaha Indonesia Motor Manufacturing (Indonesia) and Komatsu Australia Pty. Ltd. (Australia) in the Motor Vehicles Business Unit.

### ***Infrastructure Projects Business Unit***

The business activities of the Infrastructure Projects Business Unit together with 27 subsidiaries and 13 associated companies cover a wide range of involvement in project development, construction, business operations and management, implementation and related services, including:

electric power projects such as power plants, power transmission and substation facilities;

renewable energy projects such as wind power and photovoltaic power generation facilities;

water supply projects such as seawater desalination plants, wastewater processing facilities and water supply and sewerage facilities;

energy / basic industries projects such as oil and gas development, oil refineries, LNG receiving facilities and pipelines, steel plants, non-ferrous metal plants and chemical plants;

project development such as airport, port, road and other public facilities;

transportation-related business such as rolling stock and railway facilities and systems;

This business unit is undertaking various projects that may stimulate economic growth in developing countries and countries rich in natural resources. In response to their needs, they apply their project engineering capabilities including expert knowledge in financing, logistics, taxation and legal affairs. This business unit often arranges financing for projects by international financial institutions and export credit agencies worldwide.

The following are examples of the types of projects and the activities in which this business unit renders services, mainly as an agent in securing the contract, arranging financing and executing the contract:

In the Commonwealth of Independent States ( CIS ), including Russia, the Middle East, Brazil and Indonesia, they have been engaged in the structuring and the arrangement of debt and equity project financing for various natural gas and/or oil projects, together with export credit agencies and commercial banks.

This business unit has acted as the Engineering, Procurement and Construction ( EPC ) contractor for the construction of infrastructure facilities including power plants, various oil and gas production facilities and petrochemical plants in which they have procured manufacturing equipment from Japanese and overseas subcontractors and have administered implementation of the projects under

construction.

For the Taiwan High Speed Rail project, they are the commercial leader of a consortium consisting of Japanese railway car manufacturers and general trading companies, which supplied rolling stock and transportation facilities. In addition to the conventional EPC approach of acting as an intermediary between project owners and sub-contractors, this business unit is increasing activities which often involve arrangement of sophisticated financing schemes, business operations and management through equity participation, and operation and maintenance of plant and facilities after their construction completion. Based on this concept, the unit has been

**Table of Contents**

proactively investing in several types of infrastructure projects. In particular, independent power producer ( IPP ) business overseas lies as a core domain. Most of these IPP projects operate under long term power sales contracts with users such as state-owned electricity companies, which enable them to forecast long term and stable returns.

IPM Eagle LLP and IPM (UK) Power Holdings Limited, which this business unit established jointly with International Power plc, are the core operation of our overseas power producing businesses. IPM Eagle LLP (ownership: International Power plc 70% and Mitsui 30%), which was established upon its acquisition of the international power generation portfolio held by Edison Mission Energy in USA in December 2004, owns and operates nine power plants in Europe, Australia and Asia etc. (gross 4,540 megawatts in total, including those under construction) as of March 2010. IPM (UK) Power Holdings Limited (ownership: International Power plc 75% and Mitsui 25%), which was established in June 2007 upon the reorganization of the ownership of power generating assets in the United Kingdom separately held by International Power plc and Mitsui, owns and operates five power plants in the United Kingdom (4,978 megawatts in total) as of March 2010. Some of the above-mentioned projects sell electricity at wholesale on the power market, instead of supplying it under long term contracts, so that the joint ventures optimize their profit structure.

This business unit formed a joint venture with Calpine Corporation to construct, own and operate the 1,005 megawatt combined cycle power plants called Greenfield Energy Center LP (Canada). The joint venture started commercial operation in October 2008 based on a 20 year Clean Energy Supply contract with Ontario Power Authority, Canada.

This business unit has a 36.3% voting interest in P.T. Paiton Energy, an Indonesian power producer, which owns a 1,230 megawatt coal fired power plant at the Paiton Power Generation Complex in East Java, Indonesia. (In addition, IPM Eagle LLP owns a 44.7% voting interest.) P.T. Paiton Energy sells electricity to P.T. PLN (Persero), a government-owned electric utility company, under a long term power purchase agreement which is valid until the year 2040. P.T. Paiton Energy signed a US\$1,215 million project financing agreement with Japan Bank for International Cooperation and eight commercial banks in March 2010 to finance an expansion project that P.T. Paiton Energy builds, owns and operates an additional 815 megawatt thermal power plant in the proximity of the existing plant. The new plant is anticipated to commence commercial operation in April 2012 and will generate and supply electricity to P.T. PLN (Persero) for 30 years under a long term power purchase agreement.

In December 2009 this business unit and Tokyo Gas Co., Ltd. entered into an agreement with Gas Natural SDG, S.A. to acquire a portfolio of five power companies and relevant companies including a pipeline company in Mexico, of which total enterprise value is approximately US\$1,200 million, through MT Falcon Holdings Company S.A.P.I. de C.V. (Mexico) (Ownership: Mitsui 70% and Tokyo Gas Co., Ltd. 30%). In June 2010 the acquisition was completed. The power companies have an aggregate total generating capacity of gross 2,233 megawatt (net 1,563 megawatt). The full generating capacity of the power companies is contracted to the Mexican national power authority, Comision Federal de Electricidad under long-term (25 years) power purchase agreements.

Reflecting these developments, the combined power generation capacities for the unit's equity share in various power projects as of the end of March 2010 in operation and under construction were net 3,716 megawatt and net 685 megawatt (excluding above mentioned net 1,563 megawatt in Mexico of which acquisition was not completed as of March 2010), respectively. As well as the above-mentioned projects, these power generation capacities included those under the operation of Umm Al Nar in the United Arab Emirates, Valladolid III in Mexico and Amman East in Jordan etc. and those under construction such as Ras Laffan C in Qatar etc.

This business unit is also engaged in following projects:

In March 2008 Mitsui signed a service agreement with Comisión Federal de Electricidad in regards to the concession rights for construction and operation of an LNG receiving terminal in Manzanillo city.

---

**Table of Contents**

Mitsui participates in this project with a 37.5% interest. Commercial start-up is planned around in late 2011. In addition, this business unit owns a 25% interest in the LNG terminal in Altamira, Mexico. The facility provides services of receiving and regasification of LNG for the ultimate customer, Comisión Federal de Electricidad, a state power company.

In July 2008, Mitsui, together with Toyo Engineering Corporation, an associated company of this business unit, acquired Earth Tech Mexican Holdings, S.A. de C.V. (presently renamed as Atlatec Holdings, S.A. de C.V.), a water and wastewater treatment engineering and construction company. The company specializes in design, construction and operation of industrial and municipal water and wastewater treatment plants and currently owns and operates water treatment facilities for Petroleos Mexicanos, a Mexican state-owned oil company, and for several states in Mexico jointly with the Americas Segment.

MITSUI GAS E ENERGIA DO BRASIL LTDA., formerly named Gás Participações Ltda., which Mitsui wholly acquired in April 2006, participates in seven local gas distribution companies with a 24.5% interest in each, with other shareholders, Petrobras Gas S.A., and the respective state governments in Brazil.

In June 2008, Mitsui and Petróleo Brasileiro S.A. ( Petrobras ), a Brazilian state owned oil company, agreed to start deepwater drilling services with an ultra-deepwater drillship. P & M Drilling International B.V. (Netherlands), an operating vehicle company established in equal shares by Mitsui and Petrobras, owns a drillship which was built in July 2009, and engages in leasing for an operator, who will in turn provide the services with Petrobras. This business unit is proceeding with the project together with the Marine & Aerospace Business Unit.

This business unit runs rolling stock leasing businesses providing relevant maintenance and management services.

In North America, Mitsui Rail Capital, LLC. (United States) engages in operating leasing of freight cars for railway companies and logistic management and maintenance service of freight cars for coal transportation to power companies.

In Brazil, Mitsui Rail Capital Participações Ltda. engages in finance leasing of freight cars for major grain shippers and railroad companies.

In Europe, Mitsui Rail Capital Europe B.V. and its subsidiary, MRCE Dispolok GmbH (Germany), engage in operating leasing of locomotives in Europe.

Also, this business unit is engaged in the construction of wind power and photovoltaic power generation facilities and other environment-related projects such as greenhouse gas emission reduction project.

Our major competitors include other Japanese general trading companies, international financial institutions, global engineering companies, general contractors, multi-national IPP s and investment funds. Those competitors, however, can be important partners in some cases.

***Motor Vehicle Business Unit***

The Motor vehicle Business Unit, together with 24 subsidiaries and 19 associated companies, is engaged in the following business activities:

Import and export, assembly and manufacturing, distribution and dealership of motor vehicles, motor cycles and their parts, and retail finance; and

Trading of industrial machinery including mining and construction equipment, production equipment and machine tools.



---

**Table of Contents**

This business unit has a long track record of exporting and marketing Japanese automobiles and has developed networks of our subsidiaries and associated companies as import wholesalers, dealers and assembler for Japanese vehicles in many regions of the world. For example, we have been exporting Toyota and motor vehicles of other Japanese manufacturers to various countries worldwide including Canada (Toyota), Chile (Toyota), Peru (Toyota), Thailand (Hino) and Malaysia (Daihatsu).

In addition, this business unit has diversified its activities by allocating our financial and human resources strategically to prioritized areas of our motor vehicles business worldwide, such as logistics services for manufacturing components, retail operations and retail finance. For example:

This business unit has operated our subsidiary PT. Bussan Auto Finance, a retail finance company for Yamaha motorcycles since 1997;

This business unit has ownership in Penske Automotive Group, Inc., an automobile dealership group in the United States, with a 16.9% voting share. By combining what they learned from our involvement in Penske Automotive Group, Inc. with their knowledge of the global market, this business unit continues to explore other opportunities to expand into retail dealership operations in developing markets such as Russia, China and Brazil;

This business unit has been handling the logistics operations of automobile parts for some of Toyota's manufacturing operations in North America, Europe, India and China; and

The business unit acquired a 19.1% voting share in ASAHI TECH CORPORATION (Japan), a manufacturer of ductile iron cast parts and aluminum forged parts for major automakers in January 2007. Subsequently, ASAHI TECH CORPORATION increased the capital by receiving the funds from RHJ International SA, its largest shareholder. While this business unit's voting share was diluted to 11.3% as of the end of March 2010 because of the capital increase, the business unit also continues to be engaged in auto part manufacturing business.

In this business unit's construction machinery and industrial system businesses, it has been acquiring and establishing distributors and dealers in major overseas markets, in order to respond growing worldwide demand to these products. In Australia, Komatsu Australia Pty Ltd., an associated company, is engaged in distribution of construction machinery and mining equipment such as off-road mining dump trucks and hydraulic excavators, while another associated company, Komatsu Australia Corporate Finance Pty Ltd. is engaged in leasing of these equipments. This business unit has also extended these businesses in other regions, through Komatsu-Mitsui Maquinarias Peru S.A., Road Machinery, LLC (United States) and KOMEK Machinery LLC (Russia). They are also engaged in trading and distribution of high-precision machine tools, supplied by Japanese manufacturers. Jointly with Mori Seiki Co., Ltd, they acquired Ellison Technologies, Inc. (United States) in 2007. Both of Road Machinery, LLC and Ellison Technologies, Inc. were acquired jointly with the Americas Segment and this business unit was mainly controlling the companies. Effective April 2008, such control was transferred to the Americas Segment in order to put more importance on the regional business strategy than on merchandise oriented strategy keeping this business unit's ownership interests in both companies.

***Marine & Aerospace Business Unit***

The Marine & Aerospace Business Unit, together with 10 subsidiaries and 22 associated companies, is engaged in the following business activities:

sales, marketing and intermediary service of cargo vessels, tankers, container vessels, refrigerator vessels, automobile carriers, LNG and LPG carriers, Floating Storage and Offloading ( FSO ) and Floating Production, Storage and Offloading ( FPSO ) facilities as well as owning and operating, leasing and financing for these vessels and facilities, ship management services, an intermediary service for chartering vessels and sales of second hand vessels, and marketing equipment for vessels; and



---

**Table of Contents**

marketing and sales of passenger aircraft and cargo aircraft, helicopters, aircraft engine, defense-related equipment and aerospace systems, leasing of passenger aircraft and cargo aircraft and aircraft engines.

The vessel and marine project related activities include marketing newly built vessels (mainly commercial vessels) to ship owners and shipping firms in Japan and overseas, ship management services, acting as broker for chartering vessels and for the sale and purchase of second hand vessels, and marketing equipment for vessels to shipbuilding companies.

This business unit is engaged in energy-related marine projects, including joint ownership and operation of LNG vessels, and joint ownership and operations management of FSO and FPSO facilities. In February 2010 this business unit decided to subscribe for shares of MODEC Inc. through a third party allotment and to raise its shareholding ratio to 15.0%, and entered into a business alliance agreement with an aim to jointly promote FSO and FPSO businesses. In addition, this business unit arranges various types of financing for our customers and/or those projects, such as syndicated loans involving international financial institutions for large scale transactions. We also provide direct loans to some of our clients.

The following are recent developments in energy-related marine projects businesses:

In December 2007, Mitsui, NYK Bulkship (Europe) Ltd. and Teekay Corporation in a three company consortium, entered into a contract for the long term charter of four new LNG vessels from the Angola LNG Project, which is developed by Chevron, Angola national oil company Sonangol and others, and will be delivered in 2011.

In June 2009, together with the Infrastructure Projects Business Unit, this business unit set up a joint venture with Petrobras in Brazil, which owns drill ships for sub sea oil field development. This business unit arranged the building and chartering contracts of the drill ships.

In March 2010, this business unit decided to participate in a chartering project of an FPSO to Petrobras, which MODEC Inc. had been carrying out, together with Mitsubishi Corporation and Mitsui O.S.K. Lines. The shareholding of this business unit in the project will be 27.5%.

In addition, this business unit owns and operates various vessels, by itself or jointly with trusted partners.

In aerospace systems related activities, the business unit provides and arranges operating leases and finance leases of passenger aircraft and cargo aircraft and aircraft engines to airlines in Japan and overseas. This business unit is also engaged in the import and sale of aircraft, helicopters and defense-related equipment, including helicopters of Bell Helicopter Textron, Inc. of the United States. In March 2008, Mitsui acquired non-voting preferred shares in Japan Airline Corporation ( JAL ), convertible into common shares, for ¥20.0 billion with an aim to reinforce JAL's business infrastructure such as renovation of its aircraft fleet and to develop new business with JAL in future. In January 2010, protection filed by JAL under Japan's Corporate Restructuring Law was approved by the Tokyo District Court, and this led this business unit to have impairment on the non-voting preferred shares.

***Chemical Segment***

The Chemical Segment consists of the Basic Chemicals Business Unit and the Performance Chemicals Business Unit. In April 2009, in order to efficiently cope with the restructuring of the chemical industry globally, Mitsui has re-grouped its Chemical Segment from the First Chemicals Business Unit and the Second Chemicals Business Unit to the current ones.

Gross profit and net income attributable to Mitsui & Co., Ltd. for this segment for the year ended March 31, 2010 were ¥65.7 billion or 9.4% and ¥11.9 billion or 7.9% of our consolidated totals, respectively.

---

**Table of Contents**

The Chemical Segment has 19 subsidiaries, including:

Japan-Arabia Methanol Company Ltd. (Japan), Shark Bay Salt Pty. Ltd. (Australia) and DAIICHI TANKER CO., LTD. (Japan) in the Basic Chemicals Business Unit; and

P.T. Kaltim Pasifik Amoniak (Indonesia), Mitsui AgriScience International SA/NV (Belgium), Mitsui Bussan Agro Business Co., Ltd. (Japan), Mitsui Bussan Chemical Co., Ltd. (Japan), Mitsui Bussan Plastics Trade Co., Ltd. (Japan), Daito Chemical Industries, Ltd. (Japan) and Mitsui Bussan Frontier Co., Ltd. (Japan) in the Performance Chemicals Business Unit.

It also has 17 associated companies.

***Basic Chemicals Business Unit***

Together with 5 subsidiaries and 1 associated company, the Basic Chemicals Business Unit is engaged in trade, sales, distribution and production of the following commodities and related activities:

Petrochemical businesses

Natural gas chemicals: methanol and its derivatives, (acetic acid etc.).

Chlor-Alkali: Salt, Ethylene Dichloride ( EDC ), Vinyl Chloride Monomer ( VCM ), caustic soda, polyurethanes, Poly-Vinyl Chloride

Olefins and Polyolefins : olefins (ethylene, propylene, butadiene and others), polyolefins (polyethylene, polypropylene)

Aromatics & Polyester Materials: Aromatics, Styrene Monomer ( SM ), Para-Xylene ( PX ), Purified Terephthalic Acid ( PTA ), PET (polyethylene terephthalate) Resin

Industrial chemicals: phenol, acetone, bisphenol A, Methyl Methacrylate ( MMA ), Acrylonitrile ( AN ), acrylates intermediates  
In the petrochemical products areas, the unit's main activity is trading of the above-mentioned products in Japan and worldwide through extensive business relationships with customers and suppliers such as Mitsui Chemicals, Inc., Toray Industries, Inc., Tosoh Corporation, Dow Chemical Company, BP p.l.c., and Bayer AG.

This business unit has invested in manufacturing operations and logistic facilities such as:

a methanol joint venture, International Methanol Company (Saudi Arabia), which commenced commercial operation with a production capacity of 1 million tons per annum of methanol at the end of 2004. International Methanol Company is a 35% owned associated company of Japan-Arabia Methanol Company Ltd., in which Mitsui holds a 55% equity interest;

a sea salt joint venture business in Shark Bay, Australia. Mitsui acquired a major share in the Onslow salt field in Australia in August 2006 and as a result, this business unit's annual salt production capacity increased to 3.8 million tons, which enabled them to secure a

## Edgar Filing: MITSUI & CO LTD - Form 20-F

stable supply for the chlor-alkali industry in Japan and other Asian countries.

a subsidiary and parcel chemical tanker operator DAIICHI TANKER CO., LTD., which runs a fleet of owned and chartered ships serving its customers.

This business unit has been successful in earning revenues by increasing market share in basic petrochemicals such as olefins and aromatics. Moreover, the latent steady growth of demand for petrochemicals in the world, particularly in China and other Asian countries, would be earnings driver for this unit despite the deceleration in demand caused by recent economic slow down.

During the past several years, most worldwide petrochemical companies have been engaged in drastic restructurings of their sales structures as well as mergers and acquisitions in order to cope with the changes in the

**Table of Contents**

market structure of petrochemical products including increasing demand from China and other Asian countries, rising material costs reflecting higher crude oil prices and shifting in olefin production to the Middle East using cost-effective natural gas. In these operating environments, we are aiming to remain competitive, by strengthening our market position with further expansion of our trade volume and market share. This business unit's sales channels to various customers in diverse geographic areas enable us to make geographical and/or time swap arrangements. Its global logistics services network functions as a competitive advantage in gaining more business transactions.

***Performance Chemicals Business Unit***

The Performance Chemicals Business Unit has 14 subsidiaries and 16 associated companies and is engaged in sales, trade, distribution and production of the following commodities and related activities:

Ammonia, sulphur, sulphuric acid

Fertilizer businesses

Urea, ammonium sulfate, phosphate rock, diammonium phosphate, fused magnesium phosphate, potash

Agri science businesses

Crop protection chemicals (herbicide, insecticide, fungicide, intermediates for these chemicals), feed additives

Photovoltaic power related business

Distribution of silicon materials, solar module components and solar modules and procurement and delivery of photovoltaic power generation systems

Specialty chemical businesses

Detergent intermediates and oleo chemicals, colors & functional chemicals, rosin, aroma chemicals

Performance materials business

Inorganic products such as synthetic resin, additives of plastic such as elasticizer, stabilizer and pigment, catalyst, titanium oxide and iodine

SCM related businesses

Production and distribution of office automation equipment, cell phone and electric appliances

Electronics materials business

Liquid crystal member, high-purity chemicals employed in semiconductor and industrial films

In agri science business, this business unit has extended the distribution of agricultural chemical products worldwide through subsidiaries such as Mitsui AgriScience International SA/NV.

In fertilizer business, this business unit is engaged in import, export and offshore transactions involving various types of fertilizers, fertilizer raw materials and phosphoric acid derivatives. In February 2010, Mitsui's board of directors approved this segment's acquisition of a 25% interest in a phosphorus ore development project in the Bayóvar area of Peru's Piura Province, in which Compañía Minera Miski Mayo S.A.C. (Peru), a subsidiary of Vale S.A. had a 100% economic interest, and the final agreement on the details of Mitsui's participation in the project was concluded in July 2010. Production is expected to start in the 2nd half of 2010 and the annual production volume of refined phosphorus ore is expected to be about 3.9 million tons.

---

## **Table of Contents**

In the ammonia and sulphur field, this business unit operates logistics systems for various industries in Japan and overseas. For example, this business unit exports sulphur, a byproduct of petroleum refining, to Asian countries, by operating specialized tankers.

In order to overcome various unfavorable economic conditions such as depletion in the supply of mineral resources or an increase in acquisition cost of raw materials from our existing suppliers, this business unit has been seeking opportunities to participate in new supply sources.

This business unit established the Renewable Energy Division in June 2008 to expand the solar power related business looking down at the entire value chain of the business. We transferred solar related business of the IT Business Unit into this business unit which has been dealing with photovoltaic materials and modules. This business unit aims to collaborate with the Infrastructure Projects Business Unit which is in charge of IPP and other business units in the photovoltaic power generation related areas.

In Japan, for the purpose of sales enhancement and efficient business operations, two sales subsidiaries related to products such as solvent and industrial chemicals merged to form Mitsui Bussan Chemicals Co., Ltd. in April 2009, and three sales subsidiaries related to plastic materials merged to form Mitsui Bussan Plastics Trade Co., Ltd. in April 2008.

### ***Energy Segment***

The Energy Segment consists of two business units, Energy Business Units I and II. In April 2007, businesses of coal, nuclear energy, carbon credits, and hydrogen and fuel cell was transferred to the Energy Segment from the former Iron & Steel Raw Materials and Non-Ferrous Metals Segment, with an aim to build an integrated energy strategy from a comprehensive and global view of all primary resources. The former Energy Business Unit was divided into Energy Business Units I and II upon this organizational change.

Gross profit and net income attributable to Mitsui & Co., Ltd. for this segment for the year ended March 31, 2010 were ¥155.0 billion or 22.1% and ¥83.8 billion or 56.0% of our consolidated totals, respectively.

This segment has:

30 subsidiaries, including Mitsui E&P Australia Pty Limited (Australia), Mitsui E&P Middle East B.V. (Netherlands), Mitsui Oil Exploration Co., Ltd. (Japan), MitEnergy Upstream LLC (United States), Mitsui E&P USA LLC (United States), Mitsui Gas Development Qatar B.V. (Netherlands), Mitsui Sakhalin Holdings B.V. (Netherlands), Mitsui Coal Holdings Pty. Ltd. (Australia), Mitsui & Co., Uranium Australia Pty. Ltd. (Australia), Mitsui Oil (Asia) Hong Kong Limited (Hong Kong, China), Mitsui Oil Co., Ltd. (Japan) and Mitsui Marubeni Liquefied Gas Co., Ltd. (Japan) ; and

7 associated companies, including Japan Australia LNG (MIMI) Pty. Ltd. (Australia) and BHP Mitsui Coal Pty. Ltd. (Australia)  
Energy Business Unit I is engaged in:

Exploration and production of oil and gas, coal, uranium and other energy resources;

Trading of oil, petroleum products, coal, uranium and other energy resources;

Petroleum refining and marketing of gasoline, liquefied petroleum gas ( LPG ) and other petroleum products in the Japanese domestic market; and  
Energy Business Unit II is engaged in:

Development of natural gas and liquefied natural gas ( LNG ) projects;

Trading of LNG; and

---

**Table of Contents**

Development of new gas commercialization technology (natural gas hydrate etc.).

Development of carbon credit business, biomass ethanol business and other next generation energy sources.

The Energy Segment is engaged in various LNG, natural gas and oil development projects which require long lead time for their development and implementation. We are involved in the following seven LNG projects currently in operation:

Abu Dhabi Gas Liquefaction Limited, in which we hold 15% interest in natural gas liquefaction and LNG exporting activities, and which has some 5.6 million tons per annum LNG production capacity;

Northwest Shelf JV ( NWS JV ) in Australia, in which we hold 8.3% interest in natural gas production and liquefaction and LNG exporting activities, and which has some 16.3 million tons per annum production capacity;

Qatar Liquefied Gas Company Ltd., in which we hold 7.5% interest in natural gas liquefaction and LNG exporting activities, and which has some 9.6 million tons per annum production capacity. We also hold 1.5% interest in Qatar Liquefied Gas Company Ltd. 3, which is expected to start production in later 2010 with some 7.8 million tons per annum production capacity;

Oman LNG L.L.C., in which we hold 2.8% interest in natural gas liquefaction and LNG exporting activities, and which has some 7.1 million tons per annum production capacity; and

Equatorial Guinea LNG Company, S.A., in which we hold 8.5% interest in natural gas liquefaction and LNG exporting activities, and which has some 3.4 million tons per annum production capacity; and

Sakhalin Energy Investment Company Ltd. ( SEIC ), in which we hold 12.5% interest in natural gas liquefaction and LNG exporting activities, and which has some 9.6 million tons per annum production capacity

Tangguh LNG project in Indonesia, in which we hold 2.3% interest in natural gas liquefaction and LNG exporting activities, and which has some 7.6 million tons per annum production capacity

Under long term contracts, the NWS JV supplies most of its LNG output to Japanese (partly to Korean) electricity and gas utility companies. In addition, in May 2006, the JV started LNG supply to China, via Guangdong LNG terminal. Also, the JV started the production at the fifth LNG processing train in September 2008, of which capacity is 4.4 million tons per annum. An LNG processing train is a set of facilities in a liquefaction plant to produce LNG from natural gas.

As for Sakhalin II project, SEIC had started half-year oil production since 1999 at the Molikpaq offshore platform installed in the Astokhskoye field, off the Sakhalin Island since 1999 as the first stage of the project. In May 2003, as the second stage of the project, the full-field development of Piltun-Astokhskoye oil field, aimed for year-round crude oil production, and the Lunskeye gas field aimed for LNG production commenced. In April 2007, Mitsui, Royal Dutch Shell plc ( Shell ) and Mitsubishi Corporation ( Mitsubishi ) signed a Sale and Purchase Agreement with OAO Gazprom ( Gazprom ) to transfer their shares in SEIC to Gazprom. After the share transfer, shareholders of SEIC consist of Gazprom (50% plus 1 share), Shell (27.5% minus 1 share), Mitsui (12.5%) and Mitsubishi (10.0%). The total sale price was US\$7.45 billion, and Mitsui's proportionate share was US\$1,862.5 million. In December 2008, the year-round crude oil production started and, based on the long term sale and purchase agreements, LNG shipment commenced in March 2009. The peak crude oil production is expected to reach 150 thousand barrels per day and annual LNG production capacity is about 9.6 million tons. Virtually most of the LNG production capacity was sold under the long term sale and purchase agreements with customers in Japan, Korea and US West Coast, including buyers' optional volume. Mitsui, as a shareholder of SEIC, will make every effort to achieve and maintain the stable production and to further develop the project together with other shareholders, Gazprom, Shell and Mitsubishi.





---

**Table of Contents**

We own 2.3% interest, through our subsidiaries KG Berau and KG Wiriagar (Japan), in the Tangguh LNG project in Indonesia, which started production in July 2009 with production capacity being 7.6 million tons per annum.

With respect to our LNG related operations, this segment has entered into various long term sales contracts, based on take or pay conditions, with customers such as Japanese utility companies. We believe the worldwide LNG business has been undergoing gradual structural changes since the late 1990s as follows:

Exploration and development of natural gas and production of LNG require significant capital and financial commitments. Moreover, this involves a broad range of logistical and technological expertise, including linking suppliers to distributors and consumers while developing plants in order to efficiently extract and liquefy the natural gas for transportation and then re-gasifying the LNG. Up until the mid-1990s, purchase commitments by buyers with full take or pay obligations for a period of 20 years or more had been an essential element for equity holders, distributors and sellers of LNG projects to make the capital and financial commitment to build LNG production facilities. These equity investors had resisted making capital and financial commitments without being able to fully secure stable long-term purchase commitments. In recent years, however, equity holders of several LNG projects have been making investments without fully securing long-term purchase commitments from buyers.

Due to technological innovations, LNG producers have successfully reduced capital costs with respect to the construction of LNG production plants and LNG vessels. Technological innovation has also enabled the producers to increase the design capacities of LNG production plants and LNG vessels allowing them to benefit from economies of scale. These technological developments allow LNG to be more competitive with other types of energy sources.

In response to the needs of LNG buyers, the LNG spot market has been expanding, whereby the percentage of spot trades in worldwide LNG contracts rose to 16% in 2010 from 1.3% in 1992.

In addition to the traditional core LNG markets in Japan, new markets have been emerging in countries such as China and India due to increasing demand for electricity. Despite the setback in tight supply-demand balance due to the recent recession of the economy and increasing supply from unconventional natural gas due to technological advances and innovations, the LNG market is expected to develop worldwide considering the sizable economies of these countries and the increasing popularity of LNG as a clean energy source.

Identifying, exploring and developing oil and gas reserve prospects are key factors to success for the Energy Segment. The principal strategic regions for this business are Oceania, Southeast Asia, the Middle East and North America.

*Oceania (Australia and New Zealand)*

The development and production projects of offshore oil fields of Enfield and the Vincent in which Mitsui E&P Australia Pty Limited has participating interests are the core projects of this segment in terms of capital expenditures including cost of mineral right, exploration, and development next to the Sakhalin II project.

In March 2004, Mitsui E&P Australia Pty Limited acquired a 40% interest in each of exploration block WA-28-L and exploration block WA-271-P located in the North West Shelf area in Australia, which together contained three undeveloped oil fields, Enfield, Vincent, and Laverda. Commercial production from Enfield oil field started in July 2006. Subsequently, some of the major production wells were shut-in due to unexpected sand production, and water breakthrough, and the joint venture conducted consecutive repair work and additional drilling, which stabilized production in those wells. The average production rate during January to March 2010 period was approximately 32,000 barrels per day. At the same time, Mitsui E&P Australia Pty Limited reached final investment decision for Vincent oil field, adjacent to Enfield oil field, in March 2006 with total development cost of approximately US\$720 million. Vincent started commercial production in

---

**Table of Contents**

August 2008. In April 2009, a fire occurred on board the floating production storage and offloading facility and resulted in the facility being shut-down until June 2009. As a result of the incident, production has been constrained to minimize gas flaring due to the gas compressor outage. The average production rate during January to March 2010 period was approximately 20,000 barrels per day.

Mitsui E&P Australia Pty Limited owns 35% interest in Tui area oil field offshore North Island of New Zealand. Commercial production of Tui area oil project started in July 2007. It also owns interests in Casino gas & condensate field and in Henry and Netherby gas fields, both of which are located offshore South Australia. Casino gas & condensate field started commercial production in February 2006 while Henry and Netherby gas fields started in February 2010.

In June 2007, Wandoo Petroleum Pty. Ltd. sold its entire Australian upstream oil and gas producing assets, including Cliff Head oil field offshore Western Australia and Yolla gas & condensate field, offshore Victoria.

**Southeast Asia**

Mitsui Oil Exploration Co., Ltd. has been actively engaged in oil and natural gas exploration, development and production projects in Thailand and neighboring Southeast Asian countries as well as in the Middle East. In June 2005, Mitsui Oil Exploration Co., Ltd. acquired assets in offshore Thailand, 46.3% interest in the B8/32 Concession and the adjacent Block 9A Concession, jointly with a partner in Thailand. The purchase price was US\$820 million, and Mitsui Oil Exploration Co., Ltd. acquired approximately 40% share. In October 2007, Mitsui Oil Exploration Co., Ltd. and its co-concessionaires agreed with the Thai Ministry of Energy to extend the production period of four offshore blocks (Block No. 10-13) in the Gulf of Thailand to 2022. Together with Mitsui Oil Exploration Co., Ltd., Energy Segment continues putting a high priority on expanding oil and gas equity reserves. In March 2006, Mitsui agreed with Mitsui Engineering & Shipping Co., Ltd. to purchase 6% of the total issued shares of Mitsui Oil Exploration Co., Ltd. of which Mitsui held a 44.4% share prior to concluding the agreement. As a result of the transactions, Mitsui Oil Exploration Co., Ltd. became a subsidiary of Mitsui with a 50.3% voting share. As of March 31, 2010, Mitsui's ownership interest is 69.91%, reflecting additional share purchase transactions.

**Middle East**

In Oman, Mitsui E&P Middle East B.V. has 35% share in the Block 27 oil fields which started commercial production in June 2006 and the Block 9 oil fields in production. In March 2010, Mitsui has divested all its shares of 20% of United Petroleum Development Co., Ltd. (Japan), participating in exploration and production activities in the El Bunduq Field, which is located on the offshore border of United Arab Emirates and Qatar.

**North America**

MitEnergy Upstream LLC (United States), established by Mitsui, Mitsui & Co. (U.S.A.) Inc. and Mitsui Oil Exploration Co., Ltd., acquired 50% share of an undivided interest in oil and gas leasehold assets of Pogo Producing Company located offshore in the Gulf of Mexico in April 2006. In November 2009, MitEnergy Upstream LLC entered into a purchase and sale agreement to divest all of its Gulf of Mexico oil and gas assets to Energy XXI, Inc. for approximately US\$283 million with an aim to reinvest the sale proceeds to other high growth potential opportunities.

In February 2010, Mitsui E&P USA LLC, which was established by this segment and its subsidiary, Mitsui Oil Exploration Co., Ltd., entered into an agreement with Anadarko Petroleum Corporation to participate in the development and production of the Marcellus Shale gas project in the state of Pennsylvania. The partners of this project will be drilling a few thousand wells during a span of over ten years and the total development cost of Mitsui E&P USA LLC is estimated to be between US\$3 billion and US\$4 billion depending on the progress. Mitsui E&P USA LLC will carry US\$1,400 million of Anadarko's future development in consideration of its interest in the project. Mitsui E&P USA LLC and Anadarko Petroleum Corporation also reached an agreement to jointly acquire new leases in the state of Pennsylvania for a period of ten years to further expand the business.

---

**Table of Contents**

A third-party semi-submersible drilling rig, known as the Deepwater Horizon rig, which was conducting exploration work on the Mississippi Canyon 252 block in the Gulf of Mexico, experienced an explosion on April 20, 2010, which sank the rig and resulted in a spill of hydrocarbons from the well. Since the explosion, there has been an on-going, large-scale well-control and clean-up effort. MOEX Offshore 2007 LLC holds a 10% minority non-operating interest in the Mississippi Canyon 252 lease on which the Deepwater Horizon rig was drilling. MOEX Offshore 2007 LLC is a wholly owned subsidiary of MOEX USA Corporation, which in turn is wholly owned by Mitsui Oil Exploration Co., Ltd., in which Mitsui holds a 69.91% equity interest.

MOEX Offshore 2007 LLC has received, and expects to continue to receive, invoices from BP Exploration and Production Inc. ( BP ) seeking reimbursement of costs incurred by BP related to BP 's response to the Deep Horizon incident. As of date of filing, the aggregate amount of costs covered by these invoices is approximately US\$974 million. In light of the numerous ongoing investigations that are currently taking place to determine the facts and circumstances surrounding the incident, the numerous lawsuits that are pending and the others that are expected to be commenced against MOEX Offshore 2007 LLC and its affiliates and the provisions of the operating agreement relating to the well that affect the respective rights and responsibilities of the three holders of interests in the lease for costs associated with the incident, MOEX Offshore 2007 LLC is undertaking a very careful and independent review of BP 's claims for reimbursement. For the reasons expressed above, MOEX Offshore 2007 LLC is withholding payment of the referenced invoices, pending further discussions with BP and its affiliates and the resolution of the outstanding issues referenced above.

Mitsui Oil Exploration Co., Ltd., MOEX USA Corporation, MOEX Offshore 2007 LLC and Mitsui & Co. (U.S.A.), Inc. have been named as defendants in various legal actions.

Given our indirect equity interest in a non-operating interest holder of the lease on which the Deepwater Horizon rig was drilling, and in light of the outstanding issues referenced above, we are currently unable to estimate the potential liability of MOEX Offshore 2007 LLC or its affiliates, if any, for the costs associated with the Deepwater Horizon incident in the Gulf of Mexico. Mitsui recognized the impairment losses for the amount to acquire the interest of this lease that were booked as Property and Equipment (Mineral rights) in Impairment loss of long-lived assets, and also recognized expenses relating to the well in Other expense-net for the three-month period ended June 30, 2010. Other than that, Mitsui is unable, at this time, to determine the impact, if any, the incident will have on its future operating results, financial position or cash flows.

In addition, seeking to replenish and enhance our oil and gas reserves, we are engaged in exploration activities in the above-mentioned regions as well as Mozambique, Namibia and Ghana. We also are currently seeking unconventional development of oil and gas resources, such as oil sands in Canada and oil shale in the US.

As a result of the above-mentioned developing activities, our oil and gas reserves decreased from 403 million BOE at the end of March 2009 (according to ASC 932; including 62 million barrels for Mitsui Oil Exploration Co., Ltd. 's minority interest) to 369 million BOE at the end of March 2010 (according to ASC 932; including 36 million barrels for Mitsui Oil Exploration Co., Ltd. 's minority interest). See Item 4.D. Property, Plants and Equipment Oil and Gas Producing Activities and Supplemental Information on Oil and Gas Producing Activities to the consolidated financial statements included elsewhere in this annual report on Form 20-F.

The Energy Segment participates in oil and gas related joint venture operations, typically as a non-operator equity holder, relying on our project partner, the operator , which is responsible for operation management including exploration, development and production of oil and gas resources. In these projects, the Energy Segment collaborates with partners that has sufficient technical knowledge and expertise to reduce operational risks, and also contributes to a limited extent as a non-operator on management of time schedules, capital expenditures, production plans, and safety and environmental standards related to the projects. Also see discussion on our exploration, development and production of mineral resources and oil and gas in Item 3.D. Risk Factors.

**Table of Contents**

With respect to oil and gas exploration, development and production ( E&P ) business, it is important to maintain or increase oil and gas reserves as is the case for major oil and gas companies, and Mitsui's Energy Segment is also aiming to increase its reserves by expanding current projects and investing in new opportunities. Although our reserve is less than those of major oil and gas companies in the world, its volume can be ranked as a top level company among the Japanese oil and gas companies.

The following tables provide information on our investments in coal resource projects undertaken by the Energy Segment.

**COAL**

| <b>Joint Venture or Investee</b>  | <b>Mitsui's Subsidiary or Associated Company</b> | <b>Name of Mines<sup>(1)</sup></b> | <b>Location</b>                  | <b>Mitsui's Percentage of Ownership</b> | <b>Other Major Participants and Their Percentages of Ownership</b> |        |
|-----------------------------------|--|------------------------------------|----------------------------------|---|--|--------|
| <b>BHP Mitsui Coal Pty. Ltd.</b>  | BHP Mitsui Coal Pty. Ltd.                        | Poitrel South<br>Walker Creek      | Queensland,<br>Australia         | 20.00%                                  | BHP Billiton   | 80.00% |
| <b>Bengalla Joint Venture</b>     | Mitsui Coal Holdings Pty. Ltd.                   | Bengalla                           | New South<br>Wales,<br>Australia | 10.00%                                  | Rio Tinto  | 40.00% |
|                                   |  |                                    |                                  |   | Wesfarmers   | 40.00% |
|                                   |  |                                    |                                  |   | Taiwan Power   | 10.00% |
| <b>Kestrel Joint Venture</b>      | Mitsui Coal Holdings Pty. Ltd.                   | Kestrel                            | Queensland,<br>Australia         | 20.00%                                  | Rio Tinto  | 80.00% |
| <b>Dawson Joint Venture</b>       | Mitsui Coal Holdings Pty. Ltd.                   | Dawson                             | Queensland,<br>Australia         | 49.00%                                  | Anglo American   | 51.00% |
| <b>German Creek Joint Venture</b> | Mitsui Coal Holdings Pty. Ltd.                   | German Creek                       | Queensland,<br>Australia         | 30.00%                                  | Anglo American   | 70.00% |

(1) Name of Mines indicates the names of principal producing mines.

(2) In addition to the above-mentioned coal mining projects, through Mitsui Coal Holdings Pty. Ltd., we have small interests in two projects in Australia operated by Anglo American, namely, Moranbah North Joint Venture in Queensland and Drayton Joint Venture in New South Wales. Our ownership percentage and annual production capacity of Moranbah North Joint Venture and Drayton Joint Venture are 4.75%, 4 million tons and 3.83%, 5 million tons, respectively.

Demand has strongly recovered after the above mentioned joint ventures experienced production adjustments due to recession of the world economy as well as reductions in crude steel production by steel manufacturers in the first half of this fiscal year. Furthermore, in the medium and long term, demand of both thermal coal and metallurgical coal are expected to increase along with economic growth of Asian countries including India and China. In response to such increasing global demand, we continue to make proactive capital investments to expand the capacities of existing projects, and our equity production tonnage is expected to increase after this fiscal year onward. Regarding further information and discussion on development of our coal mining projects, see Item 4.A. History and Development of the Company Capital Expenditure, Item 5.A. Operating Results Operating Results by Operating Segment Energy Segment and Item 5.B. Liquidity and Capital Resources Investment Plans and Financial Policies of the Medium Term Management Outlook.

**Table of Contents**

Revenues from oil and gas producing activities and coal mining activities (based on US GAAP) account for a critical portion of this segment. The table below sets forth the break down of revenues of the Energy Segment.

| Years Ended March 31, | Revenues from Sales of Products                |                                      |  |  | Revenues from Sales of Services and Other Sales | Total Revenues |
|-----------------------|--|--------------------------------------|--|--|---|----------------|
|                       | Revenues from Oil and Gas Producing Activities | Revenues from Coal Mining Activities | Revenues from Sales of Other Products <sup>(*)</sup> | Commissions and Trading Margins on Intermediary Services and Other |   |                |
|                       | Billions of Yen                                | Billions of Yen                      | Billions of Yen                                      | Billions of Yen  |   |                |
| 2010                  | ¥ 186.6  | ¥ 93.0                               | ¥ 588.1  | ¥ 10.4   | ¥ 878.1   |                |
| 2009                  | 288.9  | 123.0                                | 778.3  | 19.6   | 1,209.8   |                |
| 2008                  | 248.7  | 34.3                                 | 986.2  | 14.6   | 1,283.8   |                |

(\*) Revenues from sales of other products mainly consist of sales of crude oil and petroleum products.

The Energy Segment is also participating in uranium development to contribute to its stable supply for nuclear power facilities. In October 2008, Mitsui acquired a 49% interest in six uranium blocks including the Honeymoon mine in South Australia, from Uranium One Inc. Honeymoon mine is in its development stage and aiming for production commencement from 2010. Annual production is planned to reach 400 to 450 tons on a uranium concentrate basis. This segment plans to execute exploration activities and seek for commercialization in the other blocks also.

The Energy Segment is engaged in oil trading operations conducted by Mitsui and Mitsui Oil (Asia) Hong Kong Limited.

The international markets for crude oil and petroleum products are highly competitive and volatile. These commodities are listed and traded on various markets such as NYMEX in New York, ICE in London, SGX in Singapore and TOCOM in Tokyo, and our competitors in these markets are major oil and gas companies, national oil companies of oil producing countries, and oil traders including Japanese trading companies. In maintaining our competitive edge under these circumstances, it is critical for this segment to maintain good relationship with customers and suppliers as well as to mitigate price risk by utilizing hedging tools such as the futures markets. This segment is active to secure long-term offtake contracts of petroleum products such as fuel oil and condensate to be sold to worldwide companies including Japanese utility and refining companies. Long-term offtake contracts are sales and purchase contracts for various commodities, such as crude oil and petroleum products, entered into by suppliers and buyers, or offtakers of such commodities for more than one year.

Within Japan, this segment is also engaged in refining and sales of oil and gas related products through Mitsui Oil Co., Ltd., our oil sales subsidiary, and Kyokuto Petroleum Industries, Ltd. (Japan). Kyokuto Petroleum Industries, Ltd. is a refinery jointly owned (50:50) by the ExxonMobil Corp. Group and Mitsui Oil Co., Ltd.

In the domestic refining and marketing business for oil and gas related products, we are facing severe competition from domestic oil refining and distributing companies due to the structural surplus capacity of refineries in Japan. Kyokuto Petroleum Industries, Ltd. and Mitsui Oil Co., Ltd. are in relatively sound financial situations, and are pursuing efficient and competitive operations. In the LPG business, Mitsui Liquefied Gas Co., Ltd. (Japan) merged with Marubeni Liquefied Gas, Inc. in April 2008 to form Mitsui Marubeni Liquefied Gas Co., Ltd. Mitsui's ownership interest in the company is 60%. In April 2010, Mitsui, Marubeni, Mitsui Marubeni Liquefied Gas Co., Ltd. and Nippon Oil Corporation, a fully-owned subsidiary of JX Holdings, agreed to commence detailed discussions to integrate Mitsui Marubeni Liquefied Gas Co., Ltd. and the LPG business unit of Nippon Oil Corporation. Under these conditions, the companies agreed to commence discussions toward a possible integration of their LPG businesses to strengthen the competitiveness and profitability through rationalization and improvement of business efficiency. Should such integration be executed, Mitsui's ownership interest is anticipated to be diluted to approximately 30%.

---

## **Table of Contents**

The Energy Segment is also exploring various new business opportunities in the emerging new energy area. Mitsui expects bio-ethanol to be a significant renewable fuel in the future, and world demand to rise. In view of this, Mitsui are jointly working with Petróleo Brasileiro SA ( Petrobras ) for production of bio-ethanol and related products in Brazil, and marketing such products in the international market.

### ***Foods & Retail Segment***

The Foods & Retail Segment consists of one business unit, the Foods & Retail Business Unit, which has 20 subsidiaries including Mitsui Norin Co., Ltd. (Japan), PRI Foods Co., Ltd. (Japan), San-ei Surochemical Co., Ltd. (Japan), MITSUI FOODS CO., LTD., Toho Bussan Kaisha, Ltd. (Japan), VENDOR SERVICE CO., LTD. (Japan), Bussan Logistics Solutions Co., Ltd. (Japan), WILSEY FOODS, INC. (United States), Mitsui Alimentos Ltda. (Brazil) and MCM Foods Holdings Limited (United Kingdom) ; and 16 associated companies including MIKUNI COCA-COLA BOTTLING CO., LTD. (Japan), Mitsui Sugar Co., Ltd. (Japan), The Kumphawapi Sugar Co., Ltd. (Thailand) and Multigrain AG (Switzerland).

Gross profit and net loss attributable to Mitsui & Co., Ltd. for this segment for the year ended March 31, 2010 were ¥83.6 billion or 11.9% and minus ¥0.8 billion or minus 0.5% of our consolidated totals, respectively.

The Foods & Retail Segment engages in:

Investment in the food raw material production and distribution businesses abroad such as production and export of grain, dairy farming, canola oil processing, production of edible oil products, shrimp farming, broiler chicken raising, egg producing and sugar manufacturing businesses abroad;

Import and domestic/offshore trade of wheat, barley, soybeans, corn, rapeseed, raw sugar, rice, palm oil, etc;

Import and domestic/offshore trade of processed foods such as canned products, frozen foods and condiments, liquor, beverage materials such as coffee, tea and juice, dairy products, foodstuffs such as marine products, stock farm products and vegetables;

Manufacture of beverages and beverage ingredients, sugar manufacturing business, broiler chicken raising business, manufacture of starch and saccharified products, manufacture of functional food ingredients, and manufacture of feed and functional feed in Japan;

Domestic distribution and wholesale through the nationwide wholesaler subsidiary MITSUI FOODS CO., LTD.;

Import and domestic trade of containers, packaging materials, and miscellaneous daily goods; and

Support services, such as supply chain management including logistics management, and product planning and development for retailers.

The Foods & Retail Segment is involved in a wide range of fields in a value chain of foods, from the global procurement of food materials and production of foodstuffs to the traffic and wholesale of foods, packaging materials and sundry goods.

To secure stable source of supply, this segment purchases grain, oilseeds, and raw sugar mainly from the United States, Canada, Brazil, Australia, Thailand, Malaysia and other countries in the world and sell them primarily in Japan and other Asian countries. This segment sells coffee to Japan and United States, mainly from Brazil. This segment purchases raw materials for beverages, such as tea leaves and juice, marine products, stock farm products, and dairy products from major supply sources around the world and deliver them primarily to Japan.

This segment has positioned the Americas as their main base of operations and the core of their global food supply strategy. In collaboration with the Americas Segment, this segment has developed and maintained the following businesses:

In the cereals and grains area, this segment has formed a joint venture, United Harvest, LLC (United States), with CHS Inc., an agricultural cooperative-based company in the United States. United Harvest,



---

**Table of Contents**

LLC is one of the largest exporters of wheat from the United States exporting approximately 3.2 million tons of wheat for the year ended March 31, 2010, which represents 32% of volume exported from northwest coast of the United States. This segment invested in this company through United Grain Corp. (United States).

VENTURA FOODS, LLC, another joint venture formed with CHS Inc., is a supplier of edible oil for the institutional market in the United States. This segment invested in this company through WILSEY FOODS, INC.

In August and November 2007, this segment purchased shares in Multigrain AG, parent company of Multigrain S.A. in Brazil, an agricultural business operating company dealing with origination and export of grains, mainly soybeans. In October 2008, this segment made an additional investment of US\$124 million, which was a part of the total capital increase made by Multigrain AG in response to capital needs resulting from an expansion of Multigrain S.A.'s agricultural business. In March 2010, this segment acquired an additional shareholding from PMG Trading S.A. The total investment amounts to US\$234 million. CHS is also a partner in this business and has the same largest ownership interest of 45.1% as Mitsui's.

In December 2007, this segment, together with the Americas Segment, agreed to establish a joint venture of canola oil processing business in Canada with Louis Dreyfus Group. Ownership interests of this segment and the Americas Segment are 28% and 12%, respectively. In February 2010, the canola oil processing facilities started its commercial production following the completion of the construction in December 2009.

This segment owns a coffee export subsidiary, Mitsui Alimentos Ltda. in Brazil, World's largest coffee-producing country. In the period from 2007 through 2009, this segment made several investments in food raw material production abroad, such as the above-mentioned agricultural business in Brazil and canola oil processing facilities in Canada, a dairy farming business in New Zealand and a shrimp farming business and broiler chicken raising and egg producing businesses in China. This segment aims to secure safe and stable supply sources of food, considering rapidly increasing food demand from emerging countries and conflict in supply capacity for bio-fuel purpose production. This segment intends to expand market channels to Japan and Asia, starting from the above-mentioned joint operations with the most reliable partners in major food material producing countries.

In domestic food materials business, Mitsui Norin Co., Ltd. is engaged in manufacturing and sales of tea leaves and tea-based products, PRI Foods Co., Ltd. is engaged in domestic broiler chicken raising, processing and sales, Mitsui Sugar Co., Ltd. is engaged in sugar refining and sales, and MIKUNI COCA-COLA BOTTLING CO., LTD. is engaged in production and sales of soft drinks.

Competition varies depending on raw materials and products in the upstream areas of grain, feed, raw sugar and food materials, but is primarily based on price and quality of products. Many Japanese trading companies, international producers and others are competitors to varying degrees with respect to food raw materials this segment handles.

MITSUI FOODS CO., LTD. plays a vital role in this segment's wholesale operations. Its wide-range of business activities and customers include general merchandise stores, supermarkets, convenience stores, catering and restaurant chains throughout Japan, focusing on processed food and liquor transactions. MITSUI FOODS CO., LTD. meets the sophisticated and diversified needs for reduced distribution costs, secure temperature-controlled supply, and faster delivery. In April 2006, MITSUI FOODS CO., LTD. and Mitsui agreed with KOKUBU CO., LTD. (KOKUBU), a major Japanese food wholesaler, to form a business alliance. In October 2007, this segment transferred 70% of the shares of Hokushuren Co., Ltd. (Japan), formerly a foods and liquor wholesale subsidiary, to KOKUBU, following transfer of MITSUI FOODS CO., LTD.'s businesses in the Hokkaido area (excluding Seven & i Holdings Co., Ltd.-related businesses) to Hokushuren Co., Ltd. In January

---

**Table of Contents**

2009, Hokushuren Co., Ltd. and HOKKAIDO KOKUBU CO., LTD., KOKUBU's wholly owned subsidiary, merged to form SHUREN KOKUBU CO., LTD., in which this segment holds a 26.3% ownership interest as a result of the merger.

MCM Foods Holdings Limited is engaged in the import and sales of canned food products and groceries in England and other European market.

Mitsui maintains a comprehensive alliance with Seven & i Holdings Co., Ltd., Japan's nationwide diversified retailer, which mainly engages in convenience stores, general merchandise stores, department stores, food supermarkets, food services, financial services and IT/services. Seven & i Holdings Co., Ltd. also maintains operation through Seven-Eleven Beijing Co., Ltd. in China (Beijing, Chengdu) and 7-Eleven, Inc. in 15 countries including the United States, Asia (Taiwan, Hong Kong, Thailand, Korea, China, Malaysia, Indonesia and Singapore), Canada, Mexico, Australia and Europe (Norway, Sweden, Denmark).

As of the end of February 2010, Mitsui owned 1.8% of Seven & i Holdings Co., Ltd.'s outstanding shares. Mitsui purchased the shares for a total cost of ¥50 billion in 2005, seeking to strengthen business ties with them.

Mitsui offers the following supply services to Seven & i Holdings Co., Ltd. through the domestic subsidiaries, such as MITSUI FOODS CO., LTD., Retail System Service Co., Ltd. (Japan) and VENDOR SERVICE CO., LTD., Bussan Logistics Solutions Co., Ltd. (Japan).

supply sundry goods and consumables, such as processed food, liquor, fast food, toys, and games, to more than twelve thousand 7-Eleven stores in Japan;

supply food materials, containers and packaging materials to vendors who supply boxed lunches, pre-cooked meals and processed food to 7-Eleven stores in Japan;

supply various products to 7-Eleven stores in Japan by temperature-controlled transportation; and

provide services to 7-Eleven stores through the subsidiaries, BUSSAN BEIJING LOGISTICS ENTERPRISE LTD. in China and MITSUI BUSSAN LOGISTICS, INC. in the United States.

Competitors in the wholesale and retail businesses are mainly general trading companies and wholesalers in Japan. In the traffic area, competitors are also traffic companies that operate third party logistics providing customized and integrated warehousing and transportation services. Domestic wholesalers are facing fierce competition with others, and from time to time they conduct mergers and acquisitions to increase revenues and reduce logistics costs.

***Consumer Service & IT Segment***

This segment is comprised of the Consumer Service Business Unit and the IT Business Unit. Effective April 1, 2009, the Consumer Service Business Unit was established through reorganizing the First and the Second Consumer Service Business Units. Media-related business was transferred from the First Consumer Service Business Unit to the IT Business Unit.

Gross profit and net loss attributable to Mitsui & Co., Ltd. for this segment for the year ended March 31, 2010 were ¥52.0 billion or 7.4% and minus ¥9.8 billion or minus 6.5% of our consolidated totals, respectively.

This segment owns 24 subsidiaries including:

Mitsui Bussan Inter-Fashion Ltd. (Japan) and BUSSAN REAL ESTATE CO., LTD. (Japan) in the Consumer Service Business Unit; and

## Edgar Filing: MITSUI & CO LTD - Form 20-F

ShopNet Co., Ltd. (British Virgin Island), Mitsui Knowledge Industry Co., Ltd. (Japan), J-SCube Inc. (Japan), Mitsui Electronics Inc. (Japan), and MBK Distribuidora de Produtos Eletronicos Ltda. (Brazil) in the IT Business Unit.

**Table of Contents**

And it owns 23 associated companies including:

AIM SERVICES CO., LTD. (Japan) and Sumisho & Mitsuibussan Kenzai Co., Ltd. (Japan) in the Consumer Service Business Unit; and

QVC JAPAN INC. (Japan), Nihon Unisys, Ltd. (Japan), Moshi Moshi Hotline, Inc. (Japan) and T-GAIA Corporation (Japan) in the IT Business Unit.

***Consumer Service Business Unit***

Together with 13 subsidiaries and 15 associated companies, the Consumer Service Business Unit is engaged in the following:

service and outsourcing businesses including contract food service, uniform rental and facility management;

medical and health care-related businesses including supporting pharmaceutical manufacturing and logistics, supporting for operation and management of hospitals and clinics, and health care-related information service;

fashion business including global procurement service of apparel and accessories, participation and management of joint ventures with fashion brand holders, and other brand related business including importing, licensing and marketing;

real estate business including development of housing, office buildings, logistical and commercial facilities, and related services such as real estate solutions, self-storage and service office business; and

housing and industrial materials businesses such as housing materials, wood chips, pulp and paper products, packaging materials and off-the-road tires for mines.

In the service and outsourcing businesses, as joint businesses with ARAMARK Corporation in the United States, AIM SERVICES CO., LTD. provides a variety of services, such as contract food service, refreshment service and related support services for companies, schools, hospitals and social welfare facilities, while ARAMARK Uniform Japan Co., Ltd. (Japan) provides uniform rental services.

In the medical and health care-related businesses, this business unit integrated the whole medical healthcare businesses within this business unit in 2008. In the pharmaceutical value chain area, this business unit provides solutions to the pharmaceutical industry at the various stages in the pharmaceuticals value chain from manufacturing (including R&D) to distribution and sales. In the healthcare service networks area, in Japan and overseas, mainly in Asia, this business unit provides integrated services, aiming at the development of domestic and global healthcare networks of enterprises that provide preventive care, medical care, and senior-related services.

In the fashion business, this business unit provides services to accommodate developments in the markets in:

original equipment manufacturing ( OEM ) business for apparel manufacturers; and

brand marketing business including brand licensing.

In the field of OEM business, Mitsui Bussan Inter-Fashion Ltd. is engaged in planning and production of apparel and accessories, by using Mitsui's global networks and incorporating a vast range of business functions at various stages in the value chain, including design, planning and

## Edgar Filing: MITSUI & CO LTD - Form 20-F

procurement of materials as well as sewing and processing. Transferring OEM business to Mitsui Bussan Inter-Fashion Ltd., this business unit aims to strengthen its specialty and cost efficiency.

With respect to brand marketing business, this business unit is engaged in both license and import business involving international brands such as Burberry and Max Mara, while some trademark rights such as Pierre Cardin and Hanae Mori are held by this business unit. This business unit enters into license agreements to retain

## **Table of Contents**

their exclusive marketing manufacturing rights and establishes joint ventures with the brand holders, which control licensing or distributing imported products, thereby establishing a nationwide sales network.

In the field of real estate business, this business unit is engaged in development, management and lease of condominiums, office buildings and other logistical and commercial properties mainly in the Tokyo metropolitan area. This business unit also develops houses and office buildings overseas. Moreover, it owns, operates and leases senior housing properties abroad. This business unit is engaged in real estate solutions, self-storage business, and service office business in Japan.

In the field of the housing and industrial materials businesses, Sumisho & Mitsuibussan Kenzai Co., Ltd. (Japan) supplies housing materials in the Japanese market. This business unit operates afforestation projects with Japanese and the local partners in Australia. It also produces and exports woodchips to Japan. Mitsui Bussan Packaging Co., Ltd. (Japan) actively sells various paper products and packaging materials mainly in Japan and Asia market. This business unit also provides mines with off-the-road tires and related services in South America, Russia and Southeast Asia.

### ***IT Business Unit***

The IT Business Unit provides a variety of services, which are delivered through the unit's 11 subsidiaries and 8 associated companies established in the following six major fields:

network and systems integration ( NI/ SI ) businesses;

business process outsourcing businesses including enterprise information management and call-center services;

mobile communication business including sales agency of mobile handset and telecommunications lines; and development and sales of mobile content;

electronics business including import, export and domestic trade of semiconductor devices and equipment/materials for semiconductor and liquid crystal displays;

display-related businesses including export and offshore trade of liquid crystal displays and parts; and

media-related businesses including television shopping channels, broadcasting, content services and internet-based marketing services. In the field of NI/SI businesses, Mitsui Knowledge Industry Co., Ltd. and Nihon Unisys, Ltd., both listed on the Tokyo Stock Exchange, provide integrated solutions to a wide range of customers.

Mitsui Knowledge Industry Co., Ltd. provides comprehensive ICT services, such as various kinds of system introduction, system maintenance, system operation, network system designing, network system building, network system maintenance support and data center business to wide range of customers including telecommunications carriers, government offices, local municipalities and healthcare and education related public bodies. Mitsui Knowledge Industry Co., Ltd. was formed by a merger in April 2007 between NextCom K.K. and Mitsui Knowledge Industry Co., Ltd. Mitsui owns a 58.4% voting interest in Mitsui Knowledge Industry Co., Ltd. as of March 2010.

## Edgar Filing: MITSUI & CO LTD - Form 20-F

Nihon Unisys, Ltd. is engaged in the designing and building of computer systems, business process outsourcing services, support services and other peripheral services as well as sales of computer systems. These services are provided to business enterprises in the financial, manufacturing and distribution and public sectors. Mitsui owns a 31.8% voting interest in Nihon Unisys, Ltd. as of March 2010.

This business unit has developed business process outsourcing businesses through J-SCube Inc. and Moshi Moshi Hotline, Inc. J-SCube Inc., which has been engaged in distribution of information processing devices and information input devices, has recently focused on enterprise information management such as customer information input, management and operation. Moshi Moshi Hotline, Inc. is one of the Japanese major providers

---

**Table of Contents**

of call centers and related outsourcing services. Moshi Moshi Hotline, Inc. is listed on the Tokyo Stock Exchange, with this business unit's current voting interest at 34.4% as of March 2010.

This business unit is engaged in various mobile communication businesses through alliances with domestic cell phone service providers and manufacturers. T-GAIA Corporation (former Telepark Corp.), which was a major associated company in this field, merged with MS Communications Co., Ltd., a domestic large scale agency and distributor engaged in the same business line, and changed its name to T-GAIA Corporation and continued to be listed on the Tokyo Stock Exchange. The merger was to establish its leading position in domestic mobile handset sales and distribution market, by reinforcing cost-efficiency. As a result of the merger, this business unit's voting interest was diluted to 22.8%, and T-GAIA Corporation became an associated company of this business unit. T-GAIA Corporation is the biggest agency for cell phone subscription as well as a retailer and distributor of cell phone handsets in Japan, engaged in agent for subscription of fixed telecommunications lines, including broadband connections and also settlement services for PIN (Personal Identification Number)-based merchandise sales systems and prepaid mobile phone.

In the field of electronics business, this business unit is engaged in import, export and domestic trade of semiconductor devices and equipment/materials for semiconductor and liquid crystal displays mainly through Mitsui Electronics Inc. (Japan). In recent years, this business unit provides semiconductor and liquid crystal displays related products and services in China, which is a principal production base for electronics products, mainly through our affiliated companies in China.

In the field of display-related businesses, this business unit is also engaged in export and offshore trade of liquid crystal displays ( LCD ) and related parts. Aiming to broaden geographic reach in the growing liquid crystal display market, in January 2010, this business unit decided to invest in TPV Technology Limited, which is one of the world largest PC monitor and LCD television manufacturers, holding plants mainly in China and listed on the Hong Kong stock exchange and the Singapore stock exchange. TPV Technologies Limited produced 46.1 million units of PC monitor and 9.5 million units of LCD television for the year 2009 and ranked 1st and 4th in the world, respectively, in terms of production volume. This business unit acquired a 10% shareholding by a subscription for shares through a third party allotment in March 2010, and subsequently made a joint cash offer for additional shares in TPV Technology Limited on the Hong Kong stock exchange and the Singapore stock exchange together with China Electronics Corporation group, a major shareholder of TPV Technology Limited. As a result of the joint cash offer, this business unit's ownership became 15.1% as of April 2010.

In the field of media-related businesses, this business unit provides television shopping services operated by QVC Japan, Inc., which was established jointly with QVC Inc. of the United States. In March 2009, this business unit acquired ShopNet Co., Ltd., Taiwan's third largest provider of 24-hour television shopping. BS digital high definition free television channel subsidiary, World Hi-Vision Channel, Inc. started broadcasting service under the name of BS channel 12 TwellV in Japan in December 2007.

This business unit is dependent on the business of our subsidiaries and associated companies, most of which are located in Japan and Asia, where technological innovation is rapid and competition is fierce.

***Logistics & Financial Markets Segment***

The Logistics & Financial Markets Segment is engaged in transportation and logistics services, insurance and financial business in Japan and abroad.

Gross profit and net loss attributable to Mitsui & Co., Ltd. for this segment for the year ended March 31, 2010 were ¥31.3 billion or 4.5% and minus ¥0.8 billion or minus 0.5% of our consolidated totals, respectively.



---

## **Table of Contents**

This segment is composed of the Financial Markets Business Unit and the Transportation Logistics Business Unit, and has 28 subsidiaries including:

in the Financial Markets Business Unit, Mitsui & Co. Energy Risk Management Ltd. (United Kingdom)<sup>(\*)</sup>, Mitsui & Co. Precious Metals, Inc. (United States), Mitsui Bussan Precious Metals (Hong Kong) Limited (Hong Kong, China), Mitsui Bussan Commodities Ltd. (United Kingdom), Mitsui & Co., Principal Investments Ltd. (Japan) and MVC Corporation (Japan); and

in the Transportation Logistics Business Unit, Trinet Logistics Co., Ltd. (Japan), Mitsuibussan Insurance Co., Ltd. (Japan), TRI-NET (JAPAN) INC. (Japan), TRI-NET LOGISTICS (ASIA) PTE LTD (Singapore) and Tokyo International Air Cargo Terminal Ltd. (Japan).

4 associated companies including JA Mitsui Leasing, Ltd. (Japan) in the Financial Markets Business Unit and Mitsui Direct General Insurance Company, Limited (Japan) in the Transportation Logistics Business Unit.

### ***Financial Markets Business Unit***

This business unit has 18 subsidiaries and 1 associated company and is engaged in the following business activities:

trading in various commodity derivatives such as precious metals, non-ferrous metals listed on the London Metal Exchange ( LME ), energy, and soft commodities;

financial equity investments including principal investment and venture capital operation;

asset management business such as real estate fund (listed REIT and private fund) and infrastructure fund, ; and

leasing business

Mitsui and its subsidiaries such as Mitsui & Co., Energy Risk Management Ltd., Mitsui & Co. Precious Metals, Inc., Mitsui Bussan Commodities Ltd. (United Kingdom) , and Mitsui Bussan Precious Metals (Hong Kong) Ltd. are engaged in trading and brokerage in various commodity derivatives such as precious metals, non-ferrous metals listed on the LME, energy, and soft commodities.

In the principal investment field, this segment deals with corporate investments mainly through subsidiaries such as MVC Corporation, Mitsui & Co. Venture partners, Inc. (United States) (MVC and MCVP are collectively called as Mitsui Ventures ) In order to make a profit from investments and to pioneer new business domains for Mitsui, these subsidiaries are adding value to investee companies and focusing on specific industries and regions. As for venture capital business in the corporate investments field, Mitsui Ventures are engaged in investing in and supporting start-up companies which have great potential ability to succeed in several countries such as Japan, United States and China. And as for growth capital investments, this segment is focusing on China and Asia as strategic area and is seeking for opportunities to invest to growing companies on a global basis.

We are also engaged in sales and marketing of various derivatives and financial instruments of our own development to investors and market participants. Japan Alternative Investment Co., Ltd. (Japan) acts as placement agent for alternative investment products such as infrastructure fund and funds of hedge funds.

In REIT related businesses, Mitsui & Co., Logistics Partners Ltd. (Japan) provides asset management service to Japan Logistics Fund Inc, a listed REIT on the Tokyo Stock Exchange that is only Japanese REIT specializing in logistics properties such as warehouses and distribution centers. In June 2008, this business unit launched an emerging market infrastructure fund with Challenger Financial Service Group, an Australian-based

(\*1) Mitsui & Co. Energy Risk Management Ltd. changed its name to Mitsui & Co. Commodity Risk Management Ltd. in April 2010.

---

## **Table of Contents**

financial services organization. This fund, while meeting the growing demands of global investors to invest in infrastructure assets, is intended to contribute to the development of emerging market economies by providing the needed capital to the infrastructure space, enabling the rapid growth in the regions.

As of the end of March 2010, this business unit has a 33.4% voting interest in JA Mitsui Leasing, Ltd., a general leasing company with its strengths in leasing of information-processing equipment and large scale equipment, as well as industrial machinery, aircraft and ocean vessels. JA Mitsui Leasing, Ltd. was created as a joint holding company in April 2008 to integrate smoothly the operations of Mitsui Leasing & Development, Ltd. (Japan), an associated company of the unit, and Kyodo Leasing Co., Ltd., another major leasing company, to reinforce operating bases. In October 2008, JA Mitsui Leasing, Ltd. merged its wholly-owned two subsidiaries, Mitsui Leasing & Development, Ltd. and Kyodo Leasing Co., Ltd. In October 2009, each of Mitsui and The Norinchukin Bank, another major shareholder in JA Mitsui Leasing, Ltd., invested ¥30 billion in JA Mitsui Leasing, Ltd. for its newly issued shares by third party allotment with an objective to strengthen the financial condition of JA Mitsui Leasing, Ltd. As of March 31, 2010, this business unit has an 2.2% share of outstanding common stock in Cedyna Financial Corporation (Japan, formerly Central Finance Co., Ltd.), a consumer credit and credit card company in Japan.

### ***Transportation Logistics Business Unit***

The Transportation Logistics Business Unit provides sophisticated, high value added logistics services to customers, leveraging its longstanding experience in offering such services group-wide. This business unit also seeks the development of new business domains through integrating logistics, financial and information technology.

Together with 10 subsidiaries and 3 associated companies, this business unit is engaged in the following business activities:

International transportation services including combined multi transportation centering on container shipping, transportation of plants and other special cargoes, tramper shipping, logistics solution services such as supply chain management warehousing and distributions;

Logistics infrastructure projects, including port development projects in emerging countries, and transport-infrastructure such as railway and airports etc;

Insurance agency services and insurance-related consulting;

New logistic solution business of liquidation of logistics assets utilizing REITs function; and

Agri-food business.

In the international logistics business, this business unit has established TRI-NET (JAPAN) INC. and other core subsidiaries, which are located in Japan, the Americas, Europe, South East Asia, and China. Each of those subsidiaries collaborates with the Head Office and overseas trading subsidiaries worldwide to provide customers with solutions to logistics needs through international combined multimodal transportation services using various modes of land, sea and air transportation. And through its tramp shipping services, this business unit provides transportation for bulk cargoes, such as coal, grain and fertilizers, as well as project transportation services for power generation plants, chemical plants and other facilities. In the development of its warehousing business, Tri-net Logistics Co., Ltd. has focused in particular in transportation services for bulk chemicals. In the logistics solutions field, Tri-net Logistics Co., Ltd. uses its logistics engineering capabilities to produce advanced logistics design solutions.

This Business Unit is also developing logistics infrastructure and transportation systems with the aim of expanding its business activities in emerging economies including the BRICs and Middle Eastern countries. In Russia, this business unit established large scale warehousing facilities in Moscow for Japanese manufacturers of electrical appliances, construction machinery, motor vehicles and other products. In 2007, it signed an operational partnership agreement with Russian Railways. Additionally, in the Middle East, this business unit has set up a logistics base in Dubai in partnership with AW Rostamani Group.



**Table of Contents**

In the insurance and risk management field, this business unit provides insurance agency services through Mitsui Bussan Insurance Co., Ltd. Several subsidiaries, including Insurance Company of Trinet Asia Pte., Ltd. (Singapore), operate as captive insurance companies and also use their experience and knowledge of risk management to provide direct insurance writing services. In December 2009, this business unit became the largest shareholder of ACAL Holdings Pte Ltd (Singapore), reinsurance company in Lloyd's. In addition, this business unit has 19.8% share interest in an associated company, Mitsui Direct General Insurance Company, Limited, a direct marketing non-life insurance company specializing in Internet-based sales.

In collaboration with the Financial Markets Business Unit, this business unit also develops REITs based on logistics-related real estate.

In June 2008, the Agri-Food Business Strategic Planning Dept. was established in this business unit. The aim of this new organization is to contribute to the maintenance and advancement of domestic agriculture through supporting for agricultural management and production as well as the development of advanced logistical services for agricultural products, utilizing knowledge regarding agriculture and agricultural logistics.

***Americas Segment***

The Americas Segment is engaged in sales, intermediary service and manufacturing of various commodities and conducts related business led by overseas trading subsidiaries in North, Central and South America. Mitsui & Co. (U.S.A.), Inc., or Mitsui U.S.A., manages the business of the segment as the center of the regional strategy.

Gross profit and net loss attributable to Mitsui & Co., Ltd. for this segment for the year ended March 31, 2010 were ¥73.1 billion or 10.4% and minus ¥9.6 billion or minus 6.4% of our consolidated total, respectively.

This segment consists of 9 trading subsidiaries including Mitsui & Co. (U.S.A), Inc. (United States), Mitsui & Co. (Canada) Ltd. (Canada) and Mitsui & Co.(Brasil) S.A. (Brazil), 31 other subsidiaries owned mainly by Mitsui U.S.A. including Steel Technologies Inc. (United States), Champions Pipe & Supply, Inc. (United States), Mit Wind Power Inc. (United States), Mitsui Automotriz S.A. (Peru), Road Machinery, LLC (United States), Ellison Technologies Inc. (United States), Intercontinental Terminals Company LLC (United States), Novus International, Inc. (United States), CornerStone Research & Development Inc. (United States), SunWize Technologies, Inc. (United States), Fertilizantes Mitsui S.A. Industria e Comercio (Brazil), Westport Petroleum, Inc. (United States), United Grain Corp. (United States), Mitsui Foods, Inc. (United States), MBK Real Estate LLC (United States) and AFC HoldCo, LLC (United States) and 9 associated companies including MED3000 Group, Inc. (United States).

Mitsui U.S.A. is our largest overseas subsidiary, and it carries out many diversified business activities together with subsidiaries and associated companies, in collaboration with the operating segments of the Head Office in Japan. Mitsui U.S.A. has been leading our entry in the U.S. market, and we believe that Mitsui U.S.A. is one of the major exporters of American products.

Business activities of Mitsui U.S.A.'s major operating divisions are as follows:

The Iron & Steel Products Division maintains alliances with steel makers, steel processors, and major local customers in the U.S. and other countries. It specializes in streamlining the processes at each step of value chain of steel products, managing inventory and process arrangements. Steel Technologies Inc., a steel processor which operates more than 20 steel processing facilities in North America, which Mitsui U.S.A. acquired in June 2007, is a core operation of this division. It processes flat-rolled steel and provides a wide range of value added services including pickling, cold strip and blanking for automotive steel plate. Among various customers, the United States automotive makers and their affiliated parts makers are major customers. In March 2010, Mitsui U.S.A. entered into a definitive agreement with Nucor Corporation to own and operate a flat rolled processing network and other steel related projects throughout North America. In April 2010, Mitsui U.S.A. contributed Steel Technologies Inc. into a

---

**Table of Contents**

newly established holding company, to be named NuMit LLC, and then 50% of the interest in NuMit LLC was sold to Nucor Corporation. Steel Technologies Inc. will serve as the foundation for NuMit LLC, and will enhance its flat rolled steel processing operations in North America. NuMit LLC will also expand its business domain to other steel related projects throughout the world. Mitsui U.S.A. intends to invest the proceeds from the transaction into further NuMit LLC's investments. Sales and distribution of energy related steel products inclusive of tubular products sales and distribution within Americas and other areas is another core operation, operated by Champion Pipe & Supply, Inc.

The Energy & Mineral Resources Division engages in copper concentrate and cathode; aluminum ingot; aluminum product; other non-ferrous metal materials; iron and steel raw materials; steel and nonferrous metal scrap; crude oil; petroleum coke, petroleum products, bio-ethanol, natural gas and coal. The initiatives with Sims Metal Management Inc., an associated company of the Mineral & Metal Resources Segment, including electrical and electronic recycling, are also handled at this division. Westport Petroleum, Inc. in which this division has a 80% voting share and the Energy Segment has the remaining 20% voting share, is engaged in sales to and purchases from the energy industry with respect to pipeline and cargo trading of petroleum products throughout major international energy markets. These transactions by Westport Petroleum, Inc. account for a significant portion of our revenues from sales of products groupwide.

In November 2009, MitEnergy Upstream LLC, a subsidiary in which this division and the Energy Segment invest, sold all of its Gulf of Mexico oil and gas assets. See also Energy Segment for more details about the asset sale.

The Infrastructure Business Division pursues with the large scale projects and businesses in the field of infrastructures mainly related to the power generations, water treatment, transportation and natural resources, and energy (Oil & Gas) in cooperation with Head Office. This division has subsidiaries such as a wind power generation company in Texas, U.S. A. and a water treatment company in Mexico. The division engages also in providing newly built vessels to major oil and shipping companies and in aircraft leasing business for regional airlines and provides sophisticated, high value added logistics services through Tri-Net Logistics Management Inc., leveraging its longstanding experience in such field, while engaging in transportation and logistics related business in America.

The Motor Vehicles Division engages in the businesses of motor vehicles and construction and industrial machinery. Specifically, this division invests in areas closely relating to downstream dealer and logistics businesses, focusing on taking part in the planning of various kinds of business connected to the distribution processes of goods.

The Chemicals Division is engaged in the business and trade of various chemical products such as plastic materials, compound resin and its final products, food and feed additives, chemical fertilizer, pesticide, and gas chemical and petrochemical products. Novus International, Inc., a feed additive manufacturing subsidiary, produces and sells amino acids. In addition, Intercontinental Terminal Company LLC is engaged in the chemical tank terminal operation. SunWize Technologies, Inc. engages in sales and installation of solar power systems and modules.

The Foods, Consumer Service & IT Business Division deals with grain, coffee, foods materials, other foods products, and real estate. This division has a subsidiary, United Grain Corp., which invests in United Harvest, LLC, a joint venture with CHS Inc. for export facility operations for wheat and other grains, and also has a 20% minority interest in WILSEY FOODS, INC. See also Foods & Retail Segment for business collaboration with CHS Inc. Additionally, Mitsui Foods Inc. is specialized in the import food distribution business. As to the real estate business, MBK Real Estate LLC handles the development and sale of unit houses and leasing of senior housing properties in the states of California and Washington. CornerStone Research & Development, Inc. focuses on manufacturing service of supplements.

The Financial Markets Division had engaged in financial equity investments including principal investment and venture capital operation, but in October 2009 transferred its entire operation except



**Table of Contents**

AFC LLC (United States) to the Logistic & Financial Markets Segment due to the increased importance of global unified investment operation. AFC LLC was established by Mitsui U.S.A. after it acquired in September 2007 Affiliated Financial Corporation and BayQuest Capital Corporation, both of which provided automotive related financing services throughout the United States, and merged them into AFC LLC.

***Europe, the Middle East and Africa Segment***

The Europe, the Middle East and Africa Segment is engaged in sales and intermediary service of various commodities and conducts related businesses led by overseas trading subsidiaries in Europe, the Middle East, Africa and CIS countries. Effective April 2007, the Europe, the Middle East and Africa Business Unit was formed by reorganizing the former Europe Business Unit in order to cover the businesses in these regions.

Gross profit and net loss attributable to Mitsui & Co., Ltd. for this segment for the year ended March 31, 2010 were ¥16.7 billion or 2.4% and minus ¥3.8 billion or minus 2.5% of our consolidated totals, respectively.

As of March 31, 2010, this segment consisted of 12 trading subsidiaries, including Mitsui & Co. Europe Holdings PLC (United Kingdom), Mitsui & Co. Europe PLC (United Kingdom), Mitsui & Co. Deutschland GmbH (Germany), Mitsui & Co. Benelux S.A./N.V. (Belgium), Mitsui & Co. France S.A.S. (France), Mitsui & Co. Italia S.p.A. (Italy), Mitsui & Co., Middle East Ltd. (United Arab Emirates), 7 subsidiaries including Palloy MTD B.V. (Netherlands) and MBK Real Estate Europe Limited (United Kingdom), and 5 associated companies.

Mitsui & Co. Europe PLC, our wholly-owned subsidiary with its head office in London, manages the overall business activities in Europe, the Middle East, Africa and CIS countries through 12 overseas trading subsidiaries and other branch offices and liaison offices. Mitsui & Co. Europe PLC collaborates with our subsidiaries and associated companies of other operating segments.

Recently, the major parts of business in this segment have been sales and intermediary service of steel products, chemicals and machinery. For example, this segment provided assistance services for SCM of steel products procured by Statoil ASA. In the chemical business, this segment has been engaged in sales and intermediary service of various chemical products and materials supported by our global network and relationship with large scale manufacturers including Bayer Aktiengesellschaft.

Over the years, in Central and Eastern Europe, Mitsui has established trading subsidiaries and representative offices to expand business opportunities in the region, and have continuously participated in joint ventures, mainly with Japanese manufacturers. In connection with the enlargement of European Union, Japanese automobile, electric and chemical manufacturers are rushing to set up operations in the region. This segment is collaborating with them by taking advantage of our existing business bases.

In April 2008, MBK Real Estate Europe Limited was transferred to this segment from the Consumer Service Business Unit. This segment also had a 40% voting share in Mitsui Automotive Europe B.V. (Netherlands), a subsidiary of the Motor Vehicle Business Unit. In January 2010, the Motor Vehicle Business Unit, together with this segment, wound up Mitsui Automotive Europe B.V. taking into consideration the low growth under the matured automotive market in Europe.

In the Middle East we have established trading subsidiaries Mitsui & Co., Middle East Ltd. (United Arab Emirates), Mitsui and Co. (Middle East) B.S.C.(c) (Bahrain), Mitsui and Co., Iran Ltd. (Iran) and Mitsui and Co. Kuwait W.L.L. (Kuwait). Mitsui & Co., Middle East Ltd. owns offices in United Arab Emirates, Qatar and Oman. Mitsui has several representative offices in the Middle East countries including Saudi Arabia. These trading subsidiaries and offices in the Middle East collaborate with the Head Office primarily in the field energy development and production and projects of petrochemical plants and power plants.



---

## **Table of Contents**

### *Asia Pacific Segment*

The Asia Pacific Segment is engaged in sales and intermediary service of various commodities and conducts related businesses led by overseas trading subsidiaries in Asia and Oceania countries. Effective April 2007, the Asia Pacific Business Unit was formed by reorganizing the former Asia Business Unit and consolidating subsidiaries in Oceania region.

Gross profit and net income attributable to Mitsui & Co., Ltd. for this segment for the year ended March 31, 2010 were ¥27.9 billion or 4.0% and ¥25.7 billion or 17.2% of our consolidated totals, respectively.

As of March 31, 2010, this segment consisted of 19 trading subsidiaries, including Mitsui & Co. (Asia Pacific) Pte. Ltd. (Singapore), Mitsui & Co. (Hong Kong) Ltd. (Hong Kong, China), Mitsui & Co. (China) Ltd. (China), Mitsui & Co. (Shanghai) Ltd. (China), Mitsui & Co. (Taiwan) Ltd. (Taiwan), Mitsui & Co. Korea Ltd. (Republic of Korea), Mitsui & Co. (Thailand) Ltd. (Thailand), Mitsiam International Ltd. (Thailand), Mitsui & Co. (Australia) Ltd. (Australia), 4 subsidiaries including Mitsui Water Holdings (Thailand) Ltd. (Thailand), and 7 associated companies.

### *China*

China joined the WTO in 2001 and enjoyed double-digit growth in gross domestic product from 2003 to 2007. Though the growth speed slowed down to some extent due to the financial turmoil, the growth rates in 2008 and 2009 still remained high at 9.6% and 8.7%, respectively, and Chinese economy has gaining greater influence on the world economy.

We have been increasing our operations in, and shifting corporate resources to, Greater China, which includes mainland China and Hong Kong, in order to expand and strengthen our business operations in key industries in China such as steel products, chemicals, mineral and metal resources, foods and retail, IT, and transportation and logistics.

Our presence in China as of March 31, 2010 is comprised of eight local trading subsidiaries, all of which have been permitted to conduct import and export and wholesale trade domestically within China. Those trading subsidiaries include Mitsui & Co., (China) Ltd., an investing company in Beijing, Mitsui & Co. (Shanghai) Ltd., which is located in China's bonded area, and Mitsui & Co. (Hong Kong) Ltd. In addition, we have established representative offices of Mitsui and branches and offices of local trading subsidiaries in twelve cities in China.

Mitsui & Co., (China) Ltd. has made investments jointly with the business units of the Head Office in critical joint ventures in key industries in China such as steel products, mineral and metal resources, and foods.

### *ASEAN Region*

In the ASEAN region, trading subsidiaries including Mitsui & Co. (Asia Pacific) Pte. Ltd., Mitsui & Co., (Thailand) Ltd., Mitsiam International Ltd. (Thailand) and PT Mitsui Indonesia (Indonesia), subsidiaries and associated companies jointly collaborate with the Head Office and engage in various business activities involving, among other things, chemical and metal products and industrial type projects. Trading subsidiaries also establish various subsidiaries and participate in joint ventures formed with the third parties. As a representative example, Mitsui & Co., (Asia Pacific) Pte. Ltd. owns a 26% interest in Thai Tap Water Supply Public Company Limited (Thailand) through Mitsui Water Holdings (Thailand) Ltd., to supply tap water to the provincial authorities near Bangkok, Thailand under long-term water supply agreements.

In April 2007, Mitsui & Co. Vietnam Ltd. was established and started operations. Mitsui & Co. (Asia Pacific) Pte. Ltd. started operations undertaking all the businesses with the relevant assets, liabilities, contracts and employees from the Singapore branch of Mitsui & Co., Ltd in April 2007.

## **Table of Contents**

### *Southwest Asia*

Our operations in India were traditionally handled by branch offices in New Delhi, Calcutta, Madras and Bombay and were concentrated primarily in exporting commodities, such as iron ore and textiles, to Japan and other areas of the world. However, with the increasing deregulation of the Indian economy, we are currently engaged in not only import and export-related transactions but also domestic distribution through Mitsui & Co., India Pvt. Ltd. Furthermore, we are pursuing investment opportunities in domestic distribution channels.

### *Oceania*

In Australia, Mitsui & Co. (Australia) Ltd. is active in the development of minerals such as iron ore and coal, energy and agricultural exports in collaboration with corresponding operating segments, mainly in the Head Office. As described in the Mineral & Metal Resources Segment and the Energy Segment above, Australia is a critical geographic area in our corporate strategy. Mitsui & Co. (Australia) Ltd. participates in Mitsui Iron Ore Development Pty. Ltd. and Mitsui Coal Holdings Pty. Ltd. with equity shares of 20% and 30%, respectively.

### *All Other Segment*

The operations of the All Other Segment include financing services, office services and other services to external customers, and/or to us and associated companies.

Gross profit and net income for this segment for the year ended March 31, 2010 were ¥0.5 billion or 0.1% and ¥1.5 billion or 1.0% of our consolidated totals, respectively.

The All Other Segment has 11 subsidiaries, including Mitsui Bussan Trade Services Ltd. (Japan), Mitsui Bussan Financial Management Ltd. (Japan), Mitsui & Co. Financial Services Ltd. (Japan), Mitsui & Co. Financial Services (Asia) Ltd. (Singapore), Mitsui & Co. Financial Services (Europe) B.V. (Netherlands) and Mitsui & Co. Financial Service (U.S.A.) Inc. (United States). The activities of major subsidiaries in this segment are as follows:

Mitsui & Co. Financial Services Ltd. is engaged in financial services such as commercial loan and cash management services, mainly provided to the wholly-owned domestic subsidiaries.

Mitsui & Co. Financial Services (Asia) Ltd., Mitsui & Co. Financial Services (Europe) B.V. and Mitsui & Co. Financial Service (U.S.A.) Inc. are engaged in-house financial services to wholly owned subsidiaries in Asia, Europe and Americas, respectively.

**Table of Contents***Principal Markets*

We are involved in the worldwide trading of various commodities. See Item 5. A. Operating Results Revenues for further details of our revenues by commodity type for the years ended March 31, 2010, 2009 and 2008.

|                               | In Billions of Yen<br>Years Ended March 31, |           |           |
|-------------------------------|---|-----------|-----------|
|                               | 2010  | 2009      | 2008      |
| Revenues                      |   |           |           |
| Distribution by Commodity:    |   |           |           |
| Iron and Steel                | ¥ 623.5                                     | ¥ 865.6   | ¥ 801.3   |
| Non-Ferrous Metals            | 118.1                                       | 197.5     | 79.7      |
| Machinery                     | 291.1                                       | 394.2     | 478.2     |
| Electronics & Information     | 94.2  | 132.3     | 180.8     |
| Chemicals                     | 1,117.9                                     | 1,414.9   | 1,318.6   |
| Energy                        | 1,134.1                                     | 1,692.0   | 1,999.0   |
| Foods                         | 536.3                                       | 611.2     | 572.6     |
| Textiles                      | 26.6  | 26.7      | 37.8      |
| General Merchandise           | 13.6  | 19.4      | 40.5      |
| Property and Service Business | 141.0                                       | 151.0     | 206.6     |
| Consolidated Total            | ¥ 4,096.4                                   | ¥ 5,504.8 | ¥ 5,715.1 |

The following table shows our revenues in each of our major markets for the years ended March 31, 2010, 2009 and 2008.<sup>(1)(2)(3)</sup>

|                    | In Billions of Yen<br>Years Ended March 31, |           |           |
|--------------------|---|-----------|-----------|
|                    | 2010  | 2009      | 2008      |
| Japan              | ¥ 2,329.5                                   | ¥ 2,915.9 | ¥ 3,181.5 |
| United States      | 821.3                                       | 1,250.2   | 1,408.1   |
| Australia          | 289.4                                       | 401.9     | 229.9     |
| All Other          | 656.2                                       | 936.8     | 895.6     |
| Consolidated Total | ¥ 4,096.4                                   | ¥ 5,504.8 | ¥ 5,715.1 |

## Notes:

- (1) Revenues are attributed to countries based on the location of sellers.
- (2) The Company changed the information from total trading transactions to revenues. Certain costs related to revenues presented net in accordance with ASC605-45, Revenue Recognition Principal Agent Considerations, are not attributable to countries based on the location of customers. Therefore the Company provided total trading transaction attributed to countries based on the location of customers instead of revenues in previous year. In accordance with this change, the figures for the year ended March 31, 2009 and 2008 have been changed to conform to the current year presentation.
- (3) The figures relating to discontinued operations are eliminated from each geographic area amount and Consolidated Total.

**C. Organizational Structure.**

We are a global general trading company and we conduct our business with our subsidiaries and associated companies. As of March 31, 2010, we had 292 subsidiaries and 169 associated companies that are accounted for by the equity method.



**Table of Contents**

The table below provides information on our significant subsidiaries as of March 31, 2010. We have supplementarily provided voting power where it differs from ownership interest.

| Operating Segment                   | Company                                       | Country of Incorporation                          | Principal Business   | Ownership Interest (%) | Voting Power (%) |
|-------------------------------------|---|---|--|------------------------|------------------|
| Iron & Steel Products               | Mitsui & Co. Steel Ltd.                       | Japan   | Domestic sales, export, import of steel products for construction and other steel products | 100.0                  |                  |
|                                     | MITSUI BUSSAN KOZAI HANBAI CO., LTD.          | Japan   | Wholesale of steel products  | 89.1                   |                  |
|                                     | MBK Steel Products West Co., Ltd.             | Japan   | Wholesale of steel products  | 100.0                  |                  |
|                                     | Seikei Steel Tube Corp.                       | Japan   | Manufacture and sales of steel tube  | 51.0                   |                  |
|                                     | Regency Steel Asia Pte Ltd.                   | Singapore   | Wholesale and retail of steel products   | 92.5                   |                  |
|                                     | Bangkok Coil Center Co., Ltd.                 | Thailand  | Steel processing   | 95.4                   | 98.9             |
| Mineral & Metal Resources           | Mitsui Iron Ore Development Pty. Ltd.         | Australia   | Mining and sales of Australian iron ore  | 100.0                  |                  |
|                                     | Mitsui-Itochu Iron Pty. Ltd.                  | Australia   | Mining and sales of Australian iron ore  | 70.0                   |                  |
|                                     | Japan Collahuasi Resources B.V.               | Netherlands                                       | Investments in a copper mine in Chile  | 61.9                   |                  |
|                                     | Mitsui Raw Materials Development Pty. Limited | Australia   | Investment in Sims Metal Management Limited, a scrap metal recycler                        | 100.0                  |                  |
|                                     | MITSUI BUSSAN METALS CO., LTD.                | Japan   | Sales and trading of scrap, ferroalloys and non-ferrous material products                  | 100.0                  |                  |
| Machinery & Infrastructure Projects | MBK Project Holdings Ltd.                     | Japan   | Investments in manufacturers of plant-related materials and equipment                      | 100.0                  |                  |
|                                     | Mitsui & Co. Plant Systems, Ltd.              | Japan   | Sales of various plants, electric power facilities and transportations                     | 100.0                  |                  |
|                                     | Mitsui Power Ventures Limited                 | United Kingdom                                    | Investments in power generation business   | 100.0                  |                  |
|                                     | MIT POWER CANADA LP INC.                      | Canada  | Investment in Greenfield Power Generation Project in Ontario                               | 100.0                  |                  |
|                                     | Mitsui Rail Capital Holdings, Inc.            | United States                                     | Freightcar leasing and management in North America   | 100.0                  |                  |
|                                     | Mitsui Rail Capital Europe B.V.               | Netherlands                                       | Locomotive leasing and management in Europe  | 100.0                  |                  |
|                                     | Mitsui Rail Capital Participacoes Ltda.       | Brazil  | Freightcar leasing and management in Brazil  | 100.0                  |                  |
|                                     | MITSUI GAS E ENERGIA DO BRASIL LTDA.          | Brazil  | Investments in gas distribution companies  | 100.0                  |                  |
|                                     | Cactus Energy Investment B.V.                 | Netherlands                                       | Investment in an LNG terminal in Mexico  | 100.0                  |                  |
|                                     | Mit Investment Manzanillo B.V.                | Netherlands                                       | Investment in an LNG terminal in Mexico  | 100.0                  |                  |
| Drillship Investment B.V.           | Netherlands                                   | Investment in deepwater drilling service business | 100.0  |                        |                  |

Edgar Filing: MITSUI & CO LTD - Form 20-F

|                                |        |   |      |      |
|--------------------------------|--------|---|------|------|
| Atlatec Holdings, S.A. de C.V. | Mexico | Designing, building and operation of water treatment plants | 88.4 | 85.0 |
|--------------------------------|--------|---|------|------|

**Table of Contents**

| Operating Segment | Company                                | Country of Incorporation | Principal Business  | Ownership Interest (%) | Voting Power (%) |
|-------------------|--|--------------------------|---|------------------------|------------------|
|                   | Toyota Chile S.A.                      | Chile                    | Import and sales of automobiles and auto parts in Chile                         | 100.0                  |                  |
|                   | TF USA Inc.                            | United States            | Investment in auto parts logistics business                                     | 100.0                  |                  |
|                   | Mitsui Automotive Europe B.V.          | Netherlands              | Investments in automotive-related companies and trading of automobiles          | 100.0                  |                  |
|                   | Mitsui Automotive CIS Investment B.V.  | Netherlands              | Investments in automotive-related companies in Russia                           | 100.0                  |                  |
|                   | PT. Bussan Auto Finance                | Indonesia                | Motorcycle retail finance   | 90.0                   |                  |
|                   | Bussan Automotive Singapore Pte. Ltd.  | Singapore                | Investment in motorcycle manufacture and retail finance business in India       | 100.0                  |                  |
|                   | Mitsiam Motors Co., Ltd.               | Thailand                 | Sales of trucks and buses   | 74.4                   | 99.0             |
|                   | Komatsu-Mitsui Maquinarias Peru S.A.   | Peru                     | Sales of construction and mining equipment                                      | 60.0                   |                  |
|                   | Lepta Shipping Co., Ltd.               | Liberia                  | Shipping business   | 100.0                  |                  |
|                   | Clio Marine Inc.                       | Liberia                  | Shipping business   | 100.0                  |                  |
|                   | Orient Marine Co., Ltd.                | Japan                    | Shipping business   | 100.0                  |                  |
|                   | Mitsui Bussan Aerospace Co., Ltd.      | Japan                    | Import and sales of helicopters and defense and aerospace products              | 100.0                  |                  |
| Chemical          | Japan-Arabia Methanol Company Ltd.     | Japan                    | Investment in methanol producing business in Saudi Arabia and sales of products | 55.0                   |                  |
|                   | Shark Bay Salt Pty. Ltd.               | Australia                | Production of salt  | 100.0                  |                  |
|                   | DAIICHI TANKER CO., LTD.               | Japan                    | Operation of chemical tankers   | 100.0                  |                  |
|                   | P.T. Kaltim Pasifik Amoniak            | Indonesia                | Production and sales of anhydrous ammonia                                       | 75.0                   |                  |
|                   | Mitsui AgriScience International SA/NV | Belgium                  | Investments in crop protection businesses in Europe                             | 100.0                  |                  |
|                   | Mitsui Bussan Agro Business Co., Ltd.  | Japan                    | Development and sales of fertilizers and agricultural products                  | 100.0                  |                  |
|                   | Mitsui Bussan Chemicals Co., Ltd.      | Japan                    | Sales and trading of solvents and coating materials                             | 100.0                  |                  |
|                   | Mitsui Bussan Plastics Trade Co., Ltd. | Japan                    | Sales of plastics and chemicals   | 100.0                  |                  |
|                   | Daito Chemical Industries, Ltd.        | Japan                    | Production and sales of industrial chemicals                                    | 70.0                   |                  |
|                   | Mitsui Bussan Frontier Co., Ltd.       | Japan                    | Export of electronics devices and management of SCM businesses                  | 100.0                  |                  |
| Energy            | Mitsui E&P Australia Pty Limited       | Australia                | Exploration, development and production of oil and natural gas                  | 100.0                  |                  |
|                   | Mitsui E&P Middle East B.V.            | Netherlands              | Exploration, development and production of oil and natural gas in Oman          | 88.1                   | 100.0            |
|                   | Mitsui Oil Exploration Co., Ltd.       | Japan                    | Exploration, development and production of oil and natural gas                  | 70.3                   | 69.9             |
|                   | MitEnergy Upstream LLC                 | United States            | Exploration, development and production of oil and natural gas                  | 91.1                   | 100.0            |





**Table of Contents**

| <b>Operating Segment</b> | <b>Company</b>                           | <b>Country of Incorporation</b> | <b>Principal Business</b>   | <b>Ownership Interest (%)</b> | <b>Voting Power (%)</b> |
|--------------------------|--|---------------------------------|---|-------------------------------|-------------------------|
|                          | Mitsui E&P USA LLC                       | United States                   | Exploration, development and production of oil and gas                          | 88.1                          | 100.0                   |
|                          | Mitsui Gas Development Qatar B.V.        | Netherlands                     | Development and production of natural gas and condensate                        | 100.0                         |                         |
|                          | Mitsui Sakhalin Holdings B.V.            | Netherlands                     | Investments in Sakhalin Energy Investment Company Ltd.                          | 100.0                         |                         |
|                          | Mitsui Coal Holdings Pty. Ltd.           | Australia                       | Investments in Australian coal business   | 100.0                         |                         |
|                          | Mitsui & Co. Uranium Australia Pty. Ltd. | Australia                       | Investments in uranium mining business  | 100.0                         |                         |
|                          | Mitsui Oil (Asia) Hong Kong Limited      | Hong Kong, China                | Physical and derivatives trading of oil and petroleum products                  | 100.0                         |                         |
|                          | Mitsui Oil Co., Ltd.                     | Japan                           | Sales of petroleum products in Japan  | 89.9                          |                         |
|                          | Mitsui Marubeni Liquefied Gas Co., Ltd.  | Japan                           | Sales of liquefied petroleum gas in Japan                                       | 60.0                          |                         |
| Foods & Retail           | Mitsui Norin Co., Ltd.                   | Japan                           | Manufacture and sales of food products  | 54.5                          | 87.6                    |
|                          | PRI Foods Co., Ltd.                      | Japan                           | Production, processing and sales of broilers                                    | 62.7                          | 62.0                    |
|                          | San-ei Surochemical Co., Ltd.            | Japan                           | Manufacture and sales of sugars, pharmaceuticals, feedstuffs and other products | 69.8                          | 65.0                    |
|                          | MITSUI FOODS CO., LTD.                   | Japan                           | Wholesale of foods and beverages  | 99.9                          |                         |
|                          | Toho Bussan Kaisha, Ltd.                 | Japan                           | Import and sales of agricultural and marine products                            | 96.3                          |                         |
|                          | VENDOR SERVICE CO., LTD.                 | Japan                           | Procurement and demand chain planning and management of food materials          | 100.0                         |                         |
|                          | Bussan Logistics Solutions Co., Ltd.     | Japan                           | Operation and management of logistics centers                                   | 100.0                         |                         |
|                          | WILSEY FOODS, INC.                       | United States                   | Investments in processed oil food company                                       | 90.0                          |                         |
|                          | Mitsui Alimentos Ltda.                   | Brazil                          | Export of coffee beans and domestic sales of roasted coffee                     | 100.0                         |                         |
|                          | MCM Foods Holdings Limited               | United Kingdom                  | Investments in canned foods and sushi sales businesses                          | 100.0                         |                         |
| Consumer Service & IT    | Mitsui Bussan Inter-Fashion Ltd.         | Japan                           | Planning and management of production and distribution of apparel               | 100.0                         |                         |
|                          | BUSSAN REAL ESTATE CO., LTD.             | Japan                           | Real estate sales, leasing and management                                       | 100.0                         |                         |
|                          | ShopNet Co., Ltd.                        | British Virgin Islands          | TV shopping in Taiwan   | 84.9                          |                         |
|                          | Mitsui Knowledge Industry Co., Ltd.      | Japan                           | Planning, development and sales of information and communication systems        | 58.5                          | 58.4                    |
|                          | J-SCube Inc.                             | Japan                           | Outsourcing services for data entry and other back-office tasks                 | 100.0                         |                         |



**Table of Contents**

| <b>Operating Segment</b>      | <b>Company</b>                                    | <b>Country of Incorporation</b> | <b>Principal Business</b>  | <b>Ownership Interest (%)</b> | <b>Voting Power (%)</b> |
|-------------------------------|---|---------------------------------|--|-------------------------------|-------------------------|
|                               | Mitsui Electronics Inc.                           | Japan                           | Sales of electronics device and equipment  | 100.0                         |                         |
|                               | MBK Distribuidora de Produtos Eletronicos Ltda.   | Brazil                          | Sales of office equipment  | 100.0                         |                         |
| Logistics & Financial Markets | Mitsui & Co. Energy Risk Management Ltd.          | United Kingdom                  | Trading of energy derivatives  | 100.0                         |                         |
|                               | Mitsui & Co. Precious Metals, Inc.                | United States                   | Trading of precious metals   | 100.0                         |                         |
|                               | Mitsui Bussan Precious Metals (Hong Kong) Limited | Hong Kong, China                | Trading of precious metals   | 100.0                         |                         |
|                               | Mitsui Bussan Commodities Ltd.                    | United Kingdom                  | Trading of non-ferrous metals  | 100.0                         |                         |
|                               | Mitsui & Co., Principal Investments Ltd.          | Japan                           | Investment in private equity   | 100.0                         |                         |
|                               | MVC Corporation                                   | Japan                           | Investment in venture businesses   | 100.0                         |                         |
|                               | Trinet Logistics Co., Ltd.                        | Japan                           | Domestic Warehousing Business  | 99.9                          |                         |
|                               | Mitsuibussan Insurance Co., Ltd.                  | Japan                           | Non life and life insurance agency services  | 100.0                         |                         |
|                               | TRI-NET (JAPAN) INC.                              | Japan                           | International integrated transportation services   | 100.0                         |                         |
|                               | TRI-NET LOGISTICS (ASIA) PTE LTD                  | Singapore                       | International integrated transportation services   | 100.0                         |                         |
|                               | Tokyo International Air Cargo Terminal Ltd.       | Japan                           | Operation of air cargo terminal at Tokyo International Airport                                   | 100.0                         |                         |
| Americas                      | Mitsui & Co. (U.S.A.), Inc.                       | United States                   | Trading  | 100.0                         |                         |
|                               | Mitsui & Co. (Canada) Ltd.                        | Canada                          | Trading  | 100.0                         |                         |
|                               | Mitsui & Co. (Brasil) S.A.                        | Brazil                          | Trading  | 100.0                         |                         |
|                               | Steel Technologies Inc.                           | United States                   | Steel processing   | 100.0                         |                         |
|                               | Champions Pipe & Supply, Inc.                     | United States                   | Sales of OCTG (steel pipe for oil & gas production) and other steel products for energy industry | 100.0                         |                         |
|                               | Mit Wind Power Inc.                               | United States                   | Investment in wind power generation company  | 100.0                         |                         |
|                               | Mitsui Automotriz S.A.                            | Peru                            | Retail sales of automobiles and auto parts   | 100.0                         |                         |
|                               | Road Machinery, LLC                               | United States                   | Sales of construction and mining equipment   | 100.0                         |                         |
|                               | Ellison Technologies Inc.                         | United States                   | Sales of machine tools   | 88.8                          |                         |
|                               | Intercontinental Terminals Company LLC            | United States                   | Chemical tank leasing  | 100.0                         |                         |
|                               | Novus International, Inc.                         | United States                   | Manufacture and sales of feed additives  | 65.0                          |                         |
|                               | CornerStone Research & Development, Inc.          | United States                   | Processing and packaging of healthcare foods and supplements                                     | 100.0                         |                         |
|                               | SunWize Technologies, Inc.                        | United States                   | Sales and installation of photovoltaic systems   | 100.0                         |                         |
|                               | Fertilizantes Mitsui S.A. Industria e Comercio    | Brazil                          | Production and sales of fertilizers  | 100.0                         |                         |
|                               | Westport Petroleum, Inc.                          | United States                   | International trading of petroleum products and crude oil  | 100.0                         |                         |
|                               | United Grain Corp.                                | United States                   | Grain merchandising  | 100.0                         |                         |
|                               | Mitsui Foods, Inc.                                | United States                   | Trading of canned foods, juice ingredient and coffee; manufacturing and sales of frozen foods    | 100.0                         |                         |



**Table of Contents**

| <b>Operating Segment</b>           | <b>Company</b>                                | <b>Country of Incorporation</b> | <b>Principal Business</b>  | <b>Ownership Interest (%)</b> | <b>Voting Power (%)</b> |
|------------------------------------|---|---------------------------------|--|-------------------------------|-------------------------|
|                                    | MBK Real Estate LLC                           | United States                   | Real estate-related business   | 100.0                         |                         |
|                                    | AFC HoldCo, LLC                               | United States                   | Investment in auto finance companies                                   | 87.5                          |                         |
| Europe, the Middle East and Africa | Mitsui & Co. Europe Holdings PLC              | United Kingdom                  | Management of business in Europe, the Middle East and Africa           | 100.0                         |                         |
|                                    | Mitsui & Co. Europe PLC                       | United Kingdom                  | Trading  | 100.0                         |                         |
|                                    | Mitsui & Co. Deutschland GmbH                 | Germany                         | Trading  | 100.0                         |                         |
|                                    | Mitsui & Co. Benelux S.A./N.V.                | Belgium                         | Trading  | 100.0                         |                         |
|                                    | Mitsui & Co. France S.A.S.                    | France                          | Trading  | 100.0                         |                         |
|                                    | Mitsui & Co. Italia S.p.A.                    | Italy                           | Trading  | 100.0                         |                         |
|                                    | Mitsui & Co., Middle East Ltd.                | United Arab Emirates            | Trading  | 100.0                         |                         |
|                                    | Plalloy MTD B.V.                              | Netherlands                     | Compounding of plastic raw materials                                   | 60.0                          |                         |
|                                    | MBK Real Estate Europe Limited                | United Kingdom                  | Real estate-related business   | 100.0                         |                         |
| Asia Pacific                       | Mitsui & Co. (Asia Pacific) Pte. Ltd.         | Singapore                       | Trading  | 100.0                         |                         |
|                                    | Mitsui & Co. (Hong Kong) Ltd.                 | Hong Kong, China                | Trading  | 100.0                         |                         |
|                                    | Mitsui & Co. (China) Ltd.                     | China                           | Trading  | 100.0                         |                         |
|                                    | Mitsui & Co. (Shanghai) Ltd.                  | China                           | Trading  | 100.0                         |                         |
|                                    | Mitsui & Co. (Taiwan) Ltd.                    | Taiwan                          | Trading  | 100.0                         |                         |
|                                    | Mitsui & Co. Korea Ltd.                       | Republic of Korea               | Trading  | 100.0                         |                         |
|                                    | Mitsui & Co. (Thailand) Ltd.                  | Thailand                        | Trading  | 100.0                         |                         |
|                                    | Mitsiam International Ltd.                    | Thailand                        | Trading  | 51.2                          | 55.0                    |
|                                    | Mitsui & Co. (Australia) Ltd.                 | Australia                       | Trading  | 100.0                         |                         |
|                                    | Mitsui Water Holdings (Thailand) Ltd.         | Thailand                        | Investment in water supply business                                    | 100.0                         |                         |
| All Other                          | Mitsui Bussan Trade Services Ltd.             | Japan                           | Provision of logistics-related services to Mitsui and its subsidiaries | 100.0                         |                         |
|                                    | Mitsui Bussan Financial Management Ltd.       | Japan                           | Provision of accounting and treasury-related services to Mitsui        | 100.0                         |                         |
|                                    | Mitsui & Co. Financial Services Ltd.          | Japan                           | Financing services within the Group                                    | 100.0                         |                         |
|                                    | Mitsui & Co. Financial Services (Asia) Ltd.   | Singapore                       | Financing services within the Group                                    | 100.0                         |                         |
|                                    | Mitsui & Co. Financial Services (Europe) B.V. | Netherlands                     | Financing services within the Group                                    | 100.0                         |                         |
|                                    | Mitsui & Co. Financial Services (U.S.A.) Inc. | United States                   | Financing services within the Group                                    | 100.0                         |                         |

- (1) TF USA INC. was merged with Mitsui Automotive North America Inc. in March 2010. TF USA INC. was a subsidiary of Mitsui Automotive North America Inc. before the merger.
- (2) Mitsui Bussan Chemical Co., Ltd. changed its name from Mitsui Bussan Solvent & Coating Co., Ltd. in April 2009 upon its merger with Bussan Chemicals Co., Ltd.
- (3) Mitsui & Co. Energy Risk Management Ltd. changed its name to Mitsui & Co. Commodity Risk Management Ltd. in April 2010.
- (4) Tri-Net Logistics Co., Ltd. was merged with Mitsui Bussan Logistics Holdings Ltd. in March 2010. Tri-Net Logistics Co., Ltd. was a subsidiary of Mitsui Bussan Logistics Holdings Ltd. before the merger.



**Table of Contents****D. Property, Plants and Equipment.**

The following table provides a list of our principal property, plants and equipment as of March 31, 2010.

(Sft: Square feet, MT: Metric Ton)

| Property, Plant and Equipment Description<br>(Holder or Lessee Other than Mitsui) | Location                 | Size or Annual<br>Production<br>Capacity | Use of property                     |
|---|--------------------------|--|-------------------------------------|
| <b>In Japan:</b>  |                          |  |                                     |
| Mitsuibussan Building   | Tokyo                    | 1,321,572 Sft                            | Office use (Corporate Headquarters) |
| Osaka Mitsuibussan Building   | Osaka                    | 450,306 Sft                              | Office use                          |
| Nagoya Mitsuibussan Building  | Nagoya                   | 152,067 Sft                              | Office use                          |
| Hibiya Central Building   | Tokyo                    | 504,419 Sft                              | Office building for lease           |
| Bussan Building Annex   | Tokyo                    | 204,275 Sft                              | Office building for lease           |
| Human Resource Development Center   | Shizuoka                 | 83,863 Sft                               | Training facility                   |
| Land and equipment (Mitsui & Co. Steel Ltd.)                                      | Yokohama                 | 197,324 Sft                              | Steel processing factory            |
| Land and equipment (Seikei Steel Tube Corp.)                                      | Tochigi                  | 195,290 Sft                              | Steel processing factory            |
| Land and equipment (Mitsui Marubeni Liquefied Gas Co., Ltd.)                      | Ishikawa                 | 881,790 Sft                              | Liquefied petroleum gas terminal    |
| Land (MITSUI FOODS CO., LTD.)   | Saitama                  | 71,171 Sft                               | Distribution center                 |
| Land and equipment (PRI Foods Co., Ltd.)  | Aomori                   | 305,512 Sft                              | Broiler processing factory          |
| Land and equipment (Mitsui Norin Co., Ltd.)                                       | Yamanashi                | 339,871 Sft                              | Tea leaf processing factory         |
| Land and equipment (San-ei Surochemical Co., Ltd.)                                | Aichi                    | 817,433 Sft                              | Dextrose manufacturing factory      |
| Wakamatsu Building & Shinsuna Bayside Building<br>(Bussan Real Estate Co., Ltd.)  | Tokyo                    | 172,406 Sft                              | Office building for lease           |
| Higashi Nakano Office Building (Mitsui Knowledge Industry Co., Ltd.)              | Tokyo                    | 36,317 Sft                               | Office use                          |
| Land (Trinet Logistics Co., Ltd.)   | Chiba                    | 649,753 Sft                              | Logistics center                    |
| <b>Overseas:</b>  |                          |  |                                     |
| Office space (Mitsui & Co. (U.S.A.), Inc.)  | United States            | 195,227 Sft                              | Office space leased from others     |
| Office building (Mitsui & Co. Europe PLC)   | United Kingdom           | 64,369 Sft                               | Office use                          |
| Equipment (Mitsui Iron Ore Development Pty. Ltd.)                                 | Australia <sup>(1)</sup> | 26,243,000 Mt                            | Mining equipment for iron ore       |
| Equipment (Mitsui-Itochu Iron Pty. Ltd.)  | Australia <sup>(1)</sup> | 2,532,000 Mt                             | Mining equipment for iron ore       |
| Land and plants (P.T. Kaltim Pasifik Amoniak)                                     | Indonesia                | 579,397 Sft                              | Ammonia manufacturing plant         |
| Equipment (Mitsui Coal Holdings Pty. Ltd.)  | Australia <sup>(1)</sup> | 6,870,000 Mt                             | Mining equipment for coal           |
| Land and equipment (Steel Technologies Inc.)                                      | United States            | 228,901 Sft                              | Steel processing factory            |
| Chemical tank yard (Intercontinental Terminals Company LLC)                       | United States            | 11,495,355 Sft                           | Chemical tank                       |
| Senior service apartment (MBK Real Estate, Ltd.)                                  | United States            | 146,628 Sft                              | Leasing asset                       |
| Land and plants (Novus International, Inc.)                                       | United States            | 658,187 Sft                              | Methionine production facility      |
| Office building (MBK Real Estate Europe Limited)                                  | United Kingdom           | 75,486 Sft                               | Office building for lease           |

(1) Information on our mining activities related to Mitsui Iron Ore Development Pty. Ltd., Mitsui-Itochu Iron Pty. Ltd. and Mitsui Coal Holdings Pty. Ltd. that are located in Australia is shown in Mineral & Metal Resources Segment and Energy Segment of Item 4.B.

Business Overview and Mining Activities below.



**Table of Contents**

In addition to the above, our major assets leased to others as of March 31, 2010 were as below:

Some companies, including Clio Marine Inc., Lepta Shipping Co., Ltd. and LPG Transport Service Ltd. (Bermuda), own ocean vessels leased to foreign and domestic shipping companies whose combined book value amounts to ¥36 billion; and

Some companies, including Mitsui Rail Capital Holdings Inc. and Mitsui Rail Capital Europe B.V., own rolling stock mainly leased to railway companies in the United States and European countries amounting to ¥74 billion as book value.

For information on oil and gas producing activities, see Supplementary Information on Oil and Gas Producing Activities (Unaudited) to the consolidated financial statements included elsewhere in this annual report.

A portion of the land, buildings and equipment owned by us is subject to mortgages or other liens. As of March 31, 2010, the aggregate amount of such mortgages or other liens was ¥24 billion. We know of no material defect in our title to any of the properties or of no material adverse claim with respect to them, either pending or contemplated.

We consider our offices and other facilities to be well maintained and believe that our plant capacity is adequate for our current requirements. For the information on plans to construct, expand or improve facilities, in particular those related to mineral resource projects and oil and gas projects, see relevant descriptions in Item 4.A. History and Development of the Company Capital Expenditures, Mineral & Metal Resources Segment and Energy Segment of Item 4.B. Business Overview and Mining Activities below in this section.

We do not believe there are any material environmental issues that would affect the utilization of our assets.

**Table of Contents****Mining Activities**

Information regarding our mining activities is provided below.

**IRON ORE****Name of Joint Venture**

*Entity by which Mitsui Participates in the Mining Activity and its Ownership Interest*

**Area of Mining Operation (Region, State, Country)**

| Name of Mines <sup>(1)</sup>   | Location  | Type of Mineral Resources <sup>(2)</sup> | Fe Basis (%)                         | Means of Access to the Property  | Title/Lease   | Type of Mine | Power Source   |
|--|---|--|--------------------------------------|--|---|--------------|--|
| <i>Robe River Iron Associates<br/>Mitsui Iron Ore Development Pty. Ltd. (33%)<br/>Pilbara Region, Western Australia, Australia</i>   |   |  |                                      |  |   |              |  |
| <b>Mesa J<sup>(3)</sup></b>  | Robe Valley, south of the town of Pannawonica         | Pisolite                                 | 57.3                                 | Railway and port (owned by Robe River Iron Associates and operated by Pilbara Iron Pty Ltd.)   | Agreements for life of mine with Government of Western Australia  | Open pit     | Supplied through the integrated Hamersley and Robe power network operated by Pilbara Iron                          |
| <b>West Angelas<sup>(3)</sup></b>  | Approximately 100 km west of the town of Newman       | Marra Mamba                              | 61.8                                 | Same as above  | Same as above   | Open pit     | Same as above  |
| Name of Mines <sup>(2)</sup>   | Location  | Type of Mineral Resources <sup>(3)</sup> | Fe Basis (%)                         | Means of Access to the Property  | Title/Lease   | Type of Mine | Power Source   |
| <i>Mt Newman Joint Venture<br/>Mitsui Itochu Iron Pty. Ltd. (10%) (Mitsui share of Mitsui Itochu Iron Pty. Ltd. is 70%)<br/>Pilbara Region, Western Australia, Australia</i> |   |  |                                      |  |   |              |  |
| <b>Mt. Whaleback</b>   | Near the town of Newman, 426 km south of Port Hedland | Brockman<br>Marra Mamba                  | Brockman(63.0),<br>Marra Mamba(61.9) | Railway (owned and operated by Mt Newman Joint Venture) and the Nelson Point shipping facilities at Port Hedland (owned and operated by Mt Newman Joint Venture) | Mineral lease under the Iron Ore (Mt.Newman) Agreement Act 1964, this expires in 2030 with the rights to successive renewals of 21years | Open cut     | Sourced from Alinta Dewap s Newman gas-fired power station via Company-owned powerlines under long-term contracts. |
| <i>Yandi Joint Venture<br/>Mitsui Iron Ore Development Pty. Ltd. (7%)<br/>Pilbara Region, Western Australia, Australia</i>   |   |  |                                      |  |   |              |  |
| <b>Marillana Creek</b>   | 92 km north of Newman, 310 km south of Port Hedland   | Channel Iron Deposit                     | 57.2                                 | Rail spur (owned by Yandi Joint Venture) connected to the main Newman/ Hedland line (owned and operated by   | Mining lease under the Iron Ore (Marillana Creek) Agreement Act   | Open cut     | Sourced from Alinta Dewap s Newman gas-fired power station via Company-owned                                       |

Edgar Filing: MITSUI & CO LTD - Form 20-F

|   |  |                                       |
|---|--|---------------------------------------|
| Mt Newman Joint Venture) and the Nelson Point shipping facilities at Port Hedland (owned and operated by Mt.Newman Joint Venture) | 1991 expires in 2012 with renewal right to a further 42 years. | powerlines under long-term contracts. |
|---|--|---------------------------------------|

**Table of Contents**

| Name of Mines <sup>(2)</sup>                              | Location   | Type of Mineral Resources <sup>(3)</sup> | Fe Basis (%)                            | Means of Access to the Property  | Title/Lease  | Type of Mine | Power Source   |
|---|--|--|---|--|--|--------------|--|
| <i>Mt Goldsworthy Joint Venture</i>                       |  |  |   |  |  |              |  |
| <i>Mitsui Iron Ore Development Pty. Ltd. (7%)</i>         |  |  |   |  |  |              |  |
| <i>Pilbara Region, Western Australia, Australia</i>       |  |  |   |  |  |              |  |
| <b>Northern</b><br><b>(Yarrie)</b><br><b>(Nimingarra)</b> | 210 km east of Port Hedland                          | Nimingarra                               | 60.0                                    | Railway (owned and operated by Mt Goldsworthy Joint Venture) and the Nelson Point shipping facilities at Port Hedland (owned and operated by Mt Newman Joint Venture)  | Four mineral leases under the Iron Ore (Mt Goldsworthy) Agreement Act 1964 and the Iron Ore (Goldsworthy Nimingarra) Agreement Act 1972, which have expiry dates between 2014 and 2028 with rights to successive renewals of 21 years.<br><br>A number of smaller mining leases granted under the Mining Act 1978 in 2005. | Open cut     | Power for Yarrie and Nimingarra is sourced via overhead powerlines from the Port Hedland gas-fired powered station operated by Alinta Dewap under long-term contracts. |
| <b>Area C</b>   | 120 km northwest of Newman, 37 km southwest of Yandi | Brockman<br>Marra<br>Mamba               | Brockman(62.0),<br>Marra<br>Mamba(61.8) | Rail spur (owned by Goldsworthy Joint Venture) connecting to the Yandi spur line (owned by Yandi Joint Venture) and then onto the main Newman/Hedland line (owned and operated by Mt Newman Joint Venture) and the Finucane Island shipping facilities at Port Hedland (owned and operated by Goldsworthy Joint Venture) | Same as above  | Open cut     | Area C sources its power from the Newman gas-fired power station also operated by Alinta Dewap under long-term contracts.  |

(1) Name of Mines indicates the names of principal producing mines.

(2) Channel Iron Deposit , Marra Mamba , Brockman and Nimingarra refer to the types of iron ore that are found in the Pilbara region of Western Australia.

(3) The percentage figures of Fe Basis shows corresponding to Open cut.

**Table of Contents****COAL***Name of Joint Venture or Investee**Entity by which Mitsui Participates in the Mining Activity and its Ownership Interest<sup>(2)</sup>**Area of Mining Operation (Region, State, Country)*

| <b>Name of Mines<sup>(3)</sup></b>                   | <b>Location</b>   | <b>Type of Resources</b>            | <b>Means of Access to the Property</b>       | <b>Title/Lease</b>   | <b>Type of Mine</b>      | <b>Power Source</b> |
|--|---|-------------------------------------|--|--|--------------------------|---------------------|
| <i>BHP Mitsui Coal Pty. Ltd.</i>                     |   |                                     |  |  |                          |                     |
| <i>BHP Mitsui Coal Pty. Ltd.<sup>(1)</sup> (20%)</i> |   |                                     |  |  |                          |                     |
| <i>Queensland, Australia</i>                         |   |                                     |  |  |                          |                     |
| <b>South Walker Creek</b>                            | In the Bowen Basin,<br><br>100 km south-west of Mackay    | Metallurgical coal and thermal coal | Railway (Queensland Rail) and port in Mackay | Leases have expiry dates between 2010 and 2020 and are renewable for such further periods as the Queensland Government allows. | Open cut                 | State owned grid    |
| <b>Poitrel</b>                                       | Same as above   | Same as above                       | Same as above                                | Same as above  | Same as above            | Same as above       |
| <i>Bengalla Joint Venture</i>                        |   |                                     |  |  |                          |                     |
| <i>Mitsui Coal Holdings Pty. Ltd. (10%)</i>          |   |                                     |  |  |                          |                     |
| <i>New South Wales, Australia</i>                    |   |                                     |  |  |                          |                     |
| <b>Bengalla</b>                                      | 4 km west of Muswellbrook in the Upper Hunter Valley      | Thermal coal                        | Railway and port at Newcastle                | Leases granted by State  | Open pit                 | State owned grid    |
| <i>Kestrel Joint Venture</i>                         |   |                                     |  |  |                          |                     |
| <i>Mitsui Coal Holdings Pty. Ltd. (20%)</i>          |   |                                     |  |  |                          |                     |
| <i>Queensland, Australia</i>                         |   |                                     |  |  |                          |                     |
| <b>Kestrel</b>                                       | In the Bowen Basin,<br><br>300 km west of Rockhampton     | Metallurgical coal and thermal coal | Railway and port at Gladstone                | Leases granted by State  | Underground              | State owned grid    |
| <i>Dawson Joint Venture</i>                          |   |                                     |  |  |                          |                     |
| <i>Mitsui Coal Holdings Pty. Ltd. (49%)</i>          |   |                                     |  |  |                          |                     |
| <i>Queensland, Australia</i>                         |   |                                     |  |  |                          |                     |
| <b>Dawson (formerly Moura )</b>                      | In the Bowen Basin,<br><br>184 km south-west of Gladstone | Metallurgical coal and thermal coal | Railway and port at Gladstone                | Leases granted by State  | Open pit                 | State owned grid    |
| <i>German Creek Joint Venture</i>                    |   |                                     |  |  |                          |                     |
| <i>Mitsui Coal Holdings Pty. Ltd. (30%)</i>          |   |                                     |  |  |                          |                     |
| <i>Queensland, Australia</i>                         |   |                                     |  |  |                          |                     |
| <b>German Creek</b>                                  | In the Bowen Basin,<br><br>240 km south-west of Mackay    | Metallurgical coal                  | Railway and port at Mackay                   | Leases granted by State  | Open pit and underground | State owned grid    |

(1) BHP Mitsui Coal Pty. Ltd. indicates the name of the company established by BHP Billiton plc and Mitsui.

(2) BHP Mitsui Coal Pty. Ltd. is our associated company in which Mitsui has 20% interest. Mitsui Coal Holdings Pty. Ltd. is our subsidiary which owns interests in Bengalla Joint Venture, Kestrel Joint Venture, Dawson Joint Venture and German Creek Joint Venture.

(3) Name of mines indicates the names of principal producing mines.



**Table of Contents**

A brief history and the present condition of each of the above-mentioned mines, including the current state of development, if applicable, are provided below.

**IRON ORE***Name of Joint Venture**Entity by which Mitsui Participates in the Mining Activity and its Ownership Interest**Area of Mining Operation (Region, State, Country)*

*Robe River Iron Associates*

*Mitsui Iron Ore Development Pty. Ltd. (33%)*

*Pilbara Region, Western Australia, Australia*

**Mesa J**

The development of the Robe River project began in 1962<sup>(\*)</sup> near Pannawonica. The Robe River project was commissioned and the first shipment was made in 1972. Iron ore reserves at the Mesa J production Base provide the cornerstone of Pannawonica's sinter fines and lump output. Development of Mesa J began in 1992, and all mine administration, workshops, warehousing and other support facilities were integrated there in 1994. The mine produces Robe River fines and lump, which are pisolitic iron ore products. Process Plant 1 was commissioned in 1999 and Process Plant 2 in 2001. The plant processes clay-contaminated pisolite, sub-grade material which was once discarded, to reduce contaminants and retain on-specification ore. In December 2007, the joint venture decided to develop Mesa A / Warramboos mine which will have a full scale capacity of 25 million tons per annum by 2011 and started an initial production in the January to March 2010. The total capital cost will be estimated at US\$901 million.

**West Angelas**

The development of West Angelas began in 1998. Mining of ore commenced in March 2002. The West Angelas deposits contain Marra Mamba type iron ore with higher iron content than Robe River's Mesa J mine. The West Angelas operation is comprised of an open pit mine, a crushing and screening ore processing plant producing lump and sinter fines iron ore, as well as stockpiling, reclaiming and train-loading facilities. Further expansion of the West Angelas mine was completed in October 2005. This US\$105 million project took the mine's production capacity to 25 million tons per year. Robe River Iron Associates uses a dedicated rail system, operated by Pilbara Iron, to transport ore from its mines to the company's deepwater port facilities at Cape Lambert. Also, a US\$200 million rail expansion project to duplicate almost 100 kilometers of track and associated interconnection and infrastructure to increase the capacity of the Pilbara Iron main line was completed in the first quarter of 2006. A further expansion plan to increase port capacity at Cape Lambert from nameplate capacity of 55 to 80 million tons per year was completed in November 2008, ahead of time with the total capital cost of US\$952 million. Detailed design and engineering work of the Cape Lambert port expansion are scheduled to be completed by the end of 2010.

(\*) The Robe River project was originally started by Cleveland Cliffs Iron Company, an iron and steel producer in the United States. Since then, there were major changes in ownership before Rio Tinto took a 53% stake in Robe River Iron Associates in 2000.

## Edgar Filing: MITSUI & CO LTD - Form 20-F

*Mt Newman Joint Venture*

*Mitsui Itochu Iron Pty. Ltd. (10%) (Mitsui share of Mitsui Itochu Iron Pty. Ltd. is 70%)*

*Pilbara Region, Western Australia, Australia*

### **Mt. Whaleback**

The joint venture began production in 1969 at the Mt. Whaleback ore body. Today, production continues to be sourced from the major Mt. Whaleback ore body and is complemented by production from other ore bodies, namely Orebody 18, 23, 25, 29 and 30 and Jimblebar, which we are involved in through the Wheelarra arrangement with BHP Iron Ore (Jimblebar) Pty Ltd, Itochu Minerals & Energy Australia Pty Ltd, and 4 Chinese steel companies.

The facilities at Mt. Whaleback include primary and secondary crushing plants with a nominal capacity of 30 million tons of product per year, a heavy media beneficiation plant with an annual capacity of 8 million tons and a train-loading facility. An additional primary and secondary crushing plant is present at Orebody 25 with a nominal capacity of 10 million tons of product per year. A crusher and train-loading facility are also located at Orebody 18.

*Yandi Joint Venture*

*Mitsui Iron Ore Development Pty. Ltd. (7%)*

*Pilbara Region, Western Australia, Australia*

### **Marillana Creek**

Development of the ore body began in 1991 and the project's first shipment of iron ore was in 1992. Capacity was progressively expanded between 1994 and 2003 and the current capacity is 42 million tons per annum. Two processing plants and a primary crusher and overland conveyor are used to crush and screen the Yandi ore and deliver it to one of two train loading facilities.



**Table of Contents**

*Mt Goldsworthy Joint Venture*

*Mitsui Iron Ore Development Pty. Ltd. (7%)*

*Pilbara Region, Western Australia, Australia*

**Northern**

**(Yarrie)**

**(Nimingarra)**

**Area C**

Operations originally commenced at the Mt Goldsworthy project in 1966 and the Shay Gap mine in 1973. The original mine closed in 1982 and the associated Shay Gap mine in 1993. Since then, mining has continued from the adjacent Nimingarra and Yarrie, 30 kilometers to the south-east. The primary crushers at Yarrie and Nimingarra, with a combined capacity of 8 million tons of products per year, have been placed into care and maintenance. Yarrie is currently using mobile in-pit crushing plant at a rate of 2 million tons of products per year. The ore is crushed and then railed to Port Hedland. Mining at the Nimingarra mine ceased in 2007 and has since continued from the adjacent Yarrie area.

In October 2003, the joint venture opened the new Area C mine located 120 kilometers north-west of Newman, which produces Brockman ore and Marra Mamba ore deposits, which are sold under the trademark MAC. An ore processing plant, primary crusher and overland conveyor are located at Area C with a capacity of 42 million tons of products per year. All production from the Mt Goldsworthy Northern (Yarrie and Nimingarra) is transported on a separate railway to Port Hedland. Ore from Area C is transported via a 39 kilometer new section of railway to the Yandi mine which then connects to the Newman main line to Port Hedland.

*Development projects at joint ventures with BHP Billiton Ltd.*

In March 2007, the joint ventures approved the Rapid Growth Project 4 (RGP4) to increase annual production capacity to 155 million to per annum (100 percent share). Construction of RGP4 was completed and started an initial production in 2009. And currently ramp up is progressing . The expansion includes development of a new crushing and screening plant, as well as additional stockyard, car dumping and train loading facilities at Mt. Whaleback. Furthermore, in November 2008, the joint ventures approved the Rapid Growth Project 5 (RGP5) with a total capital investment of US\$5.6 billion. RGP5 will increase installed capacity by 50 million tons to 205 million tons per annum (100 percent share). RGP5 is expected to deliver first production in the second half of 2011. The majority of production growth will come from the Yandi and Mining Area C operations. RGP5 will also deliver significant infrastructure upgrades including additional shipping berths at the Port Hedland inner harbour (Finucane Island), substantial double tracking of the rail system and additional crushing, screening and stockpiling facilities at Yandi. In January 2010, the joint ventures approved for US\$1.93 billion of capital expenditure to underpin the further accelerated growth of Western Australia Iron Ore business. This investment represents early expenditure for the Rapid Growth Project 6 (RGP6). RGP6 is expected to increase installed capacity at the Western Australia Iron Ore assets to 240 million tones per annum during calendar year 2013. The funding will allow early procurement of long lead time items and detailed engineering to continue the expansion of the inner harbor at Port Hedland, progress rail track duplication works and expand the Jumblebar mining operation.

**Table of Contents**

**COAL**

*Name of Joint Venture or Investee*

*Entity by which Mitsui Participates in the Mining Activity and its Ownership Interest*

*Area of Mining Operation (Region, State, Country)*

*BHP Mitsui Coal Pty. Ltd.*

*BHP Mitsui Coal Pty. Ltd. (20%)*

*Queensland, Australia*

**South Walker Creek** The joint venture commissioned Riverside in 1983, and its reserves were depleted in March 2005. South Walker Creek became operational in 1996. It produces pulverized coal injection (PCI) product and minor quantities of thermal coal. South Walker Creek has a production capacity of 3.5 million tons per year. BHP Mitsui Coal holds undeveloped leases in the Bowen Basin.

**Poitrel** Construction for the Poitrel mine commenced in early 2006 and first coal was produced in October 2006. The mine has a production capacity of 3.0 million tons per annual of metallurgical and PCI coals.

*Bengalla Joint Venture*

*Mitsui Coal Holdings Pty. Ltd. (10%)*

*New South Wales, Australia*

**Bengalla** Development consent was granted in 1996 and production commenced in 1999. Coal & Allied, Rio Tinto's subsidiary in Australia, acquired its interest in Bengalla in 2001. Its coal preparation plant has been designed to allow the mine to produce low ash thermal coal for export. Production in 2009 was 5.5 million tons of thermal coal.

*Kestrel Joint Venture*

*Mitsui Coal Holdings Pty. Ltd. (20%)*

*Queensland, Australia*

**Kestrel** The Kestrel Coal mine, previously known as Gordonstone Mine, commenced operation in 1992. Coal is extracted by underground mining. The mine has two longwall units that are operated alternately to minimize downtime and ensure seamless production and reliability. The Kestrel Preparation Plant has been designed to allow the mine to produce low ash coking coal and high energy thermal coal. Production in 2009 was 3.7 million tons saleable high quality coking coal and export thermal coal. In January 2008, joint venture approved development of the new mining area for extend the operation period of Kestrel Joint Venture as the existing mining area is expected to be exhausted in 2014. Construction of this project started in August 2008 and the total capital expenditure will be US\$1.0 billion. The operation is expected to commence in 2012 and the project estimates a maximum 5.7 million tons per annum coal production with 20-year operation.

*Dawson Joint Venture*

*Mitsui Coal Holdings Pty. Ltd. (49%)*

*Queensland, Australia*

**Dawson**

## Edgar Filing: MITSUI & CO LTD - Form 20-F

**(formerly Moura )** Dawson Joint Venture was originally called Moura Joint Venture. The Moura Mine commenced operation in 1961. Since 1994, all production at Moura has been from its surface operation. Production tonnage has been increasing steadily throughout the years. After a few changes of ownership, Anglo Coal acquired a 51% share in 2002. In September 2003, the adjacent Theodore deposit was developed which further expanded its capacity. Anglo Coal Australia and Mitsui Coal Holdings intend to recapitalize their existing operations at the Moura mine and to establish two additional operations on adjacent tenures. The new and expanded operations are known as the Dawson Complex. Moura Joint Venture has already changed its name to Dawson Joint Venture. The joint venture's capital expenditure was estimated in excess of A\$1 billion. Expansion work of the Dawson complex was completed in the year ended March 31, 2008, aiming to boost annual coal production from the previous capacity 6.5 million tons per annum to 12.7 million tons of metallurgical and thermal coals.

*German Creek Joint Venture*

*Mitsui Coal Holdings Pty. Ltd. (30%)*

*Queensland, Australia*

**German Creek** Open pit mining commenced in 1981. Underground mining in the Central Colliery area started in 1984, while underground mining in the Southern Colliery area began in 1988. Grasree is a new underground mine which commenced production in 2006 and produces hard coking coal for our export markets. In addition, the development of Lake Lindsay mine, a new open cut mine adjacent to German Creek mine, completed in 2009, to increase the aggregate annual production from 6 to 10 million tons per annum and to extend the total joint venture's mine life by about 11 years.

**Table of Contents****Production Tonnage****IRON ORE**

Production tonnage figures in the table below represent those of marketable products as tonnage after accounting for extraction and beneficiation losses.

| Joint Venture or Investee and<br>Name of Mines | Mitsui's Subsidiary<br>or<br>Associated Company | Location                                | In Thousands of Tons<br>Year Ended March 31, |                   |                     |                   |                     |                   |  |
|--|---|---|--|-------------------|---------------------|-------------------|---------------------|-------------------|--|
|  |   |   | 2010   |                   | 2009                |                   | 2008                |                   |  |
|  |   |   | Total<br>Production                          | Mitsui's<br>Share | Total<br>Production | Mitsui's<br>Share | Total<br>Production | Mitsui's<br>Share |  |
| <i>Robe River Iron Associates</i>              | Mitsui Iron Ore<br>Development Pty. Ltd.        | Pilbara Region,<br>Western<br>Australia |  |                   |                     |                   |                     |                   |  |
| <b>Pannawonica<sup>(1)</sup></b>               |   |   | 28,576                                       | 9,430             | 21,810              | 7,197             | 26,132              | 8,624             |  |
| <b>West Angelas</b>                            |   |   | 30,993                                       | 10,228            | 23,773              | 7,845             | 26,756              | 8,829             |  |
| <i>Mt Newman Joint Venture</i>                 | Mitsui Itochu Iron<br>Pty. Ltd.                 | Pilbara Region,<br>Western<br>Australia |  |                   |                     |                   |                     |                   |  |
| <b>Mt. Whaleback<sup>(2)</sup></b>             |   |   | 36,167                                       | 2,532             | 37,993              | 2,660             | 42,808              | 2,997             |  |
| <i>Yandi Joint Venture</i>                     | Mitsui Iron Ore<br>Development Pty. Ltd.        | Pilbara Region,<br>Western<br>Australia |  |                   |                     |                   |                     |                   |  |
| <b>Marillana Creek</b>                         |   |   | 48,340                                       | 3,384             | 45,859              | 3,210             | 46,253              | 3,238             |  |
| <i>Mt Goldsworthy Joint Venture</i>            | Mitsui Iron Ore<br>Development Pty. Ltd.        | Pilbara Region,<br>Western<br>Australia |  |                   |                     |                   |                     |                   |  |
| <b>Northern<br/>(Yarrie)</b>                   |   |   | 1,819  | 127               | 1,632               | 114               | 1,041               | 73                |  |
| <b>(Nimingarra)</b>                            |   |   |  |                   |                     |                   |                     |                   |  |
| <b>Area C</b>                                  |   |   | 43,914                                       | 3,074             | 42,038              | 2,943             | 27,744              | 1,942             |  |
| <b>TOTAL</b>                                   |   |   |  |                   |                     |                   |                     |                   |  |
|  |   |   | 189,809                                      | 28,775            | 173,105             | 23,969            | 170,734             | 25,703            |  |

(1) The Pannawonica mine is composed of Mesa J, a producing mine, and other adjacent mines.

(2) Name of Mines indicates the names of principal producing mines.

**Table of Contents****COAL**

Production tonnage figures in the table below represent those of marketable products as tonnage after accounting for extraction and beneficiation losses.

| Joint Venture or Investee<br>and Name of Mines                                 | Mitsui's Subsidiary<br>or<br>Associated Company |                               | Location            | In Thousands of Tons<br>Year Ended March 31, |                     |                   |                     |                   |  |
|--|---|-------------------------------|---------------------|--|---------------------|-------------------|---------------------|-------------------|--|
|  |   |                               |                     | 2010   |                     | 2009              |                     | 2008              |  |
|  |   |                               | Total<br>Production | Mitsui's<br>Share                            | Total<br>Production | Mitsui's<br>Share | Total<br>Production | Mitsui's<br>Share |  |
| <i>BHP Mitsui Coal Pty. Ltd.</i> <sup>(1)</sup>                                | BHP Mitsui Coal<br>Pty. Ltd.                    | Queensland,<br>Australia      |                     |  |                     |                   |                     |                   |  |
| South Walker Creek   |   |                               | 2,978               | 596  | 2,862               | 572               | 3,422               | 684               |  |
| Poitrel  |   |                               | 2,457               | 491  | 2,270               | 454               | 1,438               | 288               |  |
| <i>Bengalla Joint Venture</i> <sup>(2)</sup>                                   | Mitsui Coal Holdings<br>Pty. Ltd.               | New South<br>Wales, Australia | 5,466               | 547  | 5,357               | 536               | 5,155               | 516               |  |
| <i>Kestrel Joint Venture</i> <sup>(2)</sup>                                    | Mitsui Coal Holdings<br>Pty. Ltd.               | Queensland,<br>Australia      | 3,717               | 743  | 4,018               | 804               | 3,621               | 724               |  |
| <i>Dawson Joint Venture (formerly<br/>Moura Joint Venture</i> <sup>(2)</sup> ) | Mitsui Coal Holdings<br>Pty. Ltd.               | Queensland,<br>Australia      | 7,365               | 3,609  | 6,936               | 3,399             | 5,984               | 2,932             |  |
| <i>German Creek Joint Venture</i> <sup>(2)</sup>                               | Mitsui Coal Holdings<br>Pty. Ltd.               | Queensland,<br>Australia      | 6,570               | 1,971  | 8,031               | 2,409             | 5,880               | 1,764             |  |
|  |   | <b>TOTAL</b>                  | 28,553              | 7,957  | 29,474              | 8,174             | 25,500              | 6,908             |  |

(1) Productions of BHP Mitsui Coal Pty. Ltd. indicate productions for the years ended June 30, 2009, 2008 and 2007.

(2) Productions of joint ventures Bengalla, Kestrel, Dawson and German Creek indicate productions for the years ended December 31, 2009, 2008 and 2007

**Reserve Tonnage****IRON ORE**

Reserves of iron ore classified according to operator are presented in the tables below.

**Operator: Rio Tinto Ltd.**<sup>(1)(2)(3)</sup>

Reserves as disclosed by Rio Tinto Ltd. consist of proved and probable reserves.

| Joint Venture or Investee<br>and Name of Mines | Mitsui's<br>Subsidiary or<br>Associated<br>Company | Location                                | Type of<br>Mine | In Million of Tons<br>Year Ended December 31, |                            |                   |                  |                            |                   |                  |                            |                   |
|--|--|---|-----------------|---|----------------------------|-------------------|------------------|----------------------------|-------------------|------------------|----------------------------|-------------------|
|  |  |   |                 | Total<br>Reserve                              | 2009<br>Basis<br>Fe<br>(%) | Mitsui's<br>Share | Total<br>Reserve | 2008<br>Basis<br>Fe<br>(%) | Mitsui's<br>Share | Total<br>Reserve | 2007<br>Basis<br>Fe<br>(%) | Mitsui's<br>Share |
| <i>Robe River Iron Associates</i>              | Mitsui Iron Ore<br>Development<br>Pty. Ltd.        | Pilbara Region,<br>Western<br>Australia |                 |   |                            |                   |                  |                            |                   |                  |                            |                   |
| <i>Pannawonica</i> <sup>(4)</sup>              |  |   | Open Pit        | 246   | 57.3                       | 81                | 267              | 57.2                       | 88                | 288              | 57.2                       | 95                |
|  |  |   | Stockpile       | 21  | 56.8                       | 7                 | 20               | 56.9                       | 7                 | 16               | 56.9                       | 5                 |
| <i>West Angelas</i>                            |  |   | Open Pit        | 340   | 61.8                       | 112               | 368              | 61.8                       | 121               | 385              | 61.8                       | 127               |
|  |  |   | Stockpile       | 7   | 58.3                       | 2                 | 6                | 58.0                       | 2                 | 6                | 59.3                       | 2                 |

## Edgar Filing: MITSUI & CO LTD - Form 20-F

- (1) Reserves of iron ore are shown as recoverable reserves of marketable product after accounting for all mining and processing losses. Mill recoveries are not shown.
- (2) Reserves of Robe River Iron Associates indicate reserves as of the end of December 2009, 2008 and 2007.
- (3) Iron ore price (based on a three year average historical price to June 30 2009) used to test whether the reported reserve estimate could be economically extracted was Australian benchmark price (fines) US\$1.01 per dry metric ton unit.
- (4) The Pannawonica mine is composed of Mesa J, a producing mine, and some adjacent mines.

**Table of Contents****Operator: BHP Billiton Ltd.** (1)(2)(3)(4) (6) (7) (8) (9)

Reserve amounts of Mt Newman, Yandi and Mt Goldsworthy consist of proved and probable reserves.

| Joint Venture or Investee and Name                  | Mitsui's Subsidiary or Associated Company | Location                          | Ore Type | In Millions of Tons<br>Year Ended June 30, |                   |                |                    |                   |                |                    |                   |                |
|---|---|-----------------------------------|----------|--|-------------------|----------------|--------------------|-------------------|----------------|--------------------|-------------------|----------------|
|   |   |                                   |          | 2009 Total Reserve                         | 2009 Fe Basis (%) | Mitsui's Share | 2008 Total Reserve | 2008 Fe Basis (%) | Mitsui's Share | 2007 Total Reserve | 2007 Fe Basis (%) | Mitsui's Share |
| <b>of Mines</b>                                     |   |                                   |          |  |                   |                |                    |                   |                |                    |                   |                |
| <b>Mt Newman Joint Venture</b>                      | Mitsui Itochu Iron Pty. Ltd.              | Pilbara Region, Western Australia |          |  |                   |                |                    |                   |                |                    |                   |                |
| <b>Mt. Whaleback</b>                                |   |                                   | BKM      | 868  | 63.0              | 61             | 823                | 62.6              | 58             | 780                | 62.6              | 55             |
|   |   |                                   | MM       | 63   | 61.9              | 4              | 65                 | 61.9              | 5              | 67                 | 62.2              | 5              |
| <b>Mt. Goldsworthy Joint Venture</b>                | Mitsui Iron Ore Development Pty. Ltd.     | Pilbara Region, Western Australia |          |  |                   |                |                    |                   |                |                    |                   |                |
| <b>Northern<sup>(5)</sup> (Yarrie) (Nimingarra)</b> |   |                                   | NIM      | 27   | 60.0              | 2              | 24                 | 59.2              | 2              | 3                  | 59.9              | 0              |
| <b>Area C</b>                                       |   |                                   | BKM      | 182  | 62.0              | 13             | 180                | 62.0              | 13             |                    |                   |                |
|   |   |                                   | MM       | 372  | 61.8              | 26             | 396                | 61.9              | 28             | 418                | 61.9              | 29             |
| <b>Yandi Joint Venture</b>                          | Mitsui Iron Ore Development Pty. Ltd.     | Pilbara Region, Western Australia |          |  |                   |                |                    |                   |                |                    |                   |                |
| <b>Marillana Creek</b>                              |   |                                   | CID      | 1,051                                      | 57.2              | 74             | 1,092              | 57.2              | 76             | 913                | 57.5              | 64             |

- (1) For Western Australian Iron Ore (WAIO) the reserves are divided into joint ventures and material types that reflect the various products produced. BKM Brockman, MM Marra Mamba, NIM Ningarra and CID Channel Iron Deposit.
- (2) For Mt Newman, Mt Goldsworthy and Yandi joint ventures tonnages represent wet tons based on the following moisture contents: BKM 3%, MM 4%, CID 8%, NIM 3.5%. Iron ore is marketed as Lump (direct blast furnace feed) and Fines (sinter plant feed).
- (3) Metallurgical recovery is 100% except for Mt Newman JV Whaleback BKM where recovery is 92%.
- (4) Cut-off grades used to estimate reserves: Mt Newman 50-62% Fe for BKM, 59% Fe for MM; Mt Goldsworthy 50% Fe for NIM, 57% Fe for MM, 59.5% Fe for BKM; Yandi 55-55.5% Fe for CID.
- (5) Our WAIO reserves are all located on State Agreement mining leases that guarantee the right to mine, except the Cattle Gorge mine (part of Mt Goldsworthy JV Northern), which is an operating mine on a standard Western Australian mining lease. We are required to obtain certain State Government approvals (including environmental and heritage clearances) before we commence mining operations on a particular area. We have included in our reserves areas where one or more approvals remain outstanding but where, based on the technical investigations we carry out as part of our mine planning process and our knowledge and experience of the approvals process, we expect that such approvals will be obtained as part of the normal course of business and within the time frame required by the current life of mine schedule.
- (6) BHP Billiton Ltd. Owns 100% of the Jimblebar lease. BHP Billiton Ltd. has a sublease agreement over the Wheelarra deposit with ITOCHU Minerals and Energy of Australia, Mitsui Iron Ore Development Pty. Ltd and four separate subsidiaries of Chinese steelmakers. As a consequence of this arrangement, we are entitled to 7% of production from the Wheelarra sublease.
- (7) Reserves provided in the table above indicate reserves as of the end of June 2009, 2008 and 2007.
- (8) Reserves provided in the table above do not exceed the quantities that we estimate could be extracted economically if future prices were at similar levels to long-term contracted prices for the three years to December 31, 2008.
- (9) Name of Mines indicates the names of principal producing mines.

**Table of Contents****COAL**

In the table below, coal reserves are shown as marketable reserves, which are tonnage after accounting for extraction and processing and preparation losses.

**Operator: BHP Billiton Ltd.**<sup>(1)(2)</sup>

| Investee and Name of Mines       | Mitsui's Subsidiary or Associated Company | Location              | In Millions of Tons<br>Year Ended June 30, |               |                     |                |               |                     |                |               |                     |                |  |  |
|----------------------------------|---|-----------------------|--|---------------|---------------------|----------------|---------------|---------------------|----------------|---------------|---------------------|----------------|--|--|
|                                  |   |                       | 2009                                       |               |                     | 2008           |               |                     | 2007           |               |                     |                |  |  |
|                                  |   |                       | Coal Type                                  | Total Reserve | Sulphur Content (%) | Mitsui's Share | Total Reserve | Sulphur Content (%) | Mitsui's Share | Total Reserve | Sulphur Content (%) | Mitsui's Share |  |  |
| <b>BHP Mitsui Coal Pty. Ltd.</b> | BHP Mitsui Coal Pty. Ltd.                 | Queensland, Australia |  |               |                     |                |               |                     |                |               |                     |                |  |  |
| <b>South Walker Creek</b>        |   |                       | Met/Th                                     | 101           | 0.21                | 20             | 31            | 0.39                | 6              | 35            | 0.37                | 7              |  |  |
| <b>Poitrel<sup>(4)</sup></b>     |   |                       | Met/Th                                     | 51            | 0.40                | 10             | 53            | 0.36                | 11             | 51            | 0.36                | 10             |  |  |

(1) Reserves provided in the table above indicate reserves as of the end of June 2009, 2008 and 2007.

(2) Coal Types are Met metallurgical and Th thermal coal.

(3) The reserve changes to South Walker Creek are due to revised economic assumptions and tenement increases. The marketable reserve includes an estimated 90Mt of Pulverised Coal Injection (PCI) product and 11Mt thermal coal product with an average calorific value of 7,500 Kcal/kg.

(4) Poitrel The marketable PCI coal component of the overall Marketable Coal Reserve is estimated to be 12mt at 7,560 Kcal/kg calorific value.

**Operator: Rio Tinto Ltd.**<sup>(1)(2)</sup>

| Investee and Name of Mines    | Mitsui's Subsidiary or Associated Company | Location                   | Coal Type | In Millions of Tons<br>Year Ended December 31, |                         |                     |                |               |                         |                     |                |               |                         |                     |                |
|-------------------------------|---|----------------------------|-----------|--|-------------------------|---------------------|----------------|---------------|-------------------------|---------------------|----------------|---------------|-------------------------|---------------------|----------------|
|                               |   |                            |           | 2009   |                         |                     | 2008           |               |                         | 2007                |                |               |                         |                     |                |
|                               |   |                            |           | Total Reserve                                  | Calorific Value (MJ/kg) | Sulphur Content (%) | Mitsui's Share | Total Reserve | Calorific Value (MJ/kg) | Sulphur Content (%) | Mitsui's Share | Total Reserve | Calorific Value (MJ/kg) | Sulphur Content (%) | Mitsui's Share |
| <b>Bengalla Joint Venture</b> | Mitsui Coal Holdings Pty. Ltd.            | New South Wales, Australia | Th        | 126  | 28.21                   | 0.47                | 13             | 132           | 28.21                   | 0.47                | 13             | 137           | 28.21                   | 0.47                | 14             |
| <b>Kestrel Joint Venture</b>  | Mitsui Coal Holdings Pty. Ltd.            | Queensland, Australia      | Met/Th    | 128  | 31.60                   | 0.59                | 26             | 131           | 31.60                   | 0.59                | 26             | 136           | 31.60                   | 0.59                | 27             |

(1) Reserves provided in the table above indicate reserves as of the end of December 2009, 2008 and 2007.

(2) Coal Types are Met metallurgical and Th thermal coal.

**Operator: Anglo American Plc.**<sup>(1)(2)</sup>

| Investee and Name of Mines | Mitsui's Subsidiary or Associated Company | Location | Coal Type | In Millions of Tons<br>Year Ended December 31, |                |               |                |               |                |               |                |  |  |
|----------------------------|---|----------|-----------|--|----------------|---------------|----------------|---------------|----------------|---------------|----------------|--|--|
|                            |   |          |           | 2009   |                |               | 2008           |               |                | 2007          |                |  |  |
|                            |   |          |           | Total Reserve                                  | Mitsui's Share | Total Reserve | Mitsui's Share | Total Reserve | Mitsui's Share | Total Reserve | Mitsui's Share |  |  |



## Edgar Filing: MITSUI & CO LTD - Form 20-F

|   |                                |                       |        |     |    |     |     |     |     |
|---|--------------------------------|-----------------------|--------|-----|----|-----|-----|-----|-----|
| <b><i>Dawson Joint Venture<sup>(2)</sup></i></b><br><b><i>(formerly Moura Joint Venture)</i></b>      | Mitsui Coal Holdings Pty. Ltd. | Queensland, Australia | Met/Th | 143 | 70 | 274 | 134 | 281 | 138 |
| <b><i>German Creek Joint Venture<sup>(2)</sup></i></b><br><b><i>(including Lake Lindsay Mine)</i></b> | Mitsui Coal Holdings Pty. Ltd. | Queensland, Australia | Met    | 138 | 41 | 147 | 44  | 140 | 42  |

(1) Reserves provided in the table above indicate reserves as of the end of December 2009, 2008 and 2007.

(2) Coal Types are Met metallurgical and Th thermal coal.



---

## **Table of Contents**

### *Present Activities*

We hereby summarize our ongoing activities by geographical area. Australia and Thailand are the major areas of our activities in terms of both reserves and production. See also Item 4.B. Business Overview Energy Segment for related information.

### *Australia/Oceania*

We hold a 50% share in Japan Australia LNG (MIMI) Pty. Ltd., an associated company, which in turn has a 16.7% interest in infrastructures and oil reserves and a 15.78% interest in the gas and condensate reserves of North West Shelf Venture operated by Woodside Petroleum Ltd. North West Shelf Venture is engaged in production of natural gas, crude oil, LPG and condensate and liquefaction of natural gas in Australia. Production capacity of LNG is some 16.3 million tons per annum (100% basis). Two major capital projects have been in execution phase: The North Rankin 2 project linking a new gas compression platform (North Rankin B) to the existing North Rankin A platform is expected to deliver significant gas compression capability in 2013 for subsequent use to produce North Rankin and Perseus reservoirs through to the end of their expected field lives; The Cossack Wanaea Lambert Hermes redevelopment project is expected to replace FPSO with more gas lift and water handling capacity plus refurbished subsea flow line system from 2011.

Mitsui E&P Australia Pty Limited, our wholly owned subsidiary, has a 40% interest in the Enfield and Vincent oil fields located in the North West offshore Australia as a non-operator. Woodside Energy Ltd. is the operator for both oil fields. In the Enfield oil field, following some of the major production wells shut-in due to unexpected sand production which occurred in 2006 and 2007, the joint venture conducted consecutive repair work and additional drilling, which stabilized production from the field. The average production rate in the Enfield oil field during April to June 2010 period was approximately 30,000 barrels per day (100% basis). In the Vincent oil field, following a fire incident occurred on board the floating production storage and offloading facility in 2009, production has been constrained to minimize gas flaring due to the gas compressor outage. The compressor repair is ongoing. The average production rate in the Vincent oil field during April to June 2010 period was approximately 23,000 barrels per day (100% basis). Mitsui E&P Australia Pty Limited also has a 35% non-operating interest in the Tui oil field offshore New Zealand as well as 25% non-operating interests in Casino gas & condensate field and Henry and Netherby gas fields, both of which are located offshore South Australia. Mitsui E&P Australia Pty Limited is also engaged in exploration activities in Australia and New Zealand.

### *Thailand/Asia*

Mitsui Oil Exploration Co., Ltd. ( MOECO ) is our 69.91% subsidiary(\*1) which has several minority interests in oil and gas fields offshore Thailand as a non-operator. Most fields are operated by Chevron Corporation and its subsidiaries. MOECO's interests in producing fields are ranging from 4% to 40% in Blocks 10 through 13, 10A, 11A, B12/27, G4/48, G4/43, 14A through 16A, B8/32 and 9A. In these blocks in the aggregate, natural gas is much more abundant than oil and is sold under long-term sales contracts. Water cut of oil producing fields have been rising for recent years, and for high water cut oil wells, gas lift and waterflood are used for enhanced recovery. MOECO is also engaged in exploration activities mainly in South East Asia.

We hold a 2.3% non-operating interest in the Tangguh LNG project, production and liquefaction of natural gas in Indonesia, through two associated companies, KG Berau Petroleum Ltd. and KG Wiriagar Petroleum Ltd. Production capacity of LNG is some 7.6 million tons per annum (100% basis). Production was commenced in 2009.

(\*1) Mitsui's ownership interest in MOECO is 70.34%, which we used for the disclosure in this item, taking into consideration that Mitsui has an indirect ownership through an associated company in addition to Mitsui's direct ownership interest of 69.91%.

**Table of Contents***Middle East*

Mitsui E&P Middle East B.V. has a 35% non-operating interest in the Block 9 and Block 27 producing oil fields in Oman. The operator is Occidental of Oman Inc. Exploration and development drilling is ongoing, and in Block 9, waterflood operations have been executed to meet expectations. Mitsui has a 60% share and MOECO has a 40% share in Mitsui E&P Middle East B.V.

In Qatar, we have a 2.5% non-operating interest in production of condensate through Mitsui Gas Development Qatar B.V., a 100% subsidiary.

*Other Areas*

In December 2009, MitEnergy Upstream LLC divested all of its Gulf of Mexico oil and gas assets.

On April 20, 2010, a semi-submersible drilling rig owned and operated by a third party, which was conducting exploration work on the Mississippi Canyon 252 block in the Gulf of Mexico, experienced a fire incident, which sank the drilling rig and resulted in leakage of hydrocarbons from the well. MOEX Offshore 2007 LLC, a 100% subsidiary of MOEX USA Corporation, has a 10% working interest in the Mississippi Canyon 252 block as a non-operator. MOEX USA Corporation is a 100% subsidiary of MOECO. For further information, see elsewhere in this annual report.

In addition, we are engaged in exploration activities in Mozambique, Namibia and Ghana.

In February 2010, Mitsui E&P USA LLC, in which Mitsui and MOECO have shares of 60% and 40%, respectively, through their subsidiaries in the United States, entered into an agreement with Anadarko Petroleum Corporation to participate in the development and production of the Marcellus Shale gas project in the state of Pennsylvania in the United States>(\*1). The partners of this project will be drilling 4,000 to 6,000 wells during a span of over ten years and the total development cost of Mitsui E&P USA LLC is estimated to be between US\$3 billion and US\$4 billion depending on the progress. Mitsui E&P USA LLC will carry US\$1,400 million of Anadarko's future development in consideration of its interest in the project.

The following table shows the number of wells in the process of being drilled as of March 31, 2010.

|  | Gross Wells Drilling | Net Wells Drilling |
|--|----------------------|--------------------|
| <b>As of March 31, 2010</b>            |                      |                    |
| <b>Consolidated Subsidiaries</b>       |                      |                    |
| Australia/Oceania                      | 2                    | 1                  |
| Thailand/Asia                          | 7                    | 1                  |
| Middle East                            | 1                    | 0                  |
| Others                                 | 1                    | 0                  |
| <b>Total Consolidated Subsidiaries</b> | <b>11</b>            | <b>2</b>           |
| <b>Associated Companies</b>            |                      |                    |
| Australia/ Oceania                     | 1                    | 0                  |
| Thailand/ Asia                         |                      |                    |
| <b>Total Associated Companies</b>      | <b>1</b>             | <b>0</b>           |
| <b>Total</b>                           | <b>12</b>            | <b>2</b>           |

(\*1)

## Edgar Filing: MITSUI & CO LTD - Form 20-F

This Item 4.D. Property, Plants and Equipment Oil and Gas Producing Activities does not include the Marcellus Shale gas project because fiscal year of Mitsui E&P USA LLC ends in December, three months ahead of Mitsui, and because the financial position and results of operations, reserves and production of Mitsui E&P USA LLC were not material as of March 31, 2010.

**Table of Contents**

- (1) Total net wells drilling may not strictly match simple sums of net wells drilling of all geographic areas due to fractional numbers.  
 (2) The number of gross wells is the total number of wells in which we own a working interest. The number of net wells is the sum of our fractional working interests in gross wells.

*Proved Reserves*

The following table shows our proved reserves as of March 31, 2010.

|  | Crude Oil,<br>Condensate and<br>Natural Gas Liquid<br><br>Millions of Barrels | Natural Gas<br>Billions of Cubic<br>Feet | Total<br>Millions of Barrels<br>of Oil Equivalent |
|--|---|--|---|
| <b>As of March 31, 2010</b>            |   |  |   |
| <b>Proved Reserves</b>                 |   |  |   |
| <b>Consolidated Subsidiaries</b>       |   |  |   |
| Australia/Oceania                      | 25  | 62                                       | 36  |
| Thailand/Asia                          | 31  | 520                                      | 121   |
| Middle East                            | 17  | 38                                       | 24  |
| <b>Total Consolidated Subsidiaries</b> | <b>73</b>   | <b>620</b>                               | <b>180</b>  |
| <b>Associated Companies</b>            |   |  |   |
| Australia/Oceania                      | 33  | 690                                      | 152   |
| Thailand/Asia                          | 8   | 169                                      | 37  |
| <b>Total Associated Companies</b>      | <b>41</b>   | <b>859</b>                               | <b>189</b>  |
| <b>Total</b>                           | <b>114</b>  | <b>1,479</b>                             | <b>369</b>  |
| <b>Proved Developed Reserves</b>       |   |  |   |
| <b>Consolidated Subsidiaries</b>       |   |  |   |
| Australia/Oceania                      | 20  | 25                                       | 24  |
| Thailand/Asia                          | 20  | 274                                      | 67  |
| Middle East                            | 12  | 23                                       | 16  |
| <b>Total Consolidated Subsidiaries</b> | <b>52</b>   | <b>322</b>                               | <b>108</b>  |
| <b>Associated Companies</b>            |   |  |   |
| Australia/Oceania                      | 17  | 315                                      | 71  |
| Thailand/Asia                          | 7   | 161                                      | 35  |
| <b>Total Associated Companies</b>      | <b>24</b>   | <b>476</b>                               | <b>106</b>  |
| <b>Total</b>                           | <b>76</b>   | <b>798</b>                               | <b>214</b>  |
| <b>Proved Undeveloped Reserves</b>     |   |  |   |
| <b>Consolidated Subsidiaries</b>       |   |  |   |
| Australia/Oceania                      | 5   | 37                                       | 11  |
| Thailand/Asia                          | 11  | 246                                      | 53  |
| Middle East                            | 5   | 15                                       | 8   |

Edgar Filing: MITSUI & CO LTD - Form 20-F

|  |    |     |     |
|--|----|-----|-----|
| <b>Total Consolidated Subsidiaries</b> | 21 | 298 | 72  |
| <b>Associated Companies</b>            |    |     |     |
| Australia/Oceania                      | 16 | 375 | 81  |
| Thailand/Asia                          | 1  | 8   | 2   |
| <b>Total Associated Companies</b>      | 17 | 383 | 83  |
| <b>Total</b>                           | 38 | 681 | 155 |

- (1) 1 barrel of crude oil = 5,800 cubic feet of gas.
- (2) Total reserves in millions of barrels of oil equivalent may not strictly match simple sums of reserves of all geographic areas due to fractional numbers.
- (3) Reserves include those attributable to noncontrolling interests.
- (4) Proved reserves are estimated on the basis of the average of the first-day-of-the-month price for each month during the last 12- month period.

---

**Table of Contents**

The proved undeveloped reserves for our subsidiaries and associated companies as of March 31, 2010 were 155 million barrels of oil equivalent ( boe ), an increase of 11 million boe from 144 million boe as of March 31, 2009. There were no material changes in proved undeveloped reserves, such as significant acquisition of reserves, in the year ended March 31, 2010. We spent ¥76.8 billion, of which geographic distribution are ¥35.9 billion for Thai/Asia, ¥25.1 billion for Australia/Oceania and ¥15.8 billion for other areas, for the development of oil and gas fields for the year ended March 31, 2010, including capital expenditures to convert proved undeveloped reserves to proved developed reserves. Immaterial amounts of proved undeveloped reserves remain undeveloped for five years or more as of March 31, 2010.

*Internal Controls over Reserves Estimation*

We participate in oil and gas related joint venture operations, typically as a non-operator equity holder, relying on our project partner, the operator, which is responsible for operation management including exploration, development and production of oil and gas resources. In these projects, we collaborate with partners that have sufficient technical knowledge and expertise to reduce operational risks, and also contribute to a limited extent as a non-operator on management of time schedules, capital expenditures, production plans, and safety and environmental standards related to the projects.

We also rely on the operators for the information and data utilized for reserves estimation and have a third party prepare reserves estimates in most cases. Mitsui neither has centralized corporate-wide internal system to check and control the reserves estimation process, nor has technical expertise to maintain such internal control system as specialized Exploration and Production companies would have. Instead, each subsidiary or associated company has its own internal controls over reserves estimation on a best-effort basis.

For Mitsui E&P Australia Pty Limited, KG Berau Petroleum Ltd., KG Wiriagar Petroleum Ltd and Japan Australia LNG (MIMI) Pty. Ltd., Ryder Scott Company, L.P. ( RSC ) prepares reserves estimates according to the information and data provided by the operators, such as production and pressure data, well logs, core and fluid data, and well performance data. RSC's progress and estimates are reviewed by reservoir engineers, geologists or accounting managers of our subsidiaries and associated companies, who query and/or seek clarification of the input assumptions or compare against similar reports received from the operators, while in general, our subsidiaries and associated companies rely on the work of RSC. The third party report of RSC for the year ended March 31, 2010 has been included as an exhibit to this annual report. The proved reserves for which RSC prepared estimates accounted for 57% of our proved reserves as of March 31, 2010.

Mitsui Oil Exploration Co., Ltd. ( MOECO ) is only subsidiary which prepares reserves estimates on its own. MOECO uses for estimation and modifies the operator's reserve report in order to be compliant with the SEC regulations. RSC performs process review to determine that procedures and methods utilized by MOECO to estimate its reserves are in line with the SEC regulations. The estimated reserves are audited internally by the Corporate Planning & Information System division. The general manager of this division reports to the president of MOECO. The third party report of RSC regarding the process review for the year ended March 31, 2010 has been included as an exhibit to this annual report. The proved reserves for which RSC performed process review accounted for 35 % of our proved reserves as of March 31, 2010.

Some subsidiaries entirely rely on the operator's reserve report and the operator's internal controls. These subsidiaries neither estimate reserves on their own nor have a third party prepare, or conduct an audit of, reserves estimates.

As stated above, each subsidiary or associated company, or third party, has different technical persons primarily responsible for overseeing the preparation of the reserves estimates.



## **Table of Contents**

The qualifications of the technical persons primarily responsible for overseeing the preparation of the reserves estimates are as follows:

*Mitsui E&P Australia Pty Limited / KG Berau Petroleum Ltd. / KG Wiriagar Petroleum Ltd.:* The technical person primarily responsible for overseeing the preparation of the reserves estimates of Mitsui E&P Australia Pty Limited, KG Berau Petroleum Ltd. and KG Wiriagar Petroleum Ltd. is a Senior Vice President and an Engineering Group Coordinator of RSC who has more than 19 years of practical experience in the estimation and evaluation of petroleum reserves and is responsible for coordinating and supervising staff and consulting engineers of RSC in ongoing reservoir evaluation studies worldwide. He has earned a master of science degree in petroleum engineering. He is a registered Professional Engineer in the State of Texas and also a member of the Society of Petroleum Engineers. As part of his 2009 continuing education hours, he attended trainings and presentations relating to the new SEC regulations on oil and gas reporting and other industry topics.

*Japan Australia LNG (MIMI) Pty. Ltd.:* The technical person primarily responsible for overseeing the preparation of the reserves estimates of Japan Australia LNG (MIMI) Pty. Ltd. is a Managing Senior International Vice President and an Engineering Group Coordinator of RSC who has 20 years of practical experience in petroleum engineering and the estimation and evaluation of petroleum reserves and is responsible for coordinating and supervising staff and consulting engineers of RSC in ongoing reservoir evaluation studies worldwide. He has earned a masters of science degree in petroleum engineering. He is a registered Professional Engineer in the State of Texas, a member of the Association of International Petroleum Negotiators and the Society of Petroleum Engineers. As part of his 2009 continuing education hours, he attended trainings and conferences relating to the new SEC regulations on oil and gas reporting and other industry topics.

*MOECO:* The technical person primarily responsible for overseeing the preparation of the reserves estimates of MOECO is General Manager of Exploration & Production division of MOECO who has 30 years of experience in the oil and gas industry. Further professional qualifications include a degree in the Earth Resources Engineering, extensive external training and asset valuation and management.

The technical person primarily responsible for overseeing the process review of MOECO is the same person that is primarily responsible for overseeing the preparation of the reserves estimates of Japan Australia LNG (MIMI) Pty. Ltd.

### *Production*

The following table shows our production of liquids and natural gas for the years ended March 31, 2010, 2009 and 2008.

**Table of Contents**

|  | Crude Oil,<br>Condensate and<br>Natural Gas Liquid | Natural Gas               | Total                                    |
|--|--|---------------------------|--|
|  | Millions of Barrels                                | Billions of Cubic<br>Feet | Millions of Barrels<br>of Oil Equivalent |
| <b>Year Ended March 31, 2010</b>       |  |                           |  |
| <b>Consolidated Subsidiaries</b>       |  |                           |  |
| Australia/Oceania                      | 9  | 10                        | 11                                       |
| Thailand/Asia                          | 6  | 70                        | 18                                       |
| Middle East                            | 5  | 4                         | 6  |
| Others                                 | 3  | 2                         | 3  |
| <b>Total Consolidated Subsidiaries</b> | <b>23</b>  | <b>86</b>                 | <b>38</b>                                |
| <b>Associated Companies</b>            |  |                           |  |
| Australia/Oceania                      | 5  | 54                        | 14                                       |
| Thailand/Asia                          | 2  | 7                         | 3  |
| <b>Total Associated Companies</b>      | <b>7</b>   | <b>61</b>                 | <b>18</b>                                |
| <b>Total</b>                           | <b>30</b>  | <b>147</b>                | <b>55</b>                                |
| <b>Year Ended March 31, 2009</b>       |  |                           |  |
| <b>Consolidated Subsidiaries</b>       |  |                           |  |
| Australia/Oceania                      | 11   | 8                         | 12                                       |
| Thailand/Asia                          | 8  | 90                        | 24                                       |
| Middle East                            | 3  | 5                         | 4  |
| Others                                 | 2  | 5                         | 3  |
| <b>Total Consolidated Subsidiaries</b> | <b>24</b>  | <b>108</b>                | <b>43</b>                                |
| <b>Associated Companies</b>            |  |                           |  |
| Australia/Oceania                      | 5  | 44                        | 13                                       |
| Thailand/Asia                          | 1  | 2                         | 1  |
| <b>Total Associated Companies</b>      | <b>6</b>   | <b>46</b>                 | <b>14</b>                                |
| <b>Total</b>                           | <b>30</b>  | <b>154</b>                | <b>57</b>                                |
| <b>Year Ended March 31, 2008</b>       |  |                           |  |
| <b>Consolidated Subsidiaries</b>       |  |                           |  |
| Australia/Oceania                      | 10   | 11                        | 12                                       |
| Thailand/Asia                          | 6  | 96                        | 23                                       |
| Middle East                            | 3  | 6                         | 4  |
| Others                                 | 2  | 5                         | 3  |
| <b>Total Consolidated Subsidiaries</b> | <b>21</b>  | <b>118</b>                | <b>41</b>                                |
| <b>Associated Companies</b>            |  |                           |  |
| Australia/Oceania                      | 5  | 44                        | 13                                       |
| Thailand/Asia                          | 1  | 3                         | 2  |
| <b>Total Associated Companies</b>      | <b>6</b>   | <b>47</b>                 | <b>14</b>                                |
| <b>Total</b>                           | <b>27</b>  | <b>165</b>                | <b>55</b>                                |

- (1) 1 barrel of crude oil = 5,800 cubic feet of gas
- (2) Total production in millions of barrels of oil equivalent may not strictly match simple sums of production of all geographic areas due to fractional numbers.
- (3) Production includes those attributable to noncontrolling interests.

**Table of Contents**

The following table shows average sales prices and average production costs for the years ended March 31, 2010, 2009 and 2008.

|  | Average Sales Prices   |   | Average   |
|--|--|---|---|
|  | Crude Oil,<br>Condensate and<br>Natural Gas Liquid<br>Yen per Barrel | Natural Gas<br>Yen per Thousand<br>Cubic Feet | Production Costs<br>Yen per Barrel of<br>Oil Equivalent |
| <b>Year Ended March 31, 2010</b>       |  |   |   |
| <b>Consolidated Subsidiaries</b>       |  |   |   |
| Australia/Oceania                      | 5,447  | 236   | 776   |
| Thailand/Asia                          | 6,205  | 418   | 469   |
| Middle East (2)                        | 4,980  | 206   | 910   |
| Others                                 | 5,192  | 405   | 1,722   |
| <b>Total Consolidated Subsidiaries</b> | <b>5,548</b>   | <b>391</b>                                    | <b>689</b>  |
| <b>Associated Companies</b>            |  |   |   |
| Australia/Oceania                      | 5,346  | 668   | 1,407   |
| Thailand/Asia                          | 5,398  | 374   | 1,058   |
| <b>Total Associated Companies</b>      | <b>5,359</b>   | <b>638</b>                                    | <b>1,352</b>  |
| <b>Total</b>                           | <b>5,501</b>   | <b>491</b>                                    | <b>904</b>  |
| <b>Year Ended March 31, 2009</b>       |  |   |   |
| <b>Consolidated Subsidiaries</b>       |  |   |   |
| Australia/Oceania                      | 9,464  | 293   | 670   |
| Thailand/Asia                          | 8,830  | 426   | 537   |
| Middle East (2)                        | 9,755  | 220   | 1,173   |
| Others                                 | 10,165   | 1,039   | 3,482   |
| <b>Total Consolidated Subsidiaries</b> | <b>9,382</b>   | <b>430</b>                                    | <b>834</b>  |
| <b>Associated Companies</b>            |  |   |   |
| Australia/Oceania                      | 6,746  | 1,028   | 2,015   |
| Thailand/Asia                          | 8,452  | 402   | 1,546   |
| <b>Total Associated Companies</b>      | <b>7,178</b>   | <b>970</b>                                    | <b>1,942</b>  |
| <b>Total</b>                           | <b>8,924</b>   | <b>610</b>                                    | <b>1,134</b>  |
| <b>Year Ended March 31, 2008</b>       |  |   |   |
| <b>Consolidated Subsidiaries</b>       |  |   |   |
| Australia/Oceania                      | 8,798  | 313   | 388   |
| Thailand/Asia                          | 8,571  | 424   | 385   |
| Middle East (2)                        | 7,193  | 245   | 958   |
| Others                                 | 8,139  | 843   | 2,374   |
| <b>Total Consolidated Subsidiaries</b> | <b>8,423</b>   | <b>422</b>                                    | <b>565</b>  |
| <b>Associated Companies</b>            |  |   |   |
| Australia/Oceania                      | 5,651  | 801   | 1,706   |

Edgar Filing: MITSUI & CO LTD - Form 20-F

|                                   |              |            |              |
|-----------------------------------|--------------|------------|--------------|
| Thailand/Asia                     | 7,867        | 388        | 1,537        |
| <b>Total Associated Companies</b> | <b>6,167</b> | <b>754</b> | <b>1,677</b> |
| <b>Total</b>                      | <b>7,831</b> | <b>520</b> | <b>871</b>   |

(1) 1 barrel of crude oil = 5,800 cubic feet of gas

(2) Excludes income taxes owed by a subsidiary but paid by governmental entities on its behalf

**Table of Contents***Drilling Activities*

The following table shows wells drilled as of March 31, 2010.

|  | Exploratory Activities          |                          | Development Activities          |                          |
|--|---------------------------------|--------------------------|---------------------------------|--------------------------|
|  | Net Productive<br>Wells Drilled | Net Dry Wells<br>Drilled | Net Productive<br>Wells Drilled | Net Dry Wells<br>Drilled |
| <b>Year Ended March 31, 2010</b>       |                                 |                          |                                 |                          |
| <b>Consolidated Subsidiaries</b>       |                                 |                          |                                 |                          |
| Australia/Oceania                      |                                 | 1                        | 1                               |                          |
| Thailand/Asia                          | 1                               |                          | 25                              | 0                        |
| Middle East                            | 0                               | 0                        | 5                               | 0                        |
| Others                                 |                                 | 0                        | 1                               |                          |
| <b>Total Consolidated Subsidiaries</b> | <b>1</b>                        | <b>1</b>                 | <b>32</b>                       | <b>0</b>                 |
| <b>Associated Companies</b>            |                                 |                          |                                 |                          |
| Australia/Oceania                      |                                 |                          | 0                               | 0                        |
| Thailand/Asia                          |                                 |                          | 7                               | 0                        |
| <b>Total Associated Companies</b>      |                                 |                          | <b>7</b>                        | <b>0</b>                 |
| <b>Total</b>                           | <b>1</b>                        | <b>1</b>                 | <b>39</b>                       | <b>1</b>                 |
| <b>Year Ended March 31, 2009</b>       |                                 |                          |                                 |                          |
| <b>Consolidated Subsidiaries</b>       |                                 |                          |                                 |                          |
| Australia/Oceania                      | 0                               | 1                        | 5                               |                          |
| Thailand/Asia                          | 0                               |                          | 23                              | 1                        |
| Middle East                            | 0                               | 0                        | 3                               |                          |
| Others                                 | 0                               | 1                        | 1                               |                          |
| <b>Total Consolidated Subsidiaries</b> | <b>1</b>                        | <b>1</b>                 | <b>33</b>                       | <b>1</b>                 |
| <b>Associated Companies</b>            |                                 |                          |                                 |                          |
| Australia/Oceania                      |                                 | 0                        | 0                               | 0                        |
| Thailand/Asia                          | 0                               | 0                        | 8                               |                          |
| <b>Total Associated Companies</b>      | <b>0</b>                        | <b>0</b>                 | <b>8</b>                        | <b>0</b>                 |
| <b>Total</b>                           | <b>1</b>                        | <b>2</b>                 | <b>41</b>                       | <b>1</b>                 |
| <b>Year Ended March 31, 2008</b>       |                                 |                          |                                 |                          |
| <b>Consolidated Subsidiaries</b>       |                                 |                          |                                 |                          |
| Australia/Oceania                      |                                 | 1                        | 1                               |                          |
| Thailand/Asia                          | 1                               | 1                        | 27                              |                          |
| Middle East                            |                                 | 0                        | 3                               | 0                        |
| Others                                 |                                 |                          |                                 |                          |
| <b>Total Consolidated Subsidiaries</b> | <b>1</b>                        | <b>2</b>                 | <b>31</b>                       | <b>0</b>                 |
| <b>Associated Companies</b>            |                                 |                          |                                 |                          |
| Australia/Oceania                      |                                 | 0                        | 0                               | 0                        |
| Thailand/Asia                          |                                 | 0                        | 6                               |                          |

|                                   |   |   |    |   |
|-----------------------------------|---|---|----|---|
| <b>Total Associated Companies</b> |   | 0 | 6  | 0 |
| <b>Total</b>                      | 1 | 2 | 37 | 0 |

- (1) Total net wells drilled may not strictly match simple sums of net wells drilled of all geographic areas due to fractional numbers.
- (2) The number of wells drilled refers to the number of wells completed at any time during the fiscal year, regardless of when drilling was initiated.
- (3) A dry well is an exploratory, development, or extension well that proves to be incapable of producing either oil or gas in sufficient quantities to justify completion as an oil or gas well. A productive well is an exploratory, development, or extension well that is not a dry well.
- (4) The number of net wells is the sum of our fractional working interests in gross wells. A gross well is a well in which we own a working interest.

**Table of Contents***Delivery Commitments*

Some of our natural gas sales contracts specify delivery of fixed and determinable quantities. In Australia, Japan Australia LNG (MIMI) Pty. Ltd., an associated company, holds long-term sales contracts of Liquefied Natural Gas (LNG). In Thailand, MOECO holds long-term sales contracts of natural gas. We expect they can satisfy these contracts from production of their reserves with existing and additional wells and/or facilities.

*Productive Wells*

The following table shows productive wells as of March 31, 2010.

|  | Crude Oil, Condensate and<br>Natural Gas Liquid |                         | Natural Gas               |                         |
|--|---|-------------------------|---------------------------|-------------------------|
|  | Gross Productive<br>Wells                       | Net Productive<br>Wells | Gross Productive<br>Wells | Net Productive<br>Wells |
| <b>As of March 31, 2010</b>            |   |                         |                           |                         |
| <b>Consolidated Subsidiaries</b>       |   |                         |                           |                         |
| Australia/Oceania                      | 19  | 7                       | 79                        | 37                      |
| Thailand/Asia                          | 302   | 58                      | 876                       | 105                     |
| Middle East                            | 121   | 37                      | 6                         | 2                       |
| <b>Total Consolidated Subsidiaries</b> | <b>442</b>                                      | <b>103</b>              | <b>961</b>                | <b>143</b>              |
| <b>Associated Companies</b>            |   |                         |                           |                         |
| Australia/Oceania                      | 10  | 1                       | 48                        | 4                       |
| Thailand/Asia                          | 247   | 33                      | 14                        | 0                       |
| <b>Total Associated Companies</b>      | <b>257</b>                                      | <b>34</b>               | <b>62</b>                 | <b>4</b>                |
| <b>Total</b>                           | <b>699</b>                                      | <b>137</b>              | <b>1,023</b>              | <b>148</b>              |

- (1) Total net wells may not strictly match simple sums of net wells of all geographic areas due to fractional numbers.
- (2) A productive well is an exploratory, development, or extension well that is not a dry well. A dry well is an exploratory, development, or extension well that proves to be incapable of producing either oil or gas in sufficient quantities to justify completion as an oil or gas well.
- (3) The number of gross wells is the total number of wells in which we own a working interest. The number of net wells is the sum of our fractional working interests in gross wells.



**Table of Contents***Acreage*

The following table shows acreage as of March 31, 2010. Undeveloped acreage does not have minimum remaining terms of leases and concessions that are material to our operations.

|  | Developed                              |                                      | Undeveloped                            |                                      |
|--|--|--------------------------------------|--|--------------------------------------|
|  | Gross Acreage<br>Thousands of<br>Acres | Net Acreage<br>Thousands<br>of Acres | Gross Acreage<br>Thousands of<br>Acres | Net Acreage<br>Thousands<br>of Acres |
| <b>As of March 31, 2010</b>            |  |                                      |  |                                      |
| <b>Consolidated Subsidiaries</b>       |  |                                      |  |                                      |
| Australia/Oceania                      | 29                                     | 11                                   | 14                                     | 6                                    |
| Thailand/Asia                          | 452                                    | 56                                   | 3,165                                  | 327                                  |
| Middle East                            | 5                                      | 2                                    | 135                                    | 42                                   |
| Others                                 |  |                                      | 2,650                                  | 128                                  |
| <b>Total Consolidated Subsidiaries</b> | <b>486</b>                             | <b>69</b>                            | <b>5,965</b>                           | <b>503</b>                           |
| <b>Associated Companies</b>            |  |                                      |  |                                      |
| Australia/Oceania                      | 498                                    | 41                                   | 1,896                                  | 223                                  |
| Thailand/Asia                          | 124                                    | 13                                   | 1,892                                  | 86                                   |
| <b>Total Associated Companies</b>      | <b>621</b>                             | <b>54</b>                            | <b>3,788</b>                           | <b>309</b>                           |
| <b>Total</b>                           | <b>1,107</b>                           | <b>123</b>                           | <b>9,753</b>                           | <b>812</b>                           |

- (1) Total net acreage may not strictly match simple sums of net acreage of all geographic areas due to fractional numbers.
- (2) Developed acreage is acreage assignable to productive wells. Undeveloped acreage encompasses those leased acres on which wells have not been drilled or completed to a point that would permit the production of economic quantities of oil or gas regardless of whether such acreage contains proved reserves.
- (3) Gross acreage is the total number of acres in which we own a working interest. Net acreage is the sum of our fractional working interests in gross acres.

**Item 4A. Unresolved Staff Comments**

We are a large accelerated filer as defined in Rule 12b-2 under the Securities Exchange Act of 1934. There are no written comments which have been provided by the staff of the Securities and Exchange Commission regarding our periodic reports under that Act not less than 180 days before the end of the fiscal year ended March 31, 2010 and which remain unresolved as of the date of the filing of this Form 20-F with the Commission.

**Item 5. Operating and Financial Review and Prospects****A. Operating Results**

You should read the following discussion and analysis of our financial condition and results of operations together with Selected Financial Data and our consolidated financial statements that appear elsewhere in this annual report. Please note that you should be aware that this discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements.

As used in this Operating and Financial Review and Prospects, Mitsui is used to refer to Mitsui & Co., Ltd. (Mitsui Bussan Kabushiki Kaisha), and we, us, and our are used to indicate Mitsui & Co., Ltd. and its subsidiaries, unless otherwise indicated.

## Edgar Filing: MITSUI & CO LTD - Form 20-F

In the Consolidated Financial Statements and accompanying Notes to Consolidated Financial Statements, the Company is used to refer to Mitsui & Co., Ltd., and the companies is used to refer to Mitsui & Co., Ltd. and its subsidiaries, unless otherwise indicated.

**Table of Contents**

All references to Note throughout the Operating and Financial Review and Prospects relate to the Notes to Consolidated Financial Statements contained elsewhere in this Annual Report.

Throughout the Operating and Financial Review and Prospects, we describe the domicile of our subsidiaries and associated companies in parentheses following names of those companies. For example, Mitsui Iron Ore Development Pty. Ltd. (Australia) means that the company's name is Mitsui Iron Ore Development Pty. Ltd. and that it is domiciled in Australia.

Operations of a subsidiary that has either been disposed of or is classified as held for sale have been accounted for as discontinued operations under accounting principles generally accepted in the United States of America ( U.S. GAAP ). This means that income statement and cash flow information is reclassified for past years to separate the discontinued operations from our continuing operations. This presentation is required by U.S. GAAP and facilitates historical and future trend analysis of our continuing operations.

***Key Performance Measures under Management's Discussion***

Although our operating results and financial condition are influenced by various factors, management believes that as of the end of the fiscal year under review the following indicators can be usefully employed to discuss trends in our performance and financial condition.

***Gross profit, operating income<sup>(\*1)</sup> and equity in earnings of associated companies-Net<sup>(\*2)</sup>***

We undertake worldwide business activities, involving diversified risk-return profiles, ranging from intermediary services as agent to development and production activities of mineral resources and energy. In this context, changes in the amounts of gross profit, operating income and equity in earnings of associated companies by operating segment reflect the overall progress of our business, and greatly affect the amount of net income in the Statements of Consolidated Income. For further information, refer to the table of Operating Segment Information and subsequent discussions in Operating Results by Operating Segment in this Operating and Financial Review and Prospects.

***Trends in the price of and supply-demand for mineral resources and energy***

In recent years, we have observed a rapid growth in the operating results from our mineral resources and energy producing activities; and, the significance of these operations to our overall operating results has increased dramatically. These results have been brought on by rising prices as well as increased production, reflecting globally tightened supplies and increased demands and increased prices of mineral resources and energy that have been driven by expanding demand from emerging countries, particularly China. Furthermore, management recognize that for some time to come such global supply-demand balance and price fluctuations of mineral resources and energy will continuously have a material impact, positive or negative, on our operating results, financial condition and business. For further information regarding trends and prospects in this field, refer to the sections relating to the Mineral & Metal Resources Segment and the Energy Segment in Operating Results by Operating Segment.

**(\*1) Operating Income**

Operating income is included in the measure of segment performance reviewed by the chief operating decision maker. Operating income is comprised of our (a) gross profit, (b) selling, general and administrative expenses and (c) provision for doubtful receivables, as presented in the Statements of Consolidated Income.

(\*2) Tax effects on investments in associated companies which were formerly included in Equity in Earnings of Associated Companies Net (After Income Tax Effect) are included in Income Taxes for the year ended March 31, 2010. Accordingly, Equity in Earnings of Associated Companies Net (After Income Tax Effect) is changed to Equity in Earnings of Associated Companies Net. Amounts for the year ended March 31, 2009 have been reclassified to conform to the current year presentation.

---

**Table of Contents***Investment plans and cash flow from investing activities; and financial leverage*

Consistent with our Medium-Term Management Outlook announced in May 2006, we have been engaged in establishing a group-wide strategic business portfolio, by leveraging proactive investment activities in the four business areas of Mineral Resources and Energy; Global Marketing Networks, including steel products, chemicals and machinery; Infrastructure, including power generation; and Consumer Services, including outsourcing services and content businesses. In parallel, management monitors the progress of investment plans quarterly and addresses divestitures of existing assets in order to maintain an optimum portfolio structure and also to generate additional cash flows as a source for the above-mentioned investments. Mitsui is monitoring and managing a group-wide financial leverage seeking to secure an efficient return on equity as well as maintaining and improving credit ratings and financial stability in order to secure necessary capital resources for investments as well as to refinance our interest bearing debt. For further information regarding details of expenditures and our financial policy, refer to Liquidity and Capital Resources.

***Results of Operations******Recent Developments***

During the three-month period ended June 30, 2010, due to the oil spill incident at Mississippi Canyon 252 lease in the Gulf of Mexico, we recorded impairment losses on property and equipment and mineral rights in the MOEX Offshore 2007 LLC and also recognized additional expenses relating to the well. In addition, BP Exploration and Production Inc. is seeking from MOEX Offshore 2007 LLC reimbursement of costs incurred by BP Exploration and Production Inc. in connection with the oil spill incident, and our various affiliates have been named as defendants in various legal proceedings. In light of the numerous ongoing investigations that are currently taking place to determine the facts and circumstances surrounding the incident, we are unable, at this time, to determine the impact, if any, the incident will have on our future financial position, results of operations or cash flows.

***Summary of Operations for the Years Ended March 31, 2010 and 2009***

Principal developments in the economic environment that influenced our operations during the years ended March 31, 2010 and 2009 included the following:

***Operating Environment for the Year Ended March 31, 2010***

Thus far the global recovery has been stronger than expected, but in many economies the strength of the rebound has been moderate given the severity of the recession. Supporting the recovery are: easing credit conditions; normalizing trade; rebounding capital flows; a turn in the inventory cycle; and, most importantly, growth-stimulating policies. However, the prospects for growth vary substantially across and within regions. Many advanced economies are expected to undergo more subdued recoveries than most emerging and developing economies. The recovery is also projected to be strongest in Asia and weakest in emerging Europe.

Following bankruptcy of large automakers and deteriorating employment conditions in the first half of the fiscal year, a stimulus-led recovery is underway in the United States. Net exports made a modest contribution to growth as the rebound in global trade and recovery in partner economies boosted exports. Many are still grappling with unemployment or foreclosure, or both. Financial market strains have continued to ease, but credit conditions remain on the tight side.

Europe is coming out of recession at a slower pace than other regions. In developed Europe, recovery is projected to be gradual and uneven among Euro-area countries. The recovery has been moderate in Germany and France, where export growth is limited by external demand, investment is held back by excess capacity and credit constraints, and consumption is tempered by higher unemployment. Coming out more slowly from the recession are smaller Euro-area economies, where growth is constrained by large fiscal or current account imbalances. In

---

**Table of Contents**

the United Kingdom, the recovery has been moderate, with previous sterling depreciation bolstering net exports even as domestic demand remains subdued. In emerging Europe, growth prospects also vary widely. In addition, the economies of Europe continue to face uncertainty due to the ongoing Greek sovereign debt crisis, which may spread to other European countries.

Although the downturn in many Asian economies in late 2008 was steeper than expected, the recovery led by China and supported by strong policy stimulus came quickly and vigorously, with Japan a notable exception. Factors supporting the recovery are rapid normalization of trade greatly benefiting the export-oriented economies in the region, bottoming out of the inventory cycle resulting in boosting industrial production and exports, resumption of capital inflows into the region, and resilient domestic demand.

In Japan, many private consumption stimulus packages and increased exports have supported a tentative recovery, but spillovers to autonomous domestic demand have so far been limited as a result of several factors, including the reemergence of deflation, continued excess capacity, and a weak labor market. The Bank of Japan decided to further ease monetary conditions last December by introducing a new funds-supplying operation for supporting the economic recovery.

Following a collapse in the wake of the financial crisis, commodity prices bottomed out in early 2009 and staged a sharp rebound thereafter. With gradual resurgence of speculative fund flows into energy markets, oil prices (WTI) recovered to US\$80 per barrel in October 2009, rebounding from US\$36 per barrel in February 2009. Near-term commodity price prospects depend on the timing and strength of the global recovery. Global equity markets have recovered to pre-crisis level. The Nikkei Stock Average also recovered to ¥11,000 for the first time in 18 months. Together with real economic and financial activity, cross-border financial flows from advanced to emerging economies have picked up. The recovery of cross-border flows has come with the depreciation of the U.S. dollar against the currencies of commodity-exporting countries and emerging economies, which also have appreciated against the Japanese yen. Reflecting this, the U.S. dollar traded steadily at the ¥90 level against the Japanese yen.

As the global economy comes out of its deepest downturn since World War II, the prospects for growth vary substantially across and within regions. Even though a variety of risks have receded, we understand that the outlook for activity remains uncertain. The main concerns are that capacity for policy stimulus in many advanced countries has either been largely exhausted or is much more limited and that a poor hiring environment and low capital utilization rates are hurting the recovery. We intend to enhance our business through the higher growth in emerging and commodity-exporting economies. On the other hand, we must pay close attention to the risk of an economic slowdown triggered by risks smoldering within advanced economies.

*Operating Environment for the Year Ended March 31, 2009*

During the first half of the fiscal year ended March 31, 2009, the United States economy continued to expand steadily supported by strong exports and by better-than-expected consumer spending boosted by the tax rebates made in spring that tended to mitigate the effects of the increases in the prices of oil and food products. The Asian economy also continued to show strong growth boosted by expanded domestic construction and capital investments as well as increases in exports, mainly in China, despite the fact that inflation in the region had risen due to a continued run-up in energy and food prices.

However, in September what had begun in the summer of 2007 with market turmoil surrounding U.S. subprime mortgages turned into a financial tsunami engulfing the largest U.S. insurance company and triggering the largest U.S. bankruptcy and rapidly transformed into a full-blown global financial crisis in the fall of 2008.

In the United States, the contraction in activity in 2009 triggered a rapid demand destruction coupled with sharp declines in equity markets. Authorities implemented various drastic plans for rehabilitating the financial sector as well as continued policy support to bolster domestic demand. Global economic activity continued to

---

## Table of Contents

decline ever since then, with advanced economies experiencing their sharpest declines in the post-war era, reflecting an intensification of the corrosive interplays between the financial crisis and real activity, notwithstanding continued policy efforts.

In the Euro area, the decline in activity in 2009 reflected a sharp collapse in external demand, the impact of housing market corrections in some member states, and an intensification of financing constraints.

Growth also plunged across a broad front of emerging and developing economies, as well as in low-income economies, reflecting the interaction of weakening external demand, tightening financial constraints, and plunging commodity prices.

Emerging Asia was hurt through its reliance on manufacturing exports. The region's manufacturing activity was particularly hurt by collapsing IT exports. Growth in China also slowed from higher growth rates of the past years albeit domestic demand was supported by strong policy stimulus.

In Japan, the sharp fall in output reflected plunging net exports and business investment and faltering private consumption. The financial sector though not at the epicenter of the crisis also suffered ill effects. The dramatic decline of export volumes which had been growing steadily, resulted in an unprecedented destocking, downward revisions of business investment plans and employment adjustment throughout nearly every industry. Responding to such a critical situation, the Japanese government implemented a policy stimulus and the Bank of Japan reduced the policy interest rate and purchased Japanese government bonds.

Commodity markets too were at a crossroad. Prices in energy, metals and all other commodity markets fell sharply reflecting slower growth and an increase in risk aversion. Future oil price (WTI) reached the highest price ever of U.S.\$147.27 in July 2008, and then fell sharply to U.S.\$33 per barrel at one time in December. Japanese Yen appreciated against almost all currencies and even reached ¥87 against U.S.\$1.00 at one point. Nikkei Stock Average continued to move downward amid the same downward trend in the global equity markets, and plunged to less than ¥7,000, which is its lowest daily price after the bubble era.

The external factors influencing operating results and our businesses were 1) sharp curtailment in shipments for coal and iron ore triggered by the economic downturn despite contribution from large increases in annual contract prices for the two commodities, 2) plunging oil prices, 3) lower sales and drop in prices of various merchandise as a result of rapid global demand destruction and unprecedented destocking throughout almost every value chain and 4) continued precipitation of equity markets all over the globe. Notwithstanding a significant downward revision to the forecast, downside risks continued to dominate. While exceptional uncertainty far exceeded that seen during typical downturns, the right policies could help remedy the crisis of confidence, providing a lift to spending and growth. In this regards, we intend to be cautiously optimistic.

### *Overview of the Financial Results for the Year Ended March 31, 2010*

#### *Operating results*

The group posted consolidated net income attributable to Mitsui & Co., Ltd. of ¥149.7 billion, a decline of ¥27.9 billion, or down 15.7%, from ¥177.6 billion for the year ended March 31, 2009. Major developments during the year were as follows:

Recent data suggest that the downturn in economic activity appears to be abating. However, the recovery is sluggish and uneven, and economic activity remains far below pre-crisis levels. In such an economic environment, lower unit sales volume and a sharp drop in the prices of almost all merchandise resulted in declines in gross profit compared to the year ended March 31, 2009 for almost all segments except Foods & Retail, which is relatively resilient even in difficult times, as well as Asia Pacific, which went through a phase of recovery ahead of other regions. In particular, the Energy Segment reported a drastic decline due to sharp drops in oil and coal prices, where

**Table of Contents**

prices of representative premium hard coking coal and thermal coal declined by 60% and 40% respectively. In addition, reflecting the settlements of some iron ore contracts with price reductions of 28.2% to 32.9% for fine ore and 44.5% for lump ore, Mineral & Metal Resources reported a sharp decline.

Impairment losses of ¥48.5 billion were recognized on securities including preferred shares in Japan Airlines Corporation and listed securities including Seven & i Holdings Co., Ltd. for the year ended March 31, 2010. Also, prolonged economic downturns in Europe and the U.S. caused ¥18.6 billion impairment losses on goodwill and fixed assets in the rolling stock leasing business in Europe and several businesses in the United States. In addition, we recognized impairment losses on investment in associated companies in equity in earnings, reflecting an other-than-temporary decline in the investment value.

For the year ended March 31, 2009, due to the global recession and sharp decline in equity markets, we recognized an aggregate loss on write-down of securities, impairment loss of long-lived assets, and impairment loss of goodwill of ¥173.5 billion. These impaired assets consisted of listed securities including Mitsui Chemicals, Inc., inventories in the domestic and overseas real estate business, and goodwill and long lived assets in the Americas Segment. In addition, reflecting declines in share prices of the listed associated companies, we recognized impairment losses in equity in earnings of approximately ¥68.0 billion including a loss of ¥30.7 billion for Sims Metal Management Limited (Australia).

In terms of net income attributable to Mitsui & Co., Ltd., due to a rebound effect of valuation losses recorded for the year ended March 31, 2009, Iron & Steel Products, Chemicals, Consumer Service & IT, Logistics & Financial Markets and Europe, the Middle East and Africa segments marked increases, while other segments recorded declines such as a decline of ¥69.5 billion in the Energy Segment and ¥27.1 billion in the Mineral & Metal Resources Segment.

Return-on-Equity for the year ended March 31, 2010 was 7.3%, a decline of 1.4 percentage points from 8.7% for the year ended March 31, 2009.

*Financial condition*

Total assets as of March 31, 2010 were ¥8.4 trillion, level with those as of March 31, 2009. Investments and plant, property and equipment ( PPE ) increased by ¥0.1 trillion with an increase in overseas investments and in PPE held by foreign subsidiaries due to depreciation of the Japanese yen against the Australian dollar and Brazilian real and a recovery in global stock markets. While cash and cash equivalents increased, current assets declined by ¥0.1 trillion due to a decrease in derivative assets, due to subdued commodity derivative trading volume. Total Mitsui & Co., Ltd. shareholders' equity as of March 31, 2010 was ¥2.2 trillion, an increase of ¥0.3 trillion from ¥1.9 trillion as of March 31, 2009, reflecting an increase in retained earnings as well as the aforementioned depreciation of the Japanese yen against foreign currencies. Net Debt-to-Equity Ratio ( Net DER<sup>(\*)</sup> ) as of March 31, 2010 was 0.92 times, an improvement of 0.42 point from 1.34 times as of March 31, 2009.

*Cash flows*

Net cash provided by operating activities for the year ended March 31, 2010 climbed to ¥632.4 billion. Net cash provided by operating activities was comprised of operating income of ¥144.5 billion, net changes in operating assets and liabilities of ¥285.7 billion, and dividends received of ¥149.3 billion including those from associated companies. Net cash used in investing activities for the year ended March 31, 2010 was ¥180.1 billion due mainly to other expansion-related expenditures for

Edgar Filing: MITSUI & CO LTD - Form 20-F

(\*1) Net DER is comprised of net interest bearing debt divided by shareholders equity. See Liquidity and Capital Resources Use of Non-GAAP Financial Measures.



---

## **Table of Contents**

natural resources in the Mineral & Metal Resources and Energy segments. As a result, free cash flow<sup>(\*) 2)</sup> for the year ended March 31, 2010 saw a net inflow of ¥452.3 billion.

### *Overview of the Financial Results for the Year Ended March 31, 2009*

#### *Operating results*

The group posted consolidated net income attributable to Mitsui & Co., Ltd. of ¥177.6 billion, a sharp decline of ¥232.5 billion, or down 56.7%, from ¥410.1 billion for the year ended March 31, 2008. Major developments during the two fiscal years were as follows;

Operating results during the first half of the year ended March 31, 2009 were solid reflecting a continued broad-based surge in the emerging and developing economies. Following the banking crisis that erupted in mid-September 2008, the financial markets unraveled and took with them consumer confidence. The rapid demand destruction and unprecedented destocking throughout nearly every value chain resulted in lower sales volume and a sharp drop in prices of all merchandise which triggered a decline in net income attributable to Mitsui & Co., Ltd. of all segments excluding the Energy Segment and Asia Pacific Segment compared with the year ended March 31, 2008. The Energy Segment reported an increase in net income attributable to Mitsui & Co., Ltd. due to the time lag in consolidating their earnings into our operating results as well as the price formulas while the Asia Pacific Segment posted an increase reflecting the higher prices of coal and iron ore.

With the scale and scope of the current financial crisis taking the global economy into uncharted waters, the group recognized additional impairment losses on unlisted securities, goodwill and long lived assets including real estate related losses in the Consumer Service & IT Segment and the Europe, the Middle East and Africa Segment and impairment losses on goodwill and long lived assets in the Americas Segment, after reviewing business plans of relevant businesses in the three month period ended March 31, 2009.

Due to the sharp decline in equity markets, the group recognized impairment losses of ¥117.4 billion including those of listed securities such as those of Mitsui Chemical held by the Chemical Segment, Nippon Steel Corporation held by the Iron & Steel Products Segment and Yamaha Motor held by the Machinery & Infrastructure Projects Segment. In addition, reflecting declines in listed shares of Sims Metal Management Limited and Penske Automotive Group, Inc. (United States), we recognized impairment losses in equity in earnings of associated companies-net for both companies.

Substantial one-off gains on sales of securities and divestiture in the year ended March 31, 2008 amounting to approximately ¥93 billion (after tax) were recorded. Those gains include sales of the Group's stakes in mineral resources and energy businesses, such as Sesa Goa Limited (India), Sakhalin II in Russia, Wandoo Petroleum Pty. Ltd. (Australia) and EBM (Brazil)<sup>(\*)1)</sup>, gains on sale of aircraft held by Tombo Aviation, Inc. (United States) as well as a gain on land sale in Europe in the automotive field.

Return-on-Equity for the year ended March 31, 2009 was 8.7%, a decline of 10.4 percentage points from 19.1% for the year ended March 31, 2008.

#### *Financial condition*

Total assets as of March 31, 2009 were ¥8.4 trillion, a decline of ¥1.1 trillion from ¥9.5 trillion as of March 31, 2008. With prices of virtually all merchandises including commodities plummeting from the

(\*1) Empreendimentos Brasileiros de Mineração S.A.

(\*2) Free cash flow is sum of net cash provided/(used) by operating activities and net cash provided/(used) by investing activities. See Liquidity and Capital Resources Use of Non-GAAP Financial Measures.

**Table of Contents**

three month period ended December 31, 2008, current assets declined by ¥0.6 trillion. Investments and plant, property and equipment ( PPE ) declined by ¥0.5 trillion compared to the previous fiscal year end. The decline was attributable to decreases in investment in foreign associated companies, in PPE held by foreign subsidiaries and in listed securities resulting from the appreciation of the Japanese Yen against major currencies and sharp decline in equity markets all over the world in the second half of the fiscal year ended March 31, 2009, partially offset by additional investment in Valepar S.A. (Brazil) and various capital expenditures for the expansions made by the Mineral & Metal Resources and the Energy segments. Shareholders' equity as of March 31, 2009 was ¥1.9 trillion, a decline of ¥0.3 trillion from ¥2.2 trillion as of March 31, 2008, due to the stronger Japanese Yen and lower equity prices offset by a slight increase in retained earnings. Net Debt-to-Equity Ratio as of March, 2009 was 1.34 times, an increase of 0.07 point from 1.27 times as of March 31, 2008.

*Cash flows*

As operating income slightly increased to ¥394.7 billion and cash inflow from the collection of trade receivables as well as changes in other operating assets and liabilities contributed positively, net cash provided by operating activities for the year ended March 31, 2009 was ¥582.7 billion. Net cash used in investing activities for the year ended March, 2009 was ¥290.9 billion due mainly to an additional investment in Valepar S.A., and other expansion related expenditures for natural resources in the Mineral & Metal Resources and the Energy Segments. As a result, free cash flow for the year ended March 31, 2009 was net inflow of ¥291.8 billion.

*Impact of Foreign Currency Exchange Fluctuation on Operating Results for 2010*

Total sum of net income attributable to Mitsui & Co., Ltd. for the years ended March 31, 2010 and 2009 reported by overseas subsidiaries and associated companies were ¥174.3 billion and ¥254.0 billion, respectively. These companies principally use U.S. dollars, Australian dollars and Brazilian real as functional currency in their reporting.

The average U.S. dollar Japanese yen exchange rate during the year ended March 31, 2010 was ¥92.61 = U.S.\$1, representing Japanese yen appreciation of ¥8.05, or 8.0%, compared to the average rate during the year ended March 31, 2009 of ¥100.66 = U.S.\$1. As of March 31, 2010, the U.S. dollar Japanese yen exchange rate was ¥93.04 = U.S.\$1.

## a) Japanese yen denominated impact against the U.S. dollar, Australian dollar and Brazilian real

We conducted simplified estimation for the impact of foreign currency exchange fluctuations on net income attributable to Mitsui & Co., Ltd. for the year ending March 2011. We aggregated a total forecast net income attributable to Mitsui & Co., Ltd. in the business plans of these companies covering the year ending March 2011 according to their functional currencies. Firstly, we aggregated Australian dollar and Brazilian real denominated forecast net income attributable to Mitsui & Co., Ltd. of those companies using two currencies as functional currency, and secondly we aggregated the rest of net income attributable to Mitsui & Co., Ltd. at overseas subsidiaries and associated companies as U.S. dollar equivalent amount. We conduct a sensitivity analysis on foreign currency fluctuation towards 3 categories of aggregated net income attributable to Mitsui & Co., Ltd. For example, yen appreciation by ¥1 against U.S.\$1 would have the net effect of reducing net income by approximately ¥0.9 billion. Specifically, for the net income of those companies using Australian dollar and Brazilian real as functional currency, yen appreciation by ¥1 against Australian \$1 and Brazilian R\$1 would have the net effect of reducing net income by approximately ¥2.1 billion and ¥0.7 billion, respectively.

## b) Currency exchange rate risk between revenues from U.S. dollar denominated contract and costs denominated in Australian dollar and Brazilian real

Sum of net income attributable to Mitsui & Co., Ltd. from those companies using Australian dollar and Brazilian real as functional currency is getting significant, reflecting increasing income in mineral resources and energy producing operations. Net income attributable to Mitsui & Co., Ltd. of those mineral resources and energy producing companies are impacted by the currency fluctuation between

**Table of Contents**

U.S. dollar as a contractual currency of sales contracts and the two currencies as functional currency, affecting their Australian dollar or Brazilian real denominated revenues. We should pay attention to this in addition to the impact which is discussed in the above a).

**Discussion and Analysis of Operating Results for the Years Ended March 31, 2010 and 2009****Revenues**

In accordance with U.S. GAAP, revenues are reported based on the gross amount billed to a customer or on the net amount retained (that is, the amount billed to a customer less the amount paid to a supplier) in the following manner.

Revenues are reported based on gross amounts for transactions where we have the related risks and rewards of ownership such as transactions mainly where we are the primary obligor in the arrangement and/or assume general inventory risk without any significant mitigation of our risk level.

Revenues are reported based on net amounts where we assume a low degree of related risks and rewards, effectively acting as an agent for the applicable products or services. A typical example of reporting revenues based on net amounts is a transaction where we receive a commission or fee at a fixed rate based on transaction volume or amount.

We classified our revenues into sales of products, sales of services and other sales with the corresponding costs of revenues.

The table below provides these three categories of revenues by products in **PRODUCT INFORMATION** in Note 17, **SEGMENT INFORMATION**.<sup>(\*)</sup>

|                                      | Billions of Yen       |          |         |           |           |          |          |           |             |           |          |             |
|--------------------------------------|-----------------------|----------|---------|-----------|-----------|----------|----------|-----------|-------------|-----------|----------|-------------|
|                                      | Years Ended March 31, |          |         |           |           |          | Change   |           |             |           |          |             |
|                                      | 2010                  |          |         | 2009      |           |          | Sales of |           |             | Other     |          |             |
|                                      | Sales of              | Sales of | Other   | Total     | Sales of  | Sales of | Other    | Total     | Sales of    | Sales of  | Other    | Total       |
|                                      | Products              | Services | Sales   |           | Products  | Services | Sales    |           | Products    | Services  | Sales    |             |
| <i>Iron and Steel</i>                | ¥ 581.5               | ¥ 41.5   | ¥ 0.5   | ¥ 623.5   | ¥ 800.6   | ¥ 64.5   | ¥ 0.5    | ¥ 865.6   | ¥ (219.1)   | ¥ (23.0)  | ¥ 0.0    | ¥ (242.1)   |
| <i>Non-Ferrous Metals</i>            | 96.5                  | 6.6      | 15.0    | 118.0     | 165.0     | 7.3      | 25.2     | 197.5     | (68.5)      | (0.7)     | (10.2)   | (79.4)      |
| <i>Machinery</i>                     | 139.6                 | 80.4     | 71.1    | 291.1     | 226.7     | 97.5     | 70.0     | 394.2     | (87.1)      | (17.1)    | 1.1      | (103.1)     |
| <i>Electronics &amp; Information</i> | 34.3                  | 58.3     | 1.6     | 94.2      | 47.1      | 84.4     | 0.8      | 132.3     | (12.8)      | (26.1)    | 0.8      | (38.1)      |
| <i>Chemicals</i>                     | 1,051.7               | 59.8     | 6.4     | 1,117.9   | 1,333.0   | 75.5     | 6.4      | 1,414.9   | (281.3)     | (15.7)    | 0.0      | (297.0)     |
| <i>Energy</i>                        | 1,128.4               | 4.9      | 0.8     | 1,134.1   | 1,660.9   | 6.5      | 24.6     | 1,692.0   | (532.5)     | (1.6)     | (23.8)   | (557.9)     |
| <i>Foods</i>                         | 496.1                 | 39.8     | 0.4     | 536.3     | 567.5     | 43.1     | 0.6      | 611.2     | (71.4)      | (3.3)     | (0.2)    | (74.9)      |
| <i>Textiles</i>                      | 15.5                  | 9.4      | 1.7     | 26.6      | 10.3      | 14.5     | 1.9      | 26.7      | 5.2         | (5.1)     | (0.2)    | (0.1)       |
| <i>General Merchandise</i>           | 9.8                   | 3.8      | 0.0     | 13.6      | 15.0      | 4.4      | 0.0      | 19.4      | (5.2)       | (0.6)     | 0.0      | (5.8)       |
| <i>Property and Service Business</i> | 37.1                  | 70.2     | 33.7    | 141.0     | 26.3      | 80.2     | 44.5     | 151.0     | 10.8        | (10.0)    | (10.8)   | (10.0)      |
| <i>Consolidated Total</i>            | ¥ 3,590.5             | ¥ 374.7  | ¥ 131.2 | ¥ 4,096.4 | ¥ 4,852.4 | ¥ 477.9  | ¥ 174.5  | ¥ 5,504.8 | ¥ (1,261.9) | ¥ (103.2) | ¥ (43.3) | ¥ (1,408.4) |

|                                      | Billions of Yen       |          |       |         |          |          |          |         |          |          |       |        |
|--------------------------------------|-----------------------|----------|-------|---------|----------|----------|----------|---------|----------|----------|-------|--------|
|                                      | Years Ended March 31, |          |       |         |          |          | Change   |         |          |          |       |        |
|                                      | 2009                  |          |       | 2008    |          |          | Sales of |         |          | Other    |       |        |
|                                      | Sales of              | Sales of | Other | Total   | Sales of | Sales of | Other    | Total   | Sales of | of       | Other | Total  |
|                                      | Products              | Services | Sales |         | Products | Services | Sales    |         | Products | Services | Sales |        |
| <i>Iron and Steel</i>                | ¥ 800.6               | ¥ 64.5   | ¥ 0.5 | ¥ 865.6 | ¥ 730.4  | ¥ 70.6   | ¥ 0.3    | ¥ 801.3 | ¥ 70.2   | ¥ (6.1)  | ¥ 0.2 | ¥ 64.3 |
| <i>Non-Ferrous Metals</i>            | 165.0                 | 7.3      | 25.2  | 197.5   | 56.8     | 9.3      | 13.6     | 79.7    | 108.2    | (2.0)    | 11.6  | 117.8  |
| <i>Machinery</i>                     | 226.7                 | 97.5     | 70.0  | 394.2   | 276.0    | 123.6    | 78.6     | 478.2   | (49.3)   | (26.1)   | (8.6) | (84.0) |
| <i>Electronics &amp; Information</i> | 47.1                  | 84.4     | 0.8   | 132.3   | 77.4     | 99.3     | 4.1      | 180.8   | (30.3)   | (14.9)   | (3.3) | (48.5) |
| <i>Chemicals</i>                     | 1,333.0               | 75.5     | 6.4   | 1,414.9 | 1,207.5  | 104.2    | 6.9      | 1,318.6 | 125.5    | (28.7)   | (0.5) | 96.3   |

## Edgar Filing: MITSUI & CO LTD - Form 20-F

|                                      |           |         |         |           |           |         |         |           |           |          |         |           |
|--------------------------------------|-----------|---------|---------|-----------|-----------|---------|---------|-----------|-----------|----------|---------|-----------|
| <i>Energy</i>                        | 1,660.9   | 6.5     | 24.6    | 1,692.0   | 1,973.3   | 6.9     | 18.8    | 1,999.0   | (312.4)   | (0.4)    | 5.8     | (307.0)   |
| <i>Foods</i>                         | 567.5     | 43.1    | 0.6     | 611.2     | 533.2     | 38.3    | 1.1     | 572.6     | 34.3      | 4.8      | (0.5)   | 38.6      |
| <i>Textiles</i>                      | 10.3      | 14.5    | 1.9     | 26.7      | 12.5      | 18.1    | 4.1     | 34.7      | (2.2)     | (3.6)    | (2.2)   | (8.0)     |
| <i>General Merchandise</i>           | 15.0      | 4.4     | 0.0     | 19.4      | 33.8      | 6.7     | 0.0     | 40.5      | (18.8)    | (2.3)    | 0.0     | (21.1)    |
| <i>Property and Service Business</i> | 26.3      | 80.2    | 44.5    | 151.0     | 88.0      | 73.9    | 47.9    | 209.8     | (61.7)    | 6.3      | (3.4)   | (58.8)    |
| <i>Consolidated Total</i>            | ¥ 4,852.4 | ¥ 477.9 | ¥ 174.5 | ¥ 5,504.8 | ¥ 4,988.9 | ¥ 550.9 | ¥ 175.4 | ¥ 5,715.2 | ¥ (136.5) | ¥ (73.0) | ¥ (0.9) | ¥ (210.4) |

**Table of Contents**

## Sales of Products

Sales of products include the following four types of transactions:

the sale of products as a principal in the transactions, such as crude oil and petroleum products, petrochemical products and steel products;

the sale of manufactured products at our manufacturing subsidiaries such as feed additives by Novus International, Inc. (United States) and tea leaves by Mitsui Norin Co., Ltd. (Japan);

the sale of natural resources from iron ore and coal mining activities and oil and gas producing activities; and

the development and sale of real estate.

(\*) Revenues reported in **PRODUCT INFORMATION** are classified by similarity of products as required by U.S. GAAP, and are not intended to represent classification by operating segment. As an example, revenues of *Chemicals* in **PRODUCT INFORMATION** include not only those reported in the Chemical Segment but also revenues related to various chemical businesses reported in other operating segments such as the Americas Segment. To differentiate between classification by product and classification by operating segment, classification by product is italicized in this *Revenues* section and *Gross Profit Classified by Category of Revenues* section. *Comparison between the years ended March 31, 2010 and 2009*

For the year ended March 31, 2010, revenues from the sales of products were ¥3,590.5 billion, a decline of ¥1,261.9 billion, or 26.0%, from ¥4,852.4 billion for the year ended March 31, 2009. Major factors by product were as follows:

Revenues from *Energy* were ¥1,128.4 billion, a decline of ¥532.5 billion from ¥1,660.9 billion for the year ended March 31, 2009. Crude oil and petroleum products sales in international markets comprised the major part of the revenues from *Energy*. Revenues from sales of petroleum products decreased at Westport Petroleum, Inc. (United States) by ¥232.5 billion. In addition, Mitsui Oil Co., Ltd. (Japan), Mitsui Marubeni Liquefied Gas Co., Ltd. (Japan), Mitsui Oil (Asia) Hong Kong Limited. (Hong Kong, China) and Mitsui E&P Australia Pty Limited (Australia) reported declines of ¥62.7 billion, ¥61.9 billion, ¥56.5 billion and ¥51.1 billion, respectively, due to a decline in crude oil prices and petroleum products as well as a decline in sales volumes compared to the previous fiscal year. Regarding price trends of oil and gas for the year ended March 31, 2010, refer to the discussion under **Energy Segment** of **Operating Results by Operating Segment**.

Revenues from *Chemicals* were ¥1,051.7 billion, a decline of ¥281.3 billion from ¥1,333.0 billion for the year ended March 31, 2009. Mitsui recorded a decline of ¥176.8 billion due mainly to lower market prices and poor performance of trading activities in the business of aromatics, ammonia and sulphur.

Revenues from *Iron and Steel* were ¥581.5 billion, a decline of ¥219.1 billion from ¥800.6 billion for the year ended March 31, 2009. Due to lower sales prices and volumes resulting from the economic slowdown, Steel Technologies Inc. (United States), a steel processing company, and Champions Pipe & Supply, Inc. (United States), a tubular pipe wholesale company, Regency Steel Asia Pte Ltd. (Singapore), a steel product wholesale company, reported decreases of ¥44.8 billion, ¥38.0 billion and ¥30.3 billion, respectively. Mitsui Iron Ore Development Pty. Ltd. and Mitsui-Itochu Iron Pty. Ltd. (Australia) reported declines of ¥23.3 billion and ¥10.1 billion, respectively, due to a decline in iron ore prices. Mitsui Coal Holdings Pty. Ltd. also reported a decline of ¥30.0 billion due to a decline in coal prices.



**Table of Contents***Comparison between the years ended March 31, 2009 and 2008*

For the year ended March 31, 2009, revenues from the sales of products were ¥4,852.4 billion, a decline of ¥136.5 billion, or 2.7%, from ¥4,988.9 billion for the year ended March 31, 2008. Major factors by product were as follows:

Revenues from *Energy* were ¥1,660.9 billion, a decline of ¥312.4 billion from ¥1,973.3 billion for the year ended March 31, 2008. Crude oil and petroleum products sales in international markets and domestic petroleum products and liquefied petroleum gas sales comprised the major part of the revenues from *Energy*. Revenues from sales of crude oil and petroleum products decreased at Westport Petroleum, Inc. by ¥159.8 billion. Regarding price trends of oil and gas for the year ended March 31, 2009, refer to the discussion under *Energy Segment* of *Operating Results by Operating Segment*.

Revenues from *Chemicals* were ¥1,333.0 billion, an increase of ¥125.5 billion from ¥1,207.5 billion for the year ended March 31, 2008. In petrochemical products business, there was a decline in both product prices and sales volume in general for the second half of the fiscal year due to the credit crunch and rapidly deteriorating economic activities, however, Novus International, Inc. reported an increase in revenue reflecting higher product prices and an increase in sales volume supported by a strong global demand for animal feed additives. Agricultural business remained robust and the favorable market conditions and increase in sales volume for ammonia, sulfur and fertilizers for the first half of the fiscal year also contributed to the increase in revenue.

*Sales of Services*

Sales of services include the revenues from trading margins (for our intermediary service) and commissions. For example:

As the most typical case of our services, for back-to-back sales and purchase transactions of products, we record the net amount of sale and purchase prices (namely, margin for our intermediary service) as revenues.

We provide various services such as logistics and warehouse services, information and communication services and technical support. We also facilitate arrangement of the contracts between manufacturers and customers and deliveries of the products between suppliers and customers. In these cases, the billed amounts for these services are recognized as revenues.

*Comparison between the years ended March 31, 2010 and 2009*

For the year ended March 31, 2010, revenues from the sales of services were ¥374.7 billion, a decline of ¥103.2 billion, or 21.6%, from ¥477.9 billion for the year ended March 31, 2009. *Electronics & Information* declined by ¥26.1 billion to ¥58.3 billion from ¥84.4 billion for the year ended March 31, 2009 mainly due to reclassification of T-GAIA Corporation (Japan) from subsidiary to associated company. *Iron & Steel* declined by ¥23.0 billion to ¥41.5 billion from ¥64.5 billion for the year ended March 31, 2009. This decline resulted from lower product prices and sales volume. *Machinery* declined by ¥17.1 billion to ¥80.4 billion from ¥97.5 billion for the year ended March 31, 2009, primary due to a decrease in sales volume of subsidiaries in Europe. *Chemicals* declined by ¥15.7 billion to ¥59.8 billion from ¥75.5 billion for the year ended March 31, 2009, mainly reflecting the impact of lower sales prices.

*Comparison between the years ended March 31, 2009 and 2008*

For the year ended March 31, 2009, revenues from the sales of services were ¥477.9 billion, a decline of ¥73.0 billion, or 13.3%, from ¥550.9 billion for the year ended March 31, 2008. *Chemicals* declined by ¥28.7 billion to ¥75.5 billion from ¥104.2 billion for the year ended March 31, 2008. *Machinery* declined by ¥26.1 billion to ¥97.5 billion from ¥123.6 billion for the year ended March 31, 2008. *Electronics & Information* declined by ¥14.9 billion to ¥84.4 billion from ¥99.3 billion for the year ended March 31, 2008. The decrease at *Electronics & Information* is mainly due to reclassification of T-GAIA Corporation from subsidiary to associated company, which resulted in a decline of ¥14.6 billion.



**Table of Contents**

## Other Sales

Other sales principally include the revenues from:

derivative commodity instruments and derivative financial instruments held for trading purposes (by product category mainly in *Energy and Non Ferrous Metals*);

the revenues from leasing activities of real estate, rolling stock, ocean transport vessels and machinery equipment (by product category mainly in *Property and Service Business and Machinery*); and

the revenues from external consumer financing (by product category mainly in *Machinery*).

*Comparison between the years ended March 31, 2010 and 2009*

For the year ended March 31, 2010, revenues from other sales were ¥131.2 billion, a decline of ¥43.3 billion, or 24.8%, from ¥174.5 billion for the year ended March 31, 2009, which was primarily attributable to the following factors:

Derivative trading revenues were ¥15.5 billion, a decrease of ¥34.7 billion from the ¥50.2 billion for the year ended March 31, 2009, due to a decrease in derivative trading revenue of Mitsui and Mitsui Oil (Asia) Hong Kong Limited, and lower trading volume of Mitsui & Co. Energy Risk Management Ltd. (United Kingdom). Profits corresponding to foreign exchange losses of ¥6.9 billion and of ¥13.6 billion related to the commodity trading business conducted by Mitsui and posted in other expenses-net for the years ended March 31, 2010 and 2009, respectively, were included in this category of revenues.

Leasing revenues were ¥74.5 billion, a decline of ¥8.1 billion from the ¥82.6 billion for the year ended March 31, 2009, reflecting decreased revenues from transactions at vessel and warehousing subsidiaries.

*Comparison between the years ended March 31, 2009 and 2008*

For the year ended March 31, 2009, revenues from other sales were ¥174.5 billion, a decline of ¥0.9 billion, or 0.5%, from ¥175.4 billion for the year ended March 31, 2008, which was primarily attributable to the following factors:

Derivative trading revenues were ¥50.2 billion, an increase of ¥13.5 billion from the ¥36.7 billion for the year ended March 31, 2008. The increase includes a profit corresponding to a foreign exchange loss of ¥13.6 billion related to commodity trading business posted in other expense-net.

Leasing revenues were ¥82.6 billion, a decline of ¥7.7 billion from the ¥90.3 billion for the year ended March 31, 2008 due to less demand for and overhaul of rolling stock at leasing subsidiaries in North America and Europe.

**Gross Profit Classified by Category of Revenues**

| Billions of Yen |          |                            |          |              |          |              |          |                              |          |                              |          |
|-----------------|----------|----------------------------|----------|--------------|----------|--------------|----------|------------------------------|----------|------------------------------|----------|
| 2010            |          | Years Ended March 31, 2009 |          |              |          | 2008         |          | Change between 2010 and 2009 |          | Change between 2009 and 2008 |          |
| Gross Profit    | GP Ratio | Gross Profit               | GP Ratio | Gross Profit | GP Ratio | Gross Profit | GP Ratio | Gross Profit                 | GP Ratio | Gross Profit                 | GP Ratio |
|                 |          |                            |          |              |          |              |          |                              |          |                              |          |

## Edgar Filing: MITSUI & CO LTD - Form 20-F

|                                     |         |       |         |       |         |       |           |        |        |        |
|-------------------------------------|---------|-------|---------|-------|---------|-------|-----------|--------|--------|--------|
| Gross Profit from Sales of Products | ¥ 394.6 | 11.0% | ¥ 581.5 | 12.0% | ¥ 491.7 | 9.9%  | ¥ (186.9) | (1.0)% | ¥ 89.8 | 2.1%   |
| Gross Profit from Sales of Services | 239.1   | 63.8% | 314.7   | 65.9% | 395.7   | 71.8% | (75.6)    | (2.1)% | (81.0) | (5.9)% |
| Gross Profit from Other Sales       | 68.3    | 52.1% | 103.1   | 59.1% | 93.2    | 53.2% | (34.8)    | (7.0)% | 9.9    | 5.9%   |
| Total                               | ¥ 702.0 | 17.1% | ¥ 999.3 | 18.2% | ¥ 980.6 | 17.2% | ¥ (297.3) | (1.1)% | ¥ 18.7 | 1.0%   |

**Table of Contents***Comparison between the years ended March 31, 2010 and 2009*

For the year ended March 31, 2010, gross profit was ¥702.0 billion, a decline of ¥297.3 billion, or 29.8%, from ¥999.3 billion for the year ended March 31, 2009. The Gross Profit ratio ( GP ratio ), or ratio of gross profit divided by revenues, for the year ended March 31, 2010 was 17.1%, a decline of 1.1 percentage points compared to the year ended March 31, 2009.

For the year ended March 31, 2010, gross profit from sales of products was ¥394.6 billion, a decline of ¥186.9 billion from ¥581.5 billion for the year ended March 31, 2009. Gross profit from *Energy* was ¥120.8 billion, a decline of ¥87.8 billion from ¥208.6 billion for the year ended March 31, 2009. Reflecting the lower oil prices and production volume, Mitsui E&P Australia Pty Limited and Mitsui Oil Exploration Co., Ltd. (Japan) reported decreases of ¥33.0 billion and ¥27.8 billion, respectively. In addition, Mitsui E&P Middle East B.V. (Netherlands) reported a decline of ¥21.0 billion, due mainly to lower sale prices compared to the previous fiscal year. *Iron and Steel* was ¥104.5 billion, a decrease of ¥78.3 billion from ¥182.8 billion for the year ended March 31, 2009. Mitsui Iron Ore Development Pty. Ltd., Mitsui-Itochu Iron Pty. Ltd., and Mitsui Coal Holding Pty. Ltd. (Australia) recorded declines of ¥23.2 billion, ¥7.2 billion and ¥20.8 billion, respectively. The major reason was mainly because of a decrease in iron ore and coal prices.

The GP ratio from sales of products for the year ended March 31, 2010 was 11.0%, a decline of 1.0 percentage points compared to the year ended March 31, 2009. This result was mainly attributable to decreases in gross profit ratio of Mitsui E&P Australia Pty Limited, Mitsui Oil Exploration Co., Ltd. and Mitsui Coal Holdings Pty. Ltd. due to declines in oil prices as well as in coal prices.

For the year ended March 31, 2010, gross profit from sales of services was ¥239.1 billion, a decline of ¥75.6 billion from ¥314.7 billion for the year ended March 31, 2009. As illustrated by the table in three categories of revenues by products Sales of Services , *Electronics & Information*, *Iron and Steel*, and *Machinery* recorded substantial declines reflecting declines in revenues.

The GP ratio from sales of services for the year ended March 31, 2010 was 63.8%, a decline of 2.1 percentage points compared to the year ended March 31, 2009.

For the year ended March 31, 2010, gross profit from other sales was ¥68.3 billion, a decrease of ¥34.8 billion from ¥103.1 billion for the year ended March 31, 2009. As illustrated by the table in three categories of revenues by products Sales of Other Sales , the result was because of decreases in derivative profit of Mitsui and Mitsui Oil (Asia) Hong Kong Limited and lower trading volume of Mitsui & Co. Energy Risk Management Ltd. Profits corresponding to foreign exchange losses of ¥6.9 billion and of ¥13.6 billion related to the commodity trading business conducted by Mitsui and posted in other expenses-net for the years ended March 31, 2010 and 2009, respectively, were included in this category of gross profit.

The GP ratio from other sales for the year ended March 31, 2010 was 52.1% a decline of 7.0 percentage points compared to the year ended March 31, 2009.

*Comparison between the years ended March 31, 2009 and 2008*

For the year ended March 31, 2009, gross profit was ¥999.3 billion, an increase of ¥18.7 billion, or 1.9%, from ¥980.6 billion for the year ended March 31, 2008. The Gross Profit ratio ( GP ratio ), or ratio of gross profit divided by revenues, for the year ended March 31, 2009 was 18.2%, an increase of 1.0 percentage points compared to the year ended March 31, 2008.

For the year ended March 31, 2009, gross profit from sales of products was ¥581.5 billion, an increase of ¥89.8 billion from ¥491.7 billion for the year ended March 31, 2008. Gross profit from *Iron and Steel* was ¥182.8 billion, an increase of ¥76.7 billion from ¥106.1 billion for the year ended March 31, 2008. Reflecting a significant increase in coal and iron ore prices, Mitsui Coal Holdings Pty. Ltd. and Mitsui Iron Ore Development Pty. Ltd. reported increases of ¥46.6 billion and ¥23.3 billion, respectively. Gross profit from *Chemical* was

## **Table of Contents**

¥92.3 billion, an increase of ¥31.8 billion from ¥60.5 billion for the year ended March 31, 2008. Novus International, Inc. recorded an increase of ¥27.4 billion reflecting higher product prices and increase in sales volume supported by a strong demand for animal feed additives. Gross profit from *Energy* was ¥208.6 billion, a decrease of ¥5.8 billion from ¥214.4 billion for the year ended March 31, 2008. Mitsui E&P Australia Pty Limited reported an increase of ¥14.3 billion reflecting increase in sales volume and higher oil prices. Mitsui Marubeni Liquefied Gas Co., Ltd. also contributed to the increase due to increased sales volume resulting from the merger. These contributions were partly offset by a decline of ¥22.7 billion reported by Mittwell Energy Resources Pty., Ltd. (Australia) due to a decline of shipments and an increase in condensate cost as a result of the revision of the purchase price.

The GP ratio from sales of products for the year ended March 31, 2009 was 12.0%, an improvement of 2.1 percentage points compared to the year ended March 31, 2008. This 2.1 percentage point improvement was attributable to the substantial increase in gross profit (18.3% increase), particularly in Mitsui Coal Holdings Pty. Ltd. of *Iron and Steel* reflecting a significant increase in coal prices. Revenues from sales of petroleum products decreased at Westport Petroleum, Inc. reflecting declines in the market prices, however, lower revenues do not necessarily result in decline in gross profit because its profit-earning opportunities derive from oil price fluctuations.

For the year ended March 31, 2009, gross profit from sales of services was ¥314.7 billion, a decline of ¥81.0 billion from ¥395.7 billion for the year ended March 31, 2008. As illustrated by the table in three categories of revenues by products Sales of Services, *Chemicals, Iron and Steel* and *Machinery* recorded substantial declines reflecting declines in revenues.

The GP ratio from sales of services for the year ended March 31, 2009 was 65.9%, a decline of 5.9 percentage points compared to the year ended March 31, 2008.

For the year ended March 31, 2009, gross profit from other sales was ¥103.1 billion, an increase of ¥9.9 billion from ¥93.2 billion for the year ended March 31, 2008. The major reason was gross profit corresponding to a foreign exchange loss of ¥13.6 billion related to the commodity trading business conducted by Mitsui and posted in other expense-net.

The GP ratio from other sales for the year ended March 31, 2009 was 59.1%, an increase of 5.9 percentage points compared to the year ended March 31, 2008.

### ***Gross Profit Classified by Operating Segment***

For detailed discussion, see Operating Results by Operating Segment. A summary of the increase in gross profit classified by operating segment is provided below.

#### *Comparison between the years ended March 31, 2010 and 2009*

For the year ended March 31, 2010 consolidated total gross profit was ¥702.0 billion, a decline of ¥297.3 billion, or 29.8%, from ¥999.3 billion for the year ended March 31, 2009 as a result of the following:

The Energy Segment reported a decline of ¥117.0 billion in gross profit. Due to a decline in both oil prices and equity production, Mitsui E&P Australia Pty Limited and Mitsui Oil Exploration Co., Ltd. reported declines of ¥33.0 billion and ¥27.8 billion, respectively. Other oil & gas production businesses also reported declines in gross profit due to lower oil prices. Mitsui Coal Holdings Pty. Ltd. recorded a decline of ¥20.8 billion reflecting softening of coal prices.

The Mineral & Metal Resources Segment also reported a decline of ¥46.7 billion in gross profit. Reflecting lower iron ore prices, Mitsui Iron Ore Development Pty. Ltd. and Mitsui-Itochu Iron Pty. Ltd. reported declines of ¥23.2 billion and ¥7.2 billion, respectively.

---

**Table of Contents**

The Iron & Steel Products, Machinery & Infrastructure Projects, and Chemical segments reported declines of ¥18.2 billion, ¥15.7 billion and ¥14.3 billion, respectively. Sales volumes and margins declined due to the challenging macroeconomic and financing environment. The Foods & Retail Segment, which is relatively resilient even in difficult times, recorded an increase in gross profit.

The Consumer Service & IT Segment reported a decline of ¥21.7 billion in gross profit. Japanese consumer-related businesses activities in overall remained sluggish, due to the economic slowdown. In addition, the reclassification of T-GAIA Corporation, a mobile telecommunications business, from subsidiary to associated company resulted in a decline of ¥16.2 billion. The Logistics & Financial Markets Segment reported a decline of ¥30.8 billion due to a decline in energy-related commodity trading activities. The decline included a decline in gross profit corresponding to a decline of ¥6.7 billion in exchange losses recorded in other expenses-net.

The Americas and the Europe, the Middle East and Africa segments reported declines of ¥42.9 billion and ¥5.5 billion, respectively, reflecting the economic slowdown. The decline of the Americas Segment is mainly attributable to the poor performance of the Iron & Steel Products Segment due to weak demand.

*Comparison between the years ended March 31, 2009 and 2008*

For the year ended March 31, 2009 consolidated total gross profit was ¥999.3 billion, an increase of ¥18.7 billion, or 1.9%, from ¥980.6 billion for the year ended March 31, 2008 as a result of the following:

The Energy Segment reported an increase of ¥52.7 billion in gross profit. This increase is attributable to solid performance by the oil & gas producing businesses, reflecting continued run-up in prices and additional equity production, as well as contribution of ¥46.6 billion made by Mitsui Coal Holdings Pty. Ltd. reflecting a significant increase in coal prices.

The Mineral & Metal Resources Segment also reported an increase of ¥23.4 billion in gross profit. Reflecting higher iron ore prices, Mitsui Iron Ore Development Pty. Ltd. and Mitsui-Itochu Iron Pty. Ltd. reported increases of ¥23.3 billion and ¥2.0 billion, respectively.

The Americas Segment reported an increase of ¥37.5 billion in gross profit. Supported by strong demand as well as increased price of animal feed additives, Novus International Inc. reported an increase of ¥27.4 billion. Backed by strong demand for tubular pipes for oil and gas industry, Champions Pipe & Supply, Inc. also contributed to the increase in gross profit.

Consumer Service & IT Segment reported a decline of ¥43.0 billion, due to a loss on write-down of inventories in the domestic residential home business and weak results from almost all the domestic consumer related businesses. In addition, reclassification of T-GAIA Corporation from subsidiary to associated company through merger with MS Communications Co., Ltd. in the three month period ended December 31, 2008, resulted in a decline of ¥14.6 billion in gross profit.

Due to the financial turmoil which intensified after last autumn, the Chemical Segment, the Iron & Steel Products Segment and the Machinery & Infrastructure Projects Segment recorded substantial declines in gross profit attributable to declines in sales volumes as well as margins, which offset the increased gross profits for the first half of the year ended March 31, 2009 reflecting the positive economic circumstances in the emerging countries.

**Table of Contents*****Selling, General and Administrative Expenses***

Selling, General and Administrative Expenses Classified by Category of Expenses

*Comparison between the years ended March 31, 2010 and 2009*

Selling, general and administrative expenses for the year ended March 31, 2010 were ¥546.2 billion, a decline of ¥52.6 billion or 8.8%, from ¥598.8 billion for the year ended March 31, 2009.

The table below provides a breakdown of selling, general and administrative expenses used for our internal review for the years ended March 31, 2010, 2009 and 2008.

|                | Billions of Yen       |         |         |             |             |        |
|----------------|-----------------------|---------|---------|-------------|-------------|--------|
|                | Years Ended March 31, |         |         | Change      |             | Change |
|                | 2010                  | 2009    | 2008    | (2010 2009) | (2009 2008) |        |
| Personnel      | ¥ 276.1               | ¥ 292.5 | ¥ 292.8 | ¥ (16.4)    | ¥ (0.3)     |        |
| Welfare        | 11.4                  | 12.2    | 12.1    | (0.8)       | 0.1         |        |
| Travel         | 26.5                  | 33.2    | 34.9    | (6.7)       | (1.7)       |        |
| Entertainment  | 8.3                   | 10.4    | 10.8    | (2.1)       | (0.4)       |        |
| Communication  | 47.5                  | 48.9    | 48.5    | (1.4)       | 0.4         |        |
| Rent           | 21.7                  | 20.4    | 20.0    | 1.3         | 0.4         |        |
| Depreciation   | 15.6                  | 15.5    | 15.1    | 0.1         | 0.4         |        |
| Fees and Taxes | 9.9                   | 9.8     | 11.6    | 0.1         | (1.8)       |        |
| Others         | 129.2                 | 155.9   | 155.5   | (26.7)      | 0.4         |        |
| Total          | ¥ 546.2               | ¥ 598.8 | ¥ 601.3 | ¥ (52.6)    | ¥ (2.5)     |        |

Personnel expenses were ¥276.1 billion for the year ended March 31, 2010, a decline of ¥16.4 billion from ¥292.5 billion for the year ended March 31, 2009. This decline is mainly attributable to a decrease in performance-based bonuses and the reclassification of T-GAIA Corporation from subsidiary to associated company partially offset with an increase in net periodic pension costs reflecting amortization of actuarial losses related to plan assets.

Travel expenses were ¥26.5 billion for the year ended March 31, 2010, a decline of ¥6.7 billion from ¥33.2 billion for the year ended March 31, 2009. This was due to cost control efforts and limits on business trips due to the H1N1 influenza pandemic.

Other expenses were ¥129.2 billion for the year ended March 31, 2010, a decline of ¥26.7 billion from ¥155.9 billion for the year ended March 31, 2009. This decline is mainly attributable to the

**Table of Contents**

reclassification of T-GAIA Corporation from subsidiary to associated company. See more details regarding the reclassification in Operating Results by Operating Segment Consumer Service & IT Segment in this item.

*Comparison between the years ended March 31, 2009 and 2008*

Selling, general and administrative expenses for the year ended March 31, 2009 were ¥598.8 billion, a decline of ¥2.5 billion or 0.4%, from ¥601.3 billion for the year ended March 31, 2008.

Personnel expenses were ¥292.5 billion for the year ended March 31, 2009, a decline of ¥0.3 billion from the year ended March 31, 2008. This nominal decline was mainly attributable to a decline related to the reclassification of T-GAIA Corporation from subsidiary to associated company offset by an increase resulting from Mitsui Marubeni Liquefied Gas Co., Ltd.'s merger with Marubeni Liquefied Gas Corporation and increased sales volume at Novus International, Inc.

Travel expenses were ¥33.2 billion for the year ended March 31, 2009, a decline of ¥1.7 billion from the year ended March 31, 2008. This decline resulted from the reclassification of T-GAIA Corporation from subsidiary to associated company. Fees and Taxes were ¥9.8 billion for the year ended March 31, 2009, a decline of ¥1.8 billion from the year ended March 31, 2008. This was mainly attributable to a decline in enterprise tax expense at Mitsui.

Selling, General and Administrative Expenses Classified by Operating Segment

The table below provides selling, general and administrative expenses for the years ended March 31, 2010, 2009 and 2008 by operating segment.

|                                     | Billions of Yen       |         |         |             |             |
|-------------------------------------|-----------------------|---------|---------|-------------|-------------|
|                                     | Years Ended March 31, |         |         | Change      | Change      |
|                                     | 2010                  | 2009    | 2008    | (2010 2009) | (2009 2008) |
| Iron & Steel Products               | ¥ 32.1                | ¥ 34.5  | ¥ 35.7  | ¥ (2.4)     | ¥ (1.2)     |
| Mineral & Metal Resources           | 15.4                  | 15.2    | 16.6    | 0.2         | (1.4)       |
| Machinery & Infrastructure Projects | 75.9                  | 82.9    | 82.4    | (7.0)       | 0.5         |
| Chemical                            | 49.4                  | 51.9    | 58.0    | (2.5)       | (6.1)       |
| Energy                              | 56.2                  | 57.8    | 46.2    | (1.6)       | 11.6        |
| Foods & Retail                      | 63.0                  | 63.7    | 65.1    | (0.7)       | (1.4)       |
| Consumer Service & IT               | 61.7                  | 83.9    | 98.4    | (22.2)      | (14.5)      |
| Logistics & Financial Markets       | 28.9                  | 34.5    | 32.9    | (5.6)       | 1.6         |
| Americas                            | 63.4                  | 72.8    | 70.3    | (9.4)       | 2.5         |
| Europe, the Middle East and Africa  | 19.6                  | 24.0    | 24.9    | (4.4)       | (0.9)       |
| Asia Pacific                        | 25.3                  | 27.4    | 25.3    | (2.1)       | 2.1         |
| Total                               | 490.9                 | 548.6   | 555.8   | (57.7)      | (7.2)       |
| All Other                           | 5.0                   | 5.9     | 7.2     | (0.9)       | (1.3)       |
| Adjustments and Eliminations        | 50.3                  | 44.3    | 38.3    | 6.0         | 6.0         |
| Consolidated Total                  | ¥ 546.2               | ¥ 598.8 | ¥ 601.3 | ¥ (52.6)    | ¥ (2.5)     |

*Comparison between the years ended March 31, 2010 and 2009*

All segments except Mineral & Metal Resources reported declines, including the Consumer Service & IT and Americas segments, which reported declines of ¥22.2 billion and ¥9.4 billion, respectively. The declines were due to a decline in performance-based bonuses and cost control efforts exercised on selling, general and administrative expenses, as well as the reclassification of T-GAIA Corporation from subsidiary to associated company, which resulted in a decline of ¥11.9 billion at the Consumer Service & IT Segment.





**Table of Contents***Comparison between the years ended March 31, 2009 and 2008*

The Consumer Service & IT Segment and the Chemical Segments reported declines of ¥14.5 billion and ¥6.1 billion, respectively. These declines are mainly attributable to the reclassifications from subsidiaries to associated companies such as T-GAIA Corporation. The Energy Segment reported an increase of ¥11.6 billion attributable to Mitsui Marubeni Liquefied Gas Co., Ltd., which merged with Marubeni Liquefied Gas Corporation.

***Provision for Doubtful Receivables****Comparison between the years ended March 31, 2010 and 2009*

Provision for doubtful receivables for the year ended March 31, 2010 was ¥11.2 billion, a decline of ¥6.8 billion, or 37.8%, from ¥18.0 billion for the year ended March 31, 2009. Provisions for both periods represented increases in aggregate reserves for individual small receivables, including those of P.T. Bussan Auto Finance.

*Comparison between the years ended March 31, 2009 and 2008*

Provision for doubtful receivables for the year ended March 31, 2009 was ¥18.0 billion, an increase of ¥9.9 billion, or 122.2%, from ¥8.1 billion for the year ended March 31, 2008, reflecting the tightening of credit sparked by the intensifying financial turmoil. Provisions for both periods consisted of an accumulation of reserves for individually small receivables, including those of P.T. Bussan Auto Finance.

***Interest Income and Interest Expense****Comparison between the years ended March 31, 2010 and 2009*

Interest income for the year ended March 31, 2010 was ¥35.9 billion, a decline of ¥3.7 billion, or 9.3%, from ¥39.6 billion for the year ended March 31, 2009. Interest expense for the year ended March 31, 2010 was ¥46.3 billion, a decline of ¥28.1 billion, or 37.8%, from ¥74.4 billion for the year ended March 31, 2009. As a result, interest expense, net of interest income was ¥10.4 billion, a decline of ¥24.4 billion from ¥34.8 billion for the year ended March 31, 2009.

Interest income from preferred shares issued by Valepar S.A., a holding company for Vale S.A., a mineral resources company in Brazil, increased by ¥7.1 billion.

Interest expense for Sakhalin II project declined by approximately ¥4.0 billion due to declines in U.S. dollar interest rates as well as a decline in principal amount resulting from redemptions of capital.

In addition to the above mentioned factors, overall interest expense, net of interest income, declined due to declines in U.S. dollar interest rates and Japanese yen interest rates, and a decline in amount of borrowings denominated in U.S. dollar reflecting appreciation of Japanese yen against U.S. dollar.

With respect to interest rate swaps employed to manage interest rate risk exposure, see Item 5.B. Liquidity and Capital Resources Funding Sources.

Interest rate trends for the year ended March 31, 2010 regarding the Japanese yen and the U.S. dollar, in which we have borrowings, were as follows:

While the Bank of Japan retained its zero interest rate policy which was implemented in the latter half of the year ended March 31, 2009, it continued to supply enough liquidity in the market including introduction of a new-funds supplying operation in December 2009. With such enhanced easy monetary conditions, spreads implied in the borrowing rates for the companies, which had remained

Edgar Filing: MITSUI & CO LTD - Form 20-F

high due to turmoil in the financial and capital markets, started to decline in the year ended March 31, 2010, and at the same time confidence level in the capital markets also increased. Market interest rate (the average of

**Table of Contents**

the month-end Japanese yen three-month London Interbank Offered Rate ( LIBOR ) for the year ended March 31, 2010 declined to 0.36% from 0.85% for the year ended March 31, 2009. On the other hand, the average yield rate on 10-year Japanese Government Bonds was 1.36% for the year ended March 31, 2010, slightly lower than 1.45% for the year ended March 31, 2009 supported by the aforementioned easing monetary policy amid uncertainties regarding the economic recovery and the fact that the Government Bonds were bought smoothly by domestic investors against a backdrop of enough domestic savings although there were upward pressures on rate from the expectation of the economic rebound as well as concerns on supply-demand imbalance of Government Bonds reflecting concerns about the fiscal discipline.

As the Federal Reserve Bank (the FRB ) also retained its zero interest policy providing enough liquidity to the markets, U.S. dollar short-term interest rates remained low. On the other hand, an increase in U.S. dollar long-term interest rate (10-year Government Bond) was seen in the latter half of the year ended March 31, 2010 reflecting a rise in official discount rate announced in February 2010 and some positive signs of economic indicators anticipating economic recovery. However, under the circumstance that improvement in the labor market was not certain the FRB maintained a posture that it would keep exceptionally low levels of the federal funds rate for an extended period. As a result, the average of the month-end U.S. dollar three-month LIBOR during the year ended March 31, 2010 declined to 0.41%, down from the average of 2.36% during the year ended March 31, 2009. Although tightened credit line of U.S. dollar funding to the financial institutions eased along with decreased possibility of double-dip recession, we closely monitor the U.S. dollar funding conditions as risk tolerance of the financial institutions may diminish due to uncertainties including a legal action against one of the major investment banks by the Securities Exchange Commission and enactment of financial regulatory reform in the U.S. For information regarding development of our investment plans and financial policies, refer to B. Liquidity and Capital Resources.

*Comparison between the years ended March 31, 2009 and 2008*

Interest income for the year ended March 31, 2009 was ¥39.6 billion, a decline of ¥17.1 billion, or 30.2%, from ¥56.7 billion for the year ended March 31, 2008. Interest expense for the year ended March 31, 2009 was ¥74.4 billion, a decline of ¥30.9 billion, or 29.3%, from ¥105.3 billion for the year ended March 31, 2008. As a result, interest expense, net of interest income was ¥34.8 billion, a decline of ¥13.8 billion from ¥48.6 billion for the year ended March 31, 2008.

Interest expense for the Sakhalin II project declined by ¥4.6 billion as a result of declines in U.S. dollar interest rates.

Mitsui recorded a ¥1.5 billion increase in interest expense, net of interest income.

Reflecting lower U.S. dollar interest rates, interest expense at overseas subsidiaries declined by ¥11.3 billion, out of which a ¥7.6 billion decline was attributable to the Americas Segment.

Interest rate trends for the year ended March 31, 2009 regarding the Japanese yen and the U.S. dollar, in which we have borrowings, were as follows:

Following the reduction in the policy interest rate by the Bank of Japan twice in October and December 2008 the Bank of Japan purchased CP and corporate bonds from the market as a further response of easing monetary policy. As a result, policy interest rate became close to zero percent, but reflecting turmoil in the financial and capital markets, spreads implied in the borrowing rates for the companies remained high. Market interest rate (the average of the month-end Japanese yen three-month London Interbank Offered Rate ( LIBOR ) for the year ended March 31, 2009 was 0.85% on par with 0.87% for the year ended March 31, 2008. On the other hand, the average yield rate on 10-year Japanese Government Bonds was 1.45% for the year ended March 31, 2009, down from 1.59% during the year ended March 31, 2008 supported by the aforementioned easing monetary policy although there were upward pressures on rate from the expectation of the economic rebound as well as concerns on supply-demand imbalance of Government Bonds after the beginning of the current year.

**Table of Contents**

The FRB gradually lowered the Federal Funds target rate to 0-0.25% in December 2008 in response to stabilizing the financial market following the sub-prime mortgage crisis. This is the first time the FRB had virtually taken zero interest rate policy in its history. The FRB provided enough liquidity to the interbank markets and implemented additional monetary easing measures including purchases of agency debt and mortgage-backed securities to provide support to the mortgage and housing markets. However, risk spread implied in the interest rates remained high reflecting the uncertainties in the market including bankruptcy risk of the major automobile companies in the U.S. As a result, the average of the month-end U.S. dollar three-month LIBOR during the year ended March 31, 2009 was 2.36%, down from the average of 4.66% during the year ended March 31, 2008. For information regarding development of our investment plans and financial policies, refer to B. Liquidity and Capital Resources.

***Dividend Income******Comparison between the years ended March 31, 2010 and 2009***

Dividend income for the year ended March 31, 2010 was ¥37.7 billion, a decline of ¥34.2 billion, or 46.7%, from ¥71.9 billion for the year ended March 31, 2009. Reflecting a sharp decline in oil-linked LNG prices due to a drop in oil prices, dividend income from LNG projects in Abu Dhabi, Qatar, Oman and Equatorial Guinea was ¥22.0 billion, a decline of ¥26.9 billion from the year ended March 31, 2009.

***Comparison between the years ended March 31, 2009 and 2008***

Dividend income for the year ended March 31, 2009 was ¥71.9 billion, an increase of ¥21.8 billion, or 43.5%, from ¥50.1 billion for the year ended March 31, 2008. Dividends from LNG projects in Abu Dhabi, Qatar, Oman and Equatorial Guinea were ¥48.9 billion, an increase of ¥24.9 billion from the year ended March 31, 2008.

***Gains on Sales of Securities Net******Comparison between the years ended March 31, 2010 and 2009***

Gain on sales of securities for the year ended March 31, 2010 was ¥20.9 billion, a decline of ¥12.3 billion, or 37.0%, from ¥33.2 billion for the year ended March 31, 2009. For the year ended March 31, 2010, a gain on the sale of United Petroleum Development Co., Ltd. (Japan) was recorded. For the year ended March 31, 2009, gains of ¥11.9 billion on the sale of a trust beneficiary right held in the Shiodome Building and ¥4.0 billion on the sale of T-GAIA Corporation in the Consumer Service & IT Segment as well as a gain of ¥6.7 billion on the sale of holdings in Kyushu Oil Co., Ltd. in the Energy Segment were recorded.

***Comparison between the years ended March 31, 2009 and 2008***

Gain on sales of securities for the year ended March 31, 2009 was ¥33.2 billion, a decline of ¥59.1 billion, or 64.0%, from ¥92.3 billion for the year ended March 31, 2008. While we recorded gains of ¥11.9 billion on sale of a trust beneficiary right with respect to Shiodome building, ¥6.7 billion on the sale of our shareholding in Kyushu Oil Co., Ltd. and ¥4.0 billion on the sale of our share in T-Gaia Corporation (former Telepark Corp.) (Japan) through T-GAIA's share buy-back program and its merger with MS Communications Co., Ltd. for the year ended March 31, 2009, we posted substantial gains for the year ended March 31, 2008, as a result of several large scale divestitures such as the sale of a part of our stake in the Sakhalin II project and our whole stake in EBM in Brazil.

**Table of Contents*****Loss on Write-Down of Securities******Comparison between the years ended March 31, 2010 and 2009***

Loss on write-downs of securities for the year ended March 31, 2010 was ¥48.5 billion, an improvement of ¥68.8 billion, or 58.7%, from ¥117.3 billion for the year ended March 31, 2009.

Following the bankruptcy of one of the largest investment banks in the United States in mid-September 2008, the Nikkei Stock Average plummeted to ¥7,054.98, its lowest since 1982, at the beginning of March 2009 and ended at ¥8,109.53 on March 31, 2009. In the year ended March 31, 2010, the Nikkei Stock Average gradually moved up, although erratically, as the global economy continued to recover, and ended at ¥11,089.94 on March 31, 2010. (The above mentioned stock prices are closing prices.)

A ¥20.0 billion impairment loss on preferred shares in Japan Airlines Corporation in the Machinery & Infrastructure Projects Segment and a ¥15.1 billion loss on listed shares in Seven & i Holdings Co., Ltd. in the Foods & Retail Segment were recorded for the year ended March 31, 2010.

An impairment loss of ¥79.3 billion on listed securities was recorded for the year ended March 31, 2009. The impairment loss included losses of ¥18.0 billion on shares in Mitsui Chemicals, Inc. and ¥4.2 billion on shares in Ishihara Sangyo Kaisha LTD. in the Chemicals Segment, ¥9.6 billion on shares in Nippon Steel Corporation in the Iron & Steel Products Segment and ¥8.2 billion on shares in Yamaha Motors Co. Ltd. in the Machinery & Infrastructure Projects Segment.

The losses for the year ended March 31, 2009 included write-downs on non-listed shares, including ¥12.0 billion for Recruit Co., Ltd. and ¥9.8 billion in the domestic office building development business in the Consumer Service & IT Segment.

***Comparison between the years ended March 31, 2009 and 2008***

Loss on write-downs of securities for the year ended March 31, 2009 was ¥117.4 billion, a substantial increase of ¥80.7 billion, or 219.9%, from ¥36.7 billion for the year ended March 31, 2008.

After reaching ¥18,261.98 in July 2007 reflecting high expectations for continued growth in Japanese corporate earnings, the Nikkei Stock Average started to move downwards reflecting declines in global equity prices and the appreciation of Japanese Yen against major currencies and closed at ¥12,525.54 as of March 31, 2008. Subsequent to that date, the Nikkei Stock Average once rebounded to ¥14,489.44 in June 2008, but resumed its downward trend over the summer. Following the bankruptcy of one of the largest investment banks in the U.S. in September 2008, the Nikkei Stock Average plummeted to ¥7,054.98 in the beginning of March, the lowest since 1982, and ended with ¥8,109.53 as of March 31, 2009. (The above mentioned stock prices are closing prices.)

The losses for the year ended March 31, 2009 included write-downs on listed shares of ¥79.3 billion reflecting the above mentioned domestic market downward trend. While we recorded impairment losses of ¥18.0 billion for Mitsui Chemicals, Inc. as well as ¥4.2 billion for Ishihara Sangyo Kaisha, LTD. in the Chemical Segment, ¥9.6 billion for Nippon Steel Corporation in the Iron & Steel Products Segment and ¥8.2 billion for Yamaha Motor Co., Ltd. in the Machinery & Infrastructure Projects Segment, almost all the segments recorded impairment losses on various listed securities.

The losses for the year ended March 31, 2009 included write-downs on non-listed shares, including ¥12.0 billion for Recruit Co., Ltd. and ¥9.8 billion on domestic office building development business in the Consumer Service & IT Segment.

The losses for the corresponding year ended March 31, 2008 included write-downs on listed shares for ¥28.0 billion, including an ¥8.6 billion loss for Yamaha Motor Co., Ltd., a ¥4.5 billion loss for Central Finance Co., Ltd. in the Logistics & Financial Markets

Edgar Filing: MITSUI & CO LTD - Form 20-F

Segment and a ¥4.5 billion loss for Seven & i Holdings Co., Ltd. in the Foods & Retail Segment.

**Table of Contents*****Gain on Disposal or Sales of Property and Equipment Net******Comparison between the years ended March 31, 2010 and 2009***

Gain on disposal or sales of property and equipment net for the year ended March 31, 2010 was less than ¥0.1 billion, a decline of ¥3.6 billion, or 100.0%, from a gain of ¥3.6 billion for the year ended March 31, 2009. For the year ended March 31, 2010, there were only miscellaneous small transactions. For the year ended March 31, 2009, the sale of a lumber mill held by Portac Inc. (United States) in the Americas Segment and the sale of an office building previously held by Mitsui & Co. France S.A.S. in the Europe, the Middle East and Africa Segment were recorded.

***Comparison between the years ended March 31, 2009 and 2008***

Gain on disposal or sales of property and equipment net for the year ended March 31, 2009 was ¥3.6 billion, an increase of ¥3.8 billion, or 1,900.0%, from a loss of ¥0.2 billion for the year ended March 31, 2008. Major gains for the year ended March 31, 2009 were related to the sale of a lumber mill held by Portac Inc. in the Americas Segment and the sale of an office building previously held by Mitsui & Co. France S.A.S. in the Europe, the Middle East and Africa Segment, while there were only miscellaneous small transactions for the year ended March 31, 2008.

***Impairment Loss of Long-Lived Assets******Comparison between the years ended March 31, 2010 and 2009***

Impairment loss of long-lived assets for the year ended March 31, 2010 was ¥8.7 billion, a decline of ¥29.0 billion, or 76.9%, from ¥37.7 billion for the year ended March 31, 2009.

For the year ended March 31, 2010, a prolonged downturn in railway freight transport in Europe resulted in impairment losses on intangible assets of ¥2.9 billion at Mitsui Rail Capital Europe B.V. (Netherlands) in the Machinery & Infrastructure Projects Segment. For more information on impairment losses on long-lived assets, see Note 10, **IMPAIRMENT LOSS OF LONG-LIVED ASSETS**. Also see the relevant discussions as described later on the impairment loss in **Operating Results by Operating Segment** in this item.

For the year ended March 31, 2009, an impairment loss of ¥14.6 billion on property & equipment and mineral rights in the Vincent oil field in Australia in the Energy Segment, an impairment loss of ¥9.6 billion in the office building business in the U.K in the Europe, the Middle East and Africa Segment and an impairment loss of ¥2.8 billion on intangible assets at Steel Technologies Inc. in the Americas Segment were recorded.

***Comparison between the years ended March 31, 2009 and 2008***

Impairment loss of long-lived assets for the year ended March 31, 2009 was ¥37.7 billion, an increase of ¥13.7 billion, or 57.1%, from ¥24.0 billion for the year ended March 31, 2008.

For the year ended March 31, 2009, we recorded a ¥14.6 billion loss on property & equipment and mineral rights of the Vincent oil field resulting from the decline of oil prices in the Energy Segment, a ¥9.6 billion loss on office building business in London, the U.K, reflecting severe real estate market conditions in the region in the Europe, the Middle East and Africa Segment, and a ¥2.8 billion loss on intangible assets at Steel Technologies Inc. in the Americas Segment. For more information on impairment losses on long-lived assets, see Note 10, **IMPAIRMENT LOSS OF LONG-LIVED ASSETS**. Also see the relevant discussions as described later on the impairment losses in **Operating Results by Operating Segment** in this item.

For the year ended March 31, 2008, the Group recorded a ¥13.9 billion loss on real estate which Mitsui held in Saito International Culture Park located in the north area of Osaka Prefecture, a ¥3.9 billion loss on a domestic power producing operation, and a loss on company-owned residences of Mitsui.





**Table of Contents*****Impairment Loss of Goodwill******Comparison between the years ended March 31, 2010 and 2009***

Impairment loss of goodwill for the year ended March 31, 2010 was ¥9.9 billion, a decline of ¥8.7 billion, or 46.8%, from ¥18.6 billion for the year ended March 31, 2009.

Losses of ¥3.1 billion at Mitsui Rail Capital Europe B.V. in the Machinery & Infrastructure Projects Segment and of ¥3.1 billion at AFC HoldCo, LLC (United States), an automotive retail finance subsidiary, and ¥2.9 billion at SunWize Technologies, Inc. (United States), a retailer and installer of photovoltaic systems, both in the Americas Segment were recorded for the year ended March 31, 2010. See the relevant discussions as described later on the impairment losses in *Operating Results by Operating Segment* in this item.

Losses of ¥6.4 billion at Steel Technologies Inc. and ¥4.1 billion at Mitsui Knowledge Industry Co., Ltd. (Japan) were recognized for the year ended March 31, 2009.

***Comparison between the years ended March 31, 2009 and 2008***

Impairment loss of goodwill for the year ended March 31, 2009 was ¥18.6 billion, an increase of ¥16.6 billion, or 830.0%, from ¥2.0 billion for the year ended March 31, 2008.

For the year ended March 31, 2009, we recorded a ¥6.4 billion loss for Steel Technologies Inc., reflecting rapid slowdown of the steel products business for automotive and housing industries in the United States, and a ¥4.1 billion loss for Mitsui Knowledge Industry Co., Ltd., reflecting a decline in its share price. See the relevant discussions as described later on the impairment losses in *Operating Results by Operating Segment* in this item.

For the year ended March 31, 2008, we recorded a ¥2.0 billion loss for Mitsui Knowledge Industry Co., Ltd., reflecting a decline in its share price.

The carrying amounts of goodwill as of March 31, 2010, 2009 and 2008 were ¥22.7 billion, ¥33.6 billion and ¥52.5 billion, respectively. For more information, see Note 12, *GOODWILL AND OTHER INTANGIBLE ASSETS*. Despite the fact that the Americas Segment recorded impairment losses of goodwill of ¥6.8 billion and ¥13.6 billion for the years ended March 31, 2010 and 2009, respectively, goodwill recorded at the segment was ¥6.9 billion, which still accounts for 31% of the total goodwill outstanding balance as of March 31, 2010, and most of the goodwill in the segment belongs to subsidiaries in the United States. The Machinery & Infrastructure Projects Segment recorded an impairment loss of ¥3.1 billion related to locomotive leasing and management business in Europe for the year ended March 31, 2010 and still holds a ¥5.6 billion goodwill outstanding balance as of March 31, 2010, of which major part is in Europe. As of the date of this annual report, management continues to pay a close attention to the operating results and business of the subsidiaries in the United States and Europe in monitoring the possibility of occurrence of additional goodwill impairment, considering the prolonged economic slowdown in the regions.

***Other Expense Net******Comparison between the years ended March 31, 2010 and 2009***

Other expenses net for the year ended March 31, 2010 were an income of ¥0.4 billion, an improvement of ¥41.2 billion, or 101.0%, from a loss of ¥40.8 billion for the year ended March 31, 2009.

For the year ended March 31, 2010, Mitsui recorded foreign exchange losses of ¥11.8 billion including a loss of ¥6.9 billion on commodity trading activities in the Logistics & Financial Markets Segment, which corresponded to a related gross profit in the same segment. In addition, in the Energy Segment, Mitsui Oil Exploration Co., Ltd. recorded exploration expenses of ¥10.9 billion, while in

Edgar Filing: MITSUI & CO LTD - Form 20-F

the Mineral & Metal Resources Segment, Mitsui Raw Material Development Pty. Limited (Australia) reported a foreign exchange profit of ¥6.8 billion on borrowing denominated in U.S. dollars.

**Table of Contents**

For the year ended March 31, 2009, Mitsui recorded foreign exchange losses of ¥17.1 billion including a loss of ¥13.6 billion on commodity trading activities in the Logistics & Financial Markets Segment corresponding to a related gross profit in the same segment. In the Energy Segment, exploration expenses were recognized in the oil & gas businesses, among which exploration expenses of ¥6.3 billion were recorded at Mitsui E&P Australia Pty Limited. A liquidation cost of ¥3.7 billion of currency option transactions at Fertilizantes Mitsui S.A. Industria e Comercio (Brazil) was recorded in the Americas Segment and a foreign exchange translation loss of ¥3.6 billion related to borrowing denominated in the U.S. dollars at Mitsui Raw Material Development Pty. Limited was recorded in the Mineral & Metal Resources Segment.

*Comparison between the years ended March 31, 2009 and 2008*

Other Expense net for the year ended March 31, 2009 was ¥40.8 billion, an increase of expense of ¥43.9 billion, or 1,416.1%, from an income of ¥3.1 billion for the year ended March 31, 2008.

Mitsui recorded foreign exchange losses of ¥17.1 billion for the year ended March 31, 2009 including a loss of ¥13.6 billion on commodity trading activities in the Logistics & Financial Markets Segment which corresponded to the related profit recorded in gross profit in the same segment.

Exploration expenses at the oil & gas business increased. The salvage expenses of ¥4.5 billion for the Mexican gulf oil production facility seriously damaged by a hurricane and a liquidation cost of ¥3.7 billion of currency option transactions at Fertilizantes Mitsui S.A. Industria e Comercio were also recorded.

A major component of other expenses net for the year ended March 31, 2008 was exploration expenses, mainly at Mitsui E&P Australia Pty Limited.

For more information on other expense net, see Note 19, OTHER EXPENSE (INCOME) NET. and on our restructuring activities, see Note 23, EXIT OR DISPOSAL ACTIVITIES.

***Income Taxes***

*Comparison between the years ended March 31, 2010 and 2009*

Income taxes for the year ended March 31, 2010 were ¥89.2 billion, a decline of ¥65.0 billion, or 42.2%, from ¥154.2 billion, for the year ended March 31, 2009<sup>(\*)</sup>.

For the year ended March 31, 2009, a ¥20.8 billion valuation allowance was recorded at Mitsui evaluating realizability of deferred tax asset of Mitsui. For the evaluation, we estimated future taxable income based on new tax laws which started to be applied for the fiscal year ended March 31, 2010. For the year ended March 31, 2010, in addition to a valuation allowance recorded for the same reason at Mitsui, a valuation allowance for deferred tax asset for a ¥15.1 billion impairment loss on shares in Seven & i Holdings Co., Ltd. was also recorded.

Income from continuing operations before income taxes and equity in earnings for the year ended March 31, 2010 was ¥126.0 billion (Mitsui and its domestic subsidiaries : a loss of ¥30.5 billion, Foreign subsidiaries : an income of ¥156.5 billion), a decline of ¥116.2 billion from ¥242.2 billion (Mitsui and its domestic subsidiaries : a loss of ¥9.4 billion, Foreign subsidiaries : an income of ¥251.6

(\*1) Tax effects on investments in associated companies which were formerly included in Equity in Earnings of Associated Companies Net (After Income Tax Effect) are included in Income Taxes for the year ended March 31, 2010. Accordingly, Equity in Earnings of Associated Companies Net (After Income Tax Effect) is changed to Equity in Earnings of Associated Companies Net. Amounts for the corresponding previous year have been reclassified to conform to the current year presentation.

**Table of Contents**

billion) for the year ended March 31, 2009. Due to this decline, corresponding income taxes also declined. Income from continuing operations before income taxes and equity in earnings of Mitsui and its domestic subsidiaries for the years ended March 31, 2010 and 2009 declined significantly compared to the previous years' level and became negative. This is because income from continuing operations before income taxes and equity in earnings from domestic businesses affected by economic downturn, including those of Mitsui which also recorded a large amount of impairment losses on assets such as listed securities, declined considerably.

A reversal of deferred tax liabilities related to dividends received from associated companies amounted to approximately ¥25.0 billion<sup>(\*2)</sup> for the year ended March 31, 2010.

The effective tax rate on income from continuing operations before income taxes and equity in earnings for the year ended March 31, 2010 was 70.8%, an increase of 7.1 percentage points from 63.7% for the year ended March 31, 2009.

Ratio of tax effect on equity in earnings of associated companies against income from continuing operations before income taxes and equity in earnings for the year ended March 31, 2010 was 33.6%, an increase of 18.8 percentage points from 14.8% for the year ended March 31, 2009.

Effect of setting up of valuation allowances for deferred tax assets for the year ended March 31, 2010 was 17.4%, an increase of 0.1 percentage points from 17.3% for the year ended March 31, 2009.

Effect of taxation on dividends for the year ended March 31, 2010 was negative 26.3%, an improvement of 19.5 percentage points from negative 6.8% for the year ended March 31, 2009 due mainly to the above mentioned reversal of deferred tax liabilities.

*Comparison between the years ended March 31, 2009 and 2008*

Income taxes for the year ended March 31, 2009 were ¥119.4 billion, a decline of ¥51.8 billion, or 30.3%, from ¥171.2 billion for the year ended March 31, 2008 due to a decline in income from continuing operations before income taxes, minority interests and equity in earnings. The effective tax rate for the year ended March 31, 2009 was 48.3%, an increase of 5.7 percentage points from 42.6% for the year ended March 31, 2008. The increase in the effective tax rate was due mainly to an increase in the valuation allowance for the deferred tax assets after evaluating the recoverability of deferred tax assets, which was partially offset by a decline in the effective tax rate attributable to the application of lower income tax rates to certain taxable income at overseas subsidiaries and a decline in the effect of taxation on dividends.

The increase in the valuation allowance include a ¥20.8 billion valuation allowance recorded at Mitsui based on new tax laws which was applied starting from the fiscal year ended March 31, 2010. The new tax laws allow tax payers to deduct 95% of dividend received income from foreign subsidiaries, which are 25% or more owned foreign investees in this context, and therefore, Mitsui's future taxable incomes after the year ended March 31, 2010 were expected to be reduced. Also from the year ended March 31, 2010, Mitsui and its 100% domestic subsidiaries started to file a consolidated tax return as a group. Under the circumstances, we forecasted the future taxable incomes of the consolidated tax group as well as of Mitsui stand alone basis, and evaluated the realizability of the deferred tax assets. As a result of the analysis, we recognized the valuation allowance of ¥20.8 billion since we determined that a recovery of a part of deferred tax assets is highly unlikely. For further information, see Note 20, INCOME TAXES.

(\*2) We record deferred tax liabilities of 41%, which is the effective tax rate in Japan, on undistributed retained earnings of associated companies based on the assumption that we would sell investments in associated companies in the future. At the time of distribution of profit from associated companies, we reverse the deferred tax liabilities while recording a tax expense on the dividends received in accordance with Japanese tax law. Since a major portion of dividends received is now treated as non-taxable under Japanese tax law, tax

expenses on dividends received are smaller than the reversal amount of the deferred tax liabilities, and the balance is credited to tax expenses.

**Table of Contents*****Transfer price taxation issue with North West Shelf LNG Project***

Mitsui was audited by the Tokyo Regional Taxation Bureau with regard to transfer pricing on the LNG Project in Western Australia for the six fiscal years from the year ended March 31, 2000 to the year ended March 31, 2005. Mitsui received notices of tax assessment from the Tokyo Regional Taxation Bureau for the years ended March 31, 2000, 2001 and 2002 and paid approximately ¥10.7 billion in total. Mitsui disagreed with the assessment, registered its protest and lodged an application in November 2006 for the mutual agreement procedure pursuant to a provision in the tax treaty between Japan and Australia in order to settle the double taxation. In December 2008, the competent authorities of Japan and Australia reached the mutual agreement, and Mitsui received abatement regarding the tax assessments while our associated company in Australia also received a tax refund for the taxable income adjustment from the Australian tax authority. The total of the tax assessment, the abatement and the reversal of FIN48 reserve at Mitsui was recorded in Income Taxes. For further information, see Note 20, INCOME TAXES.

As of March 31, 2010, the earliest tax years that remain subject to examination by major tax jurisdictions in which the companies operate are the year ended March 31, 2004 for Japan; the year ended March 31, 2007 for the United States; and the year ended March 31, 2006 for Australia.

***Equity in Earnings of Associated Companies Net******Comparison between the years ended March 31, 2010 and 2009***

Equity in earnings of associated companies for the year ended March 31, 2010 was ¥131.5 billion, an increase of ¥10.8 billion, or 8.9%, from ¥120.7 billion for the year ended March 31, 2009<sup>(\*1)</sup> as a result of the following (See Operating Results by Operating Segment for detailed discussion.):

Declines of ¥39.5 billion at Valepar S.A. reflecting a reduction in earnings at its investee, Vale S.A. ( Vale ), mainly due to a sharp drop in nickel and copper prices and declines in prices and shipments of iron ore, and of ¥17.4 billion at Robe River Mining Company (Australia), an investment vehicle company for our Australian iron ore mining business, reflecting a decline in iron ore prices, were recorded. Among the oil & gas businesses, Japan Australia LNG (MIMI) Pty. Ltd. (Australia) reported a decline in earnings due to a fall in oil prices. On the other hand, JA Mitsui Leasing, Ltd.(Japan) reported an increase of ¥14.0 billion due to a decrease in provisions for doubtful receivables. Ventura Foods, LLC (United States), an edible oil and foods company, reported an increase of ¥5.2 billion reflecting lower ingredient oil costs.

In the year ended March 31, 2010, reflecting an other-than-temporary decline in the investment value of SUMIC Nickel Netherlands B.V. (Netherlands), an investment in nickel business in New Caledonia, an

(\*1) See note (\*1) in the Income Taxes section above.

**Table of Contents**

impairment loss of ¥8.3 billion was recorded. Due to a decline in share prices, a ¥7.9 billion impairment loss on investment in Nihon Unisys, Ltd. (Japan) and a ¥7.3 billion impairment loss on investment in Moshi Moshi Hotline, Inc. (Japan) were also recorded. In the year ended March 31, 2009, a decline in earnings was recorded due to impairment losses of approximately ¥68.0 billion in total, including a loss of ¥30.7 billion for Sims Metal Management Limited and a loss of ¥10.5 billion for Penske Automotive Group, Inc. reflecting other-than-temporary declines in the share prices of the listed associated companies.

Overseas power production businesses reported an increase of ¥11.2 billion in earnings due mainly to mark-to-market valuation gains on long-term power derivative contracts and improvement of UK power producing operation rates.

*Comparison between the years ended March 31, 2009 and 2008*

Equity in earnings of associated companies net for the year ended March 31, 2009 was ¥120.7 billion, a decline of ¥92.6 billion, or 43.4%, from ¥213.3 billion for the year ended March 31, 2008 as a result of the followings (See Operating Results by Operating Segment for detailed discussion.):

An increase of ¥18.1 billion at Robe River Mining Company reflecting an increase in iron ore prices.

A decline in earnings at Compania Minera Dona Ines de Collahuasi SCM (Chile) of ¥9.7 billion due to the drop in copper prices, an increase in production cost and the depreciation of the U.S. dollar against the Japanese Yen.

A decline at Valepar S.A.<sup>(\*)</sup> of ¥8.3 billion reflecting a reduction in earnings at its investee, Companhia Vale do Rio Doce ( Vale ), mainly due to a sharp drop in nickel prices as well as appreciation of the Brazilian Real against the U.S. Dollar partially offset by an increase in iron ore prices.

A decline in earnings due to impairment losses of approximately ¥68.0 billion including a loss of ¥30.7 billion for Sims Metal Management Limited and a loss of ¥10.5 billion for Penske Automotive Group, Inc., reflecting other-than-temporary declines in share prices of these listed associated companies.

Overseas power producing businesses such as IPM Eagle LLP (United Kingdom) reported an increase of ¥10.1 billion due to a reversal effect that Australian power producing operation recorded mark-to-market evaluation losses on power swap contracts for the corresponding previous year<sup>(\*)</sup>.

An increase in earnings at Japan Australia LNG (MIMI) PTY. Ltd. reflecting an increase in oil prices as well as a higher price of condensate sold to Mittwell Resources Pty. Ltd.

***Income (Loss) from Discontinued Operations Net (After Income Tax Effect)***

*Comparison between the years ended March 31, 2010 and 2009*

Income (loss) from discontinued operations net (after income tax effect) for the year ended March 31, 2010 was a loss of ¥0.8 billion, a decline of ¥4.8 billion from an income of ¥4.0 billion for the year ended March 31, 2009. The primary component of discontinued operations for the year ended March 31, 2010 was the entire oil and gas interest in the Gulf of Mexico divested by MitEnergy Upstream LLC (United States).  
Income



## Edgar Filing: MITSUI & CO LTD - Form 20-F

- (\*1) Valepar S.A. is a controlling shareholder of Vale, Companhia Vale do Rio Doce, a mineral resources company in Brazil, legally renamed Vale S.A. in May 2009.
- (\*2) An Australian power producing operation of IPM Eagle had concluded a long term power price swap contract, corresponding to a power supply contract until 2016. Reflecting fluctuations in the Australian open electricity market, it recognizes mark-to-market evaluation profit and loss. See also Machinery & Infrastructure Projects Segment of Operating Results by Operating Segment for further information.

**Table of Contents**

(loss) from discontinued operations of MitEnergy Upstream LLC was a loss of ¥1.0 billion for the year ended March 31, 2010 and an income of ¥4.3 billion for the year ended March 31, 2009.

*Comparison between the years ended March 31, 2009 and 2008*

Income from discontinued operations net (after income tax effect) for the year ended March 31, 2009 was ¥4.0 billion, a decline of ¥73.2 billion, or 94.8%, from ¥77.2 billion for the year ended March 31, 2008. Major discontinued operations for the year ended March 31, 2008 were a gain of ¥55.2 billion on the sale of our whole stake in Sesa Goa Limited (India) of the Mineral & Metal Resources Segment, a gain of ¥9.6 billion on the sale of our entire oil and gas producing interests in Wandoo Petroleum Pty. Ltd. of the Energy Segment, and a gain of ¥4.4 billion on the sale of leased aircraft held by Tombo Aviation, Inc. of the Machinery & Infrastructure Projects Segment.

For additional information about our discontinued operations, see Note 4, DISCONTINUED OPERATIONS.

***Net Income attributable to Noncontrolling interests****Comparison between the years ended March 31, 2010 and 2009*

Net income attributable to noncontrolling interests for the year ended March 31, 2010 was ¥17.8 billion, a decline of ¥17.3 billion, or 49.3%, from ¥35.1 billion for the corresponding previous year. Mitsui Oil Exploration Co., Ltd. (with a noncontrolling interest of 29.7%) reported a decline in net income attributable to noncontrolling interests due to a decline in net income before attribution of noncontrolling interests. The decline at Mitsui Oil Exploration Co., Ltd. included third party share of exploration expenses posted in other expenses net.

*Comparison between the years ended March 31, 2009 and 2008*

Net income attributable to noncontrolling interests for the year ended March 31, 2009 was ¥35.1 billion, a decline of ¥14.6 billion, or 29.4%, from ¥49.7 billion for the year ended March 31, 2008. Mitsui Oil Exploration Co., Ltd. (with a noncontrolling interest of 46.5%), Japan Collahuasi Resources B.V. (Netherlands) (with a noncontrolling interest of 38.1%) and Mitsui E&P Mozambique Area 1 (Republic of Mozambique) (with a noncontrolling interest of 74.4%) reported declines in minority interests in earnings of subsidiaries while Novus International Inc. (with a noncontrolling interest of 35.0%) reported an increase.

***Operating Results by Operating Segment***

The business units of Mitsui's Head Office, which are organized based on products and services, plan overall and worldwide strategies for their products and services and conduct their worldwide operations. The business units also collaborate with overseas branches and overseas trading subsidiaries in planning and executing their strategies for products and regions. The overseas branches and overseas trading subsidiaries are separate operating units, which are delegated responsibility for the business of their regions as the centers of each particular regional strategy and operate diversified businesses together with their subsidiaries and associated companies in collaboration with the business units. Therefore, our operating segments consist of product-focused operating segments comprised of the business units of the Head Office and region-focused operating segments comprised of overseas branches and overseas trading subsidiaries.

Our operating segments have been aggregated based on the nature of the products and other criteria into eight product-focused reportable operating segments and three region-focused reportable operating segments, totaling eleven reportable operating segments.

**Table of Contents**

Based on the reorganization effective April 1, 2008, the following subsidiaries previously included in the Machinery & Infrastructure Projects and the Chemical Segments were transferred to the Americas Segment. The operating segment information for the year ended March 31, 2008 has been restated to conform to the current year presentation.

From the Machinery & Infrastructure Projects Segment:

Mitsui Automotoriz S.A. (Peru), Road Machinery LLC (United States), Ellison Technologies Inc. (United States)

From the Chemical Segment:

Novus International, Inc.<sup>(\*)</sup>, Fertilizantes Mitsui S.A. Industria e Comercio

Also Mitsui & Co. Financial Services (Australia) Pty Ltd was previously included in the Asia Pacific Segment, but was transferred to the All Other Segment in the year ended March 31, 2010. The operating segment information for the years ended March 31, 2009 and 2008 has been restated to conform to the current year presentation.

Our operating segment information for gross profit, operating income (loss), equity in earnings (losses) of associated companies and net income (loss) for the years ended March 31, 2010, 2009 and 2008 is as follows:

**Operating Segment Information****Gross Profit**

|                                     | Billions of Yen       |         |         |             |             |
|-------------------------------------|-----------------------|---------|---------|-------------|-------------|
|                                     | Years Ended March 31, |         |         | Change      | Change      |
|                                     | 2010                  | 2009    | 2008    | (2010 2009) | (2009 2008) |
| Iron & Steel Products               | ¥ 34.0                | ¥ 52.2  | ¥ 61.3  | ¥ (18.2)    | ¥ (9.1)     |
| Mineral & Metal Resources           | 72.5                  | 119.2   | 95.8    | (46.7)      | 23.4        |
| Machinery & Infrastructure Projects | 90.6                  | 106.3   | 119.7   | (15.7)      | (13.4)      |
| Chemical                            | 65.7                  | 80.0    | 100.2   | (14.3)      | (20.2)      |
| Energy                              | 155.0                 | 272.0   | 219.3   | (117.0)     | 52.7        |
| Foods & Retail                      | 83.6                  | 82.4    | 81.2    | 1.2         | 1.2         |
| Consumer Service & IT               | 52.0                  | 73.7    | 116.7   | (21.7)      | (43.0)      |
| Logistics & Financial Markets       | 31.3                  | 62.1    | 55.1    | (30.8)      | 7.0         |
| Americas                            | 73.1                  | 116.0   | 78.5    | (42.9)      | 37.5        |
| Europe, the Middle East and Africa  | 16.7                  | 22.2    | 26.8    | (5.5)       | (4.6)       |
| Asia Pacific                        | 27.9                  | 26.6    | 33.1    | 1.3         | (6.5)       |
| Total                               | 702.4                 | 1,012.7 | 987.7   | (310.3)     | 25.0        |
| All Other                           | 0.5                   | 2.9     | 5.5     | (2.4)       | (2.6)       |
| Adjustments and Eliminations        | (0.9)                 | (16.3)  | (12.6)  | 15.4        | (3.7)       |
| Consolidated Total                  | ¥ 702.0               | ¥ 999.3 | ¥ 980.6 | ¥ (297.3)   | ¥ 18.7      |

(\*1) Novus International, Inc. was transferred in the 4th quarter of the fiscal year ended March 31, 2008.

**Table of Contents****Operating Income (Loss)**

|                                     | Billions of Yen       |         |         |             |             |        |
|-------------------------------------|-----------------------|---------|---------|-------------|-------------|--------|
|                                     | Years Ended March 31, |         |         | Change      |             | Change |
|                                     | 2010                  | 2009    | 2008    | (2010 2009) | (2009 2008) |        |
| Iron & Steel Products               | ¥ 1.2                 | ¥ 17.4  | ¥ 25.6  | ¥ (16.2)    | ¥ (8.2)     |        |
| Mineral & Metal Resources           | 56.8                  | 104.5   | 79.0    | (47.7)      | 25.5        |        |
| Machinery & Infrastructure Projects | 10.7                  | 16.0    | 30.1    | (5.3)       | (14.1)      |        |
| Chemical                            | 14.9                  | 24.2    | 42.8    | (9.3)       | (18.6)      |        |
| Energy                              | 98.5                  | 214.1   | 172.5   | (115.6)     | 41.6        |        |
| Foods & Retail                      | 20.4                  | 19.0    | 16.6    | 1.4         | 2.4         |        |
| Consumer Service & IT               | (8.8)                 | (12.8)  | 19.0    | 4.0         | (31.8)      |        |
| Logistics & Financial Markets       | 1.5                   | 23.8    | 20.9    | (22.3)      | 2.9         |        |
| Americas                            | 5.4                   | 39.0    | 7.3     | (33.6)      | 31.7        |        |
| Europe, the Middle East and Africa  | (4.0)                 | (1.9)   | 1.8     | (2.1)       | (3.7)       |        |
| Asia Pacific                        | 2.9                   | (1.5)   | 7.7     | 4.4         | (9.2)       |        |
| Total                               | 199.5                 | 441.8   | 423.3   | (242.3)     | 18.5        |        |
| All Other                           | (4.5)                 | (3.0)   | (1.4)   | (1.5)       | (1.6)       |        |
| Adjustments and Eliminations        | (50.5)                | (56.3)  | (50.7)  | 5.8         | (5.6)       |        |
| Consolidated Total                  | ¥ 144.5               | ¥ 382.5 | ¥ 371.2 | ¥ (238.0)   | ¥ 11.3      |        |

**Operating Income (Loss)**

Operating income (loss) is included as a measure of reviewing the performance of each segment. Operating income (loss) reflects our (a) gross profit, (b) selling, general and administrative expenses and (c) provision for doubtful receivables, as presented in the Statements of Consolidated Income.

**Table of Contents****Equity in Earnings (Losses) of Associated Companies Net**

|                                     | Billions of Yen       |         |         |             |             |
|-------------------------------------|-----------------------|---------|---------|-------------|-------------|
|                                     | Years Ended March 31, |         |         | Change      | Change      |
|                                     | 2010                  | 2009    | 2008    | (2010 2009) | (2009 2008) |
| Iron & Steel Products               | ¥ 4.5                 | ¥ (2.6) | ¥ 7.6   | ¥ 7.1       | ¥ (10.2)    |
| Mineral & Metal Resources           | 35.3                  | 72.3    | 107.5   | (37.0)      | (35.2)      |
| Machinery & Infrastructure Projects | 38.3                  | 21.4    | 26.0    | 16.9        | (4.6)       |
| Chemical                            | 2.7                   | 3.2     | 9.8     | (0.5)       | (6.6)       |
| Energy                              | 35.3                  | 45.8    | 38.5    | (10.5)      | 7.3         |
| Foods & Retail                      | 7.8                   | (5.9)   | 5.2     | 13.7        | (11.1)      |
| Consumer Service & IT               | (6.2)                 | 3.6     | 12.3    | (9.8)       | (8.7)       |
| Logistics & Financial Markets       | 5.1                   | (16.6)  | (3.0)   | 21.7        | (13.6)      |
| Americas                            | 3.4                   | (3.2)   | 7.7     | 6.6         | (10.9)      |
| Europe, the Middle East and Africa  | 1.2                   | 0.6     | 0.5     | 0.6         | 0.1         |
| Asia Pacific                        | 3.8                   | 1.7     | 1.9     | 2.1         | (0.2)       |
| Total                               | 131.2                 | 120.3   | 214.0   | 10.9        | (93.7)      |
| All Other                           | 0.0                   | 0.1     | 0.1     | (0.1)       | 0.0         |
| Adjustments and Eliminations        | 0.3                   | 0.3     | (0.8)   | 0.0         | 1.1         |
| Consolidated Total                  | ¥ 131.5               | ¥ 120.7 | ¥ 213.3 | ¥ 10.8      | ¥ (92.6)    |

**Net Income (Loss) attributable to Mitsui & Co., Ltd.**

|                                     | Billions of Yen       |         |         |             |             |
|-------------------------------------|-----------------------|---------|---------|-------------|-------------|
|                                     | Years Ended March 31, |         |         | Change      | Change      |
|                                     | 2010                  | 2009    | 2008    | (2010 2009) | (2009 2008) |
| Iron & Steel Products               | ¥ 3.2                 | ¥ (4.8) | ¥ 20.2  | ¥ 8.0       | ¥ (25.0)    |
| Mineral & Metal Resources           | 62.9                  | 90.0    | 177.0   | (27.1)      | (87.0)      |
| Machinery & Infrastructure Projects | 19.3                  | 21.8    | 34.4    | (2.5)       | (12.6)      |
| Chemical                            | 11.9                  | (10.2)  | 18.3    | 22.1        | (28.5)      |
| Energy                              | 83.8                  | 153.3   | 124.1   | (69.5)      | 29.2        |
| Foods & Retail                      | (0.8)                 | 1.5     | 10.4    | (2.3)       | (8.9)       |
| Consumer Service & IT               | (9.8)                 | (31.4)  | 12.0    | 21.6        | (43.7)      |
| Logistics & Financial Markets       | (0.8)                 | (14.5)  | 7.5     | 13.7        | (22.0)      |
| Americas                            | (9.6)                 | (7.1)   | 5.0     | (2.5)       | (12.1)      |
| Europe, the Middle East and Africa  | (3.8)                 | (11.5)  | 5.0     | 7.7         | (16.5)      |
| Asia Pacific                        | 25.7                  | 29.9    | 22.1    | (4.2)       | 7.8         |
| Total                               | 182.0                 | 217.0   | 436.0   | (35.0)      | (219.3)     |
| All Other                           | 1.5                   | 7.1     | (6.7)   | (5.6)       | 13.8        |
| Adjustments and Eliminations        | (33.8)                | (46.5)  | (19.2)  | 12.7        | (27.0)      |
| Consolidated Total                  | ¥ 149.7               | ¥ 177.6 | ¥ 410.1 | ¥ (27.9)    | ¥ (232.5)   |

**Table of Contents***Iron & Steel Products Segment*

|   | Billions of Yen       |        |        |             |             |
|---|-----------------------|--------|--------|-------------|-------------|
|   | Years Ended March 31, |        |        | Change      |             |
|   | 2010                  | 2009   | 2008   | (2010 2009) | (2009 2008) |
| Gross Profit  | ¥ 34.0                | ¥ 52.2 | ¥ 61.3 | ¥ (18.2)    | ¥ (9.1)     |
| Operating Income  | 1.2                   | 17.4   | 25.6   | (16.2)      | (8.2)       |
| Equity in Earnings (Losses) of Associated Companies Net | 4.5                   | (2.6)  | 7.6    | 7.1         | (10.2)      |
| Net Income (Loss) attributable to Mitsui & Co., Ltd.    | 3.2                   | (4.8)  | 20.2   | 8.0         | (25.0)      |

*Comparison between the Year Ended March 31, 2010 and 2009*

Gross profit for the year ended March 31, 2010 was ¥34.0 billion, a substantial decline of ¥18.2 billion from ¥52.2 billion for the year ended March 31, 2009.

Earnings in the steel pipe and heavy plate business declined sharply driven by a sharp drop in the prices of heavy steel plate, mainly for shipbuilding, as well as weak demand. Gross profit at Regency Steel Asia Pte Ltd. increased compared to the year ended March 31, 2009 due to a rebound effect of a valuation loss on inventories recorded for the year ended March 31, 2009 although both sales volume and prices declined for the year ended March 31, 2010.

The steel sheet business also recorded a decline in earnings. Demand has started to recover gradually with the inventory adjustment cycle coming to an end, but prices have stayed low.

Sluggish Japanese domestic sales of steel products, especially for the construction sector, which is triggering a decline in domestic steel product prices, resulted in a considerable decline in earnings. Gross profit at Mitsui & Co. Steel Ltd. (Japan) declined by ¥5.1 billion from the year ended March 31, 2009.

Operating income for the year ended March 31, 2010 was ¥1.2 billion, a decline of ¥16.2 billion from ¥17.4 billion for the year ended March 31, 2009, reflecting the decrease in gross profit.

Equity in earnings of associated companies for the year ended March 31, 2010 was ¥4.5 billion, an increase of ¥7.1 billion from a loss of ¥2.6 billion for the year ended March 31, 2009. This increase is mainly attributable to a rebound effect of an impairment loss of ¥5.8 billion on the listed shares in Nippon Steel Trading Co., Ltd recorded in the year ended March 31, 2009.

**Table of Contents**

Net income attributable to Mitsui & Co., Ltd. for the year ended March 31, 2010 was ¥3.2 billion, an increase of ¥8.0 billion from a net loss of ¥4.8 billion for the year ended March 31, 2009. Other than the above-mentioned factors, this segment recorded impairment losses of ¥13.3 billion on listed securities, including a ¥9.6 billion impairment loss on shares of Nippon Steel Corporation for the year ended March 31, 2009.

*Comparison between the Year Ended March 31, 2009 and 2008*

Gross profit for the year ended March 31, 2009 was ¥52.2 billion, a decline of ¥9.1 billion from ¥61.3 billion for the year ended March 31, 2008. The domestic steel products business which enjoyed a steady growth up to the first half of the year ended March 31, 2009 but faced a drastic change in the environment following the sharp escalation of financial stress and the decline in global economy. The rapid demand destruction resulted in lower sales volume and a sharp drop in prices of all steel products in the second half of the year ended March 31, 2009. Except for demand of steel tubular products for oil field applications, which was softened by destocking, foreign trading transactions of various products such as steel sheets and plates for automobiles and shipbuilding, steel tubular products and line pipes for oil and gas development including transactions carried out by Regency Steel Asia Pte Ltd. to Asian markets decelerated due to a sharp decline in demand for the same reasons mentioned above. As a result, Regency Steel Asia Pte Ltd. was forced to recognize a valuation loss on inventories while it recorded solid results for the first half of the year ended March 31, 2009 supported by continued favorable demand.

Operating income for the year ended March 31, 2009 was ¥17.4 billion, a decline of ¥8.2 billion from ¥25.6 billion for the year ended March 31, 2008, reflecting a decline in gross profit.

Equity in losses of associated companies net for the year ended March 31, 2009 was ¥2.6 billion, a decline of ¥10.2 billion from earnings of ¥7.6 billion for the year ended March 31, 2008. On top of lower earnings of associated companies in general due to the economic slowdown, we recognized an impairment loss of ¥5.8 billion, reflecting a decline in the listed share price of Nippon Steel Trading Co., Ltd.

Net loss attributable to Mitsui & Co., Ltd. for the year ended March 31, 2009 was ¥4.8 billion, a ¥25.0 billion decline from earnings of ¥20.2 billion for the year ended March 31, 2008. In addition to the decline in operating income and equity in earnings, a decline in gains on sales of securities and recognition of impairment losses of ¥13.3 billion on listed securities, including a ¥9.6 billion impairment loss on shares of Nippon Steel Corporation, resulted in the decline in net income.

*Mineral & Metal Resources Segment*

|  | Billions of Yen       |         |        |             |             |
|--|-----------------------|---------|--------|-------------|-------------|
|  | Years Ended March 31, |         |        | Change      | Change      |
|  | 2010                  | 2009    | 2008   | (2010 2009) | (2009 2008) |
| Gross Profit                                   | ¥ 72.5                | ¥ 119.2 | ¥ 95.8 | ¥ (46.7)    | ¥ 23.4      |
| Operating Income                               | 56.8                  | 104.5   | 79.0   | (47.7)      | 25.5        |
| Equity in Earnings of Associated Companies Net | 35.3                  | 72.3    | 107.5  | (37.0)      | (35.2)      |
| Net Income attributable to Mitsui & Co., Ltd.  | 62.9                  | 90.0    | 177.0  | (27.1)      | (87.0)      |

*Comparison between the Years Ended March 31, 2010 and 2009*

Gross profit for the year ended March 31, 2010 was ¥72.5 billion, a decline of ¥46.7 billion from ¥119.2 billion for the year ended March 31, 2009. The main factor contributing to the decline was the softening of prices of iron ore. Iron ore annual contract prices for the year ended March 31, 2010 declined substantially from the previous year's level reflecting weaker demand for iron ore as a result of a decline in global steel production in the latter half of the year ended March 31, 2009 due to the global economic slowdown triggered by the financial crisis.

## Table of Contents

Settlements between an Australian iron ore supplier and its customers in Japan, Korea and Taiwan between May and June 2009 resulted in price declines of 32.9% for iron ore fines and 44.5% for iron ore lump. A Brazilian iron ore supplier subsequently settled with Japan, Korea and major European customers for fines and lump with respective price decreases of 28.2% and 44.5% between June and July 2009. Negotiation of iron ore prices under annual contracts for China, the world largest consumer of iron ore, was not settled for the year ended March 31, 2010 but the prices at same level as the prices applicable for customers other than China were used for annual contracts while spot contracts gained more share in China compared with the year ended March 31, 2009.

Consequently, declines in gross profit recorded by Mitsui Iron Ore Development Pty. Ltd. and Mitsui Itochu Iron Pty. Ltd. were ¥23.2 billion and ¥7.2 billion, respectively. Furthermore, decreases in prices of steel raw materials, such as scrap metal and ferrous alloys, along with a ¥3.9 billion loss<sup>(\*1)</sup> on copper derivative contracts intended to reduce exposure to fluctuating copper price movements at copper mining operations, also contributed to the decline in gross profit.

Operating income for the year ended March 31, 2010 was ¥56.8 billion, a decline of ¥47.7 billion from ¥104.5 billion for the year ended March 31, 2009, reflecting the decline in gross profit.

Equity in earnings of associated companies for the year ended March 31, 2010 was ¥35.3 billion, a decline of ¥37.0 billion from ¥72.3 billion for the year ended March 31, 2009. Major factors were as follows:

Valepar S.A. posted earnings of ¥10.0 billion, a decline of ¥39.5 billion from ¥49.5 billion for the year ended March 31, 2009, reflecting a reduction in earnings at Vale mainly due to the decline in iron ore prices and shipped volume, a drop in nickel and copper prices and an increase in interest expense for preferred shares. As the fiscal year of Valepar S.A. commences on January 1 and ends on December 31 of each year, we recognize their profit and loss with a three month time lag.

Earnings at Robe River Mining Company were ¥15.0 billion, a decline of ¥17.4 billion from ¥32.4 billion for the year ended March 31, 2009, reflecting the decline in iron ore prices although sales volume increased.

Sims Metal Management Limited recorded a loss of ¥0.5 billion, an improvement of ¥26.8 billion from a loss of ¥27.3 billion for the year ended March 31, 2009. This improvement is mainly attributable to a rebound effect of an impairment loss of ¥30.7 billion on the listed shares in Sims Metal Management Limited recorded for the year ended March 31, 2009.

Compania Minera Dona Ines de Collahuasi SCM recorded earnings of ¥16.6 billion, an increase of ¥2.0 billion from ¥14.6 billion for the corresponding previous year. Revaluation gains on provisionally priced copper sales, which remain subject to final pricing, were recorded in the year ended March 31, 2010, and revaluation losses were recorded in the year ended March 31, 2009. These gains and losses were main factors to contribute to an increases of earnings<sup>(\*2)</sup> although copper prices for the year ended March 31, 2010 were lower than those for the year ended March 31, 2009. Compania Minera Dona Ines de Collahuasi SCM has a different fiscal year end than that of Mitsui & Co., Ltd.

(\*1) Mitsui entered into copper derivative contracts in an attempt to ease the effect of copper price variations on Collahuasi's equity in earnings, and the Mineral & Metal Resources Segment ended up recording a loss for the year ended March 31, 2010 due to the recovery in copper prices, which partially offset Collahuasi's recorded profit.

(\*2) Collahuasi's copper concentrate and cathodes sales are provisionally priced at the time of shipment and the provisional prices are finalized in contractually specified future period (generally one to four months from the shipment date) primarily based on quoted London Metal Exchange (LME) prices. The provisionally priced sales in any yearly period, which remain subject to final pricing, are revaluated at the year-end forward prices at the end of each year and final adjustments are made in the following year when final prices are fixed.



**Table of Contents**

Reflecting an other-than-temporary decline in the investment value of SUMIC Nickel Netherlands B.V., an investment vehicle company for a nickel project in New Caledonia, this segment recorded an impairment loss of ¥8.3 billion.<sup>(\*3)</sup> Net income attributable to Mitsui & Co., Ltd. for the year ended March 31, 2010 was ¥62.9 billion, a substantial decline of ¥27.1 billion from ¥90.0 billion for the year ended March 31, 2009. In addition to the above factors, the following contributed to the earnings for the period:

A decline of ¥6.9 billion in interest expense, net of interest income, was posted mainly due to an increase in interest income for preferred shares of Valepar S.A. by ¥7.1 billion.

Other expenses net included a foreign exchange profit of ¥6.8 billion related to borrowings denominated in U.S. dollars at Mitsui Raw Material Development Pty. Limited as well as foreign exchange losses of ¥3.0 billion at Mitsui Iron Ore Development Pty. Ltd. and Mitsui Itochu Iron Pty. Ltd. A foreign exchange loss of ¥3.6 billion was recorded at Mitsui Raw Materials Development Pty. Limited for the year ended March 31, 2009.

Reversal of deferred tax liabilities accounted for approximately ¥12.0 billion in the undistributed retained earnings of associated companies, including Valepar S.A. and Robe River Mining Company, was recorded at the time of distribution of profit from associated companies for the year ended March 31, 2010.

*Comparison between the Years Ended March 31, 2009 and 2008*

Gross profit for the year ended March 31, 2009 was ¥119.2 billion, an increase of ¥23.4 billion from ¥95.8 billion for the year ended March 31, 2008.

The main factor contributing to the increase in gross profit from iron ore mining operations was the increase in iron ore annual contract prices. Reflecting the tight market condition in emerging and developing countries, especially in China, iron ore prices for the year ended March 31, 2009 increased substantially from prices for the year ended March 31, 2008. Following the settlement of Brazilian iron ore fines with increases of 65~71%, Australian iron ore lump and fines prices were settled with an increase of 96.5% and 79.9% respectively. FOB (Free On Board) prices of Brazilian iron ore and Australian iron ore had been at the same level as was the customary practice in this industry up to the year ended March 31, 2008. However, Australian iron ore producers insisted that different prices be applied, reflecting the ocean freight difference between Australia and Brazil to major markets, such as China and Japan.

(\*3) In April 2005, this segment, jointly with Sumitomo Metal Mining Co., Ltd., concluded an agreement for participation in this nickel project, which had been developed by former Inco Limited (currently Vale Limited). Total project cost increased from the original plan of US\$2.1 billion to US\$4.3 billion due to a run-up in material and equipment costs and a capital cost increase attributable to change of plant design. The beginning of commercial production also delayed from the original target, which was expected to be the end of 2007, and it is still in commissioning. Under such situation, we recorded the impairment loss equivalent to the balance between the carrying value and the fair value, reflecting an other-than-temporary decline in the investment value in consideration of the fair value decline below the carrying value and an increased uncertainty regarding the recoverability of the fair value due to the commercial production delay. The fair value was calculated by using discount cash flow method based on a business plan prepared by Vale Inco Nouvelle-Caledonie S.A.S. (Shareholding ratio : Vale Limited 74%, Sumitomo Metal Mining Co., Ltd. 11% and Mitsui & Co., Ltd. 10% through SUMIC Nickel Netherlands B.V., the provincial governments of New Caledonia 5%), operating company of the project.

**Table of Contents**

Due to the global economic slowdown triggered by the financial turmoil, the world crude steel production fell sharply in the three month period ended December 31, 2008 and the production for the year ended March 31, 2009 was down by approximately 9%, from that of the year ended March 31, 2008. Crude steel production in China, which had been sharply increasing in the recent years, fell off dramatically in the three month period ended December 31, 2008 and the total production for the year ended March 31, 2009 was flat, compared with the year ended March 31, 2008. Experiencing decline in sales volume under such a weak demand situation as well as the weakening Australian Dollar vis-à-vis the Japanese Yen, the iron ore mining operating business recorded a decline in gross profit for the three month period ended March 31, 2009 compared with the corresponding three month period of the previous year although the gross profit for the year ended March 31, 2009 still recorded a modest increase from the year ended March 31, 2008, thanks to the increase in iron ore annual prices as mentioned above. Consequently, increases in gross profit recorded by Mitsui Iron Ore Development and Mitsui Itochu Iron were ¥23.3 billion and ¥2.0 billion, respectively.

Operating income for the year ended March 31, 2009 was ¥104.5 billion, an increase of ¥25.5 billion from ¥79.0 billion for the year ended March 31, 2008, reflecting the increase in gross profit.

Equity in earnings of associated companies net for the year ended March 31, 2009 was ¥72.3 billion, a decline of ¥35.2 billion from ¥107.5 billion for the year ended March 31, 2008. Major factors were as follows:

Earnings at Robe River Mining Company were ¥32.4 billion, an increase of ¥18.1 billion from ¥14.3 billion for the year ended March 31, 2008, reflecting the increase in iron ore prices.

Compania Minera Dona Ines de Collahuasi SCM, a Chilean copper mining company, recorded earnings of ¥14.6 billion, a decline of ¥9.7 billion from ¥24.3 billion for the year ended March 31, 2008 due to an increase in production costs and the depreciation of the U.S.Dollar against the Japanese Yen.

Valepar S.A. posted earnings of ¥49.5 billion, a decline of ¥8.3 billion from ¥57.8 billion for the year ended March 31, 2008, reflecting a reduction in earnings at, its investee, Vale, mainly due to a drop in nickel prices as well as the depreciation of the Brazilian Real against the Japanese Yen.

Reflecting a decline in the listed share price of Sims Metal Management Limited, we recognized an impairment loss of ¥30.7 billion. Net income attributable to Mitsui & Co., Ltd. for the year ended March 31, 2009 was ¥90.0 billion, a decline of ¥87.0 billion from ¥177.0 billion for the year ended March 31, 2008. In addition to the factors mentioned above there are the following factors:

Other expense-net was a loss of ¥0.4 billion, a decline of ¥4.8 billion from a profit of ¥4.4 billion for the year ended March 31, 2008, as a result of a foreign exchange translation loss of ¥3.6 billion related to a borrowing denominated in U.S. Dollars at Mitsui Raw Material Development Pty. Limited. In addition, this segment recorded a loss of ¥3.0 billion on write-down of securities including an impairment loss on shares of JFE Holdings, Inc.

Increase in operating income and equity in earnings were offset by a significant reversal effect from gains of ¥93.9 billion on the sale of our whole stake in Sesa Goa Limited<sup>(\*)</sup> and of ¥12.4 billion on the sale of shares in EBM, a Brazilian iron ore company for the year ended March 31, 2008.

(\*) In the consolidated statements of income, net income of Sesa Goa for the year ended March 31, 2008 is presented as income from discontinued operations net (after income tax effect). However, in this Operating Results by Operating Segment, operating results of Sesa Goa have been included in and presented as continuing operation.



---

**Table of Contents*****Short- and Long-Term Outlook on Prices and Supply-Demand Balance for Iron Ore, and Our Equity Production******Short-Term Pricing and Supply-Demand Balance***

Annual contract price systems were used as a standard pricing regime for a long time. Iron ore suppliers including our joint venture businesses in Australia with major overseas mineral resources companies and a Brazilian mining company, in which we have an investment, were used to supply iron ore to various clients in the world including Japanese and Chinese steel manufacturers based on such annual contracts where sales prices were reviewed and renegotiated each fiscal year. (Unit prices for iron ore from each mine in production also reflect the difference of respective grades and types.)

Before the financial crisis in Fall of 2008, prices continued to run up driven by increased demands especially in China as well as tightened supplies from Australia and Brazil due to their limited production capacities. Annual prices for the year ended March 31, 2009 rose sharply, resulting in 65-96.5% price increases depending on the grades and types over the annual prices for the year ended March 31, 2008. Nevertheless, economic slowdown triggered by the financial crisis in September 2008 changed the situation drastically. Crude steel production in the world, even in China, which is the world largest crude steel producing country, rapidly declined, and as a result, iron ore producers were forced to adjust their productions as well as shipments in response to the decreased demand.

Reflecting such imbalance between supply and demand, Australian iron ore producers settled iron ore contracts for the year ended March 31, 2010 with major iron ore consumers in Asian countries such as Japan, Korea and Taiwan with price reductions of 32.9% for fine ore and 44.5% for lump ore from the prices for the year ended March 31, 2009. Subsequently, a major Brazilian iron ore producer also concluded negotiations with Japanese, Korean and European iron ore consumers with price reductions of 28.2% for fine ore, 44.5% for lump ore from the prices for the year ended March 31, 2009. Negotiation of iron ore prices under annual contracts for China, the world largest consumer of iron ore, was not settled for the year ended March 31, 2010 but the prices at same level as the prices applicable for customers other than China were used for annual contracts while spot contracts gained more share in China compared with the year ended March 31, 2009.

A structural change in iron ore pricing has been seen recently from annual contract pricing to more diversified pricing methods linked to spot prices including quarterly pricing based on spot prices due to an increase in transaction volume under spot price contracts.

Crude steel production of China, which once decelerated due to the economic downturn, showed a recovery after March 2009, and as a result, the crude steel production in 2009 increased by 14% compared to the previous year to 570 million tons. Entering the year 2010, the crude steel production remains at high level. In the developed countries crude steel productions stayed stagnated during the first half of 2009 due to the recession triggered by the financial crisis but started to pick up gradually in the second half. In response to the increased demand, spot price (Fe62% CFR China) went up to nearly U.S.\$160/ton from about U.S.\$60/ton during the year ended March 31, 2010. Subsequently, the spot price reached U.S.\$182/ton, its peak, in April 2010, and then declined to U.S.\$141/ton as of August 6, 2010.

Fluctuations in iron ore prices directly affect revenues from the equity-based production at our iron ore subsidiaries and associated companies. For the year ending March 31, 2011, we estimate that the impact on net income from a change of U.S.\$1 per ton in iron ore price would be approximately ¥2.1 billion.

For the year ended March 31, 2010, the equity-based shipments of our overseas subsidiaries and associated companies amounted to approximately 42 million tons of iron ore. The above-mentioned effect is calculated based on the assumptions of an estimated increase in production in line with our holdings after the year ended March 31, 2010, and a specific range of foreign exchange rates for the Japanese yen, U.S. dollar, Australian dollar and Brazilian real.

**Table of Contents**

In natural resource producing countries such as Australia and Brazil, there is a general trend toward currency appreciation in line with the growing export of those products, resulting in a negative impact on the revenues of our overseas subsidiaries and associated companies.

*Middle- and Long-Term Price Outlook and Supply-Demand Balance and Trends in Our Equity Production*

Due to the contraction of activity and trade provoked by the dramatic escalation of the financial crisis, the demand for iron ore temporarily decreased. However, demand in developing countries especially China recovered quickly, and even started to grow steadily. In the mid- and long-term, it is expected that steel products demand in developing countries remains strong and even expands. In order to respond to such increasing demand, major iron ore producers intend to continue investing to expand their production capacity. As of March 31, 2010, noteworthy developments in iron ore projects in which we hold stakes are as follows: (Unless otherwise noted, production amounts represent a 100% basis.)

Our iron ore mining joint ventures led by the BHP Billiton group have an expansion plan to increase annual production capacity from 129 million tons to 155 million tons and to start production in 2010. Joint venture members approved expansion plan in November 2009 involving the expansion of railway and ports in parallel with the current construction, with the aim being to increase annual production capacity to 205 million tons by latter half of 2011. In January 2010, the joint venture members approved a pre sanction funding for early procurement of long lead time items and detailed engineering for further expansion and rail track duplication works. This decision is aimed at implementing a part of plan under which the expansion of the port, the rail track, and an existing mine (BHP Billiton holds a 100% share), is expected to increase installed capacity to 240 million tons during 2013.

In the iron ore mining joint venture led by Rio Tinto group, the joint venture members agreed in August 2008 to approve capital investment representing pre-approval of expenditures for material and equipment with an aim to increase annual capacity to 180 million from 80 million. Furthermore, the joint venture decided to develop the Mesa A / Warramboe mine in the Pilbara region of Western Australia, which has a full scale capacity of 25 million tons per annum. The new mine made the first commercial shipment in March 2010. With this addition, total production of Robe Valley pisolite ore is maintained at 32 million tons per annum.

Including those we are participating in, most of the iron ore mining projects have plans for expanding their production capacity in response to forecasted iron ore demand increase in mid- and long-term. As there are too many uncertainties including demand from China and other emerging countries, it is difficult for our management to draw up definitive forecasts on supply-demand balance and prices at this point in time.

***Machinery & Infrastructure Projects Segment***

|  | Billions of Yen       |         |         |             |             |
|--|-----------------------|---------|---------|-------------|-------------|
|  | Years Ended March 31, |         |         | Change      |             |
|  | 2010                  | 2009    | 2008    | (2010 2009) | (2009 2008) |
| Gross Profit                                   | ¥ 90.6                | ¥ 106.3 | ¥ 119.7 | ¥ (15.7)    | ¥ (13.4)    |
| Operating Income                               | 10.7                  | 16.0    | 30.1    | (5.3)       | (14.1)      |
| Equity in Earnings of Associated Companies Net | 38.3                  | 21.4    | 26.0    | 16.9        | (4.6)       |
| Net Income attributable to Mitsui & Co., Ltd.  | 19.3                  | 21.8    | 34.4    | (2.5)       | (12.6)      |

*Comparison between the Years Ended March 31, 2010 and 2009*

Gross profit for the year ended March 31, 2010 was ¥90.6 billion, a decline of ¥15.7 billion from ¥106.3 billion for the year ended March 31, 2009.

Although Atlatec Holdings, S.A. de C.V. (Mexico), a water and wastewater treatment engineering, and construction company, showed solid performance, the Infrastructure Projects Business Unit reported a

---

**Table of Contents**

decline of ¥3.6 billion in gross profit. In addition to weaker operations caused by lower demand at rolling stock leasing subsidiaries in the United States and Europe, overseas plant business overall remained subdued.

Although the motorcycle retail finance company P.T. Bussan Auto Finance (Indonesia) continued to show solid performance, the Motor Vehicles Business Unit reported a decline of ¥9.0 billion in gross profit. In addition to the restructuring of automotive business operations in Europe, import and sales transactions at automotive-related and construction machinery-related subsidiaries in the Americas and Europe as well as export transactions at Mitsui remained subdued due to the continued sluggish demand.

The Marine & Aerospace Business Unit reported a decline of ¥3.1 billion in gross profit. Demand for bulk freighters rebounded slightly but remained far below pre-crisis levels and difficult market conditions compared to the year ended March 31, 2009 affected operation and chartering of vessels and the trading of used vessels.

Operating income for the year ended March 31, 2010 was ¥10.7 billion, a decline of ¥5.3 billion from ¥16.0 billion for the year ended March 31, 2009. The decline in gross profit was partly offset by a decline in selling, general and administrative expenses in the Motor Vehicles and the Infrastructure Projects business units.

Equity in earnings of associated companies for the year ended March 31, 2010 was ¥38.3 billion, an increase of ¥16.9 billion from ¥21.4 billion for the year ended March 31, 2009.

Overseas power producers, such as IPM (UK) Power Holdings Limited (Gibraltar), IPM Eagle LLP and P.T. Paiton Energy (Indonesia), reported equity in earnings of ¥27.7 billion in total, an increase of ¥10.7 billion from ¥17.0 billion for the year ended March 31, 2009. In addition to the improvement of UK power producing operation rates, UK and Australian power production operations recorded a ¥7.5 billion mark-to-market valuation gain on long-term power derivative contracts that were entered into as an economic hedge, an increase of ¥7.0 billion from ¥0.5 billion for the year ended March 31, 2009.

The Motor Vehicles Business Unit reported an increase of ¥10.8 billion compared to the year ended March 31, 2009 due to a loss related to write-down of securities, including a ¥8.4 billion (this segment's portion) impairment loss on shares in Penske Automotive Group, Inc. and a ¥2.1 billion impairment loss on shares in ASAHI TECH CORPORATION recorded for the year ended March 31, 2009.

The Marine & Aerospace Business Unit reported a decline of ¥7.9 billion compared to the year ended March 31, 2009. The main cause of the decline was an impairment loss of ¥3.9 billion on its holdings of an associated company chartering LNG vessels due to a depressed market. In addition, there was a reversal due to a gain on sales of used vessels recorded in the year ended March 31, 2009.

**Table of Contents**

Net income attributable to Mitsui & Co., Ltd. for the year ended March 31, 2010 was ¥19.3 billion, a decline of ¥2.5 billion from ¥21.8 billion for the year ended March 31, 2009. In addition to the above-mentioned factors, there were the following factors:

The Marine & Aerospace Business Unit recorded a loss of ¥ 20.0 billion on write-downs of its entire investment in the preferred shares of Japan Airlines Corporation.<sup>(\*1)</sup>

In the year ended March 31, 2009, the Motor Vehicles Business Unit recorded a ¥8.2 billion impairment loss on shares in Yamaha Motor Co., Ltd. The Business Unit also posted a positive tax effect of ¥6.9 billion in income taxes, which included not only tax effect on the impairment loss of ¥8.2 billion on shares in Yamaha Motor Co., Ltd. in the then-current year but also a reversal of valuation allowance set for deferred tax asset for the impairment loss of ¥8.6 billion on the same securities in the year ended March 31, 2008.

A prolonged downturn in railway freight transport in Europe caused impairment losses on intangible assets and goodwill of ¥2.9 billion and ¥3.1 billion, respectively, at Mitsui Rail Capital Europe B.V.<sup>(\*2)</sup>

This segment recorded a reversal of deferred tax liabilities on undistributed earnings of associated companies amounting to approximately ¥5.0 billion when those earnings were distributed to Mitsui.

*Comparison between the Years Ended March 31, 2009 and 2008*

Gross profit for the year ended March 31, 2009 was ¥106.3 billion, a decline of ¥13.4 billion from ¥119.7 billion for the year ended March 31, 2008.

While the motorcycle retail finance company P.T. Bussan Auto Finance continued to show solid performance, the Motor Vehicle Business Unit reported a decline of ¥5.9 billion in gross profit due to a decline in import and sales transactions of finished cars and auto parts logistics business activities in the Americas and less business activity as a result of restructuring of subsidiaries in Europe, reflecting contraction of demand inflicted by the massive financial crisis.

Despite the financial turmoil and the sluggish freight market, the Marine & Aerospace Business Unit showed relatively stable performance through marketing commercial vessels, trading in used vessels,

(\*1) In January 2010, Japan Airlines Corporation filed, jointly with major financial institutions, an application to the Enterprise Turnaround Initiative Corporation of Japan ( ETIC ) for support for its restructuring and received the decision to provide support from ETIC. At the same time, Japan Airlines Corporations filed the petitions for commencement of corporate reorganization proceedings with the Tokyo District Court (the Court ). The Court entered an order commencing the proceedings. According to the business revitalization plan submitted to ETIC, which may be revised or amended by the business reorganization plan to be submitted later under the corporate reorganization proceedings, it is their policy that they strictly pursue shareholders' responsibilities including a 100% capital reduction without compensation for both of ordinary shares and A-Class shares (preferred shares). Taking into consideration the said facts and circumstances, we judged that value of the investment was totally impaired, and we recorded the impairment loss for the entire investment.

(\*2) Mitsui Rail Capital Europe B.V. engages in operating leasing of locomotives in Europe. Due to the economic downturn, rail transport volume in 2009 dropped by 20% compared to the previous year, and the market has been very competitive. Based on the long-term business plan, in which we assume that rail transport volume is expected to recover moderately but to stagnate for a long time, we evaluate fair value of intangible assets including customer relationship by discounted cash flow method. As the fair value fell under the carrying value, we recorded the impairment loss equivalent to the balance between the fair value and the carrying value. Likewise, we recognized a decline in the fair value of goodwill, which was calculated by using discounted cash flow method, and recorded the impairment loss on goodwill for the balance amount.





**Table of Contents**

operating and chartering vessels for the year ended March 31, 2009. Nevertheless, this business unit reported a decline of ¥3.7 billion in gross profit due to a reversal effect from profit on delivery of some new vessels realized in the year ended March 31, 2008.

Infrastructure Projects Business Unit reported a decline of ¥3.9 billion in gross profit due to less demand for and overhaul of rolling stock at leasing subsidiaries in North America and Europe and fewer deliveries in plant business.

Operating income for the year ended March 31, 2009 was ¥16.0 billion, a decline of ¥14.1 billion from ¥30.1 billion for the year ended March 31, 2008. The major factors were increases in selling, general and administrative expenses and in the provision for doubtful receivables at the Marine & Aerospace and the Infrastructure Projects Business Units in addition to the decline in gross profit.

Equity in earnings of associated companies net for the year ended March 31, 2009 was ¥21.4 billion, a decline of ¥4.6 billion from ¥26.0 billion for the year ended March 31, 2008. Major factors were as follows:

Overseas power producing businesses such as IPM UK Power Holdings Limited, IPM Eagle LLP and P.T. Paiton Energy reported equity in earnings of ¥17.0 billion, an increase of ¥9.5 billion from equity in earnings of ¥7.5 billion for the year ended March 31, 2008. Power producing operations recorded a ¥0.5 billion mark-to-market evaluation gain related to long-term power contracts while it recorded a ¥9.8 billion mark-to-market evaluation loss on long-term swap agreement for the year ended March 31, 2008.

This segment recorded equity in losses of ¥8.4 billion (this segment portion) for Penske Automotive Group, Inc., ¥5.4 billion for Toyo Engineering Corporation (Japan) and ¥2.1 billion for ASAHI TECH CORPORATION, reflecting declines in the share prices. The segment also recorded a loss of ¥7.4 billion (this segment portion) for ASAHI TECH CORPORATION for the same reason in the year ended March 31, 2008.

Other than the above-mentioned factors, this segment recorded a profit from sales of vessels at marine business for the year ended March 31, 2009 and had a reversal effect of profit from sale of real estate in automotive related business for the year ended March 31, 2008.

Net income attributable to Mitsui & Co., Ltd. for the year ended March 31, 2009 was ¥21.8 billion, a decline of ¥12.6 billion from ¥34.4 billion for the year ended March 31, 2008. In addition to the above-mentioned factors, major factors were as follows:

This segment recorded a loss of ¥8.2 billion on write-down of securities of Yamaha Motor Co., Ltd. The segment posted a positive tax effect of ¥6.9 billion in Income Taxes including the effect of the impairment loss of ¥8.6 billion for the year ended March 31, 2008<sup>(\*1)</sup>.

This segment recorded a gain of ¥5.5 billion<sup>(\*2)</sup> on the sale of leased aircraft held by Tombo Aviation Inc. for the year ended March 31, 2008.

(\*1) Mitsui records an impairment loss on a marketable security if a decline in the share price is other-than-temporary. Basically a 30% or more decline in fair value of a security leads to the conclusion that the security has an other-than-temporary impairment. Among those securities determined to have an other-than-temporary impairment, a 50% or less decline in fair value of a security is a nondeductible impairment loss based on Japanese tax laws and regulations. Mitsui evaluates the realizability of the deferred tax assets for nondeductible impairment losses and set up valuation allowances if it is more likely than not that they are not considered recoverable.

(\*2) In this Operating Results by Operating Segment, the gain on the sale of aircraft has been included in and presented as continuing operations. In the consolidated statement of income, the gain of ¥4.4 billion on the sale for the year ended March 31, 2008 is presented as income from discontinued operations net (after income tax effect).



**Table of Contents****Chemical Segment**

|  | Billions of Yen       |        |         |             |             |
|--|-----------------------|--------|---------|-------------|-------------|
|  | Years Ended March 31, |        |         | Change      |             |
|  | 2010                  | 2009   | 2008    | (2010 2009) | (2009 2008) |
| Gross Profit   | ¥ 65.7                | ¥ 80.0 | ¥ 100.2 | ¥ (14.3)    | ¥ (20.2)    |
| Operating Income                                     | 14.9                  | 24.2   | 42.8    | (9.3)       | (18.6)      |
| Equity in Earnings of Associated Companies Net       | 2.7                   | 3.2    | 9.8     | (0.5)       | (6.6)       |
| Net Income (Loss) attributable to Mitsui & Co., Ltd. | 11.9                  | (10.2) | 18.3    | 22.1        | (28.5)      |

*Comparison between the Years Ended March 31, 2010 and 2009*

Gross profit for the year ended March 31, 2010 was ¥65.7 billion, a decline of ¥14.3 billion from ¥80.0 billion for the year ended March 31, 2009. The principal developments in this segment were as follows:

The Basic Chemicals Business Unit reported an increase of ¥2.4 billion in gross profit. While a part of trading activities for basic petrochemicals of upstream products underperformed, intermediate products such as phenol showed stable performance after October 2009 due to increases in both price and sales volume mainly in China. Shark Bay Salt Pty. Ltd. (Australia), a salt manufacturing company, recorded an increase in gross profit due to increases in both prices and sales volume.

The Performance Chemicals Business Unit reported a significant decline of ¥16.7 billion in gross profit. Both price and demand recovered slightly but remained far below pre-crisis levels. P.T. Kaltim Pasifik Amoniak (Indonesia), an ammonia manufacturing and marketing joint venture, recorded a decline of ¥6.8 billion in gross profit due to weak prices of ammonia compared to the year ended March 31, 2009. Dampened demand for fertilizer raw materials also resulted in a decline in earnings. In addition, electronic materials for LCD module, plastics and functional materials for the automotive and electronics industries, and plant-made detergent raw materials and surfactants contributed to the decline in gross profit due to the economic turmoil.

Operating income for the year ended March 31, 2010 was ¥14.9 billion, a decline of ¥9.3 billion from ¥24.2 billion for the year ended March 31, 2009. The decline in gross profit was partly offset with a decline in selling, general and administrative expenses.

Equity in earnings of associated companies for the year ended March 31, 2010 was ¥2.7 billion, a decline of ¥0.5 billion from ¥3.2 billion for the year ended March 31, 2009. This was mainly due to a decline of a ¥4.4 billion in earnings at International Methanol Company (Saudi Arabia), a methanol manufacturing joint venture that has a different fiscal year end, while the segment recorded an equity in loss reflecting impairments on Japanese listed shares for the year ended March 31, 2009.

Net income attributable to Mitsui & Co., Ltd. for the year ended March 31, 2010 was ¥11.9 billion, an increase of ¥22.1 billion from a net loss of ¥10.2 billion for the year ended March 31, 2009. This was mainly due to an impairment loss of ¥30.0 billion on write-downs of securities, including a ¥18.0 billion impairment loss on shares of Mitsui Chemicals, Inc. and a ¥4.2 billion impairment loss on shares of Ishihara Sangyo Kaisha LTD. recorded in the year ended March 31, 2009.

*Comparison between the Years Ended March 31, 2009 and 2008*

Gross profit for the year ended March 31, 2009 was ¥80.0 billion, a decline of ¥20.2 billion from ¥100.2 billion for the year ended March 31, 2008. The principal developments in this segment were as follows:

Basic petrochemicals of upstream products recorded an increase of ¥3.1 billion in gross profit. The ethylene and propylene businesses contributed to the increase by focusing on reducing transportation

**Table of Contents**

costs as well as by marketing operations closely monitoring supply demand balance under the circumstances where global demand contraction and a further deterioration in market prices have been taking place. Despite the fact that the market price of ammonia plunged sharply after last autumn, P.T. Kaltim Pasifik Amoniak, a joint venture manufacturing and marketing company of ammonia, recorded an increase in gross profit due to higher price and an increase in sales volume in the first half of the year ended March 31, 2009.

Mid-stream intermediate products used for synthetic resin and synthetic fiber products overall recorded a decline of ¥6.8 billion in gross profit due to sharp declines in market prices as well as a further drop in demand.

Plastics and Functional Materials also recorded a decline of ¥7.9 billion in gross profit due to declines in the market prices coupled with a decline in demand.

On the other hand, supported by a globally stable demand for agriculture products, businesses of crop protection chemicals and fertilizer remained robust while sulfur and sulfuric acid, raw materials of fertilizer, decelerated sharply after last summer when the export custom duty for fertilizer products in China was raised which resulted in a decline in the demand and a decline in the price, resulting in a decline of ¥3.5 billion of gross profit.

Operating income for the year ended March 31, 2009 was ¥24.2 billion, a decline of ¥18.6 billion from ¥42.8 billion for the year ended March 31, 2008, reflecting the decline in gross profit.

Equity in earnings of associated companies net for the year ended March 31, 2009 was ¥3.2 billion, a decline of ¥6.6 billion from ¥9.8 billion for the year ended March 31, 2008. While International Methanol Company, a joint venture methanol manufacturing company, recorded almost same level of earnings as the year ended March 31, 2008, the segment recorded an equity in loss reflecting impairments of Japanese listed shares.

Net loss attributable to Mitsui & Co., Ltd. for the year ended March 31, 2009 was ¥10.2 billion, a decline of ¥28.5 billion from net income of ¥18.3 billion for the year ended March 31, 2008. In addition to the above-mentioned factors, this segment recorded a loss of ¥30.0 billion on the write-down of securities including an ¥18.0 billion impairment loss on shares of Mitsui Chemicals, Inc. and a ¥4.2 billion impairment loss on shares in Ishihara Sangyo Kaisha LTD.

**Energy Segment**

|  | Billions of Yen       |         |         |             |             |
|--|-----------------------|---------|---------|-------------|-------------|
|  | Years Ended March 31, |         |         | Change      | Change      |
|  | 2010                  | 2009    | 2008    | (2010 2009) | (2009 2008) |
| Gross Profit                                   | ¥ 155.0               | ¥ 272.0 | ¥ 219.3 | ¥ (117.0)   | ¥ 52.7      |
| Operating Income                               | 98.5                  | 214.1   | 172.5   | (115.6)     | 41.6        |
| Equity in Earnings of Associated Companies Net | 35.3                  | 45.8    | 38.5    | (10.5)      | 7.3         |
| Net Income attributable to Mitsui & Co., Ltd.  | 83.8                  | 153.3   | 124.1   | (69.5)      | 29.2        |

*Comparison between the Years Ended March 31, 2010 and 2009*

Anticipating that global demand for oil would pick up with the global economy showing signs of recovery and a gradual resurgence of speculative fund flows into energy markets due to stabilizing financial markets and various policy measures, oil prices (WTI) recovered to US\$80 per barrel in October 2009, rebounding from US\$36 per barrel in February 2009, and thereafter traded robustly. Accordingly, Japan Crude Cocktail (JCC) rebounded from US\$47.42 per barrel in April 2009 to US\$76.43 per barrel in March 2010.

**Table of Contents**

Trend of Japan Crude Cocktail ( JCC ), which is average CIF price of oil imported to Japan, is generally reflected in the net income of our overseas oil and gas producing subsidiaries and associated companies in this segment with a zero to six-month time lag. Considering these time lags, Mitsui periodically calculates the weighted average JCC price applied to the operating results of those oil and gas producing subsidiaries and associated companies for internal review purposes. Such weighted average JCC prices for the year ended March 31, 2010 and 2009 were US\$62 per barrel and US\$101 per barrel, respectively.

Gross profit for the year ended March 31, 2010 was ¥155.0 billion, a decline of ¥117.0 billion from ¥272.0 billion for the year ended March 31, 2009 primarily due to the following:

Due to declines in oil prices and production, Mitsui E&P Australia Pty Limited, Mitsui Oil Exploration Co., Ltd. and MitEnergy Upstream LLC<sup>(\*1)</sup> reported declines of ¥33.0 billion, ¥27.8 billion and ¥12.8 billion, respectively. Due to a decline in oil prices, Mitsui E&P Middle East B.V. reported a decline of ¥21.0 billion.

The price for typical Australian premium hard coking coal for the year ended March 31, 2010 was quoted as US\$128 per ton FOB, which is approximately 60% lower than the price for the year ended March 31, 2009. At the same time thermal coal prices declined by around 40%. For the year ended March 31, 2010, gross profit at Mitsui Coal Holdings Pty. Ltd. declined by ¥20.8 billion, reflecting lower coal prices. Meantime, coal production for the year ended March 31, 2010 slightly increased compared to the year ended March 31, 2009.

Mitsui Marubeni Liquefied Gas Co., Ltd. recorded an increase of ¥6.3 billion in gross profit while a valuation loss on inventories, resulting from a decline in market prices, was recognized in the year ended March 31, 2009.

Operating income for the year ended March 31, 2010 was ¥98.5 billion, a decline of ¥115.6 billion from ¥214.1 billion for the year ended March 31, 2009.

Equity in earnings of associated companies net for the year ended March 31, 2010 was ¥35.3 billion, a decline of ¥10.5 billion from ¥45.8 billion for the previous year. A decline at Japan Australia LNG (MIMI) PTY. Ltd. was due to a net effect of lower LNG prices linked to oil prices which more than offset higher production volumes resulting from the completion of an expansion project in September 2008.

Net income attributable to Mitsui & Co., Ltd. for the year ended March 31, 2010 was ¥83.8 billion, a decline of ¥69.5 billion from ¥153.3 billion for the year ended March 31, 2009. In addition to the above-mentioned developments, there were also the following factors:

Interest expenses decreased by ¥5.5 billion, due mainly to lower US interest rates applied for funding for the Sakhalin II project.

Dividends from LNG projects in Abu Dhabi, Qatar, Oman and Equatorial Guinea were ¥22.0 billion, a decline of ¥26.9 billion from the year ended March 31, 2009.

Gain on sales of securities increased by ¥1.8 billion compared to the year ended March 31, 2009. This segment recorded a gain on sale of its holdings in United Petroleum Development Co., Ltd. in the year ended March 31, 2010 while it recorded a gain of ¥6.7 billion on the sale of its holdings in Kyushu Oil Co., Ltd in the year ended March 31, 2009.

(\*1) In the consolidated statements of income, net income of MitEnergy Upstream LLC for the year ended March 31, 2010, 2009 and 2008 are presented as income from discontinued operations net (after income tax effect). However, in this Operating Results by Operating Segment, operating results of the company are presented and discussed according to each line item of the consolidated statements of income.



**Table of Contents**

This segment recorded a ¥14.6 billion impairment loss on property & equipment and mineral rights in the Vincent oil field in Australia held by Mitsui E&P Australia Pty Limited due to a decline in oil prices for the year ended March 31, 2009.

Other expenses-net improved by ¥9.6 billion due to increased foreign exchange profit and salvage expenses of ¥4.5 billion for the Gulf of Mexico oil production facility held by MitEnergy Upstream LLC<sup>(\*1)</sup> that was destroyed by a hurricane in the year ended March 31, 2009. Major exploration expenses for the year ended March 31, 2010 were recorded at Mitsui Oil Exploration Co., Ltd. and Mitsui E&P Australia Pty Limited of ¥10.9 billion and ¥3.5 billion, respectively, while exploration expenses were recorded at Mitsui E&P Australia Pty Limited, Mitsui Oil Exploration Co., Ltd. and Mitsui E&P Mozambique Area 1 of ¥6.3 billion, ¥3.6 billion and ¥2.7 billion, respectively, for the year ended March 31, 2009.

Net income attributable to noncontrolling interests decreased by ¥20.3 billion due to a decline in net income before attribution of noncontrolling interests at many subsidiaries. The principal reason was the decline in gross profit and the increase in exploration expenses at Mitsui Oil Exploration Co., Ltd.

A third-party semi-submersible drilling rig, known as the Deepwater Horizon rig, which was conducting exploration work on the Mississippi Canyon 252 block in the Gulf of Mexico, experienced an explosion on April 20, 2010, which sank the rig and resulted in a spill of hydrocarbons from the well. Since the explosion, there has been an on-going, large-scale well-control and clean-up effort. MOEX Offshore 2007 LLC holds a 10% minority non-operating interest in the Mississippi Canyon 252 lease on which the Deepwater Horizon rig was drilling. MOEX Offshore 2007 LLC is a wholly owned subsidiary of MOEX USA Corporation, which in turn is wholly owned by Mitsui Oil Exploration Co., Ltd., in which Mitsui holds a 69.91% equity interest.

MOEX Offshore 2007 LLC has received, and expects to continue to receive, invoices from BP Exploration and Production Inc. ( BP ) seeking reimbursement of costs incurred by BP related to BP's response to the Deep Horizon incident. As of date of filing, the aggregate amount of costs covered by these invoices is approximately US\$974 million. In light of the numerous ongoing investigations that are currently taking place to determine the facts and circumstances surrounding the incident, the numerous lawsuits that are pending and the others that are expected to be commenced against MOEX Offshore 2007 LLC and its affiliates and the provisions of the operating agreement relating to the well that affect the respective rights and responsibilities of the three holders of interests in the lease for costs associated with the incident, MOEX Offshore 2007 LLC is undertaking a very careful and independent review of BP's claims for reimbursement. For the reasons expressed above, MOEX Offshore 2007 LLC is withholding payment of the referenced invoices, pending further discussions with BP and its affiliates and the resolution of the outstanding issues referenced above.

Mitsui Oil Exploration Co., Ltd., MOEX USA Corporation, MOEX Offshore 2007 LLC and Mitsui & Co. (U.S.A.), Inc. have been named as defendants in various legal actions.

Given our indirect equity interest in a non-operating interest holder of the lease on which the Deepwater Horizon rig was drilling, and in light of the outstanding issues referenced above, we are currently unable to estimate the potential liability of MOEX Offshore 2007 LLC or its affiliates, if any, for the costs associated with the Deepwater Horizon incident in the Gulf of Mexico. Mitsui recognized the impairment losses for the amount to acquire the interest of this lease that were booked as Property and Equipment (Mineral rights) in Impairment loss of long-lived assets, and also recognized expenses relating to the well in Other expense-net for the three-month period ended June 30, 2010. Other than that, Mitsui is unable, at this time, to determine the impact, if any, the incident will have on its future operating results, financial position or cash flows.

(\*1) In the consolidated statements of income, net income of MitEnergy Upstream LLC for the year ended March 31, 2010, 2009 and 2008 are presented as income from discontinued operations net (after income tax effect). However, in this Operating Results by Operating Segment, operating results of the company are presented and discussed according to each line item of the consolidated statements of income.

**Table of Contents***Comparison between the Years Ended March 31, 2009 and 2008*

JCC continued to rise from April 2007, reflecting strong demand and an influx of speculative money into the futures markets and reached US\$135 per barrel in August 2008. Following the banking crisis in September 2008, the JCC plummeted to US\$43 per barrel in January 2009, and ended at US\$44 per barrel (preliminary figure) in March 2009, as a result of weaker demand and increased risk aversion. The JCC price trend is generally reflected in the net income of our overseas oil and gas producing subsidiaries and associated companies in this segment with a zero to 6 month time lag.

Considering these time lags, Mitsui periodically calculates the weighted average JCC price applied to operating results of those oil and gas producing subsidiaries and associated companies for internal reviewing purposes. Such weighted average JCC prices for internal reviewing purposes for the year ended March 31, 2009 and 2008 were US\$101 per barrel and US\$71 per barrel, respectively.

Gross profit for the year ended March 31, 2009 was ¥272.0 billion, an increase of ¥52.7 billion from ¥219.3 billion for the year ended March 31, 2008 primarily due to the following:

There were contributions of ¥14.2 billion by Mitsui E&P Australia Pty Limited due to the start-up of oil production at Tui oil field in New Zealand in July 2007 as well as higher oil prices. Likewise, due to higher oil prices MitEnergy Upstream LLC and Mitsui E&P Middle East B.V. reported increases of ¥9.5 billion and ¥5.1 billion, respectively. On the other hand, Mitsui Oil Exploration Co., Ltd. posted a decline of ¥4.2 billion, due to a drop in oil prices reflecting short period of time lag and stronger Japanese Yen against US Dollar and Thai Baht. Mittwell Energy Resources Pty., Ltd. posted a decline of ¥22.7 billion in gross profit due to decline of shipments and an increase in condensate cost as a result of the revision of the purchase price from Japan Australia LNG (MIMI) Pty. Ltd during the year ended March 31, 2009.<sup>(\* 1)</sup>

The price for representative Australian premium hard coking coal for the year ended March 31, 2009 was quoted as US\$300 per ton FOB, which was approximately three times the price for the year ended March 31, 2008. At the same time thermal coal prices doubled from the price for the prior year. For the year ended March 31, 2009, gross profit at Mitsui Coal Holdings Pty. Ltd. increased by ¥46.6 billion, reflecting higher coal price as well as an increase in sales volume. Despite the sharp decline in demand due to economic slowdown, shipments for the year ended March 31, 2009 were approximately 7.4 million tons, a slight increase from 6.8 million tons for the year ended March 31, 2008 when there were production troubles.

Following the merger with Marubeni Liquefied Gas Corporation in April 2008, Mitsui Marubeni Liquefied Gas Co., Ltd. reported an increase of ¥10.5 billion in gross profit due to the merger and increased sales volume.

Operating income for the year ended March 31, 2009 was ¥ 214.1 billion, an increase of ¥41.6 billion from ¥172.5 billion for the year ended March 31, 2008. An increase of ¥14.1 billion of selling, general and administrative expenses resulting from the merger with Marubeni Liquefied Gas Corporation was recorded at Mitsui Marubeni Liquefied Gas Co., Ltd.

Equity in earnings of associated companies net for the year ended March 31, 2009 was ¥45.8 billion, an increase of ¥7.3 billion from ¥38.5 billion for the year ended March 31, 2008. Japan Australia LNG (MIMI) Pty.

(\*1) Positive impact of the increase in condensate sales price at Japan Australia LNG (MIMI) Pty. Ltd. was not reflected timely due to a three-month time lag in consolidating its earnings into our operating results, whereas negative impact of the decline in condensate sales price at Mittwell Energy Resources Pty., Ltd. was reflected with no lag. Therefore, positive impact related to condensate sales earned during January to March 2009 period was reflected in the earnings of Japan Australia LNG (MIMI) Pty. Ltd. in the year ended March 31, 2010.



**Table of Contents**

Ltd. reported an increase in earnings due to higher oil prices and revised transfer price applied to sales of condensate to Mittwell Energy Resources Pty., Ltd. partially offset by foreign exchange translation effect of the depreciated Australian Dollar against the Japanese Yen and decline of oil shipment.

Net income attributable to Mitsui & Co., Ltd. for the year ended March 31, 2009 was ¥153.3 billion, an increase of ¥29.2 billion from ¥124.1 billion for the year ended March 31, 2008. Besides the above-mentioned developments, there were following factors:

Interest expenses declined by ¥4.8 billion, due mainly to lower US interest rates applied for funding for Sakhalin II project.

Dividends from LNG projects in Abu Dhabi, Qatar, Oman and Equatorial Guinea were ¥48.9 billion, an increase of ¥24.9 billion over the year ended March 31, 2008 due to higher oil prices.

This segment recorded a profit of ¥6.7 billion on sale of its shareholding in Kyushu Oil Co., Ltd. On the other hand, in April 2007, this segment sold 50% of its stake in Sakhalin Energy Investment Company Ltd. (Bermuda) and recorded the relevant gain on sale of the shares for the year ended March 31, 2008.

This segment recorded a ¥20.2 billion gain (pre-tax) on the sale of its entire oil and gas producing interests<sup>(\* 2)</sup> at Wandoo Petroleum Pty. Ltd. (Mitsui's profit share 71.7%) for the year ended March 31, 2008.

This segment recorded a ¥14.6 billion impairment loss on property & equipment and mineral rights of Vincent oil field belonging to Mitsui E&P Australia Pty Limited. We wrote down the assets to the fair value using a discount cash flow method. Future cash flow used for the impairment judgment as well as for the fair value calculation is estimated from its business plan that the most updated oil reserve is produced from the oil field in accordance with the production plan, and the estimate of the sales prices is based on the future prices at the analysis day. For the year ended March 31, 2008 this segment recorded a ¥3.9 billion impairment loss on power producing equipment at a domestic power producing operation.

Other expense-net increased by ¥17.9 billion due mainly to exploration expenses and salvage expenses of ¥4.5 billion for the Mexican gulf oil production facility damaged seriously by a hurricane. The exploration expenses included a ¥6.3 billion expense at Mitsui E&P Australia, a ¥3.6 billion expense at Mitsui Oil Exploration Co., Ltd., a ¥2.7 billion expense at Mitsui E&P Mozambique Area1. For the year ended March 31, 2008, major exploration expenses were a ¥5.4 billion expense at Mitsui E&P Australia and a ¥2.7 billion expense at Mitsui Oil Exploration Co., Ltd.

***Short- and Long-Term Outlook on Prices and Supply-Demand Balance for oil and gas, and Our Equity Production******Short-Term Pricing and Supply-Demand Balance***

A survey conducted by the International Energy Agency (May 2010) indicated that world crude oil demand in 2009 was 84.8 million barrels per day, with an estimated demand for 2010 of 86.4 million barrels per day. As of June 2010, general observations on short-term supply-demand balance of crude oil by agencies and corporations in this industry suggest that:

After hitting the bottom in April to June 2009, world crude oil demand is expected to recover in 2010. On the other hand, world crude oil supply also seems to increase. Accordingly supply and demand is expected to be balanced with the increase in demand offsetting the increase in supply.

## Edgar Filing: MITSUI & CO LTD - Form 20-F

Anticipating that global demand for oil would pick up with the global economy showing signs of recovery and a gradual resurgence of speculative fund flows into energy markets due to stabilizing

(\*2) In this Operating Results by Operating Segment, the gain on the sale of the entire oil and gas producing interests in Wandoo Petroleum Pty. Ltd. has been included in and presented as continuing operations. In the consolidated statement of income, the gain of ¥9.6 billion on the sale for the year ended March 31, 2008 is presented as income from discontinued operations (after income tax effect).

**Table of Contents**

financial markets and various policy measures, oil prices (WTI) recovered to US\$70 per barrel in June and to US\$80 per barrel in October 2009, rebounding from the low US\$30 per barrel range in February 2009, and thereafter traded robustly. After that although it plummeted due to the credit constraints of Dubai and Southern European countries, the prices traded nearly U.S.\$81 per barrel supported by overall demand due to economic recovery as of August 6, 2010.

The following are the changing factors for oil price other than supply and demand issue; 1) credit crisis for Dubai and Southern Europe countries, 2) outflux of speculative money resulting from decreased ability of risk take due to the U.S. government's considering introduction of the financial regulatory reform legislation.

Our production amount for the year ended March 31, 2010 was 55 million barrels, a decrease of 2 million barrels from the year ended March 31, 2009 (gas is converted to barrels of oil at the ratio of 5,800 cubic feet of natural gas to 1 barrel of crude oil), as presented in Table 4, Proved Reserve Quantity Information of Supplemental Information on Oil and Gas Producing Activities (Unaudited). Each of production amounts for the years ended March 31, 2010 and 2009 includes 8 million barrels and 11 million barrels for Mitsui Oil Exploration Co., Ltd.'s minority interest portion.

On April 13, 2009, a fire started in the gas compression units on the Vincent's floating production storage and off-take facility, and was immediately extinguished. Receiving regulatory approval, production at the Vincent oil field resumed on June 16, 2009 on an interim basis without the gas compression facility. As of date of filing, the Vincent continue to produce oil with natural gas flaring while work to restore the gas compression facility is still continuing.

For the year ending March 31, 2011, a change of U.S.\$1 per barrel in crude oil prices is estimated to have an effect of ¥1.5 billion on net income as a result of changes in revenues of our oil and gas related subsidiaries and associated companies. Similar to the discussion regarding iron and steel raw materials, actual results of operations are also influenced by production costs, trends in foreign exchange rates and other factors surrounding those subsidiaries and associated companies.

*Middle- and Long-Term Price Outlook and Supply-Demand Balance and Trends in Our Equity Production*

The middle- and long-term trends in supply-demand balance and prices of crude oil are subject to far greater levels of uncertainty than recent trends, and it is therefore difficult for the management to make a definitive forecast. On the other hand, with respect to LNG, we are focusing on the changes in market structure that are currently taking place, and acting accordingly as follows:

In the past, the market growth has been driven primarily by long-term purchase contracts by power and gas companies operating in Japan and the Far East. Expansion of incumbent projects and green field projects coming on stream will increase the volume of supply to the market, while demand, traditionally centered around the Far East, is likely to increase by growing demand from Europe, while huge markets in China and India will emerge. Therefore, globalization both in terms of supply and demand is expected to continue. In addition, as the opportunity for supply-demand adjustments in these markets increases, LNG is expected to become a more marketable commodity.

Shale gas, which has been increasingly developed in the United States, is not expected to develop in other areas due to restriction of water supply for fracturing and needs of the pipeline for delivery. Development of unconventional gas including shale gas will impact on supply and demand balance of natural gas in the United States, but such an impact will be limited in other areas and demand for natural gas as clean energy is expected to grow as same as LNG from mid- and long- term perspective.

Long-term purchase contracts with Japanese companies in many projects are subject to renewal around 2015, and more flexible terms reflecting the above-mentioned supply-demand balance trends will be requested from the buyers. In evaluating the opportunities for the expansion of incumbent projects or participation in green field projects, we are putting an emphasis on securing stable supply as well as diversifying our source of supply to enhance flexibility.

**Table of Contents*****Short- and Long-Term Outlook on Prices and Supply-Demand Balance for coal, and Our Equity Production******Short-Term Pricing and Supply-Demand Balance***

As is the case with the iron ore business, coal (metallurgical coal) producing joint venture businesses in Australia in which we participate together with major foreign mineral resources companies conclude supply contracts with Japanese steel manufacturers and major clients in other countries every year. However, a structural change in metallurgical coal pricing has been seen recently from such an annual contract pricing to quarterly pricing due to an increase in transaction volume under spot price contracts, and therefore, there are so many contract types of which sales prices are reviewed and renegotiated each fiscal year or quarterly. For the year ended March 31, 2010, the annual prices of coal have declined sharply due to reduced demand stemming from curtailment of production by steel manufacturers, especially in developed countries. (Unit prices for coal from each mine in production also reflect the difference of respective grades and types.) Generally, metallurgical coal prices declined approximately 60% from the year ended March 31, 2009. Although world crude steel production declined in first half 2009, recovery became clear in the second half of the year supported by an expansion of Chinese economy as well as bottoming out of developed economies other than Europe. Moreover heavy rain and cyclones in Queensland, Australia in January to March 2010 had a negative impact on operations and production facilities, and supply became limited. As a result, price negotiations were settled with an increase in coal prices. Agreed prices for representative premium hard coking coal for the three month period ending June 30, 2010 increased by approximately 60% from US\$128/MT for the year ended March 31, 2010.

Prices for representative thermal coal also decreased by 40% for the year ended March 31, 2009 compared to the year ended March 31, 2008, reflecting a decline in oil prices as well as decreased demand for electricity due to the economic slowdown. Entering the year ended March 31, 2010, spot prices of thermal coal picked up due to 1) recovery of world economy, 2) increases in volume imported by China and India and 3) effect of heavy snow in China and cold winter in Europe. Reflecting those factors, thermal coal prices increased by approximately 40% from US\$71/MT for the year ended March 31, 2010.

We expect our annual equity coal sales volume for the year ending March 31, 2011 to be approximately 9.2 million tons, a slightly higher volume than 8.9 million tons for the prior year.

Fluctuations in coal prices directly affect revenues from the equity-based production at our coal subsidiaries and associated companies. In addition, the appreciation of Australian dollar against the U.S. dollar may have a negative impact on the revenues of our coal mining subsidiaries and associated companies.

***Middle- and Long-Term Price Outlook and Supply-Demand Balance and Trends in Our Equity Production***

In order to respond to tightening supply-demand balance in mid- and long-term resulting from increased demand for metallurgical coal in line with economic growth of developing countries as well as rising demand of thermal coal for coal fired power plants especially in India, major coal producers continue investing to increase production capacity. With respect to coal mining joint ventures with the Rio Tinto group, we approved the development of the new mining area owned by Kestrel Joint Venture in Queensland, Australia. This project will extend the operation period of Kestrel Joint Venture by developing the new mining area, as the existing mining areas are expected to be exhausted in 2014. We obtained the government's approvals in November 2008. The operation is expected to commence in 2012. The project estimates a maximum 6.5 million tons per annum coal production and 20-year operation.

Including those we are participating in, most of the coal mining projects have plans for expanding their production capacity. As there are too many uncertainties, including demand from China and other emerging countries, it is difficult for our management to draw up definitive forecasts on supply-demand balance and prices at this point in time.

**Table of Contents****Foods & Retail Segment**

|   | Billions of Yen       |        |        |             |             |        |
|---|-----------------------|--------|--------|-------------|-------------|--------|
|   | Years Ended March 31, |        |        | Change      |             | Change |
|   | 2010                  | 2009   | 2008   | (2010 2009) | (2009 2008) |        |
| Gross Profit  | ¥ 83.6                | ¥ 82.4 | ¥ 81.2 | ¥ 1.2       | ¥ 1.2       |        |
| Operating Income  | 20.4                  | 19.0   | 16.6   | 1.4         | 2.4         |        |
| Equity in Earnings (Losses) of Associated Companies Net | 7.8                   | (5.9)  | 5.2    | 13.7        | (11.1)      |        |
| Net Income (Loss) attributable to Mitsui & Co., Ltd.    | (0.8)                 | 1.5    | 10.4   | (2.3)       | (8.9)       |        |

*Comparison between the Years Ended March 31, 2010 and 2009*

Gross profit for the year ended March 31, 2010 was ¥83.6 billion, an increase of ¥1.2 billion from ¥82.4 billion for the year ended March 31, 2009. This segment demonstrated solid performance even with weak consumer demand and deflation.

As for the food resources and materials businesses, the fruit juice business reported an increase in gross profit from price increases. On the other hand, maize transactions reported a decline in gross profit due to a decline in market prices.

MITSUI FOODS CO., LTD. (Japan) recorded an increase of ¥0.6 billion in gross profit due to an increase of sales and improved profitability.

Mitsui Norin Co., Ltd. reported an increase of ¥0.9 billion in gross profit reflecting the firm performance of the household tea business, in addition to the marketing efforts and the improvement of production costs in spite of a weak food-service market for the beverage raw materials business and the wholesale tea business.

Operating income for the year ended March 31, 2010 was ¥20.4 billion, an increase of ¥1.4 billion from ¥19.0 billion for the year ended March 31, 2009.

Equity in earnings of associated companies net for the year ended March 31, 2010 was ¥7.8 billion, an increase of ¥13.7 billion from ¥5.9 billion loss for the year ended March 31, 2009. Ventura Foods, LLC, in which this segment invested through WILSEY FOODS, INC. (United States), reported an increase of ¥5.2 billion reflecting lower ingredient oil costs. This segment recorded an impairment loss of ¥8.2 billion on shares in MIKUNI COCA-COLA BOTTLING CO., LTD. (Japan) for the year ended March 31, 2009, reflecting the sharp decline in the equity market in Japan.

Net loss attributable to Mitsui & Co., Ltd. for the year ended March 31, 2010 was ¥0.8 billion, a decline of ¥2.3 billion from net income of ¥1.5 billion for the year ended March 31, 2009. In addition to the above mentioned factors, this segment recorded a ¥15.1 billion impairment loss on its holdings in Seven & i Holdings Co., Ltd. reflecting a decline in the share price for the year ended March 31, 2010. A valuation allowance was set up against deferred tax assets established for the impairment of Seven & i Holdings Co., Ltd.<sup>(\*1)</sup>. This segment recorded a loss of ¥3.6 billion on write-down of securities, mainly listed securities, for the year ended March 31, 2009.

(\*1) Mitsui records an impairment loss on a marketable security if a decline in the share price is other-than-temporary. Basically, a decline of 30% or more in fair value of a security leads to the conclusion that the security has an other-than-temporary impairment. Among those securities determined to have an other-than-temporary impairment, a 50% or less decline in fair value of a security is a nondeductible

Edgar Filing: MITSUI & CO LTD - Form 20-F

impairment loss based on Japanese tax laws and regulations. Mitsui evaluates the realizability of the deferred tax assets for nondeductible impairment losses and sets up valuation allowances if it is more likely than not that they are not considered recoverable.

**Table of Contents***Comparison between the Years Ended March 31, 2009 and 2008*

Gross profit for the year ended March 31, 2009 was ¥82.4 billion, an increase of ¥1.2 billion from ¥81.2 billion for the year ended March 31, 2008. Food raw material business demonstrated solid performance reflecting the run-up in commodity market in the first half of the year ended March 31, 2009. On the other hand, under severe business circumstances due to higher raw material and oil costs in the first half of the year ended March 31, 2009 as well as lack of consumer confidence due to economic downturn in the second half of the year ended March 31, 2009, this segment has been taking various cost reduction initiatives in the food distribution and retail operations in Japan. The major developments were as follows:

In the food raw material business, broiler business displayed robust performance due to increases in prices of the products in addition to steady results from soybean and wheat transactions.

MITSUI FOODS CO., LTD recorded an increase of ¥1.1 billion over the year ended March 31, 2008 due to improved margins gained through restructuring unprofitable businesses.

Mitsui Norin Co., Ltd. reported a decline of ¥1.1 billion in gross profit due to the weaker market for wholesale tea products and beverage raw materials as the food service industry has been dull despite firm performance of tea business for the household use. In addition, Mitsui Norin Co., Ltd. recorded a loss on a write down of inventories.

Operating income for the year ended March 31, 2009 was ¥19.0 billion, an increase of ¥2.4 billion from ¥16.6 billion for the year ended March 31, 2008. MITSUI FOODS CO., LTD. showed an improvement in operating income reflecting the increase in gross profit. Mitsui Norin Co., Ltd. reported a decline in operating income although the decline in gross profit was partly offset by a slight improvement in selling, general and administrative expenses.

Equity in losses of associated companies net for the year ended March 31, 2009 was ¥5.9 billion, a decline of ¥11.1 billion from earnings of ¥5.2 billion for the year ended March 31, 2008. This segment recognized a ¥8.2 billion impairment loss on MIKUNI COCA-COLA BOTTLING CO., LTD., reflecting the sharp decline in the equity market in Japan. In addition, overseas food business suffered and reported a decline in equity in earnings.

Net income attributable to Mitsui & Co., Ltd. for the year ended March 31, 2009 was ¥1.5 billion, a decline of ¥8.9 billion from ¥10.4 billion for the year ended March 31, 2008. In addition to the above-mentioned factors, there are following factors:

Loss on write-down of securities for the year ended March 31, 2009 was ¥3.6 billion. For the year ended March 31, 2008, this segment recognized a ¥5.6 billion loss mainly due to the write-down of the shares of Seven & i Holdings Co., Ltd of ¥4.5 billion.

This segment recorded a ¥3.2 billion gain on sales of securities, mainly related to listed securities, for the year ended March 31, 2008.

Other expenses-net increased by ¥3.1 billion, major part of which was foreign exchange losses, over the year ended March 31, 2008.

**Consumer Service & IT Segment**

|                         | Billions of Yen       |        |         |             |             |        |
|-------------------------|-----------------------|--------|---------|-------------|-------------|--------|
|                         | Years Ended March 31, |        |         | Change      |             | Change |
|                         | 2010                  | 2009   | 2008    | (2010 2009) | (2009 2008) |        |
| Gross Profit            | ¥ 52.0                | ¥ 73.7 | ¥ 116.7 | ¥ (21.7)    | ¥ (43.0)    |        |
| Operating Income (Loss) | (8.8)                 | (12.8) | 19.0    | 4.0         | (31.8)      |        |

Edgar Filing: MITSUI & CO LTD - Form 20-F

|   |       |        |      |       |        |
|---|-------|--------|------|-------|--------|
| Equity in Earnings (Losses) of Associated Companies Net | (6.2) | 3.6    | 12.3 | (9.8) | (8.7)  |
| Net Income (Loss) attributable to Mitsui & Co., Ltd.    | (9.8) | (31.4) | 12.0 | 21.6  | (43.4) |



**Table of Contents***Comparison between the Years Ended March 31, 2010 and 2009*

Gross profit for the year ended March 31, 2010 was ¥52.0 billion, a decline of ¥21.7 billion from ¥73.7 billion for the year ended March 31, 2009. The Consumer Service Business Unit recorded a decline due to a withdrawal from certain consumer goods businesses and a decline of ¥3.6 billion in the fashion business due to dampened consumer spending; while it recorded an increase of ¥5.6 billion in the real estate business due to a rebound effect of a loss of ¥6.1 billion for the year ended March 31, 2009. In the IT Business Unit, in addition to a decline of ¥16.2 billion in gross profit due to the merger of T-GAIA Corporation with MS Communications Co., Ltd., which took place in the three-month period ended December 31, 2008, the ICT-related and electronics-related businesses recorded declines of ¥4.9 billion and of ¥2.2 billion, respectively.

This segment recorded a ¥8.8 billion operating loss for the year ended March 31, 2010, an improvement of ¥4.0 billion from the operating loss of ¥12.8 billion for the year ended March 31, 2009. The reclassification of T-GAIA Corporation from subsidiary to associated company resulted in a decline of ¥11.9 billion in selling, general and administrative expenses, which partially offset the decline in gross profit. The withdrawal from certain consumer goods business also contributed to the decline in selling, general and administrative expenses.

Equity in losses of associated companies for the year ended March 31, 2010 was ¥6.2 billion, a decline of ¥9.8 billion from ¥3.6 billion earnings for the year ended March 31, 2009. This segment recorded a ¥7.9 billion impairment loss on shares in Nihon Unisys, Ltd. and a ¥7.3 billion impairment loss on shares in Moshi Moshi Hotline, Inc., reflecting the decline in share price for the year ended March 31, 2010<sup>(\*1)</sup>.

Net loss attributable to Mitsui & Co., Ltd. for the year ended March 31, 2010 was ¥9.8 billion, an improvement of ¥21.6 billion from net loss of ¥31.4 billion for the year ended March 31, 2009. Other than the above mentioned factors, there were the following factors:

This segment reported a gain of ¥ 11.9 billion on the sale of a trust beneficiary right held in the Shiodome Building and a gain of ¥4.0 billion on sales of shares in T-GAIA Corporation through its share buy-back program and the merger transaction with MS Communications Co., Ltd. for the year ended March 31, 2009.

For the year ended March 31, 2009, this segment recorded a loss of ¥35.2 billion on write-down of securities, including an impairment loss of ¥12.0 billion on shares in Recruit Co., Ltd. and a loss of ¥9.8 billion on our equity share in office building development business in Japan as well as a loss of ¥3.1 billion on listed shares in Tokyo Broadcasting System, Inc. This segment recorded a loss of ¥3.2 billion on write-down of miscellaneous securities for the year ended March 31, 2010.

This segment reported an impairment loss of ¥4.1 billion on goodwill reflecting a decline in the share price of Mitsui Knowledge Industry Co., Ltd. for the year ended March 31, 2009.

This segment recorded a reversal of deferred tax liabilities for undistributed retained earnings of associated companies amounting to approximately ¥3.0 billion at the time of distribution of profit from associated companies for the year ended March 31, 2010.

*Comparison between the Years Ended March 31, 2009 and 2008*

Gross profit for the year ended March 31, 2009 was ¥73.7 billion, a decline of ¥43.0 billion from ¥116.7 billion for the year ended March 31, 2008. Consumer Service Business Unit recorded a loss of ¥6.1 billion on

(\*1)

## Edgar Filing: MITSUI & CO LTD - Form 20-F

Mitsui records an impairment loss on a marketable security of an associated company if a decline in the value of the security is other-than-temporary. For example, market declines for a period of nine or more consecutive months leads to the conclusion that the security has an other-than-temporary decline. This impairment loss was recognized as the fair value decline was observed for more than nine consecutive months. For more information, see Critical Accounting Policies and Estimates.

**Table of Contents**

write down of inventories and a decline of ¥3.2 billion due to reduced sales in the domestic residential home business. This business unit also reported a decline of ¥2.5 billion in gross profit due to divestiture of cable television business in the year ended March 31, 2008. The apparel and brand marketing related business continued to suffer with a ¥3.8 billion decline in gross profit. In addition to unfavorable performance in electronics and display-related business with a ¥6.5 billion decline in gross profit, reclassification of T-GAIA Corporation from subsidiary to associated company through merger with MS Communications Co., Ltd. resulted in a decline of ¥14.6 billion in gross profit at the IT Business Unit.

Reflecting a decline of gross profit for the year ended March 31, 2009, this segment recorded a ¥12.8 billion operating loss, a decline of ¥31.8 billion from operating income of ¥19.0 billion for the year ended March 31, 2008. Reclassification of T-GAIA Corporation from subsidiary to associated company resulted in a decline of ¥11.4 billion in selling, general and administrative expenses.

Equity in earnings of associated companies net for the year ended March 31, 2009 was ¥3.6 billion, a decline of ¥8.7 billion from ¥12.3 billion income for the year ended March 31, 2008. Due to a decline of IT demand and an impairment loss on fixed assets Nippon Unisys, Ltd. (Japan) reported a decline in earnings.

Net loss attributable to Mitsui & Co., Ltd. for the year ended March 31, 2009 was ¥31.4 billion, a decline of ¥43.4 billion from net income of ¥12.0 billion for the year ended March 31, 2008. Additional factors are as follows:

Reflecting the sharp drop in the Japanese equity market, this segment recorded a loss of ¥35.2 billion on write-down of securities, which includes impairment losses of listed securities including those of Tokyo Broadcasting System, Inc. of ¥3.1 billion, securities of Recruit Co., Ltd. of ¥12.0 billion<sup>(\*1)</sup>, and our equity share in office building development business in Japan of ¥9.8 billion<sup>(\*2)</sup> for the year ended March 31, 2009. For the year ended March 31, 2008, this segment recorded a loss of ¥4.6 billion on write-down of securities, which were mainly listed on the market.

This segment reported a gain of ¥16.2 billion on sale of securities including a gain of ¥11.9 billion on sales of a trust beneficiary right with respect to Shiodome Building and a gain of ¥4.0 billion on sales of share in T-GAIA Corporation through its share buy-back program and the merger transaction with MS Communications Co., Ltd. This segment reported a gain of ¥10.8 billion on sales of securities for the year ended March 31, 2008. The gain resulted from the merger of Mitsui Knowledge Industry Co., Ltd. and NextCom K.K. and sales of shares of two cable television providers and Jupiter Telecommunications Co., Ltd.

Considering a decline in share price of Mitsui Knowledge Industry Co., Ltd., which is listed in Tokyo Stock Exchange, we evaluated if the fair value of the subsidiary's equity fell below its carrying amount and potential impairment is identified. As a result of the evaluation, we determined that the implied fair value of the goodwill fell below its carrying value, and this segment reported an impairment loss of ¥4.1 billion for the difference.

(\*1) Reflecting recent decline in the markets of recruiting as well as advertising in Japan, there was a concern that economic environments surrounding Recruit Co., Ltd. would be deteriorated, and consequently its operating profit would become worse than originally expected. We calculated the impairment loss based on the objective data of the economic environment surrounding the company gathered by us and its financial statements of the past fiscal years.

(\*2) We used the fair value of the office building, which was estimated based on the most recent rents of the office buildings in the surrounding areas. Taking into consideration such fair value, we calculated the share price, and recorded the impairment loss for the difference between the carrying value and the share price calculated.

**Table of Contents****Logistics & Financial Markets Segment**

|   | Billions of Yen       |        |        |             |             |
|---|-----------------------|--------|--------|-------------|-------------|
|   | Years Ended March 31, |        |        | Change      |             |
|   | 2010                  | 2009   | 2008   | (2010 2009) | (2009 2008) |
| Gross Profit  | ¥ 31.3                | ¥ 62.1 | ¥ 55.1 | ¥ (30.8)    | ¥ 7.0       |
| Operating Income  | 1.5                   | 23.8   | 20.9   | (22.3)      | 2.9         |
| Equity in Earnings (Losses) of Associated Companies Net | 5.1                   | (16.6) | (3.0)  | 21.7        | (13.6)      |
| Net Income (Loss) attributable to Mitsui & Co., Ltd.    | (0.8)                 | (14.5) | 7.5    | 13.7        | (22.0)      |

*Comparison between the Years Ended March 31, 2010 and 2009*

Gross profit was ¥31.3 billion, a decline of ¥30.8 billion from ¥62.1 billion for the year ended March 31, 2009. As the outlook for the global economic and financial situation improved due to economic stimulus policies across advanced and many emerging economies, commodity prices staged a comeback from lows reached earlier this year. Although world trade is beginning to pick up, it remains well below its peaks. Trading in energy derivatives also continues to face a tough environment. Profits corresponding to foreign exchange losses of ¥6.9 billion and of ¥13.6 billion related to the commodity trading business conducted by Mitsui and posted in other expenses-net were included in gross profit for the year ended March 31, 2010 and for the year ended March 31, 2009, respectively.

Operating income for the year ended March 31, 2010 was ¥1.5 billion, a decline of ¥22.3 billion from ¥23.8 billion for the year ended March 31, 2009. Improvements in selling, general and administrative expenses related to a decrease in performance-based bonuses partially offset the decline in gross profit.

Equity in earnings of associated companies for the year ended March 31, 2010 was ¥5.1 billion, a ¥21.7 billion improvement from a loss of ¥16.6 billion for the year ended March 31, 2009. JA Mitsui Leasing, Ltd. (Japan) reported an increase of ¥14.0 billion in earnings due to a decrease in provisions for doubtful receivables. This segment recorded equity in loss of ¥4.9 billion from investment in a partnership, NPF-Harmony, for the year ended March 31, 2009.

Accordingly, net loss attributable to Mitsui & Co., Ltd. for the year ended March 31, 2010 was ¥0.8 billion, a ¥13.7 billion improvement from net loss of ¥14.5 billion for the year ended March 31, 2009. Besides the above-mentioned factors, there were also the following factors:

This segment reported a loss of ¥8.0 billion on write-downs of securities due to a decline in listed share prices for the year ended March 31, 2009.

Foreign exchange losses of ¥6.9 billion and of ¥13.6 billion related to the commodity trading business conducted by Mitsui were posted in other expense-net for the year ended March 31, 2010 and for the year ended March 31, 2009, respectively.

*Comparison between the Years Ended March 31, 2009 and 2008*

Gross profit for the year ended March 31, 2009 was ¥62.1 billion, an increase of ¥7.0 billion from ¥55.1 billion for the year ended March 31, 2008. The increase includes a profit corresponding to a foreign exchange loss of ¥13.6 billion related to commodity trading business conducted by Mitsui and posted in other expense-net. Despite reduction of commodity trading activities due to the intensification of financial strains in the latter half of the year ended March 31, 2009, the trading activities at Mitsui Energy Risk Management Ltd. remained robust as the commodity markets, mainly energy market, continued to be volatile. On the other hand, this segment reported a loss due to a poor performance of private equity funds this segment manages for the year ended March 31, 2009. Furthermore, logistics business recorded a valuation loss on real estate for sale.

**Table of Contents**

Reflecting the increase in gross profit, which was partially offset by an increased provision for doubtful receivables related to commodity derivatives, operating income for the year ended March 31, 2009 was ¥23.8 billion, an increase of ¥2.9 billion from ¥20.9 billion for the year ended March 31, 2008.

Equity in losses of associated companies net for the year ended March 31, 2009 was ¥16.6 billion, a ¥13.6 billion deterioration from losses of ¥3.0 billion for the year ended March 31, 2008. JA Mitsui Leasing Ltd. reported a decline of ¥9.6 billion in earnings due to increased provision for doubtful receivables. Furthermore, this segment recorded equity in losses of ¥4.9 billion from investment in a partnership, NPF-Harmony, reflecting an other-than-temporary decline in its fair value. This segment recorded equity in losses from investments in the same NPF-Harmony and from ASAHI TECH CORPORATION in the year ended March 31, 2008.

Net loss attributable to Mitsui & Co., Ltd. for the year ended March 31, 2009 was ¥14.5 billion, a decline of ¥22.0 billion from net income of ¥7.5 billion for the year ended March 31, 2008. Other than the above mentioned factors there were following factors:

This segment reported a loss of ¥8.0 billion on write-downs of securities due to a decline in stock prices in the markets. For the year ended March 31, 2008, the segment recorded a ¥8.7 billion loss on the write-down of securities including a ¥4.5 billion impairment loss of Central Finance Co., Ltd.

This segment reported a ¥10.0 billion profit for gains on sales of securities including Quintiles Transnational Corp. for ¥3.8 billion (this segment portion) and BALtrans Holdings Limited for ¥3.2 billion for the year ended March 31, 2008.

This segment recorded a foreign exchange loss of ¥13.6 billion in other expense-net, which corresponded to the increase in gross profit.

**Americas Segment**

|   | Billions of Yen       |         |        |        |        |        |
|---|-----------------------|---------|--------|--------|--------|--------|
|   | Years Ended March 31, |         |        | Change |        | Change |
|   | 2010                  | 2009    | 2008   | (2010  | 2009)  | (2009  |
| Gross Profit  | ¥ 73.1                | ¥ 116.0 | ¥ 78.5 | ¥      | (42.9) | ¥ 37.5 |
| Operating Income  | 5.4                   | 39.0    | 7.3    |        | (33.6) | 31.7   |
| Equity in Earnings (Losses) of Associated Companies Net | 3.4                   | (3.2)   | 7.7    |        | 6.6    | (10.9) |
| Net Income (Loss) attributable to Mitsui & Co., Ltd.    | (9.6)                 | (7.1)   | 5.0    |        | (2.5)  | (12.1) |

*Comparison between the Years Ended March 31, 2010 and 2009*

Gross profit for the year ended March 31, 2010 was ¥73.1 billion, a decline of ¥42.9 billion from ¥116.0 billion for the year ended March 31, 2009.

As a result of plummeting demand for oil well tubular products due to a sharp decline in the number of oil and gas rigs, Champions Pipe & Supply, Inc. recorded a decline of ¥14.4 billion in gross profit suffering from declines in product prices as well as revaluation losses on inventories.

Despite the fact that some signs of recovery have been seen recently in the motor vehicle, home electrical appliance and air-conditioning equipment sectors, Steel Technologies Inc. reported a decline of ¥4.9 billion in gross profit due to decreases in prices and sales volume, especially in the motor vehicle sector, reflecting a severe macroeconomic and financing environment under which two major U.S. automotive companies filed for Chapter 11 bankruptcy protection.

## Edgar Filing: MITSUI & CO LTD - Form 20-F

Westport Petroleum, Inc. reported a decline of ¥14.2 billion due to an increase in charter fees for tankers and rental costs for oil tanks and a reduction in trading transactions and margins reflecting decreased demand for petroleum products.

---

**Table of Contents**

Weak demand for fertilizer products resulted in declines in gross profits at Mitsui Agro Business S.A. (Chile) and Fertilizantes Mitsui S.A. Industria e Comercio.

Novus International, Inc. succeeded in maintaining gross profit at the same high level of the year ended March 31, 2009 with reductions in raw materials and logistics costs as well as increases in sales volume without sacrificing margins; this partially offset a marginal decline in sales prices.

Reflecting the slowdown of the overall economy, Ellison Technologies Inc., a machine tools distribution company, reported a decline in gross profit. Mitsui & Co. (U.S.A.), Inc. also reported a decline in gross profit, especially in the chemical and consumer service areas.

MBK Real Estate LLC. (United States), which recorded a loss of ¥2.5 billion on the write-down of residential home inventories for the year ended March 31, 2009, increased gross profit by ¥3.1 billion, recording a far lower write-down of inventories, reflecting a recovery in the residential home market in southern California, the main market of MBK Real Estate LLC.

Operating income for the year ended March 31, 2010 was ¥5.4 billion, a decline of ¥33.6 billion from ¥39.0 billion for the year ended March 31, 2009. Selling, general and administrative expenses, especially personnel expenses and travel expenses, at Mitsui & Co. (U.S.A.), Inc. and its subsidiaries declined.

Equity in earnings of associated companies for the year ended March 31, 2010 was ¥3.4 billion, an increase of ¥6.6 billion from equity in losses of ¥3.2 billion for the year ended March 31, 2009. A reversal effect of equity in losses was recorded in the year ended March 31, 2009. This segment recorded equity in losses of ¥2.1 billion for Penske Automotive Group, Inc. (this segment's portion), reflecting an other-than-temporary decline in its share price, and equity in losses for associated companies in the steel products and medical health care businesses for the year ended March 31, 2009.

Net loss attributable to Mitsui & Co., Ltd. for the year ended March 31, 2010 was ¥9.6 billion, a decline of ¥2.5 billion from net loss of ¥7.1 billion for the year ended March 31, 2009. In addition to the above factors, the following factors contributed to the decline.

Interest expenses, net of interest income, decreased by ¥6.2 billion mainly at Mitsui & Co. (U.S.A.), Inc. and its subsidiaries resulting from a decline in U.S. dollar interest rates.

Due to the prolonged economic slowdown, this segment recorded a ¥6.8 billion impairment loss of goodwill, including losses at AFC HoldCo, LLC, an automotive retail finance company, and SunWize Technologies, Inc., a distributor of photovoltaic systems, amounting to ¥3.1 billion and ¥2.9 billion, respectively. For the year ended March 31, 2009, this segment recorded a ¥13.6 billion impairment loss of goodwill, mainly attributable to a ¥6.4 billion impairment loss of goodwill at Steel Technologies Inc. as well as other impairment losses of goodwill at other Mitsui & Co. (U.S.A.), Inc. subsidiaries, and a ¥3.1 billion impairment loss of long-lived assets, also mainly attributable to Steel Technologies Inc., reflecting a severe contraction in demand triggered by the financial crisis.

Fertilizantes Mitsui S.A. Industria e Comercio recorded a restructuring cost for downsizing the business while it recorded a ¥3.7 billion liquidation loss of currency options in other expenses-net for the year ended March 31, 2009.

*Comparison between the Years Ended March 31, 2009 and 2008*

Gross profit for the year ended March 31, 2009 was ¥116.0 billion, an increase of ¥37.5 billion from ¥78.5 billion for the year ended March 31, 2008.

## Edgar Filing: MITSUI & CO LTD - Form 20-F

Novus International, Inc. recorded an increase of ¥27.4 billion in gross profit reflecting higher product prices as well as increase in sales volume driven by a strong demand for poultry feed additives especially during the first nine months of the fiscal year.



**Table of Contents**

Steel Technologies Inc., which we acquired in June 2007 and reported results for only ten months in the year ended March 31, 2008, contributed to the increase in gross profit by ¥3.7 billion. The increase in gross profit was attributable to increases in steel product prices in the first half of the current fiscal year as well as a transfer of business from Mitsui Steel Inc., which was partially offset by a decline in gross profit for the second half of the current fiscal year reflecting declines in the sales volume and prices caused by demand contraction and credit uncertainties of the customers under the recession. Also, Champions Pipe & Supply, Inc. contributed to the increase in gross profit supported by a strong demand for tubular pipes for oil and gas industry despite a sharp demand contraction starting in the three month period ended March 31, 2009.

MBK Real Estate LLC, which recorded a loss of ¥9.6 billion on the write-down of residential home inventories for the year ended March 31, 2008, increased gross profit by ¥6.6 billion, recording a relatively small loss of ¥2.5 billion in the current fiscal year on the write-down of inventories under severe circumstances in the real estate business in the United States.

Operating income for the year ended March 31, 2009 was ¥39.0 billion, an increase of ¥31.7 billion from ¥7.3 billion for the year ended March 31, 2008 reflecting the increase in gross profit. Personnel expenses at Novus International, Inc. and Champions Steel & Pipe, Inc. increased.

Equity in losses of associated companies net for the year ended March 31, 2009 was ¥3.2 billion, a ¥10.9 billion decline from earnings of ¥7.7 billion for the year ended March 31, 2008. This segment recorded equity in losses of ¥2.1 billion for Penske Automotive Group, Inc. (this segment portion), reflecting an other-than-temporary decline in its share price. Earnings of associated companies in the steel products and medical health care businesses declined. In addition, United Harvest, LLC (United States) reported a decline in earnings due to a reversal effect of its strong performance from the wheat export facility operation business in the year ended March 31, 2008.

Net loss attributable to Mitsui & Co., Ltd. for the year ended March 31, 2009 was ¥7.1 billion, a decline of ¥12.1 billion from net income of ¥5.0 billion for the year ended March 31, 2008. In addition to the above factors, there were the following factors:

Interest expense, net of interest income, declined by ¥7.6 billion in the overall Americas Segment resulting from a decline in U.S. Dollar interest rates.

This segment recorded a ¥13.6 billion impairment loss of goodwill. Steel Technologies Inc. recorded a ¥6.4 billion impairment loss of goodwill <sup>(\*)</sup>, reflecting severe condition of the steel products business for automotive and housing industries in the United States. Steel Technologies Inc. also recorded a ¥2.8 billion impairment loss of intangible assets <sup>(\*)</sup>.

Fertilizantes Mitsui S.A. Industria e Comercio, a fertilizer manufacturing and sales company, recorded a ¥3.7 billion liquidation cost of currency options in other expense-net.

Income taxes increased by ¥9.3 billion. The increase was attributable to an increase of ¥10.4 billion in income from continuing operations before income taxes, minority interests and equity in earnings. The fact that Steel Technologies Inc. did not record tax effect on the goodwill impairment loss as the

(\*1) Demand on the steel products for automotive and housing industries in the United States, which Steel Technologies Inc. considers its principal markets, is likely to remain under pressure for some time. The overall economic conditions in the North America and corporate restructuring plans of the U.S. major automotive companies are extremely uncertain. Reflecting these uncertainties Steel Technologies Inc. made its mid-term business plan, based on which the equity value was calculated by using discount cash flow method and guideline public company method (EBITDA multiple method) for the impairment testing of the goodwill. Implied fair value of the goodwill as well as other intangible assets was evaluated by using mainly discount cash flow method.



**Table of Contents**

goodwill recorded on its book can not be amortized for the tax purpose, and Ferlilizantes Mitsui S.A. Industria e Comercio set up valuation allowance for deferred tax assets evaluating the realizability of the deferred tax assets also resulted in the increase.

Minority interest in earnings of subsidiaries increased by ¥5.9 billion. This is mainly attributable to increase in earnings of Novus International, Inc., in which the segment has a 65% ownership interest.

**Europe, the Middle East and Africa Segment**

|  | Billions of Yen       |        |        | Change      |             |
|--|-----------------------|--------|--------|-------------|-------------|
|  | Years Ended March 31, |        |        | (2010 2009) | (2009 2008) |
|  | 2010                  | 2009   | 2008   | ¥           | ¥           |
| Gross Profit   | ¥ 16.7                | ¥ 22.2 | ¥ 26.8 | (5.5)       | (4.6)       |
| Operating Income (Loss)                              | (4.0)                 | (1.9)  | 1.8    | (2.1)       | (3.7)       |
| Equity in Earnings of Associated Companies Net       | 1.2                   | 0.6    | 0.5    | 0.6         | 0.1         |
| Net Income (Loss) attributable to Mitsui & Co., Ltd. | (3.8)                 | (11.5) | 5.0    | 7.7         | (16.5)      |

*Comparison between the Years Ended March 31, 2010 and 2009*

Gross profit for the year ended March 31, 2010 was ¥16.7 billion, a decline of ¥5.5 billion from ¥22.2 billion for the year ended March 31, 2009, reflecting sluggish demand in the chemical and steel products businesses.

This segment recorded a ¥4.0 billion operating loss for the year ended March 31, 2010, a further deterioration of ¥2.1 billion from a loss of ¥1.9 billion for the year ended March 31, 2009. A decline in gross profit was partly offset by a decline in selling, general and administrative expenses, such as personnel expenses.

Equity in earnings of associated companies net for the year ended March 31, 2010 was ¥1.2 billion, an increase of ¥0.6 billion from ¥0.6 billion for the year ended March 31, 2009.

Net loss attributable to Mitsui & Co., Ltd. for the year ended March 31, 2010 was ¥3.8 billion, an improvement of ¥7.7 billion from a net loss of ¥11.5 billion for the year ended March 31, 2009. This improvement is mainly attributable to a rebound effect of an impairment loss of ¥9.6 billion on long-lived assets in MBK Real Estate Europe Limited (United Kingdom) recorded for the year ended March 31, 2009 which partially offset by a gain from the sale of an office building previously held by Mitsui & Co. France S.A.S. This segment recorded impairment losses on intangible assets and goodwill in the segment's minority interest in Mitsui Rail Capital Europe B.V. for the year ended March 31, 2010.

*Comparison between the Years Ended March 31, 2009 and 2008*

Gross profit for the year ended March 31, 2009 was ¥22.2 billion, a decline of ¥4.6 billion from ¥26.8 billion for the year ended March 31, 2008, reflecting a decline in gross profit of the chemical business due to declines in the market prices and reductions in sales volume.

This segment recorded a ¥1.9 billion operating loss for the year ended March 31, 2009, a ¥3.7 billion decline from a ¥1.8 billion operating profit for the year ended March 31, 2008.

Net loss attributable to Mitsui & Co., Ltd. for the year ended March 31, 2009 was ¥11.5 billion, a decline of ¥16.5 billion from the net profit of ¥5.0 billion for the year ended March 31, 2008. Other than the above mentioned factors, MBK Real Estate Europe Limited recorded a ¥9.6 billion impairment loss of long-lived assets for commercial office buildings in London, reflecting severe circumstances for the commercial office building business in the region. The financial crisis seriously affected the performance of the corporate sector, especially the finance sector, and amid the circumstances that job cuts and cost reduction efforts were accelerated,

**Table of Contents**

commercial real estate market in London deteriorated sharply. As it is reasonably expected that the deteriorated market conditions will continue for some time, we recognized the impairment loss based on a third party appraised value taking into consideration the most recent selling prices and rents of the real estate in the surrounding areas. Mitsui & Co. France S.A.S. reported a gain from sale of office building. Also, this segment recorded its portion of a gain on sale of real estate in automotive and real estate related business for the year ended March 31, 2008.

*Asia Pacific Segment*

|  | Billions of Yen       |        |        |             |             |        |
|--|-----------------------|--------|--------|-------------|-------------|--------|
|  | Years Ended March 31, |        |        | Change      |             | Change |
|  | 2010                  | 2009   | 2008   | (2010 2009) | (2009 2008) |        |
| Gross Profit                                   | ¥ 27.9                | ¥ 26.6 | ¥ 33.1 | ¥ 1.3       | ¥ (6.5)     |        |
| Operating Income (Loss)                        | 2.9                   | (1.5)  | 7.7    | 4.4         | (9.2)       |        |
| Equity in Earnings of Associated Companies Net | 3.8                   | 1.7    | 1.9    | 2.1         | (0.2)       |        |
| Net Income attributable to Mitsui & Co., Ltd.  | 25.7                  | 29.9   | 22.1   | (4.2)       | 7.8         |        |

*Comparison between the Years Ended March 31, 2010 and 2009*

Gross profit for the year ended March 31, 2010 was ¥27.9 billion, an increase of ¥1.3 billion from ¥26.6 billion for the year ended March 31, 2009. Chemical and iron & steel products markets gradually recovered in the six-month period ended March 31, 2010 and the decline in gross profit for the six-month period ended September 30, 2009 was more than offset.

Operating income for the year ended March 31, 2010 was ¥2.9 billion, an increase of ¥4.4 billion from a ¥1.5 billion loss for the year ended March 31, 2009. A decline in selling, general and administrative expenses, such as personnel expenses, was also reported.

Equity in earnings of associated companies net for the year ended March 31, 2010 was ¥3.8 billion, an increase of ¥2.1 billion from ¥1.7 billion for the year ended March 31, 2009. A water and wastewater treatment business showed solid performance.

Net income attributable to Mitsui & Co., Ltd. for the year ended March 31, 2010 was ¥25.7 billion, a decline of ¥4.2 billion from ¥29.9 billion for the year ended March 31, 2009. The main cause of the decline in net income was attributable to a decline in earnings from the segment's minority interest in Mitsui Iron Ore Development Pty. Ltd. and Mitsui Coal Holdings Pty. Ltd.

*Comparison between the Years Ended March 31, 2009 and 2008*

Gross profit for the year ended March 31, 2009 was ¥26.6 billion, a decline of ¥6.5 billion from ¥33.1 billion for the year ended March 31, 2008, reflecting a decline in gross profit in the chemical business due to declines in market prices and in sales volume.

Operating loss for the year ended March 31, 2009 was ¥1.5 billion, a decline of ¥9.2 billion from a ¥7.7 billion income for the year ended March 31, 2008, reflecting mainly declines in gross profit and increases in personnel expenses.

Net income attributable to Mitsui & Co., Ltd. for the year ended March 31, 2009 was ¥29.9 billion, an increase of ¥7.8 billion from ¥22.1 billion for the year ended March 31, 2008. The main factor for the increase in net income is attributable to the segment's minority interest in Mitsui Coal Holdings Pty. Ltd. and Mitsui Iron Ore Development Pty. Ltd. whose majority interest is held by the Energy Segment and the Mineral & Metal Resources Segment, respectively.

**Table of Contents***All Other*

|  | Billions of Yen       |       |       |             |             |        |
|--|-----------------------|-------|-------|-------------|-------------|--------|
|  | Years Ended March 31, |       |       | Change      |             | Change |
|  | 2010                  | 2009  | 2008  | (2010 2009) | (2009 2008) |        |
| Gross Profit   | ¥ 0.5                 | ¥ 2.9 | ¥ 5.5 | ¥ (2.4)     | ¥ (2.6)     |        |
| Operating Loss                                       | (4.5)                 | (3.0) | (1.4) | (1.5)       | (1.6)       |        |
| Equity in Earnings of Associated Companies Net       | 0.0                   | 0.1   | 0.1   | (0.1)       | 0.0         |        |
| Net Income (Loss) attributable to Mitsui & Co., Ltd. | 1.5                   | 7.1   | (6.7) | (5.6)       | 13.8        |        |

*Comparison between the Years Ended March 31, 2010 and 2009*

The activities of this segment primarily include financing services, office services and other services to external customers, and/or to us, and associated companies.

Gross profit for the year ended March 31, 2010 was ¥0.5 billion, a decline of ¥2.4 billion from ¥2.9 billion for the year ended March 31, 2009.

Operating loss for the year ended March 31, 2010 was ¥4.5 billion, a deterioration of ¥1.5 billion from a ¥3.0 billion loss for the year ended March 31, 2009.

Net income attributable to Mitsui & Co., Ltd. for the year ended March 31, 2010 was ¥1.5 billion, a decline of ¥5.6 billion from ¥7.1 billion for the year ended March 31, 2009. This segment recorded an impairment loss on investment in a financial institution.

*Comparison between the Years Ended March 31, 2009 and 2008*

The activities of this segment primarily include financing services, office services and other services to external customers, and/or to us, and associated companies.

Gross profit for the year ended March 31, 2009 was ¥2.9 billion, a decline of ¥2.6 billion from ¥5.5 billion for the year ended March 31, 2008.

Operating loss for the year ended March 31, 2009 was ¥3.0 billion, a deterioration of ¥1.6 billion from a ¥1.4 billion loss for the year ended March 31, 2008.

Net income attributable to Mitsui & Co., Ltd. for the year ended March 31, 2009 was ¥7.1 billion, an improvement of ¥13.8 billion from a ¥6.7 billion loss for the year ended March 31, 2008. For the year ended March 31, 2008, we recorded a ¥13.9 billion impairment loss on real estate which we possess in Saito International Culture Park ( SICIP ), located in the north area of Osaka Prefecture due to the revaluation of its business<sup>(\*1)</sup>.

(\*1) In March 2008, Urban Renaissance Agency ( URA ), an implementing body of land readjustment of SICIP, announced that it would be difficult for URA to execute the project as the implementing body considering a conclusion on the project provided by the special appraisal and monitoring committee, and suggested that the project plan should be fundamentally revised. As a result of the URA s announcement, uncertainty about the progress and profitability of the land readjustment project in SICIP has increased and Mitsui recognized a ¥13.9 billion impairment loss on land, by re-examining future value based on the current prices in the nearby block.

**Table of Contents*****Inflation***

The management believes that inflation did not have a significant effect on our reported results of operations.

***Critical Accounting Policies and Estimates***

Accounting policies and estimates are considered to be critical if they are important to our financial condition and results of operations and involve estimates that require management's subjective or significant judgment about the effect of matters that are inherently uncertain.

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the carrying values of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period.

The following items require significant management judgments and estimates.

***Impairment of Long-Lived Assets***

Impairment losses of long-lived assets, other than goodwill and intangible assets not subject to amortization, for the years ended March 31, 2010, 2009 and 2008 and the balance of the long-lived assets, net of accumulated depreciation and amortization, as of March 31, 2010, 2009 and 2008 were as follows:

|                   | <b>Billions of Yen<br/>As of March 31,</b> |             |             |
|-------------------|--|-------------|-------------|
|                   | <b>2010</b>                                | <b>2009</b> | <b>2008</b> |
| Long-lived assets | ¥ 1,252.4                                  | ¥ 1,196.6   | ¥ 1,264.9   |
| Impairment loss   | 8.4  | 37.4        | 24.4        |

Impairment losses of long-lived assets have had a material impact on our net income in recent years. These losses were mainly due to the declining profitability resulting from deterioration of business environment and the reorganization of business structure of our subsidiaries.

Our long-lived assets to be held and used or to be disposed of other than by sale are reviewed for impairment semiannually or more frequently whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

This review for impairment is performed by comparing the carrying amount of the asset with the aggregate amount of the estimated undiscounted future cash flows (impairment analysis). Cash flow projections used in our impairment analysis and fair value calculations are based on the business plan authorized by our management or, if this is not available, on the operating plan reflecting the most recent condition of the long-lived asset. In these plans, for example, we assume:

that the level of most recent selling prices and rents of real estate in the surrounding areas will remain unchanged for a reasonable period in the future; and

that the estimate of the sales prices of the products from facilities and equipment for the certain future period is based on the average price of the equivalent length of period in the past or on the analysts' reports.

that the most updated oil reserve will be produced from the oil field in accordance with the production plan, and the estimate of the sales prices is based on the future prices at the analysis day.

**Table of Contents**

that the estimate of the revenues from an operation derived from customer relationship for the certain future period is based on the degree of contribution to revenues in the past, on the past ratio of cancellation of contracts, and on analysts' market forecasts. As for the discount rate used in fair value calculations, when expected variations of cash flows are not considered in the cash flow estimate, a discount rate which includes the risk factor for the cash flow deviation is used. For example:

Assumptions that marketplace participants would use in their estimates of fair value are incorporated in the discount rate when such information is available; or

When such information is not available, an expected internal rate of return ( IRR ) used for management purposes or a weighted average cost of capital ( WACC ) of a company that owns the long-lived asset, whichever is higher, is also considered for the discounted cash flow calculation.

Factors to be considered when estimating future cash flows and determining discount rates vary for each long-lived asset because of the difference in nature of the assets and in operating circumstances, such as location, owner, operator, profitability and other factors.

Also see the relevant discussion on the impairment losses at Mitsui Rail Capital Europe B.V. in Operating Results by Operating Segment Machinery & Infrastructure Projects Segment , at the Vincent oil field in Operating Results by Operating Segment Energy Segment , at Steel Technologies Inc. in Operating Results by Operating Segment Americas Segment and at MBK Real Estate Europe Limited in Operating Results by Operating Segment Europe, the Middle East and Africa Segment in this item.

*Impairment of Goodwill*

Impairment of goodwill for recent fiscal years has had a significant impact on our income. The following table shows the carrying amounts of goodwill as of March 31, 2010, 2009 and 2008 and the impairment loss for the years ended March 31, 2010, 2009 and 2008.

|                 | Billions of Yen<br>As of March 31, |        |        |
|-----------------|------------------------------------|--------|--------|
|                 | 2010                               | 2009   | 2008   |
| Goodwill        | ¥ 22.7                             | ¥ 33.6 | ¥ 52.5 |
| Impairment loss | 9.9                                | 18.6   | 2.0    |

We assess the carrying amount of goodwill for impairment annually and upon the occurrence of an indicator of impairment. We perform our impairment testing of goodwill by comparing the carrying amount with the fair value of each of our subsidiaries as our reporting units. Goodwill impairment is determined using a two-step process. The first step of the goodwill impairment test is used to identify potential impairment by comparing the fair value of the subsidiary's equity with its carrying amount.

If the fair value of the subsidiary's equity falls below its carrying amount and potential impairment is identified in the first step, the second step is performed by comparing the implied fair value of the goodwill with its carrying value. If the implied fair value of the goodwill falls below its carrying value, an impairment loss is recorded for the difference. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination. Namely, the equity fair value of a subsidiary is allocated to all of the identifiable assets and liabilities of that subsidiary, and the remaining value which can not be allocated to any identifiable assets and liabilities is considered the implied fair value of the goodwill.

Determining the fair value of a subsidiary's equity under the first step of the goodwill impairment test and determining the fair value of individual assets and liabilities of a subsidiary under the second step of the goodwill

**Table of Contents**

impairment test are judgmental and often involve the use of significant estimates and assumptions. These estimates and assumptions could significantly impact whether or not an impairment loss is recognized as well as the magnitude of any such loss. In case that stock of a subsidiary which has goodwill on its book is listed on a market, we use the market equity price for the first step. In case that it is not listed, we perform internal valuation analyses using discount cash flow model or utilize third-party valuations when management believes the amounts are material. To determine the fair value of individual assets and liabilities of a subsidiary for the second step, we also use internal valuation analyses using discount cash flow model or utilize third-party valuations if necessary. Similar to impairment of long-lived assets, cash flow projections used in the fair value calculations are based on the business plan authorized by our management or, if this is not available, on the business plan reflecting the most recent business environment of the subsidiary. In these plans, we make same kinds of assumption we make for impairment of long-lived assets.

Also see the relevant discussion on the impairment losses at Mitsui Rail Capital Europe B.V. in Operating Results by Operating Segment Machinery & Infrastructure Projects Segment, at Mitsui Knowledge Industry Co., Ltd. in Operating Results by Operating Segment Consumer Service & IT Segment and at Steel Technologies Inc. in Operating Results by Operating Segment Americas Segment in this item.

*Impairment of Investment Securities*

Impairments of equity investments for recent fiscal years have had a significant impact on our income. The following table shows the carrying amounts of marketable and non-marketable equity securities as of March 31, 2010, 2009 and 2008 and the impairment loss for the years ended March 31, 2010, 2009 and 2008.

|                                  | Billions of Yen |                 |                 |                 |                  |                 |
|----------------------------------|-----------------|-----------------|-----------------|-----------------|------------------|-----------------|
|                                  | 2010            |                 | 2009            |                 | 2008             |                 |
|                                  | Carrying amount | Impairment loss | Carrying amount | Impairment loss | Carrying amount  | Impairment loss |
| Marketable equity securities     | ¥ 475.2         | ¥ 17.1          | ¥ 398.7         | ¥ 79.3          | ¥ 652.0          | ¥ 28.1          |
| Non-marketable equity securities | 434.2           | 31.4            | 499.9           | 37.7            | 557.6            | 8.7             |
| <b>Total</b>                     | <b>¥ 909.4</b>  | <b>¥ 48.5</b>   | <b>¥ 898.6</b>  | <b>¥ 117.0</b>  | <b>¥ 1,209.6</b> | <b>¥ 36.8</b>   |

Management principally believes that a 30% or more decline in fair value of a security at the end of quarter for marketable equity securities leads to the conclusion that the security has an other-than-temporary impairment. In addition, if the decline is less than 30%, various factors, such as the duration of the market decline (A decline for more than nine consecutive months is observed), our intention and ability to hold the investment until its market price recovery and the financial conditions of the investee, are considered in concluding if the decline is temporary or not.

Management believes that the criteria for evaluating an other-than-temporary decline in fair value are reasonable. The aggregate unrealized loss amounts of the marketable securities that have been in continuous unrealized loss position for one year or more and for less than one year were ¥4.6 billion and ¥1.6 billion, respectively. But, considering the combination of foreign exchange rate market trend, length of time to redemption, length of time that fair values have been below cost, the extent of decline and the financial condition of the investees, we expect that their fair values will recover above their costs while we hold these investments.

We assess the carrying value of non-marketable equity securities for impairment semiannually and upon the occurrence of an indicator of impairment. If our portion of net asset measured at fair value<sup>(\*)</sup> falls below the

(\*) For this analysis, net asset measured at fair value means net of assets and liabilities marked to market based on the most recent and available balance sheet, and excludes goodwill or any other intangible assets which represent excess earning power.





**Table of Contents**

carrying amount by more than 50% we assess the recoverability of the carrying amount of a non-marketable security as we determine a potential impairment exists. Where we have determined that there is an other-than-temporary decline in the fair value of the security, the carrying value of the security is written down to its fair value, which is calculated by discount cash flow method or measured based on net asset taking into consideration various factors affecting the fair value. See the relevant discussion on the impairment losses on shares in Japan Airlines Corporation in Operating Results by Operating Segment Machinery & Infrastructure Projects Segment, in Recruit Co., Ltd. and in office building business in Operating Results by Operating Segment Consumer Service & IT Segment in this item.

We also review investments in listed associated companies for impairment losses using the same other-than-temporary criteria for marketable equity securities unless there are reasonable grounds that the decline is temporary in case that the decline ratio is from 30% to 50% and the decline has been for less than nine consecutive months. The amount of impairment losses for the years ended March 31, 2010 and 2009 was approximately ¥16.0 billion and ¥68.0 billion, respectively, and was recorded in equity earnings in associated companies-net.

*Tax Asset Valuation*

Establishing a valuation allowance for deferred tax assets, pursuant to evaluation on its realizability, has had a significant impact on our income. The following table shows the deferred tax assets and valuation allowance for deferred tax assets and valuation allowance as of March 31, 2010 and 2009.

|                                | <b>Billions of Yen<br/>As of March 31,</b> |                |
|--------------------------------|--|----------------|
|                                | <b>2010</b>                                | <b>2009</b>    |
| Total deferred tax assets      | ¥ 321.1                                    | ¥ 321.7        |
| Valuation allowance            | (164.1)                                    | (153.8)        |
| <b>Deferred tax assets net</b> | <b>¥ 157.0</b>                             | <b>¥ 167.9</b> |

Mitsui determines the realizability of deferred tax assets based on all available evidence, both positive and negative, including all currently available information regarding tax deductibility on future years and ability to generate sufficient taxable income at Mitsui and subsidiaries prior to the expiration of the loss carryforward pursuant to the relevant tax laws and regulations. Management believes it is more likely than not that all of those deferred tax assets, net of valuation allowance, will be realized. However, the amount of realizable net deferred tax assets may change in the near term if estimates of future taxable income during the carryforward period are changed or if statutory tax rates are changed. Some of the examples we factored in to assess the realizability of deferred tax assets were as follows;

On the occurrence of future deductible temporary difference, we establish a deferred tax asset; and, at the same time we evaluate when those deferred tax assets will be realized in future. Particularly, when we establish a deferred tax asset in relation to a write-down loss of securities or impairment loss on long-lived assets which are not subject to depreciation for tax purposes and we have no specific schedule of sale or disposal of those assets, we establish a valuation allowance for the deferred tax asset because we view the deferred tax amount as not realizable.

We evaluate realizability of deferred tax assets on the future deductible temporary difference and tax loss carryforwards at subsidiaries and associated companies. Among others, no deferred tax assets are determined to be realizable, if those subsidiaries and associated companies recorded a significant amount of tax loss carryforwards for each of the past three years and are expected to record a significant tax loss in the current fiscal year as well, considering all our past experiences in determining realizability of deferred tax assets.

Effective April 1, 2009, a new tax law was introduced in Japan that excludes 95% of dividend received from a foreign investee in which an investor has 25% or more ownership interest from taxable income.



**Table of Contents**

Consequently, Mitsui's taxable income level becomes less than the prior level. At the same time, Mitsui and its wholly owned domestic subsidiaries started to file a consolidated corporate income tax return to the National Tax Agency as a consolidated group. As a result of the consolidated tax return filing, realizability of national corporate tax portion of the deferred tax assets at Mitsui is dependant on the estimate of the consolidated tax group's taxable incomes in future.

*Deferred tax liabilities for undistributed retained earnings of affiliated companies*

Mitsui records deferred tax liabilities on undistributed retained earnings of associated companies excluding corporate joint ventures ( CJV ) based on the assumption that we would sell investments in those companies in the future while Mitsui basically does not recognize deferred tax liabilities for undistributed retained earnings of subsidiaries and CJV according to the company's policy that such earnings are indefinitely reinvested into the same companies. The deferred tax liabilities for undistributed retained earnings, which mainly comprise of the aforementioned liabilities, as of March 31, 2010 and 2009 are ¥206.2 billion and ¥186.8 billion, respectively.

As Mitsui does not control associated companies and, therefore, can not determine amount of and payment timing of dividends from them at the sole discretion of Mitsui, when Mitsui receives dividends from associated companies excluding CJV, Mitsui reverses the deferred tax liabilities at the timing when Mitsui receives the dividends while recording a tax expense on the dividends received. In case that a portion of dividends received is treated as non-taxable such as Japanese tax law that allows us to recognize 95% of dividend received from a foreign investee in which an investor has 25% or more ownership interest as non-taxable effective April 1, 2009, tax expenses on dividends received are smaller than the reversal amount of the deferred tax liabilities. The balance credited to tax expense for the year ended March 31, 2010 amounted to approximately ¥25.0 billion.

*Reserve estimates for oil and gas producing and mining activities*

Reserves are estimates of the amount of product that can be economically and legally extracted from the company's interests in properties. In order to calculate reserves, estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand, commodity prices and exchange rates. Because the economic assumptions used to estimate reserves change from period to period, and because additional geological data is generated during the course of operations, estimates of reserves may change from period to period. Changes in reported reserves may affect the company's financial results and financial position in a number of ways, including the following:

Asset carrying values may be impaired due to changes in estimated future cash flows.

Depreciation and amortization charged in the income statement may change where such charges are determined by the units of production basis, or where the useful economic lives of assets change.

Decommissioning, site restoration and environmental provisions may change where changes in estimated reserves affect expectations about the timing or cost of these activities.

*Pension Benefit Costs*

Employee pension benefit costs and obligations are dependent on various assumptions, including discount, retirement, and mortality rates, which are based on current statistical data, as well as the expected long-term rate of return on plan assets and other factors. In accordance with U.S. GAAP, the difference between actual results and the assumptions is accumulated and amortized to expenses over future periods and, therefore, generally affects the recognized costs in future periods. Management believes that the assumptions used are appropriate; however, differences in actual experience or changes in assumptions may affect our future pension costs and obligations.

**Table of Contents**

We determine the discount rates each year as of the measurement date, based on a review of interest rates associated with long-term Japanese government bonds or high-quality fixed-income corporate bonds. The discount rates determined on each measurement date are used to calculate the benefit obligation as of that date, and are also used to calculate the net periodic pension costs for the upcoming plan year.

Mitsui determines the expected long-term rate of return on plan assets based on the weighted-average rate of return computed by using the expected long-term rate of return on each asset class, which is derived from an extensive study conducted by investment advisors and actuaries on a periodic basis, and the target allocations for each asset class. The study includes a review of anticipated future performance with market analysis of individual asset classes, and also gives appropriate consideration to actual historical returns achieved by the plans. The subsidiaries determine the expected long-term rates of return on plan assets mainly based on the expectations for future returns by investment advisors and actuaries.

The following table illustrates the sensitivity to changes in certain assumptions for Mitsui's pension plans:

|   | Billions of Yen  |   |
|---|--|---|
|   | Impact of change in<br>assumption on NPPC<br>for<br>the<br>year<br>ending<br>March 31,<br>2011 | Impact of change in<br>assumption on PBO<br>as of<br>March 31, 2010 |
| 50 basis point decrease in discount rate                                    | ¥ 2.1  | ¥ 16.1  |
| 50 basis point increase in discount rate                                    | (1.7)  | (15.1)  |
| 50 basis point decrease in expected long-term rate of return on plan assets | 1.0  |   |
| 50 basis point increase in expected long-term rate of return on plan assets | (1.0)  |   |

See Note 14, PENSION COSTS AND SEVERANCE INDEMNITIES, for further discussion about the estimates and assumptions on PBO and NPPC.

***New Accounting Standards******Multiple-deliverable revenue arrangements***

In October 2009, the FASB issued ASU 2009-13, Multiple-Deliverable Revenue Arrangements.

ASU 2009-13 amends the provisions in ASC 605-25, Revenue Recognition Multiple-Element Arrangements, for treating multiple deliverables in a revenue arrangement as separate units of accounting, and permits using a best estimate of selling price in allocating arrangement consideration to each deliverable if neither vendor-specific objective evidence nor third-party evidence is available. The provisions also expand the disclosure requirements for such arrangements.

The provisions are effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. The effect of the adoption of these provisions on the companies' financial position and results of operations is not currently known and cannot be reasonably estimated until further analysis is completed.

***Revenue arrangements with software elements***

In October 2009, the FASB issued ASU 2009-14, Certain Revenue Arrangements That Include Software Elements.

ASU 2009-14 amends the provisions in ASC 985-605, Software Revenue Recognition, clarifies the scope of the software revenue guidance for revenue arrangements that include both tangible products and software elements, and provide guidance on allocating revenue for such arrangements.



**Table of Contents**

The provisions are effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. The effect of the adoption of these provisions on the companies' financial position and results of operations is not currently known and cannot be reasonably estimated until further analysis is completed.

*Transfers of financial assets*

In December 2009, the FASB issued ASU 2009-16, *Accounting for Transfers of Financial Assets*, which was formerly SFAS No. 166.

ASU 2009-16 amends the provisions in ASC 860, *Transfers and Servicing*, eliminates the concept of a qualifying special-purpose entity and changes the derecognition requirements of financial assets. The new provisions also enhance disclosure requirements for transfers of financial assets and a transferor's continuing involvement with transferred financial assets.

The provisions are effective for fiscal years beginning after November 15, 2009 and interim periods within those fiscal years. The effect of the adoption of these provisions on the companies' financial position and results of operations is not currently known and cannot be reasonably estimated until further analysis is completed.

*Variable interest entities*

In December 2009 and February 2010, the FASB issued ASU 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities*, which was formerly SFAS No. 167, and ASU 2010-10, *Amendments for Certain Investment Funds*, respectively.

ASU 2009-17 amends the provisions in ASC 810, *Consolidation*, to require an entity to determine the need for consolidating a VIE based on qualitative analysis, including whether the entity has the power to direct the activities of the VIE that most significantly impact the entity's economic performance, and to assess such needs on an ongoing basis. ASU 2010-10 indefinitely defers the application of provisions amended by ASU 2009-17 for interests in certain investment funds and similar entities.

The provisions are effective for fiscal years beginning after November 15, 2009 and interim periods within those fiscal years. The effect of the adoption of these provisions on the companies' financial position and results of operations is not currently known and cannot be reasonably estimated until further analysis is completed.

**B. Liquidity and Capital Resources***Use of Non-GAAP Financial Measures*

Non-GAAP financial measures are defined in the SEC regulations as financial measures that either exclude or include amounts that are not excluded from or included in the most directly comparable measure calculated and presented in accordance with GAAP.

*Net Debt-to-Equity Ratio*

We refer to *Net Debt-to-Equity Ratio* ( *Net DER* ) in this *Liquidity and Capital Resources* and elsewhere in this annual report. *Net DER* is comprised of *net interest bearing debt* divided by *shareholders' equity*.

*Net interest bearing debt* is defined as interest bearing debt, consisting of short-term debt and long-term debt, less cash and cash equivalents and time deposits. Management believes that *Net DER* is a useful internal measure to review the balance between interest bearing debt and *shareholders' equity* for the purpose of improving our capacity to meet debt repayments and/or return on equity. This calculation does not recognize the fact that cash and cash equivalents and time deposits may not be completely available for debt repayments because some amount of cash and cash equivalents and time deposits may be required for operational needs including contractual obligations or capital expenditures.

**Table of Contents**

Net interest bearing debt and Net DER are presented in the table below.

|  | Billions of Yen<br>As of March 31, |           |
|--|------------------------------------|-----------|
|  | 2010                               | 2009      |
| Short-term debt                                  | ¥ 241.4                            | ¥ 454.1   |
| Long-term debt                                   | 3,230.3                            | 3,214.5   |
| Interest bearing debt                            | 3,471.7                            | 3,668.6   |
| Less cash and cash equivalents and time deposits | (1,416.0)                          | (1,153.5) |
| Net interest bearing debt                        | ¥ 2,055.7                          | ¥ 2,515.1 |
| Shareholders' equity                             | ¥ 2,230.1                          | ¥ 1,881.7 |
| Net DER (times)                                  | 0.92                               | 1.34      |

The most directly comparable financial measures calculated in accordance with GAAP for Net interest bearing debt and Net DER are considered to be Interest bearing debt and Debt-to-Equity Ratio (DER), respectively. However, these measures do not measure changes in cash position.

|   |      |      |
|---|------|------|
| DER (times)<br>(defined as interest bearing debt divided by shareholders' equity) | 1.56 | 1.95 |
|---|------|------|

*Free Cash Flow*

We define free cash flow as the sum of net cash provided by/(used in) operating activities and net cash provided by/(used in) investing activities. Management believes that such indicator is useful to investors, to measure available net cash for investment in strategic opportunities and/or debt repayment, or the extent of reliance on borrowing to procure funds for strategic investments. Free cash flow does not represent the residual cash flow available for discretionary expenditures.

The following table shows a reconciliation of net cash provided by operating activities to free cash flow.

|   | Billions of Yen<br>Years Ended March 31, |         |         |
|---|--|---------|---------|
|   | 2010                                     | 2009    | 2008    |
| Net cash provided by operating activities | ¥ 632.4                                  | ¥ 582.7 | ¥ 415.8 |
| Net cash used in investing activities     | (180.1)                                  | (290.9) | (104.8) |
| Free cash flow                            | ¥ 452.3                                  | ¥ 291.8 | ¥ 311.0 |

**Finance and Liquidity Management***Funding and Treasury Policies and Objectives*

Our management believes our basic funding policy is to secure liquidity required for our smooth operations and to maintain the strength and soundness of our balance sheet. In order to achieve our objectives, our principal strategy is to obtain long-term funds (those with maturities of around 10 years) from financial institutions, including life-insurance companies and banks, and through the issuance of corporate bonds. In addition, we minimize our refinance risk by deconcentrating the amount of repayment of our long-term debt by each fiscal year. In case where large amount of finance is required for various projects, we utilize financing programs provided by government financing agencies and/or project financing to obtain long-term financing. Another strategy is to hold sufficient cash and cash equivalents in order to maintain liquidity to flexibly meet capital requirements and to minimize the harmful effect by the deteriorated financial market on future debt-service requirements.



Cash and cash equivalents consist mainly of highly-liquid and highly-rated short-term financial instruments and deposits considering the current financial market conditions.

## Table of Contents

In principle, the domestic financing subsidiary provides a cash management service with wholly-owned domestic subsidiaries, and it results in the centralization of funding sources, efficient use of excess funds and securement of liquidity for domestic subsidiaries. The same policy and practices have been extended to wholly-owned overseas subsidiaries through our regional financing subsidiaries, which, in principle, centralizes the fund raising function and fund operation function. As a result, approximately 87% of total interest bearing debt as of March 31, 2010 was raised by Mitsui and the above-mentioned financing subsidiaries.

### *Funding Sources*

In accordance with our basic funding policy above, we choose the funding source among various measures of direct and in-direct financing in order to secure long and stable sources of funds, and procure financing by the preferable method under the financial condition at that point of time. We borrow funds based on our longstanding and wide-ranging relations with financial institutions in Japan and overseas, borrow from government financing agencies, and also utilize project financing. In addition to these funding sources, Mitsui maintains direct finance methods such as a ¥300 billion debt shelf-registration and a ¥2,400 billion commercial paper program in Japan, and utilize suitable one among these facilities depending on the financial situation. Similarly, Mitsui & Co. (U.S.A.), Inc., Mitsui & Co. Financial Services (Europe) B.V., Mitsui & Co. Financial Services (Asia) Ltd. and Mitsui & Co., Ltd. have arranged a joint Euro medium-term note ( MTN ) program of U.S.\$5 billion. Mitsui guarantees notes issued by these overseas subsidiaries. For raising short-term funds overseas, Mitsui & Co. (U.S.A.), Inc. has a U.S.\$1.5 billion U.S. domestic commercial paper program, and there are similar commercial paper programs in some other overseas markets.

Certain overseas subsidiaries set lines of credit by paying commitment fees to the financial institutions, which were not material in each of the past three years. For unused lines of credit financing outside of Japan, including these lines of credit with fees, see Note 13, **SHORT-TERM AND LONG-TERM DEBT**.

Short-term and long-term debt as of March 31, 2010 was mainly denominated in Japanese yen and the rest was primarily denominated in U.S. dollars. Considering the type of interest and currency of our assets, we employ certain derivative financial instruments, which include interest rate swaps, currency swaps and foreign exchange forward contracts. We enter into interest rate swaps to convert fixed interest rate into floating interest rate (or vice versa) and currency swaps or foreign exchange forward contracts to convert funds in Japanese yen into U.S. dollars (or vice versa). The proportion of interest bearing debt with floating interest rate after taking into account interest rate swaps is nearly same as past years ratio, and management believes that it is consistent with interest rate conditions of our current balance sheet. See Note 24, **DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES**, for further description of our derivative financial instruments.

### *Credit Ratings*

To facilitate access to funds from capital markets, Mitsui and certain of our overseas subsidiaries have obtained ratings from Rating and Investment Information, Inc. ( R&I ), Moody's Investors Service, Inc. ( Moody's ) and Standard and Poor's Services ( S&P ). The ratings as of March 31, 2010 were as follows:

|                           | <b>R&amp;I</b> | <b>Moody's</b> | <b>S&amp;P</b> |
|---------------------------|----------------|----------------|----------------|
| Short Term rating         | a-1+           | P-1            | A-1            |
| (Long-term) Issuer rating | AA-            |                | A+             |
| Long-term Issue rating    | AA-            | A2             |                |
| Medium-term note rating   | AA-            | A2             |                |

S&P raised our long-term issuer credit rating to A+ from A in March 2008. S&P cited the following factors for the change in ratings:

Improving balance between our risk assets and risk buffer; and

Enhancement of our risk management system.

**Table of Contents**

*Credit ratings are an assessment by the rating agencies of the credit risks associated with us and are based on information provided by us and other sources that the rating agencies consider reliable. Credit ratings do not constitute a recommendation to buy, sell or hold securities and are subject to change or withdrawal by each of the rating agencies at any time. As rating agencies may have different criteria in evaluating the risk associated with a company, you should evaluate each rating independently of other ratings. Ratings may be changed without pre-notice at any time.*

*Liquidity Management*

Cash and cash equivalents, which were mostly in Japanese yen, were ¥1,401.4 billion as of March 31, 2010, an increase of ¥253.6 billion from March 31, 2009. This increase is primarily attributable to a surplus in free cash flow. As a result, management believes that cash and cash equivalents as of March 31, 2010 satisfy the liquidity for the repayment of short-term debt (¥241.4 billion) and current maturities of long-term debt (¥320.5 billion). At this stage management also believes that this ample liquidity will not be effected if there is no dividends from foreign subsidiaries and foreign corporate joint ventures whose undistributed earnings have been considered to be indefinitely reinvested into themselves.

Turmoil in financial market, commencing from the subprime mortgage crisis, was subdued and the volatility in financial markets substantially fell due to the massive supply of liquidity, rate reduction as well as credit support program by the central banks and economic stimulus package and equity injection to the financial institutions by the governments, while there was concern that the risk tolerance of the financial institution would be deteriorated by recent movements such as tightening regulations by the banking supervisory authorities in various countries such as reinforcing core capital, which is consisted mainly of the ordinary shares, as well as the U.S. government's considering introduction of the financial regulatory reform legislation. Thus, the credit market situation was still required to be monitored closely.

Under such circumstances, we steadily procured necessary funds in accordance with our basic funding policy by utilizing the long-term relationship with financial institutions and measures implemented by public financial institutions. The primary source in the direct finance is issuance of domestic corporate bonds, while the primary source in the in-direct finance are borrowings from banks and life insurance companies. Approximately 93.0% of total interest bearing debt as of March 31, 2010 was long-term debt and this ratio rose from last fiscal year's ratio (87.6%).

For the details of the long-term debt, interest rate structure and the maturity profile of our outstanding debt as of March 31, 2010, see Note 13, SHORT-TERM AND LONG-TERM DEBT.

As of March 31, 2010, since shareholders' equity increased to ¥2,230.1 billion, an increase of ¥348.4 billion from March 31, 2009, while net interest bearing debt was decreased by ¥459.4 billion to ¥2,055.7 billion, Net DER lowered to 0.92 as of March 31, 2010 from 1.34 as of March 31, 2009.

The ratio of current assets to current liabilities as of March 31, 2010 was 179.0%, up by 20.7% points from 158.3% as of March 31, 2009.

Judging by the numbers above, we believe that our balance sheet has been financially strengthened further than the last fiscal year end, and at this stage we do not see any financial difficulty for smooth operation in accordance with our Medium-Term Management Plan to March 2012.

As of March 31, 2010, we had given guarantees for obligations of various third parties and associated companies. These guarantees are not expected to require substantial use of our capital resources. We have not had any material payment requirements resulting from these guarantees for the past three years. For details on guarantees issued by us, see Note 21, CONTINGENT LIABILITIES.

**Table of Contents**

With the exception of project financing and non-recourse financing, it is our policy not to conclude agreements for important financial transactions with financial institutions that contain additional debt restriction clauses that may cause acceleration of our obligations, including debt incurrence restrictions, negative pledges, restrictions on dividend payments and various financial ratio limits, and there are no material financial covenants in the agreements undertaken.

Assuming that our subsidiaries have sufficient distributable net assets or retained earnings as provided under the local laws of the relevant jurisdictions, there are no material contractual or legal restrictions on the ability of our subsidiaries to transfer funds to us in the form of dividends, loans or advances. There are no material economic restrictions on payments of dividends, loans or advances to us by our subsidiaries other than general withholding or other taxes calculated at the rates determined by the local tax laws of the relevant jurisdictions.

We plan to contribute ¥4.2 billion to our defined-benefit pension plans for the year ending March 31, 2010. This cash requirement will be managed under our funding policy mentioned above.

*Investment Plans and Financial Policies of the Medium-Term Management Outlook*

For the year ended March 31, 2010, we forecasted total investing cash outflow to be approximately ¥360 billion, also plan assets recycling for total sum of approximately ¥120 billion<sup>(\*1)</sup>. Although a favorable investing environment into the six-month period ended March 31, 2010 reflecting recovery of macro economy, investments and loans we executed were limited to approximately ¥360 billion as same level as original plan. Cash generated through continued divestitures of non core businesses was ¥210 billion.<sup>(\*2)</sup>

As a result, net cash used in investing activities for the year ended March 31, 2010 was ¥180.1 billion. On the other hand, net cash provided by operating activities increased to ¥632.4 billion in spite of the decrease in net income for the year ended March 31, 2010 comparing with corresponding previous year, due to an improvement in working capital. Free cash flow for the year ended March 31, 2010 was a net inflow of ¥452.3 billion. See Cash Flows , for further description of cash flows for the year ended March 31, 2010.

As of the issuing date of this annual report, during the Medium-term Management Plan, we plan a total sum of ¥1,200 billion as expenditure for investments and loans. Within this amount, ¥700 billion will be executed in the year ending March 31, 2011, including expenditures of ¥200 billion of which decisions were made in the year ended March 31, 2010 but execution of which was deferred to the year ending March 31, 2011. We expect to make investments and loans in the Mineral Resources & Energy area for ¥240 billion mainly for projects under development such as the shale gas project in the U.S. or for expansion; in the Global Marketing Networks area for ¥160 billion; in the Lifestyle Business area for ¥60 billion; and in the Infrastructure area for ¥240 billion. We also plan asset recycling of a total sum of approximately ¥300 billion for the two-year period ending March 31, 2012, out of which ¥160 billion is expected to be executed in the year ending March 31, 2011.

As a result, cash flow from investing activities for the year ending March 31, 2011 is expected to be a cash outflow of ¥540 billion. While cash flow from operating activities is expected to be cash inflow, free cash flow will be negative. For the medium to long term point of view, we continue to work on the initiatives to achieve a positive free cash flow trend continuously and stably.

(\*1) Mitsui defines Investment Plan with the combined total of investing cash flows of operating segments other than All Other Segment and Adjustments and Eliminations. Financial services from and to Mitsui and its subsidiaries referred to in *Funding and Treasury Policies and Objectives* and *Liquidity Management* above are provided by the All Other Segment. Acquisitions of and proceeds from sales of available-for-sale securities as investing activities in the Statements of Consolidated Cash Flows are mostly conducted by the All Other Segment which includes the units in charge of corporate financing and liquidity management as discussed in *Funding Sources* .

(\*2) See Cash Flows from Investing Activities of Cash Flows for the breakdown by operating segment.

**Table of Contents**

Reflecting negative free cash flow as mentioned above, we forecast that net interest bearing debt as of March 31, 2011 will increase mainly due to decreasing cash and cash equivalents comparing with as of March 31, 2010. Accordingly we also forecast that Net DER during the Medium-term Management Plan, will remain at about 1.0 times.

For the details of the Medium-term Management Plan, see Item 4. Information on the Company and for the details of the refinance by direct financing from capital markets and fund raising including project finance from the private sector and government financing agencies, see Funding and Treasury Policies and Objectives and Funding Sources. Many of the projects in the investment plan involve bidding. The outcome of bidding will have an effect on our actual cash flows and financial condition for the year ending March 31, 2011.

***Assets, Liabilities and Shareholders' Equity***

Total assets as of March 31, 2010 were ¥8,369.0 billion, a slight increase of ¥4.8 billion from ¥8,364.2 billion as of March 31, 2009.

Total current assets as of March 31, 2010 were ¥4,261.1 billion, a decline of ¥158.0 billion from ¥4,419.1 billion as of March 31, 2009. While cash and cash equivalents increased by ¥253.6 billion, the increase was more than offset by declines of ¥284.1 billion in total in derivative assets and other current assets as commodity derivatives trading at the Financial Market Business Unit remained subdued. Trade receivables and inventories also declined by ¥130.3 billion in total reflecting a reduction of sales volume and a continued drop in the prices of certain steel products in the Iron & Steel Products Segment, while trade receivables increased in the Chemical Segment.

Reflecting the decline in total current assets, total current liabilities as of March 31, 2010 declined by ¥411.7 billion to ¥2,380.8 billion from ¥2,792.5 billion as of March 31, 2009. While trade payables posted an increase, the decline in total current liabilities is primarily attributable to a decline in derivative liabilities and other current liabilities corresponding to the decline in derivative assets and other current assets, as well as a reduction in short-term debt at Mitsui & Co., Ltd. and its financial subsidiaries.

As a result, working capital, or current assets less current liabilities, as of March 31, 2010 totaled ¥1,880.3 billion, an increase of ¥253.7 billion from ¥1,626.6 billion as of March 31, 2009.

The sum of total investments and non-current receivables, net property and equipment, intangible assets, less accumulated amortization, deferred tax assets-non-current, and other assets as of March 31, 2010 totaled ¥4,107.9 billion, an increase of ¥162.8 billion from ¥3,945.1 billion as of March 31, 2009, mainly due to the following factors:

Total investments and non-current receivables as of March 31, 2010 was ¥2,997.8 billion, an increase of ¥131.4 billion from ¥2,866.4 billion as of March 31, 2009. Within this category, investments in and advances to associated companies as of March 31, 2010 were ¥1,403.1 billion, an increase of ¥127.6 billion from ¥1,275.5 billion as of March 31, 2009. Major expenditures and divestitures were:

A subscription of newly issued shares in JA Mitsui Leasing, Ltd. for ¥30.1 billion in the Logistics & Financial Markets Segment;

A loan for ¥27.9 billion to an FPSO (Floating Production, Storage and Offloading system) leasing business for Brazilian deepwater oil exploration in the Machinery & Infrastructure Projects Segment; and

Major proceeds were a redemption of preferred shares in IPM (UK) Power Holdings Limited for ¥9.0 billion in the Machinery & Infrastructure Projects Segment.

**Table of Contents**

In addition to the above-mentioned increases, there were another factors which do not involve cash outflows such as:

A ¥70.0 billion net increase in foreign exchange translation cumulative adjustments due to lower Japanese Yen; and

Increases in equity in earnings (before tax effect) of ¥17.9 billion (net of ¥113.6 billion dividends received from associated companies).

The following table shows the details of investments in and advances to associated companies as of March 31, 2010 and 2009 by operating segment.

|                                     | Billions of Yen |               |             |
|-------------------------------------|-----------------|---------------|-------------|
|                                     | As of March 31, |               | Change      |
|                                     | 2010            | 2009          |             |
| Iron & Steel Products               | ¥ 24.7          | ¥ 20.7        | ¥ 4.0       |
| Mineral & Metal Resources           | 453.3           | 409.2         | 44.1        |
| Machinery & Infrastructure Projects | 339.5           | 324.5         | 15.0        |
| Chemical                            | 28.3            | 39.9          | (11.6)      |
| Energy                              | 147.5           | 138.5         | 9.0         |
| Foods & Retail                      | 90.4            | 81.0          | 9.4         |
| Consumer Service & IT               | 101.6           | 117.1         | (15.5)      |
| Logistics & Financial Markets       | 60.8            | 16.5          | 44.3        |
| Americas                            | 18.6            | 31.4          | (12.8)      |
| Europe, the Middle East and Africa  | 6.7             | 15.5          | (8.8)       |
| Asia Pacific                        | 102.4           | 55.2          | 47.2        |
| <br>Total                           | <br>1,373.8     | <br>1,249.5   | <br>124.3   |
| All Other                           | 0.3             | 1.8           | (1.5)       |
| Adjustments and Eliminations        | 29.0            | 24.2          | 4.8         |
| <br>Consolidated Total              | <br>¥ 1,403.1   | <br>¥ 1,275.5 | <br>¥ 127.6 |

---

**Table of Contents**

Other investments were ¥965.9 billion, a ¥8.7 billion increase from ¥957.2 billion as of March 31, 2009. Major factors were as follows:

An increase in investments such as ¥14.3 billion of shares in TPV Technology Limited;

A ¥53.7 billion decline in investment in Sakhalin Energy Investment Company Ltd. due to capital redemption (in addition, a ¥12.3 billion decline due to a foreign exchange translation loss);

A ¥88.4 billion net increase in unrealized holding gains on available-for-sale securities, such as those of POSCO, reflecting a recovery in global stock markets, and recognition of impairment losses on shares in Seven & i Holdings Co., Ltd due to an other-than-temporary decline in the share price resulting from a backdrop of reduced consumer spending in the Japanese domestic market.<sup>(\*1)</sup>; and

A decline of ¥48.5 billion due to write-downs of securities, including a ¥20.0 billion loss on preferred shares in Japan Airlines Corporation and a ¥15.1 billion loss on shares in Seven & i Holdings Co., Ltd.<sup>(\*1)</sup>.

Property leased to others at cost as of March 31, 2010 was ¥224.0 billion, an increase of ¥24.8 billion from ¥199.2 billion as of March 31, 2009, mainly due to a business of rolling stock for lease.

Property and equipment at cost as of March 31, 2010 was ¥978.6 billion, an increase of ¥32.3 billion from ¥946.3 billion as of March 31, 2009. Major components were as follows:

A ¥58.7 billion increase for iron ore mining expansion projects in Australia (including a foreign exchange translation gain of ¥28.7 billion) in the Mineral & Metal Resources Segment;

A ¥24.9 billion increase for coal mining expansion projects in Australia (including a foreign exchange translation gain of ¥29.2 billion) in the Energy Segment, and

(\*1) We had an unrealized holding loss of ¥15.0 billion on listed shares in Seven & i Holdings Co., Ltd. as of March 31, 2009. In the six-month period ended September 30, 2009, we recorded an impairment loss of ¥15.1 billion on the shares as we determined the decline in the share price was other-than-temporary. Following the recognition of impairment loss, the share price increased, and we had an unrealized holding gain of ¥1.7 billion related to Seven & i Holdings Co., Ltd. as of March 31, 2010. As a result, a net increase of ¥16.7 billion was included in the ¥88.4 billion net increase in unrealized holding gains on available-for-sale securities, while the net increase in investments in Seven & i Holdings Co., Ltd. was ¥1.6 billion.

**Table of Contents**

A ¥41.0 billion decline for energy-related projects (including a foreign exchange translation loss of ¥9.5 billion) due primarily to a divestiture of all assets in oil and gas projects in the Gulf of Mexico held by MitEnergy Upstream LLC. In addition, increases in accumulated depreciation offset expenditures for investments in the Enfield and Vincent oil fields in Australia, the Tui oil field in New Zealand, and oil and gas projects in Oman, while Mitsui Oil Exploration Co., Ltd. off the coast of Thailand recorded an increase in net property and equipment in the Energy Segment.

The following table shows the details of property leased to others at cost and property and equipment at cost as of March 31, 2010 and 2009 by operating segment.

|                                     | Billions of Yen |               |            |
|-------------------------------------|-----------------|---------------|------------|
|                                     | As of March 31, |               |            |
|                                     | 2010            | 2009          | Change     |
| Iron & Steel Products               | ¥ 22.6          | ¥ 24.0        | ¥ (1.4)    |
| Mineral & Metal Resources           | 158.9           | 99.7          | 59.2       |
| Machinery & Infrastructure Projects | 137.1           | 130.5         | 6.6        |
| Chemical                            | 53.8            | 49.9          | 3.9        |
| Energy                              | 424.8           | 436.7         | (11.9)     |
| Foods & Retail                      | 56.8            | 58.2          | (1.4)      |
| Consumer Service & IT               | 53.1            | 55.2          | (2.1)      |
| Logistics & Financial Markets       | 62.9            | 50.4          | 12.5       |
| Americas                            | 83.5            | 85.7          | (2.2)      |
| Europe, the Middle East and Africa  | 15.0            | 14.7          | 0.3        |
| Asia Pacific                        | 5.6             | 4.9           | 0.7        |
| <br>Total                           | <br>1,074.1     | <br>1,009.9   | <br>64.2   |
| All Other                           | 9.5             | 9.8           | (0.3)      |
| Adjustments and Eliminations        | 119.0           | 125.8         | (6.8)      |
| <br>Consolidated Total              | <br>¥ 1,202.6   | <br>¥ 1,145.5 | <br>¥ 57.1 |



**Table of Contents**

Long-term debt, less current maturities as of March 31, 2010 was ¥2,909.8 billion, an increase of ¥68.5 billion from ¥2,841.3 billion as of March 31, 2009, due mainly to an increase in long-term borrowings at Mitsui.

Shareholders' equity as of March 31, 2010 was ¥2,230.1 billion, an increase of ¥348.4 billion from ¥1,881.7 billion as of March 31, 2009. Major components of the increase were an increase of ¥136.9 billion in retained earnings, a net increase of ¥111.9 billion in foreign currency translation adjustments due to the appreciation of the Australian dollar and Brazilian real and the depreciation of the U.S. dollar against the Japanese yen, and a net increase of ¥79.6 billion in unrealized holding gains on available-for-sale securities.

**Cash Flows**

|  | Billions of Yen       |                |               |
|--|-----------------------|----------------|---------------|
|  | Years Ended March 31, |                |               |
|  | 2010                  | 2009           | 2008          |
| Net cash provided by operating activities                    | ¥ 632.4               | ¥ 582.7        | ¥ 415.8       |
| Net cash used in investing activities                        | (180.1)               | (290.9)        | (104.8)       |
| Net cash (used in) provided by financing activities          | (214.4)               | (9.8)          | (185.1)       |
| Effect of exchange rate changes on cash and cash equivalents | 15.8                  | (33.5)         | (26.7)        |
| <b>Net increase (decrease) in cash and cash equivalents</b>  | <b>¥ 253.6</b>        | <b>¥ 248.5</b> | <b>¥ 99.2</b> |

*Cash Flows during the Year Ended March 31, 2010***Cash Flows from Operating Activities**

Net cash provided by operating activities for the year ended March 31, 2010 was ¥632.4 billion, an increase of ¥49.7 billion from ¥582.7 billion for the corresponding previous year. Major components of net cash provided by operating activities were our operating income of ¥144.5 billion and an improvement in working capital, or changes in operating assets and liabilities, of ¥285.7 billion due to a contraction in commodity derivative trading as well as declines in commodity prices and sales volumes for the period. Other major components were:

Dividends received totaling ¥149.3 billion from associated companies as well as investees other than associated companies, among others from our mineral resources and energy related associated companies such as Japan Australia LNG (MIMI) Pty. Ltd. (Australia), Valepar S.A. (Brazil), and other Middle Eastern LNG companies; and

Payments of ¥106.3 billion for corporate income taxes.

Compared to the year ended March 31, 2009, operating income declined by ¥238.0 billion while net cash provided by the improvement in working capital increased by ¥218.4 billion.

**Table of Contents**

## Cash Flows from Investing Activities

The following table shows net cash provided by (used in) investing activities by operating segment.

|   | Billions of Yen<br>Years Ended March 31, |                 |                 |
|---|--|-----------------|-----------------|
|   | 2010                                     | 2009            | 2008            |
| Iron & Steel Products   | ¥ (0.5)                                  | ¥ (3.1)         | ¥ (3.8)         |
| Mineral & Metal Resources                                       | (36.3)                                   | (155.5)         | (2.2)           |
| Machinery & Infrastructure Projects                             | (50.3)                                   | (36.8)          | (55.0)          |
| Chemical  | (6.4)                                    | (4.2)           | (13.6)          |
| Energy  | 3.6                                      | (91.7)          | 97.4            |
| Foods & Retail  | (11.3)                                   | (26.4)          | (11.9)          |
| Consumer Service & IT   | (6.5)                                    | 7.4             | 13.3            |
| Logistics & Financial Markets                                   | (27.8)                                   | 5.9             | 0.3             |
| Americas  | (9.6)                                    | (15.3)          | (72.0)          |
| Europe, the Middle East and Africa                              | 2.9                                      | (6.9)           | (3.8)           |
| Asia Pacific <sup>(*)</sup>                                     | (4.7)                                    | 2.2             | (4.0)           |
| <b>Total</b>  | <b>(146.9)</b>                           | <b>(324.4)</b>  | <b>(55.3)</b>   |
| <b>All Other and Adjustments and Eliminations<sup>(*)</sup></b> | <b>(33.2)</b>                            | <b>33.5</b>     | <b>(49.5)</b>   |
| <b>Consolidated Total</b>                                       | <b>¥(180.1)</b>                          | <b>¥(290.9)</b> | <b>¥(104.8)</b> |

(\*) Until the year ended March 31, 2009, the figures of operating segments include the inter-segment transactions, for example, increase in long-term loan receivables disbursed to other operating segments. At the same time, the amounts of such inter-segment transactions are eliminated in Eliminations. For the year ended March 31, 2010, we changed accounting policy that above figures should be excluded and figures for prior years have been restated.

Net cash used in investing activities for the year ended March 31, 2010 was a net outflow of ¥180.1 billion, a ¥110.8 billion decrease from ¥290.9 billion net outflows for the year ended March 31, 2009.

The net outflows of cash that corresponded to investments in and advances to associated companies (net of sales of investments in and collection of advances to associated companies) were ¥44.9 billion. Major components were:

A subscription of newly issued shares in JA Mitsui Leasing, Ltd. for ¥30.1 billion in the Logistics & Financial Markets Segment;

A loan of ¥27.9 billion to an FPSO<sup>(\*)</sup> leasing business for Brazilian deepwater oil exploration in the Machinery & Infrastructure Projects Segment; and

A divestiture of investment in United Petroleum Development Co., Ltd. in the Energy Segment as well as a redemption of preferred shares in IPM (UK) Power Holdings Limited for ¥9.0 billion in the Machinery & Infrastructure Projects Segment.

## Edgar Filing: MITSUI & CO LTD - Form 20-F

A total of ¥232.2 billion was paid out for property leased to others and property and equipment; and proceeds of ¥43.8 billion was provided from sales of property leased to others and property and equipment. As a result, net cash outflows were ¥188.4 billion. Cash inflows consisted of an accumulation of small factors, major purchases of equipment included:

Acquisition of property and equipment for the oil and gas projects of the Enfield and Vincent oil field in Australia, Tui oil field in New Zealand, oil and gas projects in Oman, and oil and gas

(\*1) A Floating Production, Storage and Offloading (FPSO) is a floating ship-shaped vessel used for the processing and storage of oil and gas.

**Table of Contents**

projects of offshore Gulf of Mexico as well as oil and gas projects by Mitsui Oil Exploration Co., Ltd. in total for ¥68.7 billion and for the coal mining projects in Australia for ¥8.8 billion in the Energy Segment;

Acquisition of property and equipment for the iron ore mining projects in Australia for ¥39.4 billion in the Mineral & Metal Resources Segment;

Leased rolling stock for ¥29.9 billion in the Machinery & Infrastructure Projects Segment; and

A divestiture of the entire assets in oil and gas projects in the Gulf of Mexico held by MitEnergy Upstream LLC for ¥23.5 billion.

A total of ¥48.8 billion was paid out for acquisitions of available-for-sale and other investments, while proceeds of ¥113.1 billion were received from sales and redemption of those securities. As a result, net cash inflows were ¥64.3 billion. For the year ended March 31, 2010, cash outflows and inflows in connection with debt securities for the purpose of corporate fund management were marginal compared to the past fiscal years. Major transactions were:

Investment in TPV Technology Limited for ¥14.3 billion in the Consumer Service & IT Segment;

Proceeds of redemption of shares in Sakhalin Energy Investment for ¥53.7 billion in the Energy Segment; and

Proceeds of redemption of a convertible bond from Cedyna Financial Corporation for ¥11.6 billion in the Logistics & Financial Markets Segment.

Compared to the year ended March 31, 2009, cash flows used in investing activities for the year ended March 31, 2010 decreased by ¥110.8 billion. Major reasons were additional investment in Valepar S.A. for ¥78.4 billion and the acquisitions of shares of Sims Metal Management Limited for ¥23.0 billion in the Mineral & Metal Resources Segment in the year ended March 31, 2009.

Free cash flows, or sum of net cash provided by operating activities and net cash used in investing activities, for the year ended March 31, 2010 was a net inflow of ¥452.3 billion.

**Cash Flows from Financing Activities**

Net cash used in financing activities for the year ended March 31, 2010 was ¥214.4 billion. Major factors were as below:

Net cash inflows from the borrowing of long-term debt mainly at Mitsui were ¥58.1 billion corresponding for demand of various investments.

---

**Table of Contents**

Net cash outflow for the repayments of the borrowing of short-term debt at Mitsui and financial subsidiaries were ¥212.4 billion.

Cash outflow for the payments to noncontrolling interests was ¥47.3 billion including the purchase of shares in Mitsui Oil Exploration Co., Ltd. from noncontrolling interests.

Compared to the year ended March 31, 2009, net cash used in financing activities for the year ended March 31, 2010 increased by ¥204.6 billion, reflecting increases in net cash used due to repayment of short-term debt from the year ended March 31, 2009. See also Funding Sources above, for details of our fund procurement.

*Cash Flows during the Year Ended March 31, 2009*

Cash Flows from Operating Activities

Net cash provided by operating activities for the year ended March 31, 2009 was ¥582.7 billion, an increase of ¥166.9 billion from ¥415.8 billion for the year ended March 31, 2008. Major components of the net cash provided by operating activities were our operating income of ¥394.7 billion for the period and net changes in operating assets and liabilities of ¥69.9 billion due to a decline in commodity prices since the three month period ended December 31, 2008. Other major components were:

Operating income which increased steadily mainly at the Mineral & Metal Resources and the Energy Segment;

Dividends received totaling ¥168.5 billion from associated companies as well as investees other than associated companies, among others from our mineral resources and energy related associated companies such as Japan Australia LNG (MIMI) Pty. Ltd., Valepar S.A., and other Middle Eastern LNG companies; and

Payments of ¥255.0 billion for corporate income taxes.

Compared to the year ended March 31, 2008, operating income slightly increased by ¥16.0 billion while net cash provided by the changes in operating assets and liabilities increased by ¥94.4 billion. Net income for the year ended March 31, 2009 was a decrease of ¥232.5 billion. The decrease was comprised of mostly one time losses on non-cash items.

Cash Flows from Investing Activities

Net cash used in investing activities for the year ended March 31, 2009 was a net outflow of ¥290.9 billion, a ¥186.1 billion increase from ¥104.8 billion net outflows for the year ended March 31, 2008.

The net outflows of cash that corresponded to investments in and advances to associated companies (net of sales of investments in and collection of advances to associated companies) were ¥131.6 billion. Major components were:

The additional investments in Valepar S.A. for ¥78.4 billion, the acquisitions of shares in Sims Metal Management Limited for ¥23.0 billion in the Mineral & Metal Resources Segment;

The additional investment in Multigrain AG for ¥14.0 billion in the Foods & Retail Segment; and

The additional investments in IPM Eagle LLP for ¥9.6 billion. The major cash inflow was the redemption of preferred shares in IPM Eagle LLP for ¥32.7 billion in the Machinery & Infrastructure Projects Segment.



---

**Table of Contents**

A total of ¥253.6 billion was paid out for property leased to others and property and equipment; and proceeds of ¥34.6 billion was provided from sales of property leased to others and property and equipment. As a result, net cash outflows were ¥219.0 billion. Cash inflows consisted of an accumulation of small factors, major purchases of equipment included:

Acquisition of property and equipment for the oil and gas projects of the Enfield and Vincent oil field in Australia, Tui oil field in New Zealand, oil and gas projects in Oman, and oil and gas projects of offshore Gulf of Mexico as well as oil and gas projects by Mitsui Oil Exploration Co., Ltd. in total for ¥71.1 billion and for the coal mining projects in Australia for ¥14.2 billion in the Energy Segment;

Acquisition of property and equipment for the iron ore mining projects in Australia for ¥42.4 billion in the Mineral & Metal Resources Segment; and

Leased rolling stock for ¥26.8 billion in the Machinery & Infrastructure Projects Segment.

A total of ¥76.2 billion was paid out for acquisitions of available-for-sale and other investments, while proceeds of ¥119.9 billion were received from sales of those securities. As a result, net cash outflows were ¥47.2 billion. For the year ended March 31, 2009, cash outflows and inflows in connection with debt securities for the purpose of corporate fund management were marginal compared to the past fiscal years. Major transactions were:

Additional investment in Sakhalin Energy Investment for ¥15.3 billion in the Energy Segment;

Acquisition of preferred Stock in Sumitomo Mitsui Financial Group overseas subsidiaries for ¥10.0 billion in the All Other Segment;

Proceeds from sales of those investments consisted of redemption of the preferred stock in Sumitomo Mitsui Financial Group overseas subsidiary for ¥22.5 billion in the All Other Segment;

Proceeds from sale of a trust beneficiary right with respect to Shiodome Building for ¥14.7 billion in the Consumer Service & IT Segment; and

Proceeds of redemption of shares in Sakhalin Energy Investment for ¥14.2 billion and proceeds from sale of shares in Kyushu Oil Co., Ltd for ¥8.2 billion in the Energy Segment.

Compared to the year ended March 31, 2008, cash flows used in investing activities for the year ended March 31, 2009 increased by ¥186.1 billion. Major reason was proceeds from the divestitures of Sakhalin Energy Investment Company Ltd. and Sesa Goa Limited in the year ended March 31, 2008.

Free cash flows, or sum of net cash provided by operating activities and net cash used in investing activities, for the year ended March 31, 2009 was a net inflow of ¥291.8 billion.

Cash Flows from Financing Activities

Net cash used in financing activities for the year ended March 31, 2009 was ¥9.8 billion. Major factors were as below:

## Edgar Filing: MITSUI & CO LTD - Form 20-F

Net cash inflows from the borrowing of long-term debt mainly at Mitsui were ¥51.6 billion corresponding for demand of various investment.

Dividend paid by Mitsui totaled ¥101.7 billion.

Compared to the year ended March 31, 2008, net cash used in financing activities for the year ended March 31, 2009 decreased by ¥175.3 billion, reflecting increases in net cash from both short-term and long-term debt from the year ended March 31, 2008.



**Table of Contents****C. Research & Development**

For the years ended March 31, 2010, 2009 and 2008, research and development ( R&D ) expenses for the various R&D activities totaled ¥3.6 billion, ¥3.5 billion and ¥4.0 billion, respectively.

Management recognizes that individual R&D activity will not have a significant impact on our future operating results.

**D. Trend Information**

See Item 5.A, B, E and F.

**E. Off-Balance Sheet Arrangements**

We use off-balance sheet arrangements in the ordinary course of business to further our trading, fund-raising and other activities. Categories of off-balance sheet arrangements are as follows:

*Guarantees*

The following tables summarize our guarantees as of March 31, 2010 and 2009.

The maximum potential amount of future payments represents the amount without consideration of possible recoveries under recourse provision or from collateral held or pledged that we could be obliged to pay if there were defaults by guaranteed parties or there were changes in an underlying which would cause triggering events under market value guarantees and indemnification contracts. Such amounts bear no relationship to the anticipated losses on these guarantees and indemnifications, and they greatly exceed anticipated losses. Estimated proceeds from collateral and recourse represent the anticipated values of assets we could liquidate or receive from other parties to offset our payments under guarantees. The carrying amounts of liabilities recorded on the Consolidated Balance Sheets reflect our best estimate of future payments we may incur as part of fulfilling our guarantee obligations. Further information on contingent liabilities including those guarantees is provided in Note21, CONTINGENT LIABILITIES.

|                              | Billions of Yen                                      |                                       |                                      |
|------------------------------|--|---------------------------------------|--------------------------------------|
|                              | Maximum<br>potential amount of<br>future<br>payments | Recourse<br>provisions/<br>collateral | Carrying<br>amount of<br>liabilities |
| <b>As of March 31, 2010:</b> |  |                                       |                                      |
| Financial Guarantees         | ¥ 319  | ¥ 36                                  | ¥ 6                                  |
| Performance Guarantees       | 6  | 3                                     |                                      |
| Market Value Guarantees      | 74   | 54                                    | 0                                    |

|                              | Billions of Yen                                      |                                       |                                      |
|------------------------------|--|---------------------------------------|--------------------------------------|
|                              | Maximum<br>potential amount of<br>future<br>payments | Recourse<br>provisions/<br>collateral | Carrying<br>amount of<br>liabilities |
| <b>As of March 31, 2009:</b> |  |                                       |                                      |
| Financial Guarantees         | ¥ 322  | ¥ 35                                  | ¥ 4                                  |
| Performance Guarantees       | 11   | 4                                     | 0                                    |
| Market Value Guarantees      | 46   | 31                                    | 0                                    |

In the furtherance of our trading activities, it is a customary practice for us to guarantee, severally or jointly with others, indebtedness of certain of our customers and suppliers and of certain associated companies as well as to guarantee the performance of contracts by such entities.

As lessees in operating lease contracts, certain subsidiaries have issued residual value guarantees of leased ocean transport vessels, and on the date of expiration of operating lease contracts, such subsidiaries will either purchase the leased assets at a fixed price or will be responsible for making up any shortfall between the actual



**Table of Contents**

sales price and the guaranteed value. In accordance with ASC810, Consolidation, which was formerly FASB Interpretation No. 46, Consolidation of Variable Interest Entities (revised December 2003), we consolidated ¥10.7 billion and ¥11.9 billion of total assets related to certain ocean transport vessels entities at March 31, 2010 and 2009, respectively. This information is provided in Note 22, VARIABLE INTEREST ENTITIES.

*Sales of Trade Receivables*

At March 31, 2010 and 2009, the outstanding amounts of off-balance sheet arrangements in which certain trade receivables are sold to third parties were immaterial.

*Variable Interest Entities*

We are involved with and have significant variable interests in a number of variable interest entities ( VIEs ) that are not consolidated because we are not the primary beneficiary, but in which we have significant variable interests. These VIEs mainly engage in leasing and financing activities. Further information is provided in Note 22, VARIABLE INTEREST ENTITIES.

**F. Tabular Disclosure of Contractual Obligations**

The following table provides our contractual obligations as of March 31, 2010 and payment due by period of these contractual obligations:

| Contractual Obligations                     | Balance as of<br>March 31, 2010 | March<br>2011 | Billions of Yen<br>Payment Due by Period |               |                     |
|---|---------------------------------|---------------|--|---------------|---------------------|
|   |                                 |               | March<br>2013                            | March<br>2015 | After<br>March 2015 |
| Long-Term Debt <sup>(1)</sup>               | ¥ 3,177                         | ¥317          | ¥ 664                                    | ¥ 763         | ¥ 1,433             |
| Capital Lease Obligations <sup>(2)</sup>    | 23                              | 5             | 8  | 4             | 6                   |
| Operating Leases <sup>(3)</sup>             | 121                             | 30            | 38                                       | 24            | 29                  |
| Long-Term Purchase Contracts <sup>(4)</sup> | 3,273                           | 1,279         | 855                                      | 363           | 776                 |

(1) The amounts of Long-Term Debt include bank borrowings and bonds, excluding the effect of the ASC 815, Derivatives and Hedging, which was formerly SFAS No. 133, fair value adjustment and capital lease obligations (present value of net minimum lease payments).

(2) Capital Lease Obligations represents the schedule of payments for future minimum lease payments.

(3) Operating Leases represents the schedule of payments for future minimum rentals. Minimum rental payments have not been reduced by minimum sublease rentals of ¥29.3 billion due in the future under noncancelable subleases.

(4) Long-Term Purchase Contracts represents the schedule of payments for long-term purchase obligations, net of advance payments of ¥146 billion made to suppliers as of March 31, 2010.

For additional information regarding long-term debt, capital lease obligations and operating leases, see Note 13, SHORT-TERM AND LONG-TERM DEBT, and Note 8, LEASES, respectively.

In addition to the above, we plan to contribute ¥4.2 billion to our defined benefit pension plans for the year ending March 31, 2010.

The table above excludes estimated interest payments on liabilities and estimated payments under interest swap. Total cash paid for interest during the year ended March 31, 2010 was ¥59.1 billion.

Concerning only Mitsui which has approximately 76 % of total interest bearing debt, estimated interest payment on liabilities and estimated payments under interest swap was ¥230.8 billion. The payment amount by period was ¥25.0 billion due by March 2011, ¥49.7 billion due by March 2013, ¥51.9 billion due by March 2015 and ¥104.2 billion due after March 2015.

## **Table of Contents**

The table above also excludes unrecognized tax benefits of ¥4.2 billion. We had no unrecognized tax benefits classified as current liabilities. The timing of future cash outflows associated with unrecognized tax benefits classified as non current liabilities is highly uncertain.

The purchased items under Long-Term Purchase Contracts are principally ocean transport vessels, oil products, chemical materials, metals and machinery and equipment, either at fixed prices or at basic purchase prices adjustable to the market. In general, our customers, primarily large Japanese industrial companies and shipping firms, are also parties to the contracts, or conclude separate agreements with us, and are committed to purchasing the items from us. Therefore, management does not recognize that these long-term purchase contracts could have seriously adverse effects on our future liquidity. As of March 31, 2010, there was no outstanding balance of purchase contracts which have unconditional payment conditions.

### **Item 6. Directors, Senior Management and Employees.**

#### **A. Directors and Senior Management.**

We are managed by a Board of Directors and Executive Officers. As of June 23, 2010, we have thirteen Directors and forty-one Executive Officers including eight of whom are also Directors. In accordance with Mitsui's Articles of Incorporation, each Director was elected for a term of one year. Each Executive Officer has been appointed by the Board of Directors.

The Board of Directors is our decision-making body. The Board of Directors determines our basic guidelines and policies by establishing our corporate strategy, reviewing our business plans, and supervising and monitoring the activities of our Executive Officers.

The Executive Officers are responsible for the execution of our corporate activities. They must follow and enforce the general guidelines and policies established by the Board of Directors and Mitsui's Articles of Incorporation.

As of June 23, 2010, Mitsui's Executive Officers consisted of one President, four Executive Vice Presidents, five Senior Executive Managing Officers, thirteen Executive Managing Officers and eighteen Managing Officers.

The execution of the Directors' functions (including their functions to supervise and monitor the activities of the Executive Officers) is audited by Corporate Auditors. Each Corporate Auditor is elected by shareholders of Mitsui at a general meeting of shareholders. As of June 23, 2010, we have six Corporate Auditors. In performing their auditing activities, they act independently of each other while they constitute and act through the Board of Corporate Auditors, as the Companies Act of Japan requires.

**Table of Contents****Directors, Corporate Auditors and Executive Officers**

Our Directors, Corporate Auditors and Executive Officers as of June 23, 2010 were:

*Directors*

| <b>Name</b>                        | <b>Position</b>                    |
|------------------------------------|------------------------------------|
| Shoei Utsuda                       | Chairman of the Board of Directors |
| Masami Iijima                      | Representative Director            |
| Ken Abe                            | Representative Director            |
| Junichi Matsumoto                  | Representative Director            |
| Seiichi Tanaka                     | Representative Director            |
| Norinao Iio                        | Representative Director            |
| Takao Omae                         | Representative Director            |
| Masayoshi Komai                    | Representative Director            |
| Daisuke Saiga                      | Representative Director            |
| Nobuko Matsubara <sup>(1)</sup>    | Director                           |
| Ikujiro Nonaka <sup>(1)</sup>      | Director                           |
| Hiroshi Hirabayashi <sup>(1)</sup> | Director                           |
| Toshiro Muto <sup>(1)</sup>        | Director                           |

(1) Ms. Nobuko Matsubara, Mr. Ikujiro Nonaka, Mr. Hiroshi Hirabayashi and Mr. Toshiro Muto are external directors. See Item 6.C. Board Practices.

*Corporate Auditors*

| <b>Name</b>                      | <b>Position</b>   |
|----------------------------------|-------------------|
| Satoru Miura <sup>(2)</sup>      | Corporate Auditor |
| Motonori Murakami <sup>(2)</sup> | Corporate Auditor |
| Hideharu Kadowaki <sup>(3)</sup> | Corporate Auditor |
| Naoto Nakamura <sup>(3)</sup>    | Corporate Auditor |
| Kunihiro Matsuo <sup>(3)</sup>   | Corporate Auditor |
| Hiroyasu Watanabe <sup>(3)</sup> | Corporate Auditor |

(2) Mr. Satoru Miura and Mr. Motonori Murakami are full-time Corporate Auditors.

(3) Mr. Hideharu Kadowaki, Mr. Naoto Nakamura, Mr. Kunihiro Matsuo and Mr. Hiroyasu Watanabe are external Corporate Auditors. See Item 6.C. Board Practices.

**Table of Contents***Executive Officers*

| <b>Name</b>        | <b>Title and Principal Position</b>  |
|--------------------|--|
| Masami Iijima      | President and Chief Executive Officer; Chairman of Internal Controls Committee   |
| Ken Abe            | Executive Vice President; Mineral & Metal Resources Business Unit; Basic Chemicals Business Unit; Performance Chemicals Business Unit; Transportation Logistics Business Unit, Chairman of Portfolio Management Committee  |
| Junichi Matsumoto  | Executive Vice President; Chief Financial Officer; Corporate Staff Unit (Financial Planning & Administrative Division, Global Controller Division, Segment Controller Division, Finance Division, Investment Administration Division, Credit Risk Management Division, Market Risk Management Division, Investor Relations Division); Chairman of Disclosure Committee                           |
| Seiichi Tanaka     | Executive Vice President; Chief Information Officer; Chief Privacy Officer; Corporate Staff Unit (Corporate Planning & Strategy Division, Information Technology Promotion Division, CSR Promotion Division, Corporate Communications Division); Global Strategy, New Business Promotion; Environmental Matters; Chairman of Information Strategy Committee, Chairman of CSR Promotion Committee |
| Toshimasa Furukawa | Executive Vice President; Chief Operating Officer of Asia Pacific Business Unit  |
| Norinao Iio        | Senior Executive Managing Officer; Energy Business Unit I; Energy Business Unit II; Financial Markets Business Unit; Domestic Offices and Branches; Chairman of Environment and New Energy Committee   |
| Takao Omae         | Senior Executive Managing Officer; Infrastructure Projects Business Unit; Motor Vehicles Business Unit; Consumer Service Business Unit; IT Business Unit   |
| Masayoshi Komai    | Senior Executive Managing Officer; Iron & Steel Products Business Unit; Marine & Aerospace Business Unit; Foods & Retail Business Unit   |
| Koji Nakamura      | Senior Executive Managing Officer; Chief Operating Officer of EMEA (Europe, the Middle East and Africa) Business Unit  |
| Masaaki Fujita     | Senior Executive Managing Officer; Chief Operating Officer of Americas Business Unit   |
| Daisuke Saiga      | Executive Managing Officer; Chief Compliance Officer; Corporate Staff Unit (Secretariat, Corporate Auditor Division, Human Resources & General Affairs Division, Legal Division, Logistics Management Division); Business Continuity Management; Chairman of Compliance Committee; Chairman of Diversity Promotion Committee   |
| Junichi Mizonoue   | Executive Managing Officer; President of Mitsui & Co. (Thailand) Ltd.  |
| Osamu Koyama       | Executive Managing Officer; President & CEO of Mitsui Global Strategic Studies Institute   |
| Shigeru Hanagata   | Executive Managing Officer; General Manager of Nagoya Office   |
| Yoshinori Setoyama | Executive Managing Officer; General Manager of Kyushu Office   |

**Table of Contents**

| <b>Name</b>        | <b>Title and Principal Position</b>   |
|--------------------|---|
| Masahiko Okamura   | Executive Managing Officer; General Manager of Osaka Office   |
| Noriaki Sakamoto   | Executive Managing Officer; Deputy Chief Operating Officer of EMEA (Europe, the Middle East and Africa) Business Unit                         |
| Fuminobu Kawashima | Executive Managing Officer; Chief Operating Officer of Marine & Aerospace Business Unit   |
| Joji Okada         | Executive Managing Officer; Deputy Chief Financial Officer; General Manager of Global Controller Division; Chairman of SOA Sec. 404 Committee |
| Takashi Yamauchi   | Executive Managing Officer; Chief Operating Officer of Transportation Logistics Business Unit   |
| Shuji Nakura       | Executive Managing Officer; Chief Operating Officer of IT Business Unit   |
| Masayuki Kinoshita | Executive Managing Officer; Chief Operating Officer of Mineral & Metal Resources Business Unit  |
| Atsushi Oi         | Executive Managing Officer; Chief Representative of Mitsui & Co., Ltd. in China   |
| Terukazu Okahashi  | Managing Officer; President of Mitsui & Co. (Canada) Ltd.   |
| Katsumi Ogawa      | Managing Officer; Deputy Chief Operating Officer of Americas Business Unit  |
| Takashi Fukunaga   | Managing Officer; Chief Operating Officer of Foods & Retail Business Unit   |
| Mitsuhiko Kawai    | Managing Officer; Chief Operating Officer of Financial Markets Business Unit  |
| Noritaka Tanaka    | Managing Officer; General Manager of Investment Administration Division   |
| Susumu Uneno       | Managing Officer; Chief Operating Officer of Performance Chemicals Business Unit  |
| Kazuhiko Fukuchi   | Managing Officer; Chief Operating Officer of Consumer Service Business Unit   |
| Shintaro Ambe      | Managing Officer; Chief Operating Officer of Infrastructure Projects Business Unit  |
| Motomu Takahashi   | Managing Officer; Chief Operating Officer of Iron & Steel Products Business Unit  |
| Mitsuo Hidaka      | Managing Officer; Chief Operating Officer of Energy Business Unit II  |
| Ichizo Kobayashi   | Managing Officer; Chief Operating Officer of Motor Vehicles Business Unit   |
| Makoto Yoshimura   | Managing Officer; General Manager of Internal Auditing Division   |
| Tatsuo Nakayama    | Managing Officer; President of Mitsui & Co. (Brasil) S.A.   |
| Motonobu Sato      | Managing Officer; General Director of Mitsui & Co. Vietnam Ltd.   |
| Koichi Tanaka      | Managing Officer; General Manager of Segment Controller Division  |
| Hironobu Ishikawa  | Managing Officer; General Manager of Human Resources & General Affairs Division   |
| Hiroyuki Kato      | Managing Officer; Chief Operating Officer of Energy Business Unit I   |
| Yoshihiro Hombo    | Managing Officer; Chief Operating Officer of Basic Chemicals Business Unit  |

**Table of Contents**

The date of birth, the position as of June 23, 2010 and the prior positions of our Directors and Corporate Auditors were provided below.

**Directors**

|                  |  |   |
|------------------|--|---|
| Name             | <i>Shoei Utsuda</i>  |   |
| Date of Birth    | February 12, 1943  |   |
| Current Position | Chairman of the Board of Directors (since April 1, 2009)                             |   |
| Prior Positions  | 1997   | A member of Board of Directors (Director, General Manager of Machinery & Information Industries Administrative Division)  |
|                  | 2000   | Representative Director, Executive Managing Director, General Manager of Corporate Planning Division  |
|                  | 2002/4   | Representative Director, Senior Executive Managing Officer, Chief Strategic Officer (Responsible for Administrative Division), Chief Operating Officer of Business Process Re-Engineering Project |
|                  | 2002/10  | Representative Director, President & Chief Executive Officer  |
| Name             | <i>Masami Iijima</i>   |   |
| Date of Birth    | September 23, 1950   |   |
| Current Position | Representative Director, President and Chief Executive Officer (since April 1, 2009) |   |
| Prior Positions  | 2006   | Managing Officer, Chief Operating Officer of Iron & Steel Raw Materials and Non-Ferrous Metals Business Unit  |
|                  | 2007   | Managing Officer, Chief Operating Officer of Mineral & Metal Resources Business Unit  |
|                  | 2008/4   | Executive Managing Officer  |
|                  | 2008/6   | Representative Director, Executive Managing Officer   |
|                  | 2008/10  | Representative Director, Senior Executive Managing Officer  |
| Name             | <i>Ken Abe</i>   |   |
| Date of Birth    | September 19, 1947   |   |
| Current Position | Representative Director, Executive Vice President (since April 1, 2010)              |   |
| Prior Positions  | 2002   | Managing Officer, General Manager of Metals Administrative Division, Metal Products & Mineral Group   |
|                  | 2003   | Managing Officer, Chief Operating Officer of Iron & Steel Raw Materials Unit  |
|                  | 2004   | Executive Managing Officer, Chief Operating Officer of Iron & Steel Raw Materials and Non-Ferrous Metals Business Unit  |
|                  | 2006   | Senior Executive Managing Officer, Chief Operating Officer of Europe Business Unit  |
|                  | 2007   | Senior Executive Managing Officer, Chief Operating Officer of EMEA (Europe, the Middle East and Africa) Business Unit   |
|                  | 2008/4   | Executive Vice President, Director of Mitsui & Co. (U.S.A), Inc.  |
|                  | 2008/6   | Representative Director, Executive Vice President, Director of Mitsui & Co. (U.S.A), Inc.   |



**Table of Contents**

|                  |   |
|------------------|---|
| Name             | <i>Junichi Matsumoto</i>  |
| Date of Birth    | September 25, 1947  |
| Current Position | Representative Director, Executive Vice President, Chief Financial Officer (since August 1, 2009)   |
| Prior Positions  | <p>2002 Managing Officer, General Manager of Corporate Planning Division</p> <p>2003 Managing Officer, Deputy Chief Representative of Mitsui &amp; Co., Ltd. in China</p> <p>2004 Managing Officer, Chief Operating Officer of Transportation Logistics Business Unit</p> <p>2005 Executive Managing Officer, Chief Operating Officer of Transportation Logistics Business Unit</p> <p>2007/4 Senior Executive Managing Officer, Chief Compliance Officer, Chief Privacy Officer</p> <p>2007/6 Representative Director; Senior Executive Managing Officer, Chief Compliance Officer, Chief Privacy Officer</p> <p>2008 Representative Director; Executive Vice President, Chief Financial Officer, Chief Compliance Officer</p>   |
| Name             | <i>Seiichi Tanaka</i>   |
| Date of Birth    | January 12, 1953  |
| Current Position | Representative Director, Executive Vice President, Chief Information Officer, Chief Privacy Officer (since April 1, 2010)   |
| Prior Positions  | <p>2006 Managing Officer, General Manager of Human Resources &amp; General Affairs Division</p> <p>2008/4 Executive Managing Officer, Chief Privacy Officer, Director of Mitsui &amp; Co. (Asia Pacific) Pte. Ltd.</p> <p>2008/6 Representative Director, Executive Managing Officer, Chief Privacy Officer, Director of Mitsui &amp; Co. (Asia Pacific) Pte. Ltd.</p> <p>2008/10 Representative Director, Senior Executive Managing Officer, Chief Privacy Officer, Director of Mitsui &amp; Co. (Asia Pacific) Pte. Ltd.</p> <p>2009 Representative Director, Senior Executive Managing Officer, Chief Information Officer, Chief Privacy Officer</p>   |
| Name             | <i>Norinao Iio</i>  |
| Date of Birth    | March 2, 1951   |
| Current Position | Representative Director, Senior Executive Managing Officer (since April 1, 2010)  |
| Prior Positions  | <p>2005 Managing Officer, Chief Operating Officer of Energy Business Unit</p> <p>2007 Managing Officer, Chief Operating Officer of Energy Business Unit II</p> <p>2008/4 Executive Managing Officer, Chief Operating Officer of EMEA (Europe, the Middle East and Africa) Business Unit</p> <p>2008/10 Senior Executive Managing Officer, Chief Operating Officer of EMEA (Europe, the Middle East and Africa) Business Unit</p> <p>2009/4 Senior Executive Managing Officer, Director of Mitsui &amp; Co. (Asia Pacific) Pte. Ltd.</p> <p>2009/6 Representative Director, Senior Executive Managing Officer, Director of Mitsui &amp; Co. (Asia Pacific) Pte. Ltd.</p> <p>2009/8 Representative Director, Senior Executive Managing Officer, Director of Mitsui &amp; Co. (Asia Pacific) Pte. Ltd., Chief Compliance Officer</p> |

**Table of Contents**

|  |   |   |
|--|---|---|
| Name   | <i>Takao Omae</i>   |   |
| Date of Birth  | December 18, 1949   |   |
| Current Position   | Representative Director, Senior Executive Managing Officer (since June 23, 2009)                    |   |
| Prior Positions  | 2005  | Managing Officer, President of Mitsui Brasileira Importacao e Exportacao S.A.   |
|  | 2007  | Executive Managing Officer, President of Mitsui Brasileira Importacao e Exportacao S.A.                               |
|  | 2008  | Executive Managing Officer, Chief Operating Officer of Infrastructure Projects Business Unit                          |
|  | 2009/4  | Senior Executive Managing Officer   |
| Name   | <i>Masayoshi Komai</i>  |   |
| Date of Birth  | August 3, 1949  |   |
| Current Position   | Representative Director, Senior Executive Managing Officer (since June 23, 2010)                    |   |
| Prior Positions  | 2007  | Managing Officer, Executive Deputy Chief Representative in China, Chairman & President of Mitsui & Co., Shanghai Ltd. |
|  | 2008  | Managing Officer, Chief Operating Officer of Marine & Aerospace Business Unit   |
|  | 2009  | Executive Managing Officer, Chief Operating Officer of Marine & Aerospace Business Unit                               |
|  | 2010/4  | Senior Executive Managing Officer   |
| Name   | <i>Daisuke Saiga</i>  |   |
| Date of Birth  | March 16, 1955  |   |
| Current Position   | Representative Director, Executive Managing Officer, Chief Compliance Officer (since June 23, 2010) |   |
| Prior Positions  | 2008  | Managing Officer, General Manager of Human Resources & General Affairs Division                                       |
|  | 2010/4  | Executive Managing Officer, Chief Compliance Officer  |
| Name   | <i>Nobuko Matsubara</i>   |   |
| Date of Birth  | January 9, 1941   |   |
| Current Position   | Director (since June 23, 2006)  |   |
| Principal Positions at Business Organizations Outside Mitsui | Director, Daiwa Securities Group Inc.   |   |
| Prior Positions  | 1987  | Director of International Labor Division, Minister's Secretariat, the Ministry of Labor                               |
|  | 1991  | Director-General of Women's Bureau, the Ministry of Labor   |
|  | 1997  | Vice Minister of the Ministry of Labor  |
|  | 1999  | President of Japan Association for Employment of Persons with Disabilities  |
|  | 2002/9  | Ambassador Extraordinary and Plenipotentiary of Japan to Italy  |
|  | 2002/11   | Ambassador Extraordinary and Plenipotentiary of Japan to Albania, to San Marino and to Malta                          |
|  | 2006/1  | Advisor to Japan Institute of Workers' Evolution  |
|  | 2006/7  | Chairman of Japan Institute of Workers' Evolution   |

**Table of Contents**

|  |  |   |
|--|--|---|
| Name   | <i>Ikujiro Nonaka</i>                  |   |
| Date of Birth  | May 10, 1935                           |   |
| Current Position   | Director (since June 22, 2007)         |   |
| Principal Positions at Business Organizations Outside Mitsui | Director, Seven & i Holdings Co., Ltd. |   |
| Prior Positions  | 1977                                   | Professor, Management Faculty, Nanzan University  |
|  | 1979                                   | Professor, National Defense Academy of Japan  |
|  | 1982                                   | Professor, Institute of Business Research, Hitotsubashi University  |
|  | 1995                                   | Professor, Graduate School of Knowledge Science, JAIST  |
|  | 1997                                   | Xerox Distinguished Professor in Knowledge, Walter A. Haas School of Business, University of California, Berkeley |
|  | 2000                                   | Professor, Graduate School of International Corporate Strategy, Hitotsubashi University                           |
|  | 2006                                   | Professor Emeritus, Hitotsubashi University   |
|  | 2007                                   | First Distinguished Drucker Scholar in Residence, Drucker School of Claremont Graduate University                 |

|  |  |   |
|--|--|---|
| Name   | <i>Hiroshi Hirabayashi</i>   |   |
| Date of Birth  | May 5, 1940  |   |
| Current Position   | Director (since June 22, 2007)   |   |
| Principal Positions at Business Organizations Outside Mitsui | Director, TOSHIBA CORPORATION  |   |
|  | Director, DAIICHI SANKYO CO., LTD. (elected by shareholders of DAIICHI SANKYO CO., LTD. at a general meeting of shareholders on June 28, 2010) |   |
| Prior Positions  | 1988   | Director, Management and Coordination Division, Minister's Secretariat, the Ministry of Foreign Affairs |
|  | 1990   | Minister, Japanese Embassy in the U.S.A   |
|  | 1992   | Envoy, Japanese Embassy in the U.S.A  |
|  | 1993   | Director-General, Economic Cooperation Bureau, the Ministry of Foreign Affairs                          |
|  | 1995   | Chief Cabinet Councilor's Office on External Affairs, Cabinet Secretariat                               |
|  | 1997   | Secretary-General, Indo-China Refugees Measures Coordination Conference                                 |
|  | 1998   | Ambassador Extraordinary and Plenipotentiary to India and Bhutan  |
|  | 2002   | Ambassador Extraordinary and Plenipotentiary to France and Andorra                                      |
|  | 2003   | Ambassador Extraordinary and Plenipotentiary to Djibouti  |
|  | 2006   | Ambassador in charge of Inspection, the Ministry of Foreign Affairs                                     |
|  | 2007/3   | Councilor, The Japan Forum on International Relations, Inc.   |
|  | 2007/6   | President, The Japan-India Association  |
|  | 2008   | Visiting Professor, Waseda University, Graduate School of Asia-Pacific Studies                          |
|  | 2009   | Vice President, The Japan Forum on International Relations, Inc.  |

**Table of Contents**

|  |  |  |
|--|--|--|
| Name   | <i>Toshiro Muto</i>                                |  |
| Date of Birth  | July 2, 1943                                       |  |
| Current Position   | Director (since June 23, 2010)                     |  |
| Principal Positions at Business Organizations Outside Mitsui | Corporate Auditor, Sumitomo Metal Industries, Ltd. |  |
| Prior Positions  | 1999   | Director-General of the Budget Bureau, the Ministry of Finance                                   |
|  | 2000   | Administrative Vice Minister, the Ministry of Finance  |
|  | 2003/1   | Special Advisor to the Ministry of Finance   |
|  | 2003/3   | Deputy Governor, Bank of Japan   |
|  | 2008/6   | Visiting Professor, Research Center for Advanced Science and Technology, The University of Tokyo |
|  | 2008/7   | Chairman of Daiwa Institute of Research Ltd.   |
|  | 2009   | Director, Principal The Kaisei Academy   |

**Corporate Auditors**

|                  |   |   |
|------------------|---|---|
| Name             | <i>Satoru Miura</i>                     |   |
| Date of Birth    | March 2, 1947                           |   |
| Current Position | Corporate Auditor (since June 22, 2007) |   |
| Prior Positions  | 2001                                    | A member of Board of Directors (Director, Chief Operating Officer of Iron & Steel Products Business Unit) |
|                  | 2002                                    | Director, Senior Managing Officer, Chief Operating Officer of Iron & Steel Products Unit, Metals Group    |
|                  | 2004                                    | Executive Managing Officer, Chief Operating Officer of Iron & Steel Products Business Unit                |
|                  | 2005                                    | Executive Managing Officer, General Manager of Nagoya Office  |
|                  | 2007/4                                  | Executive Managing Officer  |

|                  |   |   |
|------------------|---|---|
| Name             | <i>Motonori Murakami</i>                |   |
| Date of Birth    | November 19, 1948                       |   |
| Current Position | Corporate Auditor (since June 22, 2007) |   |
| Prior Positions  | 2003                                    | Managing Officer, General Manager of Accounting Division  |
|                  | 2006                                    | Executive Managing Officer, Assistant to Senior Executive Managing Officer (Corporate Staff Division), Assistant to Chief Financial Officer |

|  |  |   |
|--|--|---|
| Name   | <i>Hideharu Kadowaki</i>   |   |
| Date of Birth  | June 20, 1944  |   |
| Current Position   | Corporate Auditor (since June 24, 2004)                                |   |
| Principal Positions at Business Organizations Outside Mitsui | Corporate Auditor, Mitsui Chemicals, Inc.                              |   |
| Prior Positions  | 1996   | Director, The Sakura Bank Ltd.  |
|  | 1998   | Managing Director, The Sakura Bank Ltd.   |
|  | 1999   | Managing Director & Executive Managing Officer, The Sakura Bank Ltd.                                    |
|  | 2000   | Senior Managing Director and Senior Executive Managing Officer, The Sakura Bank Ltd.                    |
|  | 2001   | Senior Managing Director and Senior Executive Managing Officer, The Sumitomo Mitsui Banking Corporation |
|  | 2002   | Senior Managing Director, Sumitomo Mitsui Financial Group, Inc.   |
|  | 2003   | Deputy President, Sumitomo Mitsui Financial Group, Inc.   |
|  | 2004   | Chairman of the Institute, The Japan Research Institute, Limited  |
| 2008   | Special Advisor & Senior Fellow, The Japan Research Institute, Limited |   |

**Table of Contents**

Name *Naoto Nakamura*  
Date of Birth January 25, 1960  
Current Position Corporate Auditor (since June 23, 2006)  
Principal Positions at Business Organizations Outside Mitsui  
Corporate Auditor, Asahi Breweries, Ltd.  
Prior Positions 1985/4 Admitted to the member of Second Tokyo Bar Association  
1985/4 Joined Mori Sogo Law Office  
1998 Founded HIBIYA PARK LAW OFFICES and became a partner  
2003 Founded Law Firm of Naoto Nakamura (currently Law Firm of Nakamura, Tsunoda & Matsumoto) and became a partner

Name *Kunihiro Matsuo*  
Date of Birth September 13, 1942  
Current Position Corporate Auditor (since June 24, 2008)  
Principal Positions at Business Organizations Outside Mitsui  
Director, Asahi Glass Co., Ltd.  
Director, Tokyo Stock Exchange Group, Inc.  
Corporate Auditor, Toyota Motor Corporation  
Corporate Auditor, Sompo Japan Insurance Inc.  
Corporate Auditor, Komatsu Ltd.  
Prior Positions 1968 Appointment as Public Prosecutor  
1999 Vice Minister of Justice  
2004 Attorney General  
2006 Admission as Attorney at Law

Name *Hiroyasu Watanabe*  
Date of Birth April 11, 1945  
Current Position Corporate Auditor (since June 23, 2009)  
Principal Positions at Business Organizations Outside Mitsui  
Corporate Auditor, NOMURA Co., Ltd.  
Corporate Auditor, JX Holdings, Inc.  
Prior Positions 1994 Director-General, Nagoya Taxation Bureau, National Tax Agency, Ministry of Finance  
1995 Director-General, Kinki Finance Bureau, Ministry of Finance  
1996 Deputy Director-General, Tax Bureau, Ministry of Finance  
1997 Director-General, Tokyo Taxation Bureau, National Tax Agency, Ministry of Finance  
1998 Director-General, Customs and Tariff Bureau, Ministry of Finance  
2000 President, Policy Research Institute, Ministry of Finance  
2002 Commissioner, National Tax Agency, Ministry of Finance  
2003 Visiting Professor, University of Tokyo  
2004 Professor, Waseda University

There is no family relationship between any Directors, Corporate Auditors, Executive Officers and any other persons named above. There is no arrangement or understanding between any of the above and any other person pursuant to which they were selected as a Director, a Corporate Auditor or a member of the senior management.

**Table of Contents****B. Compensation.**

The aggregate amount of compensation and benefits in kind paid to Directors, Corporate Auditors and Executive Officers during the year ended March 31, 2010 was ¥3,988 million. A breakdown is provided as below.

**Directors and Corporate Auditors**

The remuneration of Directors and Corporate Auditors totaling ¥984 million during the year ended March 31, 2010 was as follows.

|  | Number of recipients | Monthly remuneration | Bonus         | Total remuneration |
|--|----------------------|----------------------|---------------|--------------------|
| Directors (excluding External Directors)           | 11                   | ¥ 611 million        | ¥ 150 million | ¥ 761 million      |
| Corporate Auditors (excluding External Auditors)   | 3                    | ¥ 127 million        |               | ¥ 127 million      |
| External Directors and External Corporate Auditors | 9                    | ¥ 96 million         |               | ¥ 96 million       |
| Total  | 23                   | ¥ 834 million        | ¥ 150 million | ¥ 984 million      |

## Notes:

- i) Limits on monthly remuneration of Directors and Corporate Auditors have been determined by General Meeting of Shareholders resolutions as follows: for Directors, there is a total limit of ¥70 million per month (by resolution of June 22, 2007); for Corporate Auditors, there is a total limit of ¥20 million per month (by resolution of June 22, 2007).
  - ii) The above table does not include retirement allowances paid to the retiring Directors and Corporate Auditor.
- The Remuneration Committee which is chaired by an External Director studies the system related to remuneration and bonuses for Directors and Executive Officers while evaluating remuneration proposals for them.

Total bonuses for Directors (excluding External Directors) are calculated as the lesser of consolidated net income x 0.1% and ¥500 million, which is payable to each director in proportionate allocation according to points given to each Director's position. The Remuneration Committee reviewed the formula and reported to the Board of Directors in advance of the Board of Directors' decision to establish the formula.

Corporate Auditors receive only monthly remunerations which do not include any factor depending on the performance of the companies. Monthly remuneration for each of Corporate Auditors is determined by discussions among the Corporate Auditors and within the total limit of ¥20 million per month.

The following table contains information about compensation, including retirement allowances, earned by the named directors who earned more than ¥100 million per year for the year ended March 31, 2010.

| Name          | Payer  | Monthly remuneration | Bonus        | Retirement allowance | Total compensation |
|---------------|--------|----------------------|--------------|----------------------|--------------------|
| Nobuo Ohashi  | Mitsui | ¥ 26 million         |              | ¥ 164 million        | ¥ 190 million      |
| Shoei Utsuda  | Mitsui | ¥ 106 million        | ¥ 26 million |                      | ¥ 132 million      |
| Masami Iijima | Mitsui | ¥ 109 million        | ¥ 26 million |                      | ¥ 135 million      |

**Executive Officers**

The remuneration of Executive Officers (excluding Executive Officers who are also Directors) totaled ¥2,081 million during the year ended March 31, 2010, comprised of ¥718 million in bonuses and ¥1,363 million in monthly remunerations. The Remuneration Committee also reviews and reports to the Board of Directors on appropriateness of remuneration system and compensation levels for Executive Officers.

**Table of Contents**

***Pension Plans and Retirement Allowances***

In addition, the aggregate amount of benefits from Directors and Corporate Auditors Pension Plans and retirement allowances for retiring Directors and Corporate Auditors accrued prior to the abolition of the retirement allowance system which includes the aforementioned pension plans and retirement allowances paid during the year ended March 31, 2010 was ¥923 million.

Our retirement allowance system for Directors and Corporate Auditors was abolished pursuant to a resolution of the Board of Directors in February 2004. Up to this resolution, in accordance with customary Japanese business practices, a retiring Director or Corporate Auditor was entitled to receive a retirement allowance, which was subject to approval by shareholders at a general meeting of shareholders, as well as a pension. The amount of the retirement allowance generally reflected the number of years of service, rank at the time of retirement and special contributions to our performance. After the abolition of the retirement allowance system, retirement allowances are not paid except for those accrued prior to the abolition.

The aggregate amount set aside by us to provide pension benefits to those who are eligible for Directors and Corporate Auditors Pension Plans was ¥3,956 million as of March 31, 2010.

Mitsui has no stock option plans for Mitsui's Directors and Senior Management.

**C. Board Practices.**

The information in Item 6.A. Directors and Senior Management is incorporated into this section by reference.

None of our Directors have entered into any service contracts with us providing for benefits upon termination of his or her employment.

The Companies Act of Japan allows a company to adopt the Committee System as the framework for corporate governance. We have decided, however, to maintain the corporate auditor system because we believe that our Corporate Auditors, of whom two are full-time and four are external Auditors as of June 23, 2010 and whose functions are legally defined and reinforced, provide adequate auditing functions. Furthermore, internal Directors are familiar with our business operations and can therefore contribute to effective management. Although we retained the corporate auditor system, we have decided to adopt certain aspects of the Committee System and have established three committees (the Governance Committee, the Nomination Committee, and the Remuneration Committee) to provide advice to the Board of Directors.

***Functions and Composition of three committees***

The functions and composition of three committees are provided as below.

Governance Committee

Assignment : To study the state and direction of Mitsui's corporate governance

Composition : Chairman of the Board of Directors (committee chair, Shoei Utsuda), President (Masami Iijima), External Directors 2 (Nobuko Matsubara, Ikujiro Nonaka), internal Directors 3 (Seiichi Tanaka, Junichi Matsumoto, Daisuke Saiga), External Corporate Auditor 1 (Hideharu Kadowaki)

Nomination Committee

Assignment : To establish the selection standards and processes used in nominating directors and executive officers as well as evaluating director nomination proposals





**Table of Contents**

Composition : President (committee chair, Masami Iijima), External Directors 2 (Ikujiro Nonaka, Hiroshi Hirabayashi), internal Directors 2 (Seiichi Tanaka, Daisuke Saiga)  
Remuneration Committee

Assignment : To study the system and decision-making process related to remuneration and bonuses for directors and executive officers as well as evaluating remuneration proposals for them

Composition : External Director (committee chair, Toshiro Muto), President (Masami Iijima), internal Directors 2 (Junichi Matsumoto, Daisuke Saiga)

Our Directors and Corporate Auditors are elected at the general meeting of shareholders. In accordance with our Articles of Incorporation, the normal term of office for our Directors is one year and for our Corporate Auditors is four years. However, they may both serve any number of consecutive terms. The following table shows our Directors, Corporate Auditors and Executive Officers terms of office from appointment to June 2010 and their shareholdings as of March 31, 2010.

|                                    | Length of Time<br>Served in Office<br>(From Appointment<br>to June 2010) | Shareholdings as of<br>March 31, 2010 |
|------------------------------------|--|---------------------------------------|
| <b>Director:</b>                   |  |                                       |
| Shoei Utsuda                       | 13 years   | 74,275                                |
| Masami Iijima                      | 2 years  | 29,587                                |
| Ken Abe                            | 2 years  | 39,249                                |
| Junichi Matsumoto                  | 3 years  | 29,396                                |
| Seiichi Tanaka                     | 2 years  | 12,682                                |
| Norinao Iio                        | 1 year   | 14,444                                |
| Takao Omae                         | 1 year   | 18,572                                |
| Masayoshi Komai                    | Less than 1 year   | 10,628                                |
| Daisuke Saiga                      | Less than 1 year   | 5,452                                 |
| Nobuko Matsubara <sup>(1)</sup>    | 4 years  | 2,917                                 |
| Ikujiro Nonaka <sup>(1)</sup>      | 3 years  | 13,675                                |
| Hiroshi Hirabayashi <sup>(1)</sup> | 3 years  | 4,638                                 |
| Toshiro Muto <sup>(1)</sup>        | Less than 1 year   | 0                                     |

Note (1) Ms. Nobuko Matsubara, Mr. Ikujiro Nonaka, Mr. Hiroshi Hirabayashi and Mr. Toshiro Muto are external Directors.

|                                  | Date of Expiration of<br>Current Term of Office | Length of Time<br>Served in Office<br>(From Appointment<br>to June 2010) | Shareholdings as of<br>March 31, 2010 |
|----------------------------------|---|--|---------------------------------------|
| <b>Corporate Auditor:</b>        |   |  |                                       |
| Satoru Miura                     | June 2011                                       | 3 years  | 23,164                                |
| Motonori Murakami                | June 2011                                       | 3 years  | 26,866                                |
| Hideharu Kadowaki <sup>(2)</sup> | June 2012                                       | 6 years  | 9,863                                 |
| Naoto Nakamura <sup>(2)</sup>    | June 2014                                       | 4 years  | 0                                     |
| Kunihiro Matsuo <sup>(2)</sup>   | June 2012                                       | 2 years  | 3,557                                 |
| Hiroyasu Watanabe <sup>(2)</sup> | June 2013                                       | 1 year   | 351                                   |

Note (2) Mr. Hideharu Kadowaki, Mr. Naoto Nakamura, Mr. Kunihiro Matsuo and Mr. Hiroyasu Watanabe are external Corporate Auditors.



**Table of Contents**

|   | Length of Time<br>Served in Office<br>(From Appointment<br>to June 2010) <sup>(3)</sup> | Shareholdings as of<br>March 31, 2010 |
|---|---|---------------------------------------|
| <b>Executive Officer (excluding Executive Officers who are also a Director):</b>    |   |                                       |
| Toshimasa Furukawa  | 8 years   | 25,285                                |
| Koji Nakamura   | 6 years   | 22,268                                |
| Masaaki Fujita  | 5 years   | 13,968                                |
| Junichi Mizonoue  | 5 years   | 12,500                                |
| Osamu Koyama  | 5 years   | 9,987                                 |
| Shigeru Hanagata  | 4 years   | 18,065                                |
| Yoshinori Setoyama  | 3 years   | 20,305                                |
| Masahiko Okamura  | 3 years   | 15,949                                |
| Noriaki Sakamoto  | 3 years   | 7,428                                 |
| Fuminobu Kawashima  | 3 years   | 15,842                                |
| Joji Okada  | 2 years   | 17,741                                |
| Takashi Yamauchi  | 2 years   | 6,842                                 |
| Shuji Nakura  | 2 years   | 5,452                                 |
| Masayuki Kinoshita  | 2 years   | 8,789                                 |
| Atsushi Oi  | 2 years   | 5,863                                 |
| Terukazu Okahashi   | 4 years   | 15,607                                |
| Katsumi Ogawa   | 3 years   | 10,180                                |
| Takashi Fukunaga  | 2 years   | 5,453                                 |
| Mitsuhiko Kawai   | 2 years   | 13,533                                |
| Noritaka Tanaka   | 1 year  | 2,851                                 |
| Susumu Uneno  | 1 year  | 5,908                                 |
| Kazuhiko Fukuchi  | 1 year  | 13,289                                |
| Shintaro Ambe   | 1 year  | 5,138                                 |
| Motomu Takahashi  | 1 year  | 3,884                                 |
| Mitsuo Hidaka   | 1 year  | 9,670                                 |
| Ichizo Kobayashi  | 1 year  | 2,713                                 |
| Makoto Yoshimura  | Less than 1 year  | 0                                     |
| Tatsuo Nakayama   | Less than 1 year  | 2,825                                 |
| Motonobu Sato   | Less than 1 year  | 0                                     |
| Koichi Tanaka   | Less than 1 year  | 11,171                                |
| Hironobu Ishikawa   | Less than 1 year  | 13,265                                |
| Hiroyuki Kato   | Less than 1 year  | 9,793                                 |
| Yoshihiro Hombo   | Less than 1 year  | 1,500                                 |
| <b>Total Shareholdings by Directors, Corporate Auditors, and Executive Officers</b> |   | <b>652,380</b>                        |

Note (3) The rules of Executive Officers provide for the term of the Executive Officers as one year starting April 1 and ending March 31. Mitsui's Articles of Incorporation provide that the Board of Directors shall elect from among its members Representative Directors, one of whom shall be the President. Under the Companies Act of Japan, each of the Representative Directors has statutory authority and power to represent and act on behalf of the company in all respects.

Under the Companies Act of Japan, at least half of the Corporate Auditors should be persons who have not at any time been a director, executive officer, manager or employee of a company or any of its subsidiaries prior

## **Table of Contents**

to his or her election as a Corporate Auditor. Each Corporate Auditor has a statutory duty to examine financial statements, in collaboration with independent auditors, and business reports and also to supervise the administration of the company's affairs by Directors. Corporate Auditors are required to participate in meetings of the Board of Directors but are not entitled to vote.

The Board of Corporate Auditors is comprised of all Corporate Auditors. The Board of Corporate Auditors has a statutory duty to prepare its audit report each year. Each Corporate Auditor has the right to write his or her individual opinion in the audit report if his or her opinion is different from the opinion expressed in the audit report of the Board of Corporate Auditors. The Board of Corporate Auditors is empowered to establish audit principles, methods of examination by the Corporate Auditors of the company's affairs and financial position and other matters concerning the performance of the Corporate Auditors' duties. The Corporate Auditors may not at the same time be directors, managers or employees of the company or any of its subsidiaries.

### ***Rights of ADS Holders***

The rights of ADS holders, including their rights relating to corporate governance practices, are provided in the deposit agreement.

### ***Limitation of Liabilities of Directors and Corporate Auditors***

The Articles of Incorporation of Mitsui provide that Mitsui may, by resolution of the Board of Directors, exempt the Directors and Corporate Auditors from their liabilities to the extent as permitted by the Companies Act of Japan. The Articles of Incorporation of Mitsui also provide that Mitsui may conclude a contract with external Directors and external Corporate Auditors to limit the liability of such Directors and Corporate Auditors to the extent as permitted by the Companies Act of Japan. In accordance with such provision of the Articles of Incorporation, Mitsui has concluded with external Directors (Ms. Nobuko Matsubara, Mr. Ikujiro Nonaka, Mr. Hiroshi Hirabayashi and Mr. Toshiro Muto) and external Corporate Auditors (Mr. Hideharu Kadowaki, Mr. Naoto Nakamura, Mr. Kunihiko Matsuo and Mr. Hiroyasu Watanabe), respectively, contracts to limit their liability to the extent permitted by the Companies Act of Japan.

### **D. Employees.**

As of March 31, 2010, 2009, and 2008, we had 41,454, 39,864, and 39,161 employees, respectively. The average number of temporary employees during the year ended March 31, 2010 was 19,507.

Effective April 1, 2008, some of the chemical and automobile subsidiaries located in North and South America, which had been included in Chemical and Machinery & Infrastructure Projects respectively, were transferred to Americas to further strengthen the regional strategies of these subsidiaries.

Furthermore, effective April 1, 2009, Mitsui & Co. Financial Services (Australia) Pty Ltd which had been included in the Asia Pacific Segment, was transferred to the All Others Segment.

For more information, see Note 17, Segment Information, to our consolidated financial statements.

**Table of Contents**

The following tables provide the numbers of employees by operating segment as of the years ended March 31, 2010, 2009 and 2008.

|                                     | As of March 31, |        |         |
|-------------------------------------|-----------------|--------|---------|
|                                     | 2010            | 2009   | 2008(*) |
| <b>Operating Segment:</b>           |                 |        |         |
| Iron & Steel Products               | 2,257           | 2,282  | 2,255   |
| Mineral & Metal Resources           | 559             | 570    | 757     |
| Machinery & Infrastructure Projects | 10,489          | 10,227 | 9,717   |
| Chemical                            | 2,953           | 2,752  | 3,489   |
| Energy                              | 1,769           | 1,360  | 1,633   |
| Foods & Retail                      | 5,163           | 5,673  | 6,008   |
| Consumer Service & IT               | 4,630           | 4,505  | 4,540   |
| Logistics & Financial Markets       | 1,515           | 1,445  | 1,177   |
| Americas                            | 6,265           | 5,544  | 4,297   |
| Europe, the Middle East and Africa  | 1,527           | 1,342  | 1,299   |
| Asia Pacific                        | 2,371           | 2,338  | 2,196   |
| All Other                           | 1,956           | 1,826  | 1,793   |
| Total                               | 41,454          | 39,864 | 39,161  |

(\*) The numbers of employees in Machinery & Infrastructure Projects and in Total as of March 31, 2008 have been corrected due to an immaterial error.

We consider relations between management and our labor unions to be good.

**E. Share Ownership.*****Directors, Corporate Auditors and Executive Officers***

As of March 31, 2010, the members of Mitsui's Board of Directors, Corporate Auditors and Executive Officers who are incumbent as of June, 2010 had held as a group, 652,380 shares of our common stock, representing 0.036% of the shares outstanding. None of these shares differ as to their voting rights. This number of shares included 61,719 shares held by Mitsui Executives' Shareholding Association.

None of Mitsui's Directors, Corporate Auditors nor Executive Officers is the beneficial owner of more than 1% of Mitsui's common stock. The number of shares held by Mitsui's Directors, Corporate Auditors and Executive Officers, on an individual basis, is provided in Item 6.C. Board Practices, and is incorporated herein by reference.

In July, 2006, a new management shareholding scheme was introduced, whereby each of Mitsui's Directors (excluding external Directors) and Executive Officers are required to purchase Mitsui's shares through Mitsui Executives' Shareholding Association. Mitsui's Directors (excluding external Directors) and Executive Officers purchase Mitsui's shares in an amount equivalent to 10% of his or her salary, which amount is deducted from his or her salary for the purchases through said Mitsui Executives' Shareholding Association.

***Employees Shareholding Association***

Mitsui operates an Employees' Shareholding Association which, as of March 31, 2010, had 3,667 employee member participants.

Employee members declare monthly the amount to be deducted from his or her salary to be used to purchase shares of common stock of Mitsui through the Employees' Shareholding Association. Employee members receive from Mitsui a monthly subsidy equivalent to 10% of the declared amount, enabling them to purchase



**Table of Contents**

shares equivalent to 110% of the declared amount. Employee members are entitled to dividends which are applied towards the purchase of additional shares through the Employees Shareholding Association. Employee members are able to sell part of their shares that have been reserved for them under the Employees Shareholding Association's plan, in multiples of 100 shares (1,000 shares until March 2009), once every month. As of March 31, 2010, the total amount of shares having voting rights owned by the Employees Shareholding Association was 12,185,621, representing 0.67% of the total shares issued and outstanding.

Mitsui does not have any other arrangements for its employees that involve the issue or grant of options, shares or securities of Mitsui.

**Item 7. Major Shareholders and Related Party Transactions.****A. Major Shareholders.**

As of March 31, 2010, there were 1,829,153,527 shares of our common stock issued (including 4,331,644 shares of treasury stock), of which 23,440,400 shares were in the form of ADSs, representing 1.28% of our then outstanding common stock, and 313,625,970 shares, representing 17.14% of our then outstanding common stock, were held of record in the form of common stock by residents in the United States. The number of registered ADS holders was 30, and the number of registered holders of shares of common stock in the United States was 228.

The following table shows our major shareholders as of March 31, 2010, including shareholders who owned less than 5% of our then outstanding common stock, disclosed under the Financial Instruments and Exchange Law of Japan.

| Shareholders   | Thousands of Shares of<br>Common Stock Owned | Percentage of<br>Common Stock Issued(*) |
|--|--|---|
| The Master Trust Bank of Japan, Ltd. (trust account)                 | 158,880                                      | 8.68%                                   |
| Japan Trustee Services Bank, Ltd. (trust account)                    | 135,395                                      | 7.40%                                   |
| Sumitomo Mitsui Banking Corporation                                  | 38,500                                       | 2.10%                                   |
| The Chase Manhattan Bank N.A. London Secs Lending Omnibus<br>Account | 35,793                                       | 1.95%                                   |
| Nippon Life Insurance Company  | 35,070                                       | 1.91%                                   |
| The Chuo Mitsui Trust and Banking Company, Limited                   | 30,799                                       | 1.68%                                   |
| Japan Trustee Services Bank, Ltd. (trust account 9)                  | 30,157                                       | 1.64%                                   |
| State Street Bank and Trust Company                                  | 27,380                                       | 1.49%                                   |
| Mitsui Sumitomo Insurance Company, Limited                           | 24,726                                       | 1.35%                                   |
| State Street Bank and Trust Company 505225                           | 22,794                                       | 1.24%                                   |

(\*) The figures are rounded down to two decimal places.

Under the Financial Instruments and Exchange Law of Japan, any person that becomes a holder (together with its related persons) of more than 5% of the total issued voting shares of a company listed on any Japanese stock exchange (including ADSs representing such shares) must file a report with the Director of the relevant Local Finance Bureau and send a copy of such report to the company. A similar report must also be filed if the percentage holding of a holder of more than 5% of the total issued voting shares of a company increases or decreases by 1% or more.

**Table of Contents**

Based on such reports we have received, we are aware that each of the following persons, together with its affiliates, was the beneficial owner of our common stock in the amounts and as of the dates shown in the following tables:

***Fidelity Investments Japan Limited***

| <b>Ownership as of</b> | <b>Shares of<br/>Common Stock Owned<sup>(*1)</sup></b> | <b>Percentage of<br/>Common Stock Issued<sup>(*2)</sup></b> |
|------------------------|--|---|
| May 31, 2007           | 90,801,000   | 5.08%   |
| March 31, 2008         | 69,399,760   | 3.82  |

***AllianceBernstein Japan Ltd.***

| <b>Ownership as of</b> | <b>Shares of<br/>Common Stock Owned<sup>(*1)</sup></b> | <b>Percentage of<br/>Common Stock Issued<sup>(*2)</sup></b> |
|------------------------|--|---|
| February 29, 2008      | 116,987,615  | 6.44%   |
| August 29, 2008        | 93,716,155   | 5.14  |
| September 30, 2008     | 116,241,355  | 6.38  |
| November 28, 2008      | 90,056,395   | 4.93  |

***Mitsubishi UFJ Financial Group, Inc.***

| <b>Ownership as of</b> | <b>Shares of<br/>Common Stock Owned<sup>(*1)</sup></b> | <b>Percentage of<br/>Common Stock Issued<sup>(*2)</sup></b> |
|------------------------|--|---|
| October 8, 2007        | 147,839,726  | 8.16%   |
| August 25, 2008        | 130,666,673  | 7.16  |
| October 12, 2009       | 140,314,863  | 7.68  |

(\*1) The numbers of shares of common stock owned include those of convertible bonds owned that are calculated on a fully diluted basis.

(\*2) The percentage figures are calculated as of the dates shown in the table. Percentage figures as of March 31, 2010 are not necessarily available from the aforementioned reports.

The voting rights of our major shareholders do not differ from the voting rights of other shareholders.

To our knowledge, we are not directly or indirectly owned or controlled by any other corporations, by any foreign government or by any other natural or legal persons severally or jointly.

We know of no arrangements which may, at a subsequent date, result in a change in control of Mitsui.

**B. Related Party Transactions.**

When conducting our business operations throughout the world, we form alliances with leading partner companies in Japan and overseas, including manufacturers and companies in the field of natural resources, such as energy and ferrous materials. In addition to investing in, or providing loans to, associated companies where we are a minority shareholder, we conduct selling and purchasing transactions of various products on a recurring basis with such associated companies.

Our principal associated companies include Valepar S.A. (18.24%), Japan Australia LNG (MIMI) Pty. Ltd. (50.00%), JA Mitsui Leasing, Ltd. (33.40%), Sims Metal Management Limited (17.76%), P.T. Paiton Energy (36.32%), IPM EAGLE LLP (30.00%), and Penske Automotive Group, Inc. (16.89%), among others.





**Table of Contents**

The following table shows information regarding account balances and transactions with associated companies:

|                                  | <b>Billions of Yen</b>      |     |
|----------------------------------|-----------------------------|-----|
|                                  | <b>As of March 31, 2010</b> |     |
| Accounts receivable, trade       | ¥                           | 162 |
| Advances to associated companies |                             | 175 |
| Accounts payable, trade          |                             | 64  |

Dividends received from associated companies for the year ended March 31, 2010 amounted to ¥112 billion.

See Note 6, INVESTMENTS IN AND ADVANCES TO ASSOCIATED COMPANIES to our consolidated financial statements.

Prices applied in transactions with associated companies are computed in the same way that such prices would be calculated in transactions with unrelated third parties. In addition, when associated companies are counterparties in transactions with us and we conduct such business under long-term procurement and/or sales contracts, in general, we conclude a corresponding sales contract with the purchasers (unrelated parties) of goods procured by us and/or with suppliers (unrelated parties) of the goods we sell to associated companies. Regarding any other commitments related to transactions with associated companies, we do not normally assume risk in excess of its percentage of share ownership in an associated company.

In furtherance of their trading activities, it is customary practice for us to loan or guarantee, severally and jointly with others, indebtedness of certain customers and suppliers and of certain associated companies as well as to guarantee the performance of contracts by such entities. At March 31, 2010, the aggregate amount of loans (including ¥82 billion guarantees) relating to associated companies was ¥320 billion. The largest amount outstanding as of March 31, 2010 was ¥34 billion loan with interest to P&M Drilling International B.V., which engages in capital lease operation in Netherlands. The loan was mainly from Mitsui. Other major loans to associated companies are related to the lease operation of ships and development of natural resources.

In the ordinary course of our business, we have entered into transactions with various organizations with which certain of our Directors and Senior Managements are associated, but no material transactions have been entered into for the three-year period ended March 31, 2010.

As of March 31, 2010, no person was the beneficial owner of more than 10% of our common stock.

**C. Interests of Experts and Counsel.**

Not applicable.

**Item 8. Financial Information.****A. Consolidated Statements and Other Financial Information.****Consolidated Financial Statements**

The audited consolidated financial statements required by this item are included elsewhere in this annual report.

**Export Sales**

The total amount of revenues from export transactions for the year ended March 31, 2010 was ¥385 billion or 9% of total revenue of ¥4,096 billion.

---

## **Table of Contents**

### ***Legal Proceedings***

*Various* claims and legal actions are pending against us in respect of contractual obligations and other matters arising out of the conduct of our business. Appropriate provision has been recorded for the estimated loss on claims and legal actions. In the opinion of management, any liability will not materially affect our consolidated financial position, results of operations, or cash flows.

See Restrictions under environmental laws and regulations and any accidents relating to our use of hazardous materials could negatively affect our business, results of operations and financial condition and We face significant uncertainty regarding the oil spill incident at the Mississippi Canyon 252 Block in the Gulf of Mexico of Item 3.D. Risk Factors and Item 5.A. Operating Results Energy Segment.

### ***Dividend Policy***

It is Mitsui's basic policy to declare dividends twice per year. The record date for year-end dividends is March 31 and the record date for interim dividends is September 30. For a discussion of dividend distribution provisions under the Companies Act of Japan and Mitsui's Articles of Incorporation, see Item 10.B. Memorandum and Articles of Association.

In order to maximize shareholder value, we have sought to maintain an optimal balance between (1) achieving sustainable growth through strategic investments in areas of our core strength and growth and (2) paying out cash dividends as direct compensation to shareholders with the target dividend payout ratio of 20% of consolidated net income.

For the year ended March 31, 2010, we paid an annual dividend of ¥18 per share including interim dividend of ¥7 per share, or ¥7 per share lower than the previous year, according to the target dividend pay out ratio of 20%. As a result, pay out ratio was 21.9%.

When formulating the Medium-term Management Plan and vision for the next three to five years, we reviewed our shareholder return policy. In light of the current business circumstances, we forecast an improvement in earnings reflecting higher prices in commodity prices against a backdrop of high growth of the emerging economies and gradual but steady recovery of the world economy. To resolve the tight global supply of mineral resources and energy we believe that there will continue to be many opportunities to invest in expansion projects of the existing assets and will continue seeking new investment opportunities that may provide us a foundation for our future. At the same time, with a high level of uncertainty still surrounding financial markets as well as the global economy, we believe that it would also be for the benefit of shareholders in the medium- to long-term if we strive to maintain a strong balance sheet. At the same time, we recognize our shareholders are expecting a stable but high level of shareholder compensation. Accordingly, we would like to maintain the target dividend payout ratio of 20% of consolidated net income as a minimum. While we aim to steadily increase dividends from their current levels through improving the performance of the company, we will consider if we should compensate the shareholders in a flexible way provided that we secure the sufficient retained earnings for the future business development.

For the year ending March 31, 2011, we intend to make a proposal based on the dividend policy outlined above upon reviewing the operating results. Based on the current earnings forecast of ¥320 billion for the year ending March 31, 2011, our annual dividend per share is calculated to be ¥36 per share, ¥18 per share higher than the previous year.

We will continue to review the dividend policy taking into consideration the business environment, future trend of the investing activities, free cash flow level, interest bearing debt level and return on equity.

### **B. Significant Changes.**

Except as disclosed in this annual report, there has not been any significant change since the date of the latest annual financial statements included elsewhere in this annual report.

**Table of Contents****Item 9. The Offer and Listing.****A. Offer and Listing Details.**

The primary market for Mitsui's common stock is the Tokyo Stock Exchange, or TSE. Mitsui's common stock is traded on the First Section of the TSE and is also listed on four other stock exchanges in Japan (Osaka, Nagoya, Fukuoka and Sapporo Stock Exchanges).

Mitsui's American Depositary Shares (ADSs), each representing 20 shares of common stock, are traded on the NASDAQ Global Select Market under the symbol MITSY. American Depositary Receipts (ADRs), each evidencing one or more ADSs, were originally issued pursuant to a Deposit Agreement in May 1963, as amended from time to time, that we entered into with Citibank N.A. of New York as Depositary and the holders of the ADRs.

The following table provides the reported high and low closing sales prices of our common stock on the TSE and the reported high and low closing bid price quotations per ADS for the period indicated:

|                             | TSE<br>Price per Share of<br>Common Stock<br>(Yen) |         | NASDAQ<br>Price per ADS<br>(U.S. dollars) <sup>(1)</sup> |           |
|-----------------------------|--|---------|--|-----------|
|                             | High   | Low     | High   | Low       |
| Year ended March 31:        |  |         |  |           |
| 2006                        | ¥ 1,731  | ¥ 908   | \$ 292.66  | \$ 171.50 |
| 2007                        | 2,315  | 1,427   | 382.21   | 245.00    |
| 2008                        | 3,080  | 1,704   | 538.92   | 336.25    |
| 2009                        | 2,750  | 691     | 526.70   | 141.44    |
| 2010                        | 1,571  | 1,024   | 347.14   | 211.53    |
| Year ended March 31, 2009:  |  |         |  |           |
| First quarter               | ¥ 2,750  | ¥ 2,040 | \$ 526.70  | \$ 400.04 |
| Second quarter              | 2,425  | 1,278   | 454.20   | 212.45    |
| Third quarter               | 1,352  | 691     | 257.00   | 141.44    |
| Fourth quarter              | 1,077  | 806     | 232.77   | 163.53    |
| Year ended March 31, 2010:  |  |         |  |           |
| First quarter               | ¥ 1,308  | ¥ 1,024 | \$ 271.90  | \$ 211.53 |
| Second quarter              | 1,315  | 1,035   | 286.20   | 222.28    |
| Third quarter               | 1,329  | 1,086   | 289.00   | 245.21    |
| Fourth quarter              | 1,571  | 1,279   | 347.14   | 286.40    |
| Year ending March 31, 2011: |  |         |  |           |
| First quarter               | ¥ 1,650  | ¥ 1,054 | \$ 356.10  | \$ 236.61 |
| Month of:                   |  |         |  |           |
| February 2010               | ¥ 1,405  | ¥ 1,279 | \$ 310.56  | \$ 286.40 |
| March 2010                  | 1,571  | 1,408   | 347.14   | 319.37    |
| April 2010                  | 1,650  | 1,428   | 356.10   | 308.72    |
| May 2010                    | 1,396  | 1,207   | 307.92   | 266.88    |
| June 2010                   | 1,272  | 1,054   | 273.99   | 236.61    |
| July 2010                   | 1,163  | 1,018   | 266.15   | 234.80    |

(1) All fractional figures of the prices per ADS are rounded to the nearest two decimal points.

Share prices on Japanese stock exchanges are determined on a real-time basis by the equilibrium between bids and offers. These exchanges set daily price limits, which limit the maximum range of fluctuation within a single trading day. Daily price limits are set according to the previous day's closing price or special quote. Although transactions may continue at the upward or downward limit price if the limit price is reached on a



**Table of Contents**

particular trading day, no transactions may take place outside these limits. Consequently, an investor wishing to sell at a price above or below the relevant daily limit may not be able to sell his shares at such price on a particular trading day, or at all.

On August 6, 2010, the closing sales price per share of our common stock on the TSE was ¥1,201, and the closing sales price per ADS on the NASDAQ Global Select Market was U.S.\$280.31.

**B. Plan of Distribution.**

Not applicable.

**C. Markets.**

See Item 9.A. Offer and Listing Details.

**D. Selling Shareholders.**

Not applicable.

**E. Dilution.**

Not applicable.

**F. Expenses of the Issue.**

Not applicable.

**Item 10. Additional Information.**

**A. Share Capital.**

Not applicable.

**B. Memorandum and Articles of Association.**

***General***

Set forth below is information relating to the organization and common stock of Mitsui, including brief summaries of the relevant provisions of Mitsui's Articles of Incorporation and Share Handling Regulations adopted by Mitsui's Board of Directors, as currently in effect, and of the Companies Act of Japan and related legislation.

***Organization***

Mitsui is a corporation (*kabushiki kaisha*) incorporated in Japan under the Companies Act of Japan. It is registered in the Commercial Register (*shogyo tokibo*) maintained by the Tokyo Legal Affairs Bureau and several other registry offices of the Ministry of Justice.



**Table of Contents**

***Objects and Purposes***

Article 2 of Mitsui's Articles of Incorporation provides that our objects are to engage in the following business:

1. Foreign trade, purchases and sales, wholesale, agency and brokerage business relating to the following commodities:
  - (1) Ferrous and non-ferrous metals and their raw materials, manufactured goods, and minerals.
  - (2) Coal, petroleum, natural gas and other fuels and their by-products.
  - (3) All kinds of machines, appliances (including measuring instruments and medical apparatus) and equipment including manufacturing equipment, communications equipment and antipollution equipment, rolling stock and vehicles, ships and boats, aerospace equipment and aircraft, and parts for the foregoing.
  - (4) All kinds of chemical products, salt, fertilizers, high-pressure gas, explosives, pharmaceuticals (including medicines, non-medicinal drugs, medicine for veterinary use, narcotics, poisons and stimulants), radio isotopes, cosmetics, and raw materials for the foregoing.
  - (5) Cereals, sugar, oils and fats, feeds and their raw materials; livestock, agricultural, dairy and marine products, processed foods, alcoholic beverages and other foodstuffs and drinks.
  - (6) All kinds of textile products and their raw materials.
  - (7) All kinds of fur products and raw fur.
  - (8) Lumber, cement, other building materials and housing-related equipment.
  - (9) Rubber, pulp, paper and their manufactured goods; tobacco, cigars, cigarettes and sundry goods.
  - (10) Industrial water and drinking water.
2. Exploration, development, manufacturing, processing, scrapping and recycling business relating to the above-mentioned items.
3. Acquisition, planning, preservation, utilization and disposition of copyright, patents and other intellectual property rights, know-how, systems technology and other software, including acting as an intermediary in such transactions.
- 4.



## Edgar Filing: MITSUI & CO LTD - Form 20-F

Information processing and supply, telecommunications, broadcasting, advertising, publishing, printing and translation businesses, and the production and sale of audio and visual copyright products.

5. Forestry, sawmilling and lumber processing businesses.
6. Chattel leasing business.
7. Secondhand goods business.
8. Transportation and transportation agency, land transportation, marine transportation business, port transportation, freight forwarding, customs brokerage, shipping agency and warehousing businesses.
9. Businesses related to non-life insurance, insurance under the Automobile Liability Law, life insurance, and overseas non-life reinsurance business.
10. Construction sub-contracting, building design and supervision and management of various construction works.
11. Acquisition, disposition, leasing, other utilization and development of real estate and acting as an intermediary in such transactions.
12. Supply and development of hot springs.

**Table of Contents**

13. Surveying and research relating to land, sea and sky.
14. Investing in, purchasing, selling and brokering negotiable instruments, etc.
15. Lending money, guaranteeing and assuming debts, sale and purchase of various receivables, foreign exchange transactions and conducting any other financing business.
16. Operation and management of medical facilities, day-care facilities, sports facilities, restaurants, and hotel and travel businesses.
17. Planning, administration and implementation of various events.
18. Temporary personnel placement, employment agency, and personnel education, guidance and training to develop appropriate job skills and qualifications.
19. Maintenance and management of real estate.
20. Investment, commodities investments sales and advisory services, securities investment advisory services, trustee services, sale of beneficial interests in trusts, investment trust management services and asset management services for investment corporations.
21. Generation, supply, and sale and purchase of electricity.
22. Administrative agency services for management, labour and accounting work.
23. Buying, selling, and derivative transactions for greenhouse gas emission rights and related intermediary services.
24. Agency and intermediary services for credit card applications.
25. Consultancy business relating to the foregoing items.
26. Other lines of business relating to any of the foregoing items.

***Directors***

There is no provision in our Articles of Incorporation as to a Director's power to vote on a proposal, arrangement or contract in which a Director is materially interested, but, under the Companies Act of Japan, a director is required to refrain from voting on such matters when passing a resolution of the board of directors.

The Companies Act of Japan provides that compensation for directors is determined at a general meeting of shareholders of a company. Within the upper limit approved by the general meeting of shareholders, the board of directors will determine the amount of compensation for each director. The board of directors may, by its resolution, leave such decision to the discretion of the company's chief executive officer.

## Edgar Filing: MITSUI & CO LTD - Form 20-F

The Companies Act of Japan provides that the incurrence by a company of a significant loan from a third party should be approved by the company's board of directors. Our Regulations of the Board of Directors have adopted this policy.

There is no mandatory retirement age for our Directors under the Companies Act of Japan or our Articles of Incorporation.

There is no requirement concerning the number of shares one individual must hold in order to qualify him or her as a Director of Mitsui under the Companies Act of Japan or our Articles of Incorporation.

---

## **Table of Contents**

### ***Common Stock***

#### *Authorized capital*

Article 6 of the Mitsui's Articles of Incorporation provides that the total number of shares that can be issued by Mitsui is two billion five hundred million (2,500,000,000).

Under Mitsui's Articles of Incorporation, currently in effect, only shares of common stock are issuable and 1,829,153,527 shares of common stock (including treasury stock of 4,331,644 shares) were issued, fully paid as of March 31, 2010.

#### *Dividends*

Dividends on our shares are generally distributed in proportion to the number of shares owned by each shareholder.

In Japan, the ex-dividend date and the record date for any dividend precede the date of determination of the amount of the dividend to be paid. Generally, the ex-dividend date is two business days prior to the record date.

Under the Companies Act of Japan, we are permitted to make distributions of surpluses to our shareholders any number of times per fiscal year pursuant to resolutions of our general meeting of shareholders, subject to certain limitations described below. Distributions of surpluses are required, in principle, to be authorized by a resolution of the general meeting of shareholders. In an exception to the above rule, we are permitted to make distributions of surpluses in cash to our shareholders by board resolution once per fiscal year if our Articles of Incorporation so provide. Currently, our Articles of Incorporation so provide.

Distributions of surpluses may be made in cash or in-kind in proportion to the number of shares held by each shareholder. If a distribution of surpluses is to be made in-kind, we may, pursuant to a general meeting of shareholders' resolution, or as the case may be, a board resolution, grant our shareholders a right to require us to make the distribution in cash instead of in kind. If no such right is granted, the relevant distribution must be approved by a special resolution of a general meeting of shareholders. Currently, we do not have any concrete plan to make a distribution of surpluses in kind.

Under the Companies Act of Japan, when we make a distribution of surpluses, we must set aside in our additional paid-in capital or legal reserves an amount equal to at least one-tenth of the amount of surpluses so distributed, unless the sum of our additional paid-in capital and legal reserves is one-quarter or more of our stated capital. Under the Companies Act of Japan, we may distribute any dividends up to the amount of the excess of the aggregate of (a) and (b) below, less the aggregate of (c) through (f) below, on an unconsolidated basis, as of the effective date of such distribution (the Distributable Amount), if our net assets are not less than ¥3,000,000:

- (a) the amount of surpluses, as described below;
  
- (b) in the event that extraordinary financial statements as of, or for a period from the beginning of the business year to, the specified date are approved, the aggregate amount of (i) the aggregate amount of (x) the net income for such period described in the profit and loss statement included in the extraordinary financial statements and (y) the amount of payment made to fulfill certain obligations as provided for by an ordinance of the Ministry of Justice, and (ii) the amount of consideration that we received for the treasury stock that we disposed of during such period;
  
- (c) the book value of our treasury stock;
  
- (d) in the event that we disposed of treasury stock after the end of the previous business year, the amount of consideration that we received for such treasury stock;



**Table of Contents**

- (e) in the event of that which is described in (b) in this paragraph, the absolute difference between zero and the amount of net loss for such period described in the profit and loss statement included in the extraordinary financial statements; and
- (f) the aggregate amount of accounts as provided for by an ordinance of the Ministry of Justice.

For the purposes of this section, the amount of surpluses is the excess of the aggregate of I. through IV. below, less the aggregate of V. through VII. below, on an unconsolidated basis:

- I. the total amount of (x) assets and (y) the book value of treasury stock, less the total amount of (i) liabilities, (ii) stated capital, (iii) additional paid-in capital, (iv) legal reserve and (v) certain other amounts set forth in an ordinance of the Ministry of Justice;
- II. in the event that we disposed of treasury stock after the end of the previous business year, the difference between the book value of such treasury stock and the consideration that we received for such treasury stock;
- III. in the event that we reduced our stated capital after the end of the previous business year, the amount of such reduction less the portion thereof that has been transferred to additional paid-in capital and/or the legal reserve (if any);
- IV. in the event that additional paid-in capital and/or legal reserves were reduced after the end of the previous business year, the amount of such reduction less the portion thereof that has been transferred to stated capital (if any);
- V. in the event that we canceled treasury stock after the end of the previous business year, the book value of such treasury stock;
- VI. in the event that we distributed dividends after the end of the previous business year, the aggregate of the following amounts:
  - a. the aggregate amount of the book value of the distributed assets, excluding the book value of such assets that would be distributed to shareholders for their exercise of the right to receive dividends in cash instead of dividends in kind;
  - b. the aggregate amount of cash distributed to shareholders who exercised the right to receive dividends in cash instead of dividends in kind; and
  - c. the aggregate amount of cash paid to shareholders holding fewer shares that was required in order to receive dividends in kind;
- VII. the aggregate amounts of a. through c. below, less d. below:
  - a. in the event that the amount of surpluses was reduced and transferred to additional paid-in capital, the legal reserve and/or stated capital after the end of the previous business year, the amount so reduced;
  - b. in the event that we distributed dividends after the end of the previous business year, the amount set aside in our reserve;

- c. in the event that we disposed of treasury stock in the process of (x) a merger in which we acquired all rights and obligations of a company, (y) a corporate split in which we acquired all or a part of the rights and obligations of a split company or (z) a share exchange in which we acquired all shares of a company after the end of the previous business year, the difference between the book value of such treasury stock and the consideration that we received for such treasury stock; and
  
- d. in the event that we made (x) a merger in which we acquired all rights and obligations of a company, (y) a corporate split in which we acquired all or a part of the rights and obligations of a split company or (z) a share exchange in which we acquired all shares of a company after the end

---

## **Table of Contents**

of the previous business year, the aggregate amount of (i) the amount of our additional paid-in capital after such merger, corporate split or share exchange, less the amount of our additional paid-in capital before such merger, corporate split or share exchange, and (ii) the amount of our legal reserve after such merger, corporate split or share exchange, less the amount of our legal reserve after such merger, corporate split or share exchange.

Under the Companies Act of Japan, we are permitted to prepare non-consolidated extraordinary financial statements consisting of a balance sheet as of any date subsequent to the end of the previous business year and an income statement for the period from the first day of the current business year to the date of such balance sheet. If we prepare such extraordinary financial statements, special provisions may apply to the calculation of distributable amounts.

We plan to make distributions of surpluses twice per fiscal year, if possible. The record date for annual dividends is March 31 and the record date for interim dividends is September 30.

Under the Articles of Incorporation, Mitsui is not obliged to pay any interest on interim dividends paid in cash which are left unclaimed for a period of three years after the date on which they first became payable.

### ***Shareholders Meetings***

Mitsui normally holds its ordinary general meeting of shareholders in June of each year in Tokyo, Japan. In addition, Mitsui may hold an extraordinary general meeting of shareholders whenever necessary by giving at least two weeks advance notice to shareholders.

Under the Companies Act of Japan and related regulations, notice of a general meeting of shareholders setting forth the date, time, place, purpose thereof etc and providing a summary of the matters to be acted upon, must be mailed to each shareholder having voting rights (or, in the case of a non-resident shareholder, to his or her resident proxy or mailing address in Japan) at least two weeks prior to the date set for the meeting. The record date for any ordinary general meeting of shareholders of Mitsui is March 31.

Any shareholder or group of shareholders holding at least 3% of the total outstanding voting rights, for a continuous period of six months or longer, may require the convocation of a general meeting of shareholders for a particular purpose. Unless such a general meeting of shareholders is convened promptly or a convocation notice of a meeting which is to be held not later than eight weeks from the day such demand is dispatched, the requiring shareholders may, upon obtaining court approval, convene such shareholders meeting.

Any shareholder or group of shareholders holding at least 300 voting rights, or 1% of the total outstanding voting rights, for a continuous period of six months or longer, may propose a matter to be considered at a general meeting of shareholders by making such request to a director at least eight weeks prior to the date set for such meeting.

To attend a shareholders meeting in person or by proxy, shareholders must provide proof of identity upon request. Shareholders may be represented by proxies in writing appointed for the meeting. Proxy must be one shareholder of Mitsui with voting rights. A Director appointed by the Board of Directors acts as the chairman at a meeting of shareholders.

### ***Voting rights***

A shareholder is entitled to one vote per unit subject to the limitations on voting rights set forth in the following paragraph and Unit share system Voting rights under the unit share system below. Except as otherwise provided by law or by the Articles of Incorporation, a resolution can be adopted at a general meeting of shareholders by a majority of the voting rights represented at the meeting. The Companies Act of Japan and



**Table of Contents**

Mitsui's Articles of Incorporation provide, however, that the quorum for the election of Directors and Corporate Auditors shall not be less than one-third of the total voting rights. Mitsui's shareholders are not entitled to cumulative voting in the election of Directors. A corporate shareholder, 25% or more of whose outstanding shares are directly or indirectly owned by Mitsui, may not exercise its voting rights with respect to shares of Mitsui that it owns. Shareholders may exercise their voting rights through proxies, provided that the proxies are also Mitsui's shareholders holding voting rights. Mitsui's shareholders also may cast their votes in writing or electronically.

Under the Companies Act of Japan and our Articles of Incorporation, certain corporate actions must be approved by special shareholders resolutions of our meeting of shareholders, for which the quorum is one-third of the total number of shares having voting rights and the approval of the holders of two-thirds of our shares having voting rights represented at the meeting is required. Examples of corporate actions that require special shareholders resolutions are:

any amendment to our Articles of Incorporation (except for amendments that may be authorized solely by the Board of Directors under the Companies Act of Japan);

a reduction of capital, except for a reduction of capital for the purpose of replenishing capital deficiencies;

a distribution by us of surpluses in-kind, if we do not grant shareholders the right to require us to effect the distribution in cash, instead of in-kind;

a dissolution, merger or consolidation, subject to a certain exception under which a shareholders resolution is not required;

the transfer of the whole or an important part of the business, except for the transfer of an important part of the business in which the book value of transferred assets does not exceed 20% of that of the company's total assets;

the taking over of the whole of the business of any other corporation;

a share exchange or share transfer for the purpose of establishing a 100% parent-subsiidiary relationship, subject to a certain exception under which a shareholders resolution is not required;

a corporate split, subject to a certain exception under which a shareholders resolution is not required;

the offering of new shares at a specially favorable price and any offering of stock acquisition rights or bonds with stock acquisition rights at a specially favorable price or in a specially favorable condition to any persons other than shareholders; and

any purchase of the company's own shares from a certain person.

*Liquidation rights*

In the event of Mitsui's liquidation, the assets remaining after payment of all debts and liquidation expenses and taxes will be distributed among shareholders in proportion to the respective number of shares of common stock held.

*Record date*

## Edgar Filing: MITSUI & CO LTD - Form 20-F

March 31 is the record date for Mitsui's year-end dividends. The shareholders and beneficial shareholders who are registered as the holders of the number of shares constituting 1 unit or more whole units in Mitsui's register of shareholders and/or beneficial shareholders at the end of each March 31 are also entitled to exercise shareholders' voting rights at the ordinary general meeting of shareholders with respect to the fiscal year ending on such March 31. September 30 is the record date for interim dividends.

**Table of Contents**

Mitsui's shares generally go ex-dividend or ex-rights on Japanese stock exchanges on the second business day prior to a record date (or if the record date is not a business day, the third business day prior thereto), for the purpose of dividends or rights offerings.

***Repurchase by Mitsui of its Common Stock***

Under the Companies Act of Japan and the Mitsui's Articles of Incorporation, Mitsui may acquire its own shares (i) from a specific shareholder other than any of its subsidiaries (pursuant to a special resolution of a general meeting of shareholders), (ii) from any of its subsidiaries (pursuant to a resolution of the Board of Directors), or (iii) by way of purchase on any Japanese stock exchange on which Mitsui's shares are listed or by way of tender offer (as long as its non-consolidated annual financial statements and certain documents for the last business year fairly present its asset and profit or loss status, as required by ordinances of the Ministry of Justice) (in either case pursuant to an ordinary resolution of a general meeting of shareholders or a resolution of the Board of Directors). In the case of (i) above, any other shareholder may make a request to Mitsui that such other shareholder be included as a seller in the proposed purchase, provided that no such right will be available if the purchase price or any other consideration to be received by the relevant specific shareholder will not exceed the higher of (x) the last trading price of the shares on the relevant stock exchange on the day immediately preceding the date on which the resolution mentioned in (i) above was adopted (or, if there is no trading in the shares on the stock exchange or if the stock exchange is not open on such day, the price at which the shares are first traded on such stock exchange thereafter) and (y) if the shares are subject to a tender offer on the day immediately preceding the date on which the resolution mentioned in (i) above was adopted, the price of the shares under the agreement with respect to such tender offer on such day. The total amount of the purchase price of Mitsui's own shares may not exceed the Distributable Amount, as described in the *Dividends* above.

Mitsui may also acquire its own shares in response to a shareholder's request for purchase of his or her shares representing less than 1 unit. See *Unit share system* *Repurchase by Mitsui of shares constituting less than a full unit* below.

***Transfer of shares***

On January 5, 2009, a new central clearing system for shares of Japanese listed companies was established pursuant to the Law Concerning Book-Entry Transfer of Corporate Bonds and Other Securities for Trade of Stocks and Other Securities (including regulations promulgated thereunder; the *Book-Entry Law*), and the shares of all Japanese companies listed on any Japanese stock exchange, including Mitsui's shares, became subject to this new system. On the same day, all existing share certificates for such shares became null and void. At present, the Japan Securities Depository Center, Inc. (JASDEC) is the only institution that is designated by the relevant authorities as a clearing house which is permitted to engage in the clearing operations of shares of Japanese listed companies under the *Book-Entry Law*. Under the new clearing system, in order for any person to hold, sell or otherwise dispose of shares of Japanese listed companies, it must have an account at an account management institution unless such person has an account at JASDEC. Account management institutions are financial instruments traders (i.e., securities companies), banks, trust companies and certain other financial institutions which meet the requirements prescribed by the *Book-Entry Law*.

Under the *Book-Entry Law*, any transfer of shares is effected through book entry, and title to the shares passes to the transferee at the time when the transferred number of the shares is recorded at the transferee's account at an account management institution. The holder of an account at an account management institution is presumed to be the legal owner of the shares held in such account.

Because shares constituting less than one unit do not comprise a trading unit under the rules of the Japanese stock exchanges, such shares may not be sold on the Japanese stock exchanges.

---

## **Table of Contents**

### *Unit share system*

Pursuant to the Companies Act of Japan, Mitsui has adopted unit share system and the current number of shares constituting one unit is 100 shares (five ADSs). This unit share system is called *tangen-kabu-system*.

Any amendment to the Articles of Incorporation reducing the number of shares constituting a unit or eliminating the provisions for units of shares may be made by a resolution of the Board of Directors rather than by special shareholders' resolutions. The number of shares constituting 1 unit cannot exceed 100.

### *Voting rights under the unit share system*

Under the unit share system, shareholders shall have one voting right for each unit of shares that they hold. Any number of shares less than a full unit will carry no voting rights.

### *Repurchase by Mitsui of shares constituting less than a full unit*

A holder of shares representing less than one unit may at any time require Mitsui to purchase its shares through the account management institutions and JASDEC. These shares will be purchased at (a) the closing price of the shares reported by the Tokyo Stock Exchange, Inc. (the TSE) on the day when the request to purchase is made or (b) if no sale takes place on the TSE on that day, then the price at which sale of shares is effected on such stock exchange immediately thereafter, subject in each case to the payment of applicable handling fee.

### *Increase in purchase of the shares to make one unit*

Under the Articles of Incorporation, any shareholder who holds shares less than one unit may request Mitsui to sell such number of shares owned by Mitsui as are necessary to make one unit by adding the number of shares owned by such shareholder in accordance with the Share Handling Regulations and the Companies Act of Japan.

Such a request shall be made through the account management institutions and JASDEC. These shares will be sold at (a) the closing price of the shares reported by the TSE on the day when the request to sell becomes effective or (b) if no sale has taken place on the TSE on that day, then the price at which sale of shares is effected on such stock exchange immediately thereafter, subject in each case to the payment of applicable handling fee.

### *Effect of the unit share system on holders of ADSs*

A holder who owns ADSs evidencing less than 100 common shares will indirectly own less than one whole unit. Although, as discussed above, under the unit share system holders of less than one unit have the right to require Mitsui to purchase their shares or sell such number of shares owned by Mitsui as are necessary to make one unit by adding the number of their shares, holders of ADSs that represent other than integral multiples of whole units are unable to withdraw the underlying shares representing less than one unit and, therefore, are unable, as a practical matter, to exercise the rights to require Mitsui to purchase nor sell such underlying shares. As a result, access to the Japanese markets by holders of ADSs through the withdrawal mechanism will not be available for dispositions of shares in lots less than one unit. The unit share system does not affect the transferability of ADSs, which may be transferred in lots of any size.

### *Reporting of Substantial Shareholdings*

The Financial Instruments and Exchange Law of Japan and its related regulations require any person who has become, beneficially and solely or jointly, a holder of more than 5% of the total issued shares of a company listed on any Japanese stock exchange or whose shares are traded on an over-the-counter market in Japan, to file a report concerning such shareholdings with the director of the relevant Local Finance Bureau of the Ministry of Finance within five business days. With certain exceptions, a similar report must also be made in respect of any subsequent change of 1% or more in any such holding or of any change in material matters set out in any previously-filed reports. For this purpose, shares issuable or transferable to such person upon exercise of

**Table of Contents**

exchangeable securities, conversion of convertible securities or exercise of warrants or stock acquisition rights (including those incorporated in bonds with share subscription rights) are taken into account in determining both the number of shares held by such holder and the issuer's total issued share capital. Copies of each report must also be furnished to the issuer of the shares and to all Japanese stock exchanges on which the shares are listed or, in the case of shares traded over-the-counter, to the Japan Securities Dealers Association.

***Exercise of Voting Rights***

Except for the general limitation under Japanese anti-trust and anti-monopoly regulations against the holding of shares of a Japanese corporation which leads or may lead to a restraint of trade or monopoly, and except for general limitations under the Companies Act of Japan or Mitsui's Articles of Incorporation on the rights of shareholders applicable regardless of residence or nationality, there is no limitation under Japanese laws and regulations applicable to Mitsui or under its Articles of Incorporation on the rights of non-resident or foreign shareholders to hold or exercise voting rights on the shares of common stock of Mitsui.

***Change in Control***

There is no provision in Mitsui's Articles of Incorporation that would have an effect of delaying, deferring or preventing a change in control of Mitsui and that would operate only with respect to merger, consolidation, acquisition or corporate restructuring involving Mitsui.

***Daily Price Fluctuation Limits under Japanese Stock Exchange Rules***

Share prices on Japanese stock exchanges are determined on a real-time basis by the equilibrium between bids and offers. These exchanges are order-driven markets without specialists or market makers to guide price formation. To prevent excessive volatility, these exchanges set daily upward and downward price fluctuation limits for each share, based on the previous day's closing price. Although transactions may continue at the upward or downward limit price if the limit price is reached on a particular trading day, no transactions may take place outside these limits. Consequently, an investor wishing to sell at a price above or below the relevant daily limit may not be able to sell his or her shares at such price on a particular trading day, or at all.

On August 6, 2010, the closing price of our shares on the Tokyo Stock Exchange was ¥1,201 per share. The following table shows the respective daily price limit for a stock on the Tokyo Stock Exchange with a closing price per share corresponding to five ranges. Other daily price limits would apply if our per share price moved to other ranges.

**Selected Daily Price Limits**

|                     | Previous Day's Closing Price or Special Quote |                 | Maximum Daily Price Movement |
|---------------------|---|-----------------|------------------------------|
| Greater or equal to | ¥ 500   | Less than ¥ 700 | 100                          |
| Greater or equal to | 700   | Less than 1,000 | 150                          |
| Greater or equal to | 1,000   | Less than 1,500 | 300                          |
| Greater or equal to | 1,500   | Less than 2,000 | 400                          |
| Greater or equal to | 2,000   | Less than 3,000 | 500                          |
| Greater or equal to | 3,000   | Less than 5,000 | 700                          |

For a history of the trading price of our shares on the Tokyo Stock Exchange, see Item 9.A. Offer and Listing Details of this annual report.

**C. Material Contracts.**

We have not been a party to any material contract, other than contracts entered into in the ordinary course of business, within past two years immediately preceding the date of this report.

---

## **Table of Contents**

### **D. Exchange Controls.**

#### ***Foreign Exchange Regulations***

The Foreign Exchange and Foreign Trade Law of Japan, as currently in effect, and the cabinet orders and ministerial ordinances thereunder (the Foreign Exchange Regulations ) govern certain matters relating to the acquisition and holding of the shares or the ADSs, by Non-Residents of Japan and by Foreign Investors as hereinafter defined.

Non-Residents of Japan are defined as individuals who are not resident in Japan and corporations whose principal offices are located outside Japan. Branches and other offices of Japanese corporations located outside Japan are regarded as Non-Residents of Japan, and branches and other offices located within Japan of foreign corporations are regarded as residents of Japan. Foreign Investors are defined to be (i) individuals not resident in Japan, (ii) corporations which are organized under the laws of foreign countries or whose principal offices are located outside Japan, and (iii) other corporations of which (a) 50% or more of the shares are held directly or indirectly by (i) or (ii) above, (b) a majority of officers consists of Non-Residents of Japan or (c) a majority of officers having the power of representation consists of Non-Residents of Japan.

#### ***Acquisition of Shares***

In general, acquisition of shares of stock of a Japanese company listed on any Japanese stock exchange or traded in any over-the-counter market in Japan ( Listed Shares ) by a Non-Resident of Japan from a resident of Japan is not subject to any prior filing requirements except as described below. However, the Minister of Finance Japan (the MOF ) and other Ministers having jurisdiction over the business of the subject company (together, the Ministers ) may require a prior approval for any such acquisition in certain exceptional circumstances. The resident of Japan who transferred the shares of a Japanese company to a Non-Resident of Japan must file a report concerning such transfer with the MOF within 20 days after the transfer unless such transfer is made through a bank, securities company or financial futures trader licensed under the relevant Japanese law or consideration of such transfer is ¥100 million or less.

If the number of Listed Shares to be acquired, or the number of Listed Shares that will be held as a result of such acquisition, by a Foreign Investor (whether from a resident of Japan, another Foreign Investor or from or through security companies) is 10% or more of the total outstanding shares of the subject company, the Foreign Investor must file a post facto report with the Ministers by the 15<sup>th</sup> day of the month following the month during which such acquisition occurred (and in the event that the relevant 15<sup>th</sup> day is a holiday, such post facto report shall be filed by a business day immediately preceding the holiday). In certain exceptional cases, a prior notification is required in respect of such an acquisition.

#### ***Acquisition of Shares upon Exercise of Subscription Rights Attached to Bonds***

The acquisition by a Non-Resident of Japan of shares upon exercise of his or her rights under the bonds with rights for subscription of new shares offered overseas is exempted from the notification and reporting requirements described under this Item 10.D. Exchange Controls Acquisition of Shares above.

#### ***ADRs***

The deposit of the shares by a Non-Resident of Japan, the issuance of the ADRs, in exchange therefore and the withdrawal of the underlying shares upon surrender of the ADRs are not subject to any formalities referred to under Acquisition of Shares above, except where as a result of such deposit (or withdrawal) the aggregate number of shares held by the depositary (or its nominee) or the holder surrendering the ADRs, as the case may be, would be certain percentage of the total outstanding shares, in which event the relevant report is required as outlined under Item 10. B. Memorandum and Articles of Association Reporting of Substantial Shareholdings and/or under this Item 10.D. Exchange Controls Acquisition of Shares.

---

## **Table of Contents**

### ***Dividends and Proceeds of Sales***

Dividends paid on, and the proceeds of sales in Japan of the shares held by Non-Residents of Japan may be convertible into any foreign currency and repatriated abroad with no limit on the amount under the Foreign Exchange Regulations currently in effect. The acquisition of the shares by Non-Residents of Japan by way of stock splits is not subject to any of the aforesaid notification and confirmation requirements.

### **E. Taxation. (Not Updated)**

#### ***Japanese Taxation***

The following is a summary of the principal Japanese national tax consequences to owners of our shares or ADSs who are non-resident individuals or non-Japanese corporations without a permanent establishment in Japan to which income from our shares is attributable. The tax treatment is subject to possible changes in the applicable Japanese laws or double taxation conventions occurring after that date. This summary is not exhaustive of all possible tax considerations that may apply to a particular investor. Investors are encouraged to consult their own tax advisers as to:

the overall tax consequences of the acquisition, ownership and disposition of shares or ADSs, including specifically the tax consequences under Japanese law;

the laws of the jurisdiction of which they are resident; and

any tax treaty between Japan and their country of residence.

Generally, a non-resident holder of shares or ADSs is subject to Japanese withholding tax on dividends paid by us. In the absence of any applicable tax treaty, convention or agreement reducing the maximum rate of withholding tax, the rate of Japanese withholding tax applicable to dividends paid by us to non-resident holders is 7% for dividends to be paid on or before December 31, 2011, and 15% thereafter, except for dividends paid to any individual shareholder who holds 5% or more of the issued shares of Mitsui. Japan has income tax treaties, conventions or agreements whereby the maximum withholding tax rate for dividend payment is set at, in most cases, 15% for portfolio investors, with, among other countries, Belgium, Canada, Denmark, Finland, Germany, Ireland, Italy, Luxembourg, the Netherlands, New Zealand, Norway, Singapore, Spain, Sweden and Switzerland. Japan's income tax treaties with the United Kingdom and France set the maximum withholding rate at 10%. In addition, under the tax treaty between Australia and Japan, the standard treaty withholding tax rate on dividends taxed on or after January 1, 2009 has been reduced in general from 15% to 10%. Under the U.S.-Japan tax treaty (the "Treaty"), the maximum withholding rate on dividends for portfolio investors is 10%, if (i) they do not have a permanent establishment in Japan, and (ii) the shares on ADSs with respect to which such dividends are paid are not effectively connected with such permanent establishment, and (iii) they are qualified U.S. residents eligible for benefits under the Treaty. Under the Treaty, pension funds which are qualified U.S. residents eligible for benefits under the Treaty are exempt from Japanese taxation on dividends by way of withholding or otherwise, unless such dividends are derived from the carrying on of a business, directly or indirectly, by such pension funds. Japanese tax law provides in general that if the Japanese statutory rate is lower than the maximum rate applicable under tax treaties, conventions or agreements, the Japanese statutory rate shall be applicable.

Stock splits are not subject to Japanese income or corporate tax. A capitalization of capital surplus is not subject to Japanese income or corporate tax.

Non-resident holders who are entitled to a reduced rate of Japanese withholding tax on payments of dividends on the shares by us are required to submit an Application Form for the Income Tax Convention regarding Relief from Japanese Income Tax on Dividends in advance through us to the relevant tax authority before the payment of dividends. A standing proxy for non-resident holders may provide the application. With respect to ADSs, this reduced rate is applicable if the depositary or its agent submits two Application Forms for Income Tax Convention (one prior to payment of dividends, the other within eight months after our fiscal year-end). To claim this reduced rate, a non-resident holder of ADSs will be required to file proof of taxpayer status,





## **Table of Contents**

required by the depository. Non-resident holders who do not submit an application in advance will generally be entitled to claim a refund from the relevant Japanese tax authority of withholding taxes withheld in excess of the rate of an applicable tax treaty.

Gains derived from the sale outside Japan of Mitsui's shares or the ADSs by non-residents of Japan, including non-Japanese corporations, will not be subject to Japanese taxes on income. Gains derived from the sale in Japan of Mitsui's shares or the ADSs by a non-resident of Japan or a non-Japanese corporation not having a permanent establishment in Japan to which such income is attributable are, in general, not subject to Japanese income or corporate tax.

Japanese inheritance and gift taxes, at progressive rates, may be payable by an individual who acquires the shares or the ADSs as a legatee, heir or donee.

### ***United States Taxation***

#### ***General***

This discussion of certain U.S. federal tax consequences only applies to U.S. holders (as defined below) who hold our ADSs or shares as capital assets for tax purposes and are not members of a special class of holders subject to special rules, including: dealers in securities; traders in securities who elect to use a mark-to-market method of accounting for their securities holdings; tax-exempt organizations; insurance companies; persons liable for alternative minimum tax; persons who actually or constructively own 10% or more of Mitsui voting stock; persons who hold shares or ADSs as part of a hedging or straddle or conversion transaction; or persons whose functional currency is not the U.S. dollar. A U.S. holder is a beneficial owner of shares or ADSs that is: a citizen or resident of the United States; a domestic corporation; an estate whose income is subject to U.S. federal income tax regardless of its source; or a trust, if a U.S. court can exercise primary supervision over the trust's administration and one or more U.S. persons are authorized to control all substantial decisions of the trust.

This section is based on the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations, published rulings and court decisions, as well as the Treaty. These laws are subject to change, possibly on a retroactive basis. In addition, this section is based in part upon the representations of the depository and the assumption that each obligation in the deposit agreement and any related agreement will be performed in accordance with its terms.

Moreover, the effect of any applicable U.S. state or local tax laws is not discussed in this annual report.

In general, and taking into account earlier assumptions, for U.S. federal income tax purposes, if a person holds ADRs evidencing ADSs, that person will be treated as the owner of the underlying shares represented by those ADSs. Exchanges of shares for ADRs, and ADRs for shares, will generally not be subject to U.S. federal income tax.

Each holder should consult its own tax advisor regarding the U.S. federal, state and local, and other tax consequences of owning and disposing of shares and ADSs in its particular circumstances. In particular, each holder should confirm its status as a person eligible for benefits under the Treaty with its advisor and should discuss any possible consequences of failing to qualify as a person eligible for benefits under the Treaty.

If a partnership holds the shares or ADSs, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the tax treatment of the partnership. A partner in a partnership holding the shares or ADSs should consult its tax advisor with regard to the U.S. federal income tax treatment of an investment in the shares or ADSs.

---

**Table of Contents***Taxation of Dividends*

Subject to the passive foreign investment company ( PFIC ) rules discussed below, the gross amount of any dividend paid to a U.S. holder by Mitsui out of its current or accumulated earnings and profits (as determined for U.S. federal income tax purposes) is subject to U.S. federal income taxation. For noncorporate U.S. holders, dividends paid in taxable years beginning before January 1, 2011 that constitute qualified dividend income will be taxable at a maximum tax rate of 15% provided that shares or ADSs were held for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date and other holding period requirements are met. Dividends Mitsui pays with respect to its shares or ADSs generally will be qualified dividend income. Dividends are taxable to U.S. holders when they, in the case of shares, or the depository, in the case of ADSs, receive them, either actually or constructively. The dividend will not be eligible for the dividends-received deduction generally allowed to U.S. corporations in respect of dividends received from other U.S. corporations. Any distribution in excess of current and accumulated earnings and profits (as determined for U.S. federal income tax purposes) will be treated as a non-taxable return of capital to the extent of a holder's basis in the ADSs or shares and thereafter as capital gain.

A U.S. holder must include any foreign tax withheld from the dividend payment in its gross amount even though the U.S. holder did not in fact receive it. The amount of the dividend distribution that a U.S. holder must include in its income will be the U.S. dollar value of the Japanese yen payments made, determined at the spot Japanese yen/ U.S. dollar rate on the date such dividend distribution is includible in such holder's income, regardless of whether the payment is in fact converted into U.S. dollars. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date a holder includes the dividend payment in income to the date such payment is converted into U.S. dollars will be treated as ordinary income or loss and will not be eligible for the special tax rate applicable to qualified dividend income. Such gain or loss will generally be income or loss from sources within the United States for foreign tax credit limitation purposes.

Dividends will generally be income from sources outside the United States and, depending on the U.S. holder's circumstances, will generally be either passive or general income for purposes of computing the foreign tax credit allowable to the U.S. holder. No U.S. foreign tax credit will be allowed to U.S. holders of shares or ADSs in respect of any personal property or similar tax imposed by Japan (or any taxing authority thereof or therein). Subject to certain limitations, the Japanese tax withheld in accordance with the Treaty and paid over to Japan will be creditable or deductible against your U.S. federal income tax liability. Special rules apply in determining the foreign tax credit limitation with respect to dividends that are subject to the maximum 15% tax rate. U.S. holders should consult their own tax advisors concerning the implications of U.S. foreign tax credit rules in light of their particular circumstances.

*Taxation of Capital Gains*

Subject to the PFIC rules discussed below, a U.S. holder who sells or otherwise disposes of shares or ADSs will recognize capital gain or loss for U.S. federal income tax purposes in an amount equal to the difference between the U.S. dollar value of the amount realized and his or her tax basis (determined in U.S. dollars) in such shares or ADSs. Capital gain of a noncorporate U.S. holder is generally taxed at preferential rates where the holder has a holding period greater than one year. The gain or loss will generally be income or loss from sources within the United States for foreign tax credit limitation purposes.

*PFIC Rules*

Mitsui believes that the shares and ADSs should not be treated as stock of a PFIC for U.S. federal income tax purposes, but this conclusion is a factual determination that is made annually and thus may be subject to change.

---

**Table of Contents**

In general, if you are a U.S. holder, we will be a PFIC with respect to you if for any taxable year in which you held our shares or ADSs:

at least 75% of our gross income for the taxable year is passive income or

at least 50% of the value, determined on the basis of a quarterly average, of our assets is attributable to assets that produce or are held for the production of passive income.

Passive income generally includes dividends, interest, royalties, rents (other than certain rents and royalties derived in the active conduct of a trade or business), annuities and gains from assets that produce passive income. If a foreign corporation owns at least 25% by value of the stock of another corporation, the foreign corporation is treated for purposes of the PFIC tests as owning its proportionate share of the assets of the other corporation, and as receiving directly its proportionate share of the other corporation's income.

If we are treated as a PFIC, and you are a U.S. holder that did not make a mark-to-market election, as described below, you will be subject to special rules with respect to:

any gain you realize on the sale or other disposition of your shares or ADSs and

any excess distribution that we make to you (generally, any distributions to you during a single taxable year that are greater than 125% of the average annual distributions received by you in respect of the shares or ADSs during the three preceding taxable years or, if shorter, your holding period for the shares or ADSs).

Under these rules:

the gain or excess distribution will be allocated ratably over your holding period for the shares or ADSs,

the amount allocated to the taxable year in which you realized the gain or excess distribution will be taxed as ordinary income,

the amount allocated to each prior year, with certain exceptions, will be taxed at the highest tax rate in effect for that year, and

the interest charge generally applicable to underpayments of tax will be imposed in respect of any such tax attributable to the prior years.

Special rules apply for calculating the amount of the foreign tax credit with respect to excess distributions by a PFIC.

If you own shares or ADSs in a PFIC that are treated as marketable stock, you may make a mark-to-market election. If you make this election, you will not be subject to the PFIC rules described above. Instead, in general, you will include as ordinary income each year the excess, if any, of the fair market value of your shares or ADSs at the end of the taxable year over your adjusted basis in your shares or ADSs. These amounts of ordinary income will not be eligible for the favorable tax rates applicable to qualified dividend income or long-term capital gains. You will also be allowed to take an ordinary loss in respect of the excess, if any, of the adjusted basis of your shares or ADSs over their fair market value at the end of the taxable year (but only to the extent of the net amount of previously included income as a result of the mark-to-market election). Your basis in the shares or ADSs will be adjusted to reflect any such income or loss amounts.

In addition, notwithstanding any election you make with regard to the shares or ADSs, dividends that you receive from us will not constitute qualified dividend income to you if we are a PFIC either in the taxable year of the distribution or the preceding taxable year. Moreover, your shares or ADSs will be treated as stock in a PFIC if we were a PFIC at any time during your holding period in your shares or ADSs, even if we are not currently a PFIC. For purposes of this rule, if you make a mark-to-market election with respect to your shares or ADSs, you will be

treated as having a new holding period in your shares or ADSs beginning on the first day of the first

## **Table of Contents**

taxable year beginning after the last taxable year for which the mark-to-market election applies. Dividends that you receive that do not constitute qualified dividend income are not eligible for taxation at the 15% maximum rate applicable to qualified dividend income. Instead, you must include the gross amount of any such dividend paid by us out of our accumulated earnings and profits (as determined for U.S. federal income tax purposes) in your gross income, and it will be subject to tax at rates applicable to ordinary income.

If you own shares or ADSs during any year that we are a PFIC with respect to you, you must file Internal Revenue Service Form 8621.

### **F. Dividends and Paying Agents.**

Not applicable.

### **G. Statement by Experts.**

Not applicable.

### **H. Documents on Display.**

We are subject to the informational requirements of the Securities Exchange Act of 1934 and, in accordance therewith, we file annual reports on Form 20-F within six months of our fiscal year-end and furnish other reports and information on Form 6-K with the Securities and Exchange Commission. These reports and other information can be inspected at the public reference room at the Securities and Exchange Commission at 100 F Street, N.E., Washington, D.C. 20549. You can also obtain copies of such material by mail from the public reference room of the Securities and Exchange Commission at prescribed fees. You may obtain information on the operation of the Securities and Exchange Commission public reference room by calling the Securities and Exchange Commission in the United States at 1-800-SEC-0330. You can also access to the documents on the website of the Securities and Exchange Commission (<http://www.sec.gov>).

### **I. Subsidiary Information.**

Not applicable.

## **Item 11. Quantitative and Qualitative Disclosures about Market Risk.**

Our business transactions are exposed to various aspects of market risks in interest rates, foreign currency exchange rates, commodity prices, equity prices and others. Particularly, Mitsui and certain subsidiaries are engaged in trading activities which include mainly active and repeated selling and buying transactions of derivative financial and commodity instruments. In order to control exposures to those risks, we set position limits and loss limits (trading limits) both for trading activities and non-trading activities.

### ***Monitoring Market Risks at Our Organization***

We have market risk management policies and procedures at several levels throughout our organization. Chief Operating Officer of each operating segment has the primary responsibility for setting the trading limits, controlling and managing market risk within the trading limits. Each operating segment must maintain a framework which also covers its major subsidiaries for measuring portfolio risk within its risk limits. The transactions are recorded by independent monitoring sections.

The Market Risk Management Division within our headquarters monitors the company-wide process of risk management and compliance with the trading limits set for operating segments. The Market Risk Management Division also provides general supervision over the market risk management process for operating segments.

**Table of Contents**

The Market Risk Management Division periodically reports the market risk positions to Chief Financial Officer which includes analyses on Value-at-Risk ( VaR ) amounts for specified market risk positions. For derivative financial and commodity instruments entered into as trading activities including swap transactions, forward contracts, futures, options, and other instruments, it measures VaR amounts on a daily basis and conducts back-testing to verify effectiveness of its VaR calculation models by comparing assumptions and estimations with actual results periodically.

**VaR Analysis at Mitsui**

VaR is a statistical measure of the potential change in market value of portfolios resulting from adverse market movements in underlying risk factors, over a defined period, within a certain confidence level. At March 31, 2010 and 2009, we calculated VaR using the following assumption and parameters:

holding period of one day with respect to the interest rate, foreign currency exchange rate and commodity price risks and

a variance-covariance method, a historical simulation approach and/or Monte Carlo simulation with a confidence level of 95% or higher.

As VaR is an estimation based on past market data regarding changes in market risk factors, our actual results may differ materially from the calculations. Moreover, the sum of the VaRs of each risk category does not represent VaR of our combined portfolio, since market risk factors are partially correlated and a change in market value affected by certain risk factor may offset effects of other risk factors.

**VaRs for Trading Activities**

The following table sets forth the year end, high, low, and average VaR figures of trading portfolios which are mainly corresponding to interest rate risk, foreign currency exchange rate risk and commodity price risk for the years ended March 31, 2010 and 2009. Each category represents principally the following transactions:

interest rate sensitive financial (derivative and non-derivative) instrument trading conducted by the Finance Division;

foreign exchange trading (forwards, swaps, options and non-deliverable forwards) conducted by the Finance Division; and

commodity derivative trading, such as futures, forwards, swaps and options related to energy products including crude oil, oil products, and natural gas; precious metals and base metals including gold, silver, platinum, palladium, copper, lead, nickel and aluminum; and agricultural products including wheat, coffee and soy beans; and weather derivative trading conducted by the Financial Markets Business Unit and other business units<sup>(i)</sup>.

|                                     | Millions of Yen       |       |       |         |                       |       |       |         |
|-------------------------------------|-----------------------|-------|-------|---------|-----------------------|-------|-------|---------|
|                                     | 2010                  |       |       |         | 2009                  |       |       |         |
|                                     | VaR as of<br>Year End | High  | Low   | Average | VaR as of<br>Year End | High  | Low   | Average |
| Interest rate risk                  | 0                     | 4     | 0     | 1       | 0                     | 0     | 0     | 0       |
| Foreign currency exchange rate risk | 9                     | 76    | 9     | 38      | 8                     | 24    | 4     | 13      |
| Commodity price risk                | 1,920                 | 3,178 | 1,920 | 2,706   | 2,387                 | 3,762 | 1,722 | 2,620   |

(i) In the Americas Segment, Westport Petroleum, Inc. (United States) has considerable limits and positions in oil products.



**Table of Contents****Market Risk Positions from Non-Trading Activities**

Non-Trading represents business transactions other than trading activities as discussed above. The following tables set forth the positions of interest rate risk, foreign currency exchange rate risk and commodity price risk for non-trading purposes, for the year ended March 31, 2010 and 2009.

**Interest rate risk**

We are exposed to interest rate risk on our interest bearing debt, which primarily consist of borrowings and bonds denominated in Japanese yen and U.S. dollars. We have entered into interest rate derivative transactions primarily to hedge the exposure we hold on these financial instruments. Our interest rate derivatives transactions mainly consist of interest rate swaps and currency swaps to convert fixed rate exposures to floating rate exposures. The table below illustrates a structure of interest types (floating/fixed) of our interest bearing debt as of March 31, 2010 and 2009 that was derived from fund raising activities, taking into consideration the effect of hedging transactions by these financial derivatives. See also Item 5. B. Liquidity and Capital Resources Finance and Liquidity Management.

|              | Billions of Yen              |                           |                              |                           |
|--------------|------------------------------|---------------------------|------------------------------|---------------------------|
|              | 2010                         |                           | 2009                         |                           |
|              | Exposure of<br>Floating Rate | Exposure of<br>Fixed Rate | Exposure of<br>Floating Rate | Exposure of<br>Fixed Rate |
| Japanese Yen | 1,680.3                      | 810.6                     | 1,838.7                      | 963.8                     |
| U.S. Dollars | 598.7                        | 77.9                      | 501.6                        | 110.2                     |
| Others       | 195.5                        | 55.6                      | 97.4                         | 91.8                      |
| Total        | 2,474.5                      | 944.1                     | 2,437.7                      | 1,165.8                   |

**Foreign currency exchange rate risk**

We are exposed to foreign currency exchange rate risk on the net risk position of transactions denominated in foreign currencies, mainly in U.S. dollars and Australian dollars, which include paying and receiving transactions in commercial contracts, long-term financing transactions, identifiable commitments and forecasted transactions, taking into consideration the effect of hedging transactions such as forward contracts and currency options. The table below sets forth information on our foreign exchange positions as mentioned above against Japanese Yen as of March 31, 2010 and 2009.

|                    | Billions of Yen  |                   |                                |                  |                   |                                |
|--------------------|------------------|-------------------|--------------------------------|------------------|-------------------|--------------------------------|
|                    | 2010             |                   |                                | 2009             |                   |                                |
|                    | Long<br>Position | Short<br>Position | Net<br>Exposure <sup>(1)</sup> | Long<br>Position | Short<br>Position | Net<br>Exposure <sup>(1)</sup> |
| U.S. Dollars       | 74.1             | 192.3             | (118.2)                        | 72.8             | 114.8             | (42.0)                         |
| Australian Dollars | 119.0            | 0                 | 119.0                          | 76.7             | 2.3               | 74.4                           |
| Others             | 62.6             | 29.5              | 33.1                           | 18.4             | 20.4              | (2.0)                          |
| Total              | 255.7            | 221.8             | 33.9                           | 167.9            | 137.5             | 30.4                           |

(1) Figures in parentheses of Net Exposure indicate short position.



**Table of Contents****Commodity price risk**

The table below sets forth information on our commodity forward, futures and option positions as of March 31, 2010 and 2009, classified by products of precious metals and base metals; energy products; and agricultural products. Each figure represents the magnitude of outstanding balances of commodity forward contracts, futures and options (utilized to hedge or mitigate the commodity price risk associated with non-derivative commodity positions such as physical inventories and firm commitments). Those figures, therefore, do not include those non-derivative commodity positions.

|   | Billions of Yen |                |                             |               |                |                             |
|---|-----------------|----------------|-----------------------------|---------------|----------------|-----------------------------|
|   | 2010            |                |                             | 2009          |                |                             |
|   | Long Position   | Short Position | Net Exposure <sup>(1)</sup> | Long Position | Short Position | Net Exposure <sup>(1)</sup> |
| Non-ferrous metals <sup>(2)</sup>               | 243.5           | 265.3          | (21.8)                      | 201.3         | 209.4          | (8.1)                       |
| Foodstuff                                       | 46.6            | 66.6           | (20.0)                      | 34.3          | 48.5           | (14.2)                      |
| Petroleum (Energy) <sup>(3)(4)</sup> and others | 1.0             | 4.4            | (3.4)                       | 2.4           | 1.9            | 0.5                         |
| Total   | 291.1           | 336.3          | (45.2)                      | 238.0         | 259.8          | (21.8)                      |

(1) Figures in parentheses of Net Exposure indicate short position.

(2) Non-ferrous metals include precious metals (gold, silver, platinum, etc.) and base metals (copper, aluminium, nickel, etc.).

(3) Petroleum (Energy) includes crude oil, oil products, LPG, etc.

(4) Long position and short position of Petroleum (Energy) for the year ended March 31, 2009 have been corrected due to an immaterial error from ¥110.3 billion to ¥2.4 billion and from ¥148.3 billion to ¥1.9 billion, respectively.

**Equity price risk**

We hold stocks issued by, among others, our customers and suppliers as marketable securities, intending to strengthen ties with them. The fair value and unrealized holding net gains (losses) on marketable equity securities by industry at March 31, 2010 and 2009 were as follows:

|                                     | Billions of Yen |                                       |                               |                                       |
|-------------------------------------|-----------------|---------------------------------------|-------------------------------|---------------------------------------|
|                                     | March 31, 2010  |                                       | March 31, 2009 <sup>(1)</sup> |                                       |
|                                     | Fair Value      | Unrealized Holding Net Gains (Losses) | Fair Value                    | Unrealized Holding Net Gains (Losses) |
| Manufacturing                       | 219.6           | 92.5                                  | 153.6                         | 35.9                                  |
| Commercial, finance and real estate | 72.5            | 11.0                                  | 68.6                          | (8.5)                                 |
| Transport and telecommunication     | 15.6            | 4.8                                   | 18.2                          | 4.3                                   |
| Energy, service and others          | 167.5           | 127.3                                 | 158.3                         | 114.8                                 |
| Total                               | 475.2           | 235.6                                 | 398.7                         | 146.5                                 |

(1) Breakdown of fair value and unrealized holding net gains (losses) for the year ended March 31, 2009 has been corrected due to an immaterial error.

For the year ended March 31, 2010, the general increase in unrealized holding gains and fair value compared to the year ended March 31, 2009 was mainly due to the rise of Japanese stock prices. For the details, see Item 5. B. Liquidity and Capital Resources Assets, Liabilities and Shareholders Equity.



**Table of Contents****Item 12. Description of Securities Other than Equity Securities.****A. Debt Securities.**

Not applicable.

**B. Warrants and Rights.**

Not applicable.

**C. Other Securities.**

Not applicable.

**D. American Depositary Shares.**

No charge or fee is charged to any holder of American Depositary Receipts on an annual or otherwise any periodic basis.

The following table provides all fees and charges that a holder of American Depositary Receipts may have to pay, either directly or indirectly, as well as all fees and other direct and indirect payments made by Citibank N.A. of New York as Depositary to us:

|   | <b>Fees and Charges</b>                          | <b>to whom</b>  | <b>Fees</b>   |
|---|--|-----------------|---|
| Fees and Charges directly and indirectly paid by a holder of American Depositary Receipts                         | depositing or substituting the underlying shares | Depositary Bank | A range of between \$3.00 and \$5.00 per 100 ADSs (or fraction thereof) issued <sup>(1)</sup>   |
|   | receiving or distributing dividends              | N.A             | No fee  |
|   | selling or exercising rights                     | N.A             | No fee  |
|   | withdrawing an underlying shares                 | Depositary Bank | A range of between \$3.00 and \$5.00 per 100 ADSs (or fraction thereof) canceled <sup>(1)</sup> |
|   | transferring, splitting or grouping receipts     | N.A             | No fee  |
|   | general depositary services                      | N.A             | No fee  |
| Fees and Charges directly and indirectly paid by the depositary to the foreign issuer of the deposited securities |  | N.A             | N.A   |

(1) Subject to market price per American Depositary Share on Delivery or Surrender. If such market price is below \$5.00, in a range of between \$5.00 \$10.00, or over \$10.00, the rate per each 100 American Depositary Shares or fraction thereof delivered or surrendered will be \$3.00, \$4.00, or \$5.00, respectively.

In addition to the charges and fees described in the table above, a holder of American Depositary Receipts, or a holder of our stock taking steps to become such holder, may have to pay certain procedural, delivery, notification, communication or other miscellaneous charges or fees pursuant to the Deposit Agreement.

The Depositary has a right to collect fees and charges, including any tax or other governmental charge and charge and fee with respect to Stock being deposited or withdrawn, and any applicable fees as provided in the Deposit Agreement, by requiring such payment as a condition

precedent to the execution and delivery, registration of transfer, split-up, combination, surrender or exchange of any Receipt.

**Table of Contents****PART II****Item 13. Defaults, Dividend Arrearages and Delinquencies.**

None.

**Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds.**

Effective April 1, 2009, we have changed the number of our shares constituting one unit under Japan's unit share system from 1,000 to 100. See our report on Form 6-K (File No. 000-09929) furnished on February 25, 2009.

**Item 15. Controls and Procedures.****(a) Disclosure Controls and Procedures**

Mitsui's management, with the participation of its principal executive and principal financial officers, has performed an evaluation of the effectiveness of disclosure controls and procedures (as defined by Rule 13a-15(e) under the U.S. Securities Exchange Act of 1934) as of the end of the period covered by this report. Based upon that evaluation, Mitsui's principal executive and principal financial officers concluded that the disclosure controls and procedures were effective as of the end of the period covered by this report.

**(b) Management's Annual Report on Internal Control over Financial Reporting**

Mitsui's management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined by Rule 13a-15(f) under the U.S. Securities Exchange Act of 1934). Mitsui's internal control system is designed to provide reasonable assurance to Mitsui's management and board of directors regarding the preparation and fair presentation of published financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Mitsui's management assessed the effectiveness of Mitsui's internal control over financial reporting as of March 31, 2010. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control - Integrated Framework*. Based on Mitsui's assessment, Mitsui's management concluded that, as of March 31, 2010, Mitsui's internal control over financial reporting was effective.

Mitsui's management excluded from its assessment of internal control over financial reporting as of March 31, 2010 the following unincorporated joint ventures (J/V), which were accounted for via proportionate consolidation in accordance with ASC 810-10-45-14,

Consolidation - Proportionate Consolidation, which was formerly FASB Emerging Issues Task Force Issue No. 00-1, in Mitsui's consolidated financial statements for the fiscal year ended March 31, 2010. Mitsui has been unable to assess the effectiveness of internal controls at these entities due to the fact that Mitsui does not have the ability to dictate or modify the controls of these entities and does not have the ability, in practice, to assess, those controls.

| J/V                                   | Mitsui's Ownership |
|---------------------------------------|--------------------|
| Block 9 J/V                           | 35%                |
| Block 10, 11, 12, 13, 10A/11A J/V     | 20-40%             |
| Capricorn Coal Development J/V        | 30%                |
| Dawson J/V                            | 49%                |
| Kestrel J/V                           | 20%                |
| Mt. Goldsworthy Mining Associates J/V | 7%                 |
| Mt. Newman J/V                        | 7%                 |
| Robe River Iron Associates J/V        | 33%                |
| WA-28-L J/V                           | 40%                |



---

## **Table of Contents**

The above unincorporated joint ventures in the aggregate represented approximately 5.9 percent of Mitsui's consolidated total assets as of March 31, 2010, and approximately 7.2 percent of Mitsui's consolidated revenues for the year ended March 31, 2010.

Deloitte Touche Tohmatsu LLC, an independent registered public accounting firm, has issued an attestation report on Mitsui's internal control over financial reporting. Their report appears on page F-3 of this annual report.

### ***(c) Change in Internal Control over Financial Reporting***

There was no change in Mitsui's internal control over financial reporting that occurred during the fiscal year ended March 31, 2010 that has materially affected, or is reasonably likely to materially affect, Mitsui's internal control over financial reporting.

### **Item 16A. Audit Committee Financial Expert.**

Our Board of Corporate Auditors has determined that Motonori Murakami, Hideharu Kadowaki and Hiroyasu Watanabe qualify as an audit committee financial expert as defined in this Item 16A serving on our Board of Corporate Auditors. Mr. Kadowaki and Mr. Watanabe are external Corporate Auditors, meeting the additional independence requirements under the Companies Act of Japan.

Mr. Murakami joined Mitsui in 1971. Since then he had always worked in the field of accounting and was appointed as General Manager of the General Accounting Division in 2000 and as Executive Managing Officer, Assistant to Senior Executive Managing Officer (Corporate Staff Division) in 2006, before having been elected as one of our Corporate Auditors at the ordinary general meeting of shareholders held in June 2007.

Mr. Kadowaki was elected as one of our Corporate Auditors at the ordinary general meeting of shareholders (first elected in June 2004 and re-elected in June 2008). His main career has been in the field of financial risk management at Mitsui Bank, Sakura Bank, Sumitomo Mitsui Banking Corporation, and Sumitomo Mitsui Financial Group, Inc. His final position in the bank was an executive vice president who, while overseeing the entire operation of the bank, was responsible for risk management and internal auditing.

Mr. Watanabe was elected as one of our Corporate Auditors at the ordinary general meeting of shareholders (first elected in June 2009). He had been working for Ministry of Finance and National Tax Agency, and his final position in such field was Commissioner, National Tax Agency. He is currently working as Professor, Waseda University, Graduate School of Finance, Accounting & Law.

### **Item 16B. Code of Ethics.**

Mitsui maintains Business Conduct Guidelines for Employees and Officers, applicable to all employees and officers. The Business Conduct Guidelines set forth provisions relating to compliance with applicable laws and regulations, honest and ethical conduct including the handling of conflicts of interest.

In addition, Mitsui adopted a Code of Ethics as a supplement to the Business Conduct Guidelines. The Code of Ethics applies to Mitsui's financial professionals including our principal executive officer, principal financial officer, principal accounting officer and persons performing similar functions.

Both the Business Conduct Guidelines for Employees and Officers and the Code of Ethics are filed as exhibits to this annual report and are also available at the following internet addresses.

Code of Ethics:

<http://www.mitsui.co.jp/en/company/governance/05/index.html>

Business Conduct Guidelines for Employees and Officers:

<http://www.mitsui.co.jp/en/company/governance/04/index.html>

**Table of Contents****Item 16C. Principal Accountant Fees and Services.**

Deloitte Touche Tohmatsu LLC has been our principal accountant for SEC reporting purposes.

The table below shows aggregate fees billed for each of the last two fiscal years for professional services rendered to Mitsui and its subsidiaries by Deloitte Touche Tohmatsu LLC and other member firms of Deloitte Touche Tohmatsu ( DTTL ), a UK private company limited by guarantee.

|                                   | Millions of Yen              |                |
|-----------------------------------|------------------------------|----------------|
|                                   | Year Ended March 31,<br>2010 | 2009           |
| Audit fees <sup>(1)</sup>         | ¥ 3,444                      | ¥ 3,621        |
| Audit-related fees <sup>(2)</sup> | 72                           | 65             |
| Tax fees <sup>(3)</sup>           | 418                          | 359            |
| All other fees <sup>(4)</sup>     | 6                            | 15             |
| <b>Total</b>                      | <b>¥ 3,940</b>               | <b>¥ 4,060</b> |

- (1) Audit fees are fees billed for professional services rendered by the principal accountant for the audit of our annual financial statements, the audit of our internal control over financial reporting and services that are provided by the accountant in connection with statutory and regulatory filings or engagements.
- (2) Audit-related fees are fees billed for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements, such as due diligence services in connection with potential business acquisitions, that are not reported in audit fees.
- (3) Tax fees are fees billed for professional services rendered by the principal accountant for tax compliance and tax advice.
- (4) All other fees are fees billed for services provided by the principal accountant, other than services reported in audit fees, audit-related fees and tax fees, such as advisory services for risk management and regulatory matters.

Beginning with the year ended March 31, 2004, the first fiscal year of application of paragraph (c)(7) of Rule 2-01 of Regulation S-X, our Board of Corporate Auditors has adopted pre-approval policies and procedures requiring pre-approval by the Board of Corporate Auditors for all audit and non-audit services provided by the principal accountant.

We have our principal policy that the audit services for Mitsui and its subsidiaries are to be rendered by the principal accountant, namely Deloitte Touche Tohmatsu LLC, and other member firms of DTTL while all non-audit services are to be rendered by the accounting firms not belonging to the group of DTTL with some specific exceptions. Among those exceptions are certain tax services, certain due diligence services for acquisition, etc. which would not be considered to impair the independence of our principal accountant.

The pre-approval procedures are as follows: (i) any audit or non-audit services, for which estimated total fee shall exceed 10 Million Yen may be pre-approved by the Board of Corporate Auditors; (ii) any audit or non-audit services, for which estimated total fee shall not exceed 10 Million Yen may be pre-approved by two of full-time Corporate Auditors, provided that such pre-approval must be reported at the next proceeding full Board of the Corporate Auditors; and (iii) certain categories of non-audit services prescribed in the pre-approval policies and procedures may be pre-approved comprehensively on an annual basis provided that the estimated total fees should be specified in the relevant application and that the actual services provided shall be periodically reported to the Board of Corporate Auditors.

All of the services provided by the principal accountant for the years ended March 31, 2010 and 2009 were approved by two of the full-time Corporate Auditors or the Board of Corporate Auditors pursuant to the



---

**Table of Contents**

pre-approval policies and procedures described above, and none of such services were approved pursuant to the procedures described in Rule 2-01(c)(7)(i)(C) of Regulation S-X, which waives the general requirement for pre-approval in certain circumstances.

**Item 16D. Exemptions from the Listing Standards for Audit Committees.**

With respect to the requirements of Rule 10A-3 under the Securities Exchange Act of 1934 relating to listed company audit committees, which apply to us through Nasdaq Listing Rules 5605(c)(3) and 5605(c)(2)(A)(ii), we rely on an exemption provided by paragraph (c)(3) of Rule 10A-3 available to foreign private issuers with boards of corporate auditors meeting certain requirements. For a Nasdaq-listed Japanese company with a board of corporate auditors, the requirements for relying on paragraph (c)(3) of Rule 10A-3 are as follows:

The board of corporate auditors must be established, and its members must be selected, pursuant to Japanese law expressly requiring such a board for Japanese companies that elect to have a corporate governance system with corporate auditors,

Japanese law must and does require the board of corporate auditors to be separate from the board of directors,

None of the members of the board of corporate auditors may be elected by management, and none of the listed company's executive officers may be a member of the board of corporate auditors,

Japanese law must and does set forth standards for the independence of the members of the board of corporate auditors from the listed company or its management, and

The board of corporate auditors, in accordance with Japanese law or the registrant's governing documents, must be responsible, to the extent permitted by Japanese law, for the appointment, retention and oversight of the work of any registered public accounting firm engaged (including, to the extent permitted by Japanese law, the resolution of disagreements between management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the listed company, including its principal accountant which audits its consolidated financial statements included in its annual reports on Form 20-F.

To the extent permitted by Japanese law:

The board of corporate auditors must establish procedures for (i) the receipt, retention and treatment of complaints received by us regarding accounting, internal accounting controls, or auditing matters, and (ii) the confidential, anonymous submission by our employees of concerns regarding questionable accounting or auditing matters,

The board of corporate auditors must have the authority to engage independent counsel and other advisers, as it determines necessary to carry out its duties, and

The listed company must provide for appropriate funding, as determined by its board of corporate auditors, for payment of (i) compensation to any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for us, (ii) compensation to any advisers employed by the board of corporate auditors, and (iii) ordinary administrative expenses of the board of corporate auditors that are necessary or appropriate in carrying out its duties.

In our assessment, our Board of Corporate Auditors, which meets the requirements for reliance on the exemption in paragraph (c)(3) of Rule 10A-3 described above, is not materially less effective than an audit committee meeting all the requirements of paragraph (b) of Rule 10A-3 (without relying on any exemption provided by that Rule) at acting independently of management and performing the functions of an audit committee as contemplated therein.



**Table of Contents****Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers.**

The following table sets forth Mitsui's purchases of its common stock during the fiscal year ended March 31, 2010:

| Period                                 | (a)<br>Total<br>Number of<br>Shares<br>Purchased* | (b)<br>Average<br>Price Paid<br>per Share<br>(Yen) | (c)<br>Total<br>Number of<br>Shares<br>Purchased as<br>Part of<br>Publicly<br>Announced<br>Plans or<br>Programs | (d)<br>Maximum<br>Number of<br>Shares<br>that<br>May Yet Be<br>Purchased<br>Under<br>the Plans<br>or<br>Programs |
|--|---|--|---|--|
| April 1, 2009 - April 30, 2009         | 4,832   | ¥ 1,114.05   | N/A   | N/A  |
| May 1, 2009 - May 31, 2009             | 2,743   | 1,118.14   | N/A   | N/A  |
| June 1, 2009 - June 30, 2009           | 2,106   | 1,224.84   | N/A   | N/A  |
| July 1, 2009 - July 31, 2009           | 2,000   | 1,110.62   | N/A   | N/A  |
| August 1, 2009 - August 31, 2009       | 2,517   | 1,252.15   | N/A   | N/A  |
| September 1, 2009 - September 30, 2009 | 3,593   | 1,232.40   | N/A   | N/A  |
| October 1, 2009 - October 31, 2009     | 1,425   | 1,223.37   | N/A   | N/A  |
| November 1, 2009 - November 30, 2009   | 1,710   | 1,185.16   | N/A   | N/A  |
| December 1, 2009 - December 31, 2009   | 2,268   | 1,243.73   | N/A   | N/A  |
| January 1, 2010 - January 31, 2010     | 2,513   | 1,386.62   | N/A   | N/A  |
| February 1, 2010 - February 28, 2010   | 2,110   | 1,322.75   | N/A   | N/A  |
| March 1, 2010 - March 31, 2010         | 2,485   | 1,487.41   | N/A   | N/A  |
| <b>Total</b>                           | <b>30,302</b>                                     | <b>1,234.01</b>                                    | <b>N/A</b>  | <b>N/A</b>   |

\* Under the Companies Act of Japan, a holder of shares constituting less than one full unit may require Mitsui to purchase such shares at their market value (See Memorandum and Articles of Association Unit share system Repurchase by Mitsui of shares constituting less than a full unit in Item 10. Additional Information). During the year ended March 31, 2010, Mitsui purchased 30,302 shares for a total purchase price of 37,393,231 yen upon such requests from holders of shares constituting less than one full unit.

**Item 16F. Change in Registrant's Certifying Accountant.**

Not applicable.

**Item 16G. Corporate Governance.**

Nasdaq Listing Rule 5615(a)(3) provides that a foreign private issuer may follow its home country practice in lieu of the requirements of Rule 5600, provided that such foreign private issuer discloses in its annual reports filed with the Securities and Exchange Commission or on its website each requirement of Rule 5600 that it does not follow and describes the home country practice followed by the issuer in lieu of such requirements. Such requirements of Rule 5600 and the relevant home country practices we follow are described below:

Nasdaq Listing Rule 5250(d)(1) requires that we make available to shareholders copies of our annual report containing our audited financial statements by mail or by posting on or through our website. In accordance with the Companies Act of Japan, we hold an annual meeting of shareholders within three months after the end of each fiscal year. Also, in accordance with the Companies Act of Japan, we distribute to shareholders, prior to the annual meeting of shareholders, copies of a report of business operations, together with our audited consolidated and unconsolidated financial statements prepared in accordance with U.S. GAAP and Japanese GAAP, respectively, in Japanese. Concurrently with such distribution, we distribute our audited consolidated and unconsolidated financial

## Edgar Filing: MITSUI & CO LTD - Form 20-F

statements prepared in accordance with U.S. GAAP and Japanese GAAP, respectively, in English to the depositary for the ADSs, and instruct the depositary to distribute the same to the registered ADS holders in a timely manner. The English version contains a statement that, upon request by an interested party, we will

---

**Table of Contents**

provide the party with a copy of our annual report on Form 20-F free of charge. As a reporting company under the Securities Exchange Act of 1934, we are required to prepare financial statements in accordance with U.S. GAAP for inclusion in our annual report on Form 20-F, which must be filed within six months after the end of each fiscal year.

Nasdaq Listing Rule 5605(b)(1) requires that a majority of the board of directors of each company be independent directors as defined in Rule 5605(a)(2), and Rule 5605(b)(2) requires that independent directors of each company have regularly scheduled meetings at which only independent directors are present. Currently we have four external directors who meet certain independence requirements under the Companies Act of Japan. In addition, the Securities Listing Regulations of the Tokyo Stock Exchange (the TSE) requires TSE-listed companies like us to designate at least one independent director/corporate auditor. An independent director/corporate auditor is defined as an external director or corporate auditor who is unlikely to have conflicts of interest with general investors. As of June 2010, we have appointed all the four external directors as the independent director/corporate auditor. For Japanese companies, including us, which employ a corporate governance system based on a board of corporate auditors, the Companies Act of Japan has no independence requirement with respect to directors. The task of overseeing management and accounting firms is assigned to the corporate auditors, who are separate from the company's management. Japanese companies, including us, which employ a corporate governance system based on a board of corporate auditors, are required to have at least 50% external corporate auditor who must meet additional independence requirements under the Companies Act of Japan. An external corporate auditor is defined in the Companies Act of Japan as a corporate auditor who has not served as a director, executive officer, manager or any other employee of the company or any of its subsidiaries at any time prior to the appointment. Currently, we have four external Corporate Auditors. Our Board of Corporate Auditors, which, as explained below, performs functions similar to those of an audit committee, has regularly scheduled meetings at which only Corporate Auditors are present. In addition, in accordance with the above-mentioned TSE's requirement regarding the independent director/corporate auditor, we have appointed four corporate auditors as the independent director/corporate auditor as of June 2010.

Nasdaq Listing Rule 5605(c)(2)(A) requires that each company have and will continue to have an audit committee of at least three members, each of whom (1) is independent as defined under Rule 5605(a)(2), (2) meets the requirements of Rule 10A-3(b)(1) under the Securities Exchange Act of 1934, (3) has not participated in the preparation of the financial statements of the company or any current subsidiary thereof at any time during the past three years, and (4) is able to read and understand fundamental financial statements, including a company's balance sheet, income statement and cash flow statement. Nasdaq Listing Rule 5605(c)(1) requires that each company have adopted a formal written audit committee charter specifying the items enumerated in that rule and that its audit committee have reviewed and reassessed the adequacy of the charter on an annual basis. Under the Companies Act of Japan, we are not required to establish or maintain such an audit committee. The Companies Act of Japan has no independence requirement with respect to directors of large companies (defined under the Companies Act of Japan with stated capital of ¥500 million or more or with total liabilities equal to or exceeding ¥20 billion), including Mitsui, that employ a corporate governance system based on a board of corporate auditors. In many such large companies, functions similar to those of such an audit committee are performed by its board of corporate auditors. We have established such a Board of Corporate Auditors, each of whom does not concurrently serve as a director, manager or any other employee of the company or any of its subsidiaries. Under the Companies Act of Japan, corporate auditors are elected at a general meeting of shareholders and are under a statutory duty to review the administration of the affairs of Mitsui by its Directors and to examine financial statements and other documents and reports of Mitsui. Japanese companies, including us, which employ a corporate governance system based on a board of corporate auditors, are required to have at least 50% external corporate auditors, who must meet additional independence requirements under the Companies Act of Japan. An external corporate auditor is defined in the Companies Act of Japan as a corporate auditor who had not served as a director, executive officer, manager or any other employee of the company or

---

**Table of Contents**

any of its subsidiaries at any time prior to the appointment. Currently, we have six Corporate Auditors, four of whom are external Corporate Auditors who meet these additional requirements. Mitsui's Board of Corporate Auditors has adopted its own code of auditing standards setting forth the scope of its responsibilities and the manner in which it carries out such responsibilities, and certain other matters.

Nasdaq Listing Rule 5605(d) requires that compensation of the chief executive officer of each company be determined, or recommended to its board of directors for determination, either by (i) a majority of its independent directors or (ii) a compensation committee comprised solely of independent directors, and that compensation of all other executive officers be determined, or recommended to the board of directors for determination, either by (i) a majority of the independent directors or (ii) a compensation committee comprised solely of independent directors. As explained above, we are not required to have independent directors. With regard to director compensation (excluding bonuses, etc.), the Companies Act of Japan requires the board of directors to pass a board resolution proposing director compensation to be submitted for approval at a general meeting of shareholders. Within the upper limit approved at the general meeting of shareholders, the board of directors may determine the amount of compensation for each director. The board of directors, by resolution of the board of directors, may delegate such decision to the chief executive officer or other persons authorized by the board of directors. As for Mitsui, the upper limit of compensation for its Directors approved by the general meeting of shareholders is 70 million yen per month and the Board of Directors has determined to delegate to the Chief Executive Officer the decision-making authority as to the amount of compensation for each Director within such limit. In addition to regular compensation, the aggregate amount of bonuses and other financial benefits payable to Directors as consideration for the performance of their duties is also subject to approval by shareholders at a general meeting of shareholders under the Companies Act of Japan. With regard to employee (including officer) compensation, an approval at the general meeting of shareholders is not required under the Companies Act of Japan. Therefore, the board of directors has the authority to determine matters relating to employee compensation. The board of directors, by resolution of the board of directors, may delegate employee compensation matters to the chief executive officer or other persons authorized by the board of directors. As for Mitsui, its Board of Directors has duly resolved Regulations for Executive Officers, which provide that Executive Officers who are also Directors of the Company shall not be paid any compensation in their capacities as Executive Officers and that the compensation of the Executive Officers who are not Directors of the Company shall be decided by the Board of Directors, or decided by the Chief Executive Officer or other Officers authorized by the Board of Directors. Mitsui determines compensation of its Chief Executive Officer and other Officers in accordance with the aforementioned procedures. Corporate auditors do not have any specific duties with respect to compensation of the chief executive officer and other executive officers under the Companies Act of Japan. However, the duties of corporate auditors include a general duty to audit the affairs of the company to ensure that the business is being operated in accordance with applicable law and its charter. If the corporate auditors conclude, in connection with the performance of those duties, that the compensation of directors violated applicable law or the company's charter, the corporate auditors are required to report their conclusion to the general meeting of shareholders and may bring a lawsuit against the responsible directors.

Nasdaq Listing Rule 5605(e)(1) requires that director nominees be selected or recommended for the board of directors' selection either by (i) a majority of the independent directors or (ii) a nomination committee comprised solely of independent directors. Also, Nasdaq Listing Rule 5605(e)(2) requires that each company have adopted a formal written charter or board resolution, as applicable, addressing the nominations process and such related matters as may be required under the U.S. federal securities laws. As explained above, we are not required to have independent directors. Under the Companies Act of Japan, a director may be nominated by (i) a resolution of the board of directors or (ii) a shareholder owning one percent or more of the outstanding shares of a company or 300 or more unit shares of the company for at least 6 months. Approval by a majority of the shareholders in attendance at a general meeting of shareholders is required to elect a director. There is no specific requirement that a company adopt a written charter or board resolution addressing the nominations process, nor is it customary to do so. As for Mitsui, nominations of Directors of Mitsui are approved at a meeting of the Nomination

**Table of Contents**

Committee, a non-statutory committee established as an advisory board to the Board of Directors, prior to being submitted to a general meeting of shareholders. Corporate auditors do not have any specific duties with respect to nomination of directors under the Companies Act of Japan. However, the duties of corporate auditors include a general duty to audit the affairs of the company to ensure that the business is being operated in accordance with applicable law and its charter. If the corporate auditors conclude, in connection with the performance of those duties, that the nomination of directors violated applicable law or the company's charter, the corporate auditors are required to report their conclusion to the general meeting of shareholders and may bring a lawsuit against the responsible directors.

Nasdaq Listing Rule 5620(c) requires that there be a provision in the by-laws for a quorum for any meeting of the holders of common stock and that such quorum be not less than 33 1/3% of the outstanding shares of the common voting stock. In accordance with the Companies Act of Japan, however, under our Articles of Incorporation no quorum is required for the adoption of resolutions at a general meeting of shareholders, except for (i) the election of Directors and Corporate Auditors for which the quorum shall not be less than one-third of the total voting rights and (ii) resolutions for other specified issues required by the Companies Act of Japan (the special shareholders' resolutions), which include an amendment to the Articles of Incorporation, a reduction of stated capital, the removal of a Corporate Auditor, dissolution, merger or consolidation requiring shareholders' resolution, the transfer of the whole or an important part of the business, the taking over of the whole of the business of any other corporation requiring shareholders' resolutions, share exchange or share transfer requiring shareholders' resolution for the purpose of establishing 100% parent-subsidiary relationships, splitting of the corporation into two or more corporations requiring shareholders' resolution, any offering of new shares at a specially favorable price (or any offering of the rights to subscribe for, or acquire its shares at a specially favorable conditions) to any persons other than shareholders, for which the quorum shall be at least one-third of the total voting rights and the approval of the holders of at least two-thirds of the voting rights represented at the meeting is required. This approach is consistent with generally accepted business practices of publicly-held companies in Japan.

Nasdaq Listing Rule 5620(b) provides that each company solicit proxies and provide proxy statements for all meetings of shareholders and provide copies of such proxy solicitation to Nasdaq. Currently a Japanese company whose shares are listed on the securities exchanges defined in the Financial Instruments and Exchange Law, including us, may, but is not required to, solicit proxies for meetings of shareholders. If such a Japanese company solicits proxies for a meeting of shareholders, it is required to provide proxy statements and documents for reference as provided for in the Financial Instruments and Exchange Law and provide copies of such proxy statements and documents for reference to the Kanto Local Finance Bureau.

Nasdaq Listing Rule 5630(a) provides that each company conduct appropriate review and oversight of all related party transactions for potential conflict of interest situations on an ongoing basis by the company's audit committee or another independent body of the board of directors. Following the requirements of the Companies Act of Japan, we require a Director to obtain the approval of our Board of Directors in order for such Director to enter into such transactions.

Nasdaq Listing Rule 5635(c) requires that shareholder approval be obtained for the issuance of the company's stock in certain conditions or certain specified transactions described therein. The Companies Act of Japan requires us to seek shareholder approval of various matters, and in certain instances the special shareholders' resolutions as described above are required for approval. In addition, while the Companies Act of Japan permits, in certain instances, the issuance of equity securities without shareholder approval, the Companies Act of Japan also contains provisions requiring the timely dissemination of information relating to such issuance, allowing for opportunities for shareholders to voice their concern with such issuance, and mandating the election of corporate auditors whose fiduciary duty is to, among other things, oversee on behalf of the shareholders actions by the board of directors relating to such issuance.

**Table of Contents****PART III****Item 17. Financial Statements.**

Not applicable.

**Item 18. Financial Statements.**

The information required by this item has been provided elsewhere in this annual report.

**Item 19. Exhibits.****Exhibits**

| <b>Exhibit Number</b> | <b>Document</b>  |
|-----------------------|--|
| 1.1*                  | The Articles of Incorporation of Mitsui & Co., Ltd., as of June 23, 2009 (English-language translation).   |
| 1.2*                  | The Share Handling Regulation of Mitsui & Co., Ltd., as amended on January 5, 2009 (English-language translation).   |
| 1.3*                  | The Rules of the Board of Directors of Mitsui & Co., Ltd., as amended on September 17, 2008 (English-language translation).  |
| 1.4**                 | The Rules of the Board of Corporate Auditors of Mitsui & Co., Ltd., as amended on July 31, 2006 (English-language translation).  |
| 2.1*                  | Deposit Agreement, dated as of October 1, 1982 among Mitsui & Co., Ltd., Citibank, N.A., and holders of ADRs and European Depositary Receipts, as amended by Amendment No.1 dated as of January 4, 2006. |
| 8.1                   | List of Subsidiaries of Mitsui & Co., Ltd.   |
| 11.1                  | Code of Ethics for Senior Financial Officers and Professionals.  |
| 11.2                  | Business Conduct Guidelines for Employees and Officers of Mitsui & Co., Ltd.   |
| 12.1                  | Certification of the principal executive officer of Mitsui & Co., Ltd. required by Rule 13a-14(a).   |
| 12.2                  | Certification of the principal financial officer of Mitsui & Co., Ltd. required by Rule 13a-14(a).   |
| 13.1                  | Certification required by Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code.   |
| 99.1                  | Third Party Report of Ryder Scott Company  |
| 101.INS               | XBRL Instance Document   |
| 101.SCH               | XBRL Schema Document   |
| 101.CAL               | XBRL Calculation Linkbase Document   |
| 101.DEF               | XBRL Definition Linkbase Document  |
| 101.LAB               | XBRL Label Linkbase Document   |
| 101.PRE               | XBRL Presentation Linkbase Document  |

\* Incorporated by reference to the corresponding exhibit to our annual report on Form 20-F (File No. 0-9929) filed on July 17, 2009.

\*\* Incorporated by reference to the corresponding exhibit to our annual report on Form 20-F (File No. 0-9929) filed on September 27, 2006.



**Table of Contents**

We have not included as exhibits certain instruments with respect to our long-term debt, the amount of debt authorized under each of which does not exceed 10% of our total assets, and we agree to furnish a copy of any such instruments to the Securities and Exchange Commission upon request.

**Table of Contents**

**MITSUI & CO., LTD. (MITSUI BUSSAN KABUSHIKI KAISHA) AND SUBSIDIARIES**

**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULES**

The audited consolidated financial statements of Mitsui & Co., Ltd. (Mitsui Bussan Kabushiki Kaisha) and subsidiaries, together with the report of Deloitte Touche Tohmatsu as of March 31, 2010 and 2009, and for the years ended March 31, 2010, 2009 and 2008, filed as part of this annual reports are as follows:

|   | <b>Page</b> |
|---|-------------|
| <u>Report of Independent Registered Public Accounting Firm</u>  | F-2         |
| <u>Consolidated Balance Sheets as of March 31, 2010 and 2009</u>                                      | F-5         |
| <u>Statements of Consolidated Income for the Years Ended March 31, 2010, 2009 and 2008</u>            | F-7         |
| <u>Statements of Changes in Consolidated Equity for the Years Ended March 31, 2010, 2009 and 2008</u> | F-8         |
| <u>Statements of Consolidated Cash Flows for the Years Ended March 31, 2010, 2009 and 2008</u>        | F-10        |
| <u>Notes to Consolidated Financial Statements</u>   | F-11        |
| <u>Supplemental Information on Oil and Gas Producing Activities (Unaudited)</u>                       | F-95        |
| <b>Supplemental Information:</b>  |             |

***Schedules for the Years Ended March 31, 2010, 2009 and 2008:***

(Schedules are omitted because of the absence of the conditions under which they are required or because the required information is included in the consolidated financial statements or notes thereto.)

Financial statements of majority-owned subsidiaries of the registrant not consolidated and of 50% or less owned persons accounted for by the equity method have been omitted because Mitsui & Co., Ltd. s proportionate share of the income from continuing operations before income taxes, and total assets of each such company is less than 20% of the respective consolidated amounts, and the investment in and advances to each company is less than 20% of consolidated total assets.

**Table of Contents**

**Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Shareholders of

Mitsui & Co., Ltd. (Mitsui Bussan Kabushiki Kaisha)

Tokyo, Japan:

We have audited the accompanying consolidated balance sheets of Mitsui & Co., Ltd. (Mitsui Bussan Kabushiki Kaisha) and subsidiaries (the Company ) as of March 31, 2010 and 2009, and the related statements of consolidated income, changes in consolidated equity, and consolidated cash flows for each of the three years in the period ended March 31, 2010 (all expressed in Japanese yen). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 financial position of Mitsui & Co., Ltd. and subsidiaries as of March 31, 2010 and 2009, and the 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, effective April 1, 2009, the Company changed its method of accounting for noncontrolling interests in consolidated financial statements to conform to Accounting Standards Codification 810-10-65,

Consolidation Transition Related to FASB Statement No. 160, Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51.

As discussed in Note 2 to the consolidated financial statements, effective March 31, 2010, the Company adopted Accounting Standards Update No. 2010-03, Oil and Gas Reserve Estimation and Disclosures.

As discussed in Note 28 to the consolidated financial statements, on April 20, 2010, the Company's subsidiary experienced an incident which resulted in a spill of hydrocarbons from the well in the Gulf of Mexico.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of March 31, 2010, based on the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated June 23, 2010 expressed an unqualified opinion on the Company's internal control over financial reporting.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 2. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Tokyo, Japan

June 23, 2010 (August 13, 2010 as to the subsequent event relating to the Gulf of Mexico incident described in Note 28)

---

**Table of Contents**

**Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Shareholders of

Mitsui & Co., Ltd. (Mitsui Bussan Kabushiki Kaisha)

Tokyo, Japan:

We have audited the internal control over financial reporting of Mitsui & Co., Ltd. (Mitsui Bussan Kabushiki Kaisha) and subsidiaries (the Company) as of March 31, 2010, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. As described in Management's Annual Report on Internal Control over Financial Reporting appearing under Item 15(b), management excluded from its assessment the internal control over financial reporting at the unincorporated joint ventures (J/V), which were accounted for via proportionate consolidation in accordance with Accounting Standards Codification 810-10-45-14, Consolidation Proportionate Consolidation because the Company does not have the ability to dictate or modify the controls at these entities and does not have the ability to assess, in practice, the controls at these entities. Block 9 J/V (35%), Block 10, 11, 12, 13, 10A/11A J/V (20-40%), Capricorn Coal Development J/V (30%), Dawson J/V (49%), Kestrel J/V (20%), Mt. Goldworthy Mining Associates J/V (7%), Mt. Newman J/V (7%), Robe River Iron Associates J/V (33%), and WA-28-L J/V (40%) (collectively the Unincorporated J/Vs), constitute approximately 5.9% of total assets and approximately 7.2% of revenues of the consolidated financial statement amounts as of and for the year ended March 31, 2010. Accordingly, our audit did not include the internal control over financial reporting at the Unincorporated J/Vs. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting appearing under Item 15(b). Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal

**Table of Contents**

control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2010, based on the criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended March 31, 2010 of the Company and our report dated June 23, 2010 (August 13, 2010 as to the subsequent event relating to the Gulf of Mexico incident described in Note 28) expressed an unqualified opinion on those financial statements and included explanatory paragraphs relating to the Company's adoption of Accounting Standards Codification 810-10-65,

Consolidation Transition Related to FASB Statement No. 160, Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51 effective April 1, 2009, the adoption of Accounting Standards Update No. 2010-03, Oil and Gas Reserve Estimation and Disclosures effective March 31, 2010, and relating to the subsequent event relating to the Gulf of Mexico incident.

Tokyo, Japan

June 23, 2010

**Table of Contents****Consolidated Balance Sheets****Mitsui & Co., Ltd. and subsidiaries****March 31, 2010 and 2009**

|  | Millions of Yen  |                  | Millions of<br>U.S. Dollars<br>(Note 2)<br>2010 |
|--|------------------|------------------|---|
|  | 2010             | 2009             |   |
| <b>ASSETS</b>  |                  |                  |   |
| <b>Current Assets:</b>   |                  |                  |   |
| Cash and cash equivalents (Notes 2, 5 and 22)                                      | ¥ 1,401,399      | ¥ 1,147,809      | \$ 15,069                                       |
| Time deposits  | 14,563           | 5,645            | 157   |
| Marketable securities (Notes 2, 5 and 26)  | 4,361            | 18,097           | 47  |
| Trade receivables (Note 9):  |                  |                  |   |
| Notes and loans, less unearned interest  | 293,034          | 298,677          | 3,151   |
| Accounts (Note 8)  | 1,382,259        | 1,412,022        | 14,863  |
| Associated companies   | 162,166          | 169,115          | 1,744   |
| Allowance for doubtful receivables (Notes 2 and 7)                                 | (18,423)         | (18,165)         | (198)   |
| Inventories (Notes 2, 9 and 22)  | 504,847          | 592,530          | 5,428   |
| Advance payments to suppliers  | 96,482           | 98,772           | 1,037   |
| Deferred tax assets - current (Notes 2 and 20)                                     | 39,809           | 29,969           | 428   |
| Derivative assets (Notes 2, 24 and 26)   | 114,463          | 329,897          | 1,231   |
| Other current assets   | 266,130          | 334,769          | 2,861   |
| <b>Total current assets</b>  | <b>4,261,090</b> | <b>4,419,137</b> | <b>45,818</b>                                   |
| <b>Investments and Non-current Receivables (Notes 2, 9 and 22):</b>                |                  |                  |   |
| Investments in and advances to associated companies<br>(Notes 5, 6, 17 and 26)     | 1,403,056        | 1,275,490        | 15,087  |
| Other investments (Notes 5 and 26)   | 965,947          | 957,219          | 10,387  |
| Non-current receivables, less unearned interest (Notes 8, 24 and 26)               | 453,299          | 486,412          | 4,874   |
| Allowance for doubtful receivables (Note 7)  | (48,472)         | (51,883)         | (521)   |
| Property leased to others - at cost, less accumulated depreciation<br>(Note 8)     | 224,000          | 199,204          | 2,408   |
| <b>Total investments and non-current receivables</b>                               | <b>2,997,830</b> | <b>2,866,442</b> | <b>32,235</b>                                   |
| <b>Property and Equipment at Cost (Notes 2, 8, 9, 10, 22 and 26):</b>              |                  |                  |   |
| Land, land improvements and timberlands  | 158,528          | 165,249          | 1,705   |
| Buildings, including leasehold improvements  | 381,029          | 344,392          | 4,097   |
| Equipment and fixtures   | 979,957          | 867,323          | 10,537  |
| Mineral rights   | 132,510          | 154,246          | 1,425   |
| Vessels  | 29,709           | 35,754           | 319   |
| Projects in progress   | 170,218          | 153,923          | 1,830   |
| <b>Total</b>   | <b>1,851,951</b> | <b>1,720,887</b> | <b>19,913</b>                                   |
| Accumulated depreciation   | (873,391)        | (774,597)        | (9,391)   |
| <b>Net property and equipment</b>  | <b>978,560</b>   | <b>946,290</b>   | <b>10,522</b>                                   |
| <b>Intangible Assets, less Accumulated Amortization</b><br>(Notes 2, 3, 12 and 26) |                  |                  |   |
|  | 84,741           | 96,505           | 911   |

Edgar Filing: MITSUI & CO LTD - Form 20-F

|   |             |             |           |
|---|-------------|-------------|-----------|
| <b>Deferred Tax Assets Non-current</b> (Notes 2 and 20) | 13,376      | 21,011      | 144       |
| <b>Other Assets</b> (Notes 14, 24 and 26)               | 33,387      | 14,858      | 359       |
| <b>Total</b>  | ¥ 8,368,984 | ¥ 8,364,243 | \$ 89,989 |

See notes to consolidated financial statements.

F-5

**Table of Contents****Consolidated Balance Sheets (Continued)****Mitsui & Co., Ltd. and subsidiaries****March 31, 2010 and 2009**

|  | Millions of Yen |           | Millions of<br>U.S. Dollars<br>(Note 2)<br>2010 |
|--|-----------------|-----------|---|
|  | 2010            | 2009      |   |
| <b>LIABILITIES AND SHAREHOLDERS EQUITY</b>   |                 |           |   |
| <b>Current Liabilities:</b>  |                 |           |   |
| Short-term debt (Notes 9, 13 and 22)   | ¥ 241,380       | ¥ 454,059 | \$ 2,596  |
| Current maturities of long-term debt (Notes 8, 9, 13 and 24)                             | 320,480         | 373,197   | 3,446   |
| Trade payables (Note 22):  |                 |           |   |
| Notes and acceptances  | 36,831          | 51,048    | 396   |
| Accounts   | 1,307,980       | 1,292,520 | 14,064  |
| Associated companies   | 63,760          | 39,243    | 686   |
| Accrued expenses (Note 22):  |                 |           |   |
| Income taxes (Notes 2 and 20)  | 37,604          | 46,576    | 404   |
| Interest   | 19,177          | 20,504    | 206   |
| Other (Note 14)  | 71,582          | 89,704    | 770   |
| Advances from customers (Note 22)  | 110,712         | 132,116   | 1,190   |
| Derivative liabilities (Notes 2, 24 and 26)  | 83,972          | 180,533   | 903   |
| Other current liabilities (Notes 2, 20, 21 and 22)                                       | 87,289          | 112,990   | 939   |
| Total current liabilities  | 2,380,767       | 2,792,490 | 25,600  |
| <b>Long-term Debt, less Current Maturities</b> (Notes 8, 9, 13, 22 and 24)               | 2,909,794       | 2,841,301 | 31,288  |
| <b>Accrued Pension Costs and Liability for Severance Indemnities</b><br>(Notes 2 and 14) | 33,927          | 33,814    | 365   |
| <b>Deferred Tax Liabilities Non-current</b> (Notes 2, 20 and 22)                         | 305,096         | 256,085   | 3,280   |
| <b>Other Long-term Liabilities</b> (Notes 2, 11, 21, 24 and 26)                          | 309,594         | 329,107   | 3,329   |
| <b>Contingent Liabilities</b> (Notes 9 and 21)   |                 |           |   |
| <b>Equity</b> (Note 15):   |                 |           |   |
| Mitsui & Co., Ltd. Shareholders equity (Note 2):   |                 |           |   |
| Common stock no par value  |                 |           |   |
| Authorized, 2,500,000,000 shares;  |                 |           |   |
| Issued, 1,829,153,527 shares in 2010   |                 |           |   |
| and 1,824,928,240 shares in 2009   |                 |           |   |
|  | 341,482         | 339,627   | 3,672   |
| Capital surplus  | 428,848         | 434,188   | 4,611   |
| Retained earnings:   |                 |           |   |
| Appropriated for legal reserve   | 53,844          | 48,806    | 579   |
| Unappropriated (Notes 6, 13, and 20)   | 1,618,101       | 1,486,201 | 17,399  |
| Accumulated other comprehensive income (loss) (Note 2):                                  |                 |           |   |
| Unrealized holding gains and losses on available-for-sale securities (Note 5)            | 123,891         | 44,263    | 1,332   |
| Foreign currency translation adjustments   | (272,665)       | (384,618) | (2,932)   |
| Defined benefit pension plans (Note 14)  | (49,132)        | (68,683)  | (528)   |
| Net unrealized gains and losses on derivatives (Note 24)                                 | (7,920)         | (12,459)  | (85)  |
| Total accumulated other comprehensive loss   | (205,826)       | (421,497) | (2,213)   |



Edgar Filing: MITSUI & CO LTD - Form 20-F

|   |                    |                    |                  |
|---|--------------------|--------------------|------------------|
| Treasury stock, at cost: 4,331,644 shares in 2010<br>and 3,770,220 shares in 2009 | (6,321)            | (5,662)            | (68)             |
| Total Mitsui & Co., Ltd. shareholders' equity                                     | 2,230,128          | 1,881,663          | 23,980           |
| Noncontrolling interests (Note 2)   | 199,678            | 229,783            | 2,147            |
| Total equity  | 2,429,806          | 2,111,446          | 26,127           |
| <b>Total</b>  | <b>¥ 8,368,984</b> | <b>¥ 8,364,243</b> | <b>\$ 89,989</b> |

See notes to consolidated financial statements.

F-6

**Table of Contents****Statements of Consolidated Income****Mitsui & Co., Ltd. and subsidiaries****Years Ended March 31, 2010, 2009 and 2008**

|  | 2010             | Millions of Yen<br>2009 | 2008             | Millions of<br>U.S. Dollars<br>(Note 2)<br>2010 |
|--|------------------|-------------------------|------------------|---|
| <b>Revenues</b> (Notes 2, 6, 17, 24 and 26):   |                  |                         |                  |   |
| Sales of products  | ¥ 3,590,490      | ¥ 4,852,388             | ¥ 4,988,863      | \$ 38,608                                       |
| Sales of services  | 374,701          | 477,869                 | 550,886          | 4,029   |
| Other sales (Note 8)   | 131,254          | 174,532                 | 175,363          | 1,411   |
| <b>Total revenues</b>  | <b>4,096,445</b> | <b>5,504,789</b>        | <b>5,715,112</b> | <b>44,048</b>                                   |
| Total Trading Transactions (Notes 2 and 17):   |                  |                         |                  |   |
| 2010, ¥9,358,379 million \$100,628 million;  |                  |                         |                  |   |
| 2009, ¥13,125,144 million;   |                  |                         |                  |   |
| 2008, ¥14,795,021 million  |                  |                         |                  |   |
| <b>Cost of Revenues</b> (Notes 2, 6, 24 and 26):   |                  |                         |                  |   |
| Cost of products sold  | 3,195,948        | 4,270,929               | 4,496,843        | 34,365  |
| Cost of services sold  | 135,600          | 163,182                 | 155,539          | 1,458   |
| Cost of other sales (Note 8)   | 62,936           | 71,414                  | 82,126           | 677   |
| <b>Total cost of revenues</b>  | <b>3,394,484</b> | <b>4,505,525</b>        | <b>4,734,508</b> | <b>36,500</b>                                   |
| <b>Gross Profit</b>  | <b>701,961</b>   | <b>999,264</b>          | <b>980,604</b>   | <b>7,548</b>                                    |
| <b>Other Expenses (Income):</b>  |                  |                         |                  |   |
| Selling, general and administrative (Notes 2, 8, 12, 14 and 18)                                  | 546,221          | 598,764                 | 601,345          | 5,873   |
| Provision for doubtful receivables (Notes 2 and 7)   | 11,227           | 18,013                  | 8,075            | 121   |
| Interest income (Notes 2, 7 and 24)  | (35,879)         | (39,620)                | (56,719)         | (386)   |
| Interest expense (Notes 2 and 24)  | 46,310           | 74,354                  | 105,283          | 498   |
| Dividend income  | (37,715)         | (71,946)                | (50,115)         | (406)   |
| Gain on sales of securities net (Notes 2 and 5)  | (20,949)         | (33,228)                | (92,298)         | (225)   |
| Loss on write-down of securities (Notes 2, 5, 17 and 26)   | 48,488           | 117,264                 | 36,691           | 521   |
| (Gain) loss on disposal or sales of property and equipment net (Note 23)                         | (5)              | (3,586)                 | 340              | (0)   |
| Impairment loss of long-lived assets (Notes 2, 10, 12 and 23)                                    | 8,715            | 37,693                  | 24,005           | 94  |
| Impairment loss of goodwill (Notes 2 and 12)   | 9,907            | 18,568                  | 2,004            | 107   |
| Other (income) expense net (Notes 18, 19 and 24)   | (399)            | 40,810                  | 3,055            | (4)   |
| <b>Total other expenses</b>  | <b>575,921</b>   | <b>757,086</b>          | <b>581,666</b>   | <b>6,193</b>                                    |
| <b>Income from Continuing Operations before Income Taxes and Equity in Earnings</b><br>(Note 20) | <b>126,040</b>   | <b>242,178</b>          | <b>398,938</b>   | <b>1,355</b>                                    |
| <b>Income Taxes</b> (Notes 2 and 20):  |                  |                         |                  |   |
| Current  | 105,568          | 135,224                 | 172,495          | 1,135   |
| Deferred   | (16,351)         | 18,943                  | 57,125           | (176)   |
| <b>Total</b>   | <b>89,217</b>    | <b>154,167</b>          | <b>229,620</b>   | <b>959</b>                                      |
| <b>Income from Continuing Operations before Equity in Earnings</b>                               | <b>36,823</b>    | <b>88,011</b>           | <b>169,318</b>   | <b>396</b>                                      |

Edgar Filing: MITSUI & CO LTD - Form 20-F

|  |           |           |           |          |
|--|-----------|-----------|-----------|----------|
| Equity in Earnings of Associated Companies Net (Notes 2, 6, 17 and 26)                           | 131,473   | 120,658   | 213,290   | 1,414    |
| <b>Income from Continuing Operations before attribution of Noncontrolling Interests</b> (Note 2) | 168,296   | 208,669   | 382,608   | 1,810    |
| <b>(Loss) Income from Discontinued Operations Net</b> (After Income Tax Effect) (Notes 4 and 20) | (794)     | 4,030     | 77,180    | (9)      |
| <b>Net Income before attribution of Noncontrolling Interests</b> (Note 2)                        | 167,502   | 212,699   | 459,788   | 1,801    |
| <b>Net Income attributable to Noncontrolling Interests</b> (Note 2)                              | (17,783)  | (35,092)  | (49,727)  | (191)    |
| <b>Net Income attributable to Mitsui &amp; Co., Ltd.</b>   | ¥ 149,719 | ¥ 177,607 | ¥ 410,061 | \$ 1,610 |

|  | Yen            |                |                 | U.S. Dollars<br>(Note 2) |  |
|--|----------------|----------------|-----------------|--------------------------|--|
| <b>Net Income Attributable to Mitsui &amp; Co., Ltd. per Share</b> (Notes 2 and 16): |                |                |                 |                          |  |
| Basic:   |                |                |                 |                          |  |
| Continuing operations  | ¥ 82.48        | ¥ 95.74        | ¥ 186.71        | \$ 0.89                  |  |
| Discontinued operations  | (0.36)         | 1.85           | 40.49           | (0.01)                   |  |
| <b>Total</b>   | <b>¥ 82.12</b> | <b>¥ 97.59</b> | <b>¥ 227.20</b> | <b>\$ 0.88</b>           |  |
| Diluted:   |                |                |                 |                          |  |
| Continuing operations  | ¥ 82.47        | ¥ 95.47        | ¥ 184.76        | \$ 0.89                  |  |
| Discontinued operations  | (0.36)         | 1.85           | 40.06           | (0.01)                   |  |
| <b>Total</b>   | <b>¥ 82.11</b> | <b>¥ 97.32</b> | <b>¥ 224.82</b> | <b>\$ 0.88</b>           |  |

See notes to consolidated financial statements.

**Table of Contents****Statements of Changes in Consolidated Equity****Mitsui & Co., Ltd. and subsidiaries****Years Ended March 31, 2010, 2009 and 2008**

|   | 2010        | Millions of Yen<br>2009 | 2008        | Millions of<br>U.S. Dollars<br>(Note 2)<br>2010 |
|---|-------------|-------------------------|-------------|---|
| <b>Common Stock</b> (Note 15):  |             |                         |             |   |
| Balance at beginning of year  |             |                         |             |   |
| Shares issued: 2010 1,824,928,240 shares; 2009 1,820,183,809 shares; 2008 1,787,538,428 shares                            | ¥ 339,627   | ¥ 337,544               | ¥ 323,213   | \$ 3,652  |
| Common stock issued upon conversion of bonds  |             |                         |             |   |
| Shares issued: 2010 4,225,287 shares; 2009 4,744,431 shares; 2008 32,645,381 shares                                       | 1,855       | 2,083                   | 14,331      | 20  |
| Balance at end of year  |             |                         |             |   |
| Shares issued: 2010 1,829,153,527 shares; 2009 1,824,928,240 shares; 2008 1,820,183,809 shares                            | ¥ 341,482   | ¥ 339,627               | ¥ 337,544   | \$ 3,672  |
| <b>Capital Surplus</b> (Note 15):   |             |                         |             |   |
| Balance at beginning of year  | ¥ 434,188   | ¥ 432,245               | ¥ 417,900   | \$ 4,668  |
| Conversion of bonds   | 1,850       | 2,076                   | 14,285      | 20  |
| (Losses) gains on sales of treasury stock   |             | (133)                   | 60          |   |
| Equity transactions with noncontrolling interest shareholders (Note 2)  | (7,190)     |                         |             | (77)  |
| Balance at end of year  | ¥ 428,848   | ¥ 434,188               | ¥ 432,245   | \$ 4,611  |
| <b>Retained Earnings</b> (Note 15):   |             |                         |             |   |
| <b>Appropriated for Legal Reserve:</b>  |             |                         |             |   |
| Balance at beginning of year  | ¥ 48,806    | ¥ 47,463                | ¥ 39,670    | \$ 525  |
| Transfer from unappropriated retained earnings  | 5,038       | 1,343                   | 7,793       | 54  |
| Balance at end of year  | ¥ 53,844    | ¥ 48,806                | ¥ 47,463    | \$ 579  |
| <b>Unappropriated</b> (Notes 6 and 20):   |             |                         |             |   |
| Balance at beginning of year  | ¥ 1,486,201 | ¥ 1,397,313             | ¥ 1,072,234 | \$ 15,980                                       |
| Cumulative effect of a change in accounting principle initial application of ASC 740 (formerly FIN No. 48)                |             |                         | (5,113)     |   |
| Net income attributable to Mitsui & Co., Ltd (Note 2)   | 149,719     | 177,607                 | 410,061     | 1,610   |
| Cash dividends paid to Mitsui & Co., Ltd. shareholders (annual rate per share: 2010, ¥7.0 7.5¢; 2009, ¥48.0; 2008, ¥40.0) | (12,779)    | (87,318)                | (72,076)    | (137)   |
| Transfer to retained earnings appropriated for legal reserve  | (5,038)     | (1,343)                 | (7,793)     | (54)  |
| Losses on sales of treasury stock   | (2)         | (58)                    |             | (0)   |
| Balance at end of year  | ¥ 1,618,101 | ¥ 1,486,201             | ¥ 1,397,313 | \$ 17,399                                       |
| <b>Accumulated Other Comprehensive Income (Loss) (After Income Tax Effect)</b> (Notes 2, 15 and 20):                      |             |                         |             |   |
| Balance at beginning of year  | ¥ (421,497) | ¥ (25,775)              | ¥ 260,730   | \$ (4,533)                                      |
| Unrealized holding gains (losses) on available-for-sale securities (Note 5)   | 66,202      | (96,183)                | (118,476)   | 712   |
| Foreign currency translation adjustments  | 113,623     | (249,422)               | (125,787)   | 1,222   |
| Defined benefit pension plans (Note 14):  |             |                         |             |   |
| Net prior service (cost) credit   | (210)       | 240                     | 474         | (2)   |
| Net actuarial gain (loss)   | 19,797      | (36,763)                | (34,921)    | 213   |
| Net unrealized gains (losses) on derivatives (Note 24)  | 4,540       | (13,594)                | (7,795)     | 49  |
| Equity transactions with noncontrolling interest shareholders   | 11,719      |                         |             | 126   |

Edgar Filing: MITSUI & CO LTD - Form 20-F

|   |             |             |             |            |
|---|-------------|-------------|-------------|------------|
| Balance at end of year  | ¥ (205,826) | ¥ (421,497) | ¥ (25,775)  | \$ (2,213) |
| <b>Treasury Stock, at Cost</b> (Note 15):   |             |             |             |            |
| <b>Balance at beginning of year</b>   |             |             |             |            |
| Shares in treasury: 2010 3,770,220 shares; 2009 3,543,891 shares; 2008 2,911,367 shares | ¥ (5,662)   | ¥ (5,130)   | ¥ (3,468)   | \$ (61)    |
| <b>Purchases of treasury stock</b>  |             |             |             |            |
| Shares purchased: 2010 566,547 shares; 2009 849,244 shares; 2008 699,909 shares         | (667)       | (1,518)     | (1,757)     | (7)        |
| <b>Sales of treasury stock</b>  |             |             |             |            |
| Shares sold: 2010 5,123 shares; 2009 622,915 shares; 2008 67,385 shares                 | 8           | 986         | 95          | 0          |
| <b>Balance at end of year</b>   |             |             |             |            |
| Shares in treasury: 2010 4,331,644 shares; 2009 3,770,220 shares; 2008 3,543,891 shares | ¥ (6,321)   | ¥ (5,662)   | ¥ (5,130)   | \$ (68)    |
| Total Mitsui & Co., Ltd. shareholders equity  | ¥ 2,230,128 | ¥ 1,881,663 | ¥ 2,183,660 | \$ 23,980  |

F-8

**Table of Contents****Statements of Changes in Consolidated Equity (Continued)****Mitsui & Co., Ltd. and subsidiaries****Years Ended March 31, 2010, 2009 and 2008**

|  | Millions of Yen |             |             | Millions of<br>U.S. Dollars<br>(Note 2) |
|--|-----------------|-------------|-------------|---|
|  | 2010            | 2009        | 2008        | 2010                                    |
| <b>Noncontrolling Interests</b> (Notes 2, 15 and 20):  |                 |             |             |   |
| Balance at beginning of year   | ¥ 229,783       | ¥ 243,976   | ¥ 238,687   | \$ 2,471                                |
| Dividends paid to noncontrolling interest shareholders   | (10,799)        | (15,750)    | (16,483)    | (116)                                   |
| Net income attributable to noncontrolling interests  | 17,783          | 35,092      | 49,727      | 191                                     |
| Unrealized holding gains (losses) on available-for-sale securities (after income tax effect) (Note 5)      | 655             | (23,344)    | 4,521       | 7                                       |
| Foreign currency translation adjustments (after income tax effect)   | 1,444           | (7,709)     | (8,258)     | 16                                      |
| Defined benefit pension plans (after income tax effect) (Note 14):   |                 |             |             |   |
| Net prior service cost   | (22)            |             | (11)        | (0)                                     |
| Net actuarial gain (loss)  | 204             | (426)       | (107)       | 2                                       |
| Net unrealized gains (losses) on derivatives (after income tax effect) (Note 24)                           | 139             | (353)       | 142         | 1                                       |
| Equity transactions with noncontrolling interest shareholders and other                                    | (39,509)        | (1,703)     | (24,242)    | (425)                                   |
| Balance at end of year   | ¥ 199,678       | ¥ 229,783   | ¥ 243,976   | \$ 2,147                                |
| <b>Total Equity</b> (Notes 2, 15 and 20):  |                 |             |             |   |
| Balance at beginning of year   | ¥ 2,111,446     | ¥ 2,427,636 | ¥ 2,348,966 | \$ 22,703                               |
| Cumulative effect of a change in accounting principle initial application of ASC 740 (formerly FIN No. 48) |                 |             | (5,113)     |   |
| Conversion of bonds  | 3,705           | 4,159       | 28,616      | 40                                      |
| Losses on sales of treasury stock  | (2)             | (191)       | 60          | (0)                                     |
| Net income before attribution of noncontrolling interests  | 167,502         | 212,699     | 459,788     | 1,801                                   |
| Cash dividends paid to Mitsui & Co., Ltd. shareholders   | (12,779)        | (87,318)    | (72,076)    | (137)                                   |
| Dividends paid to noncontrolling interest shareholders   | (10,799)        | (15,750)    | (16,483)    | (116)                                   |
| Unrealized holding gains (losses) on available-for-sale securities (after income tax effect) (Note 5)      | 66,857          | (119,527)   | (113,955)   | 719                                     |
| Foreign currency translation adjustments (after income tax effect)   | 115,067         | (257,131)   | (134,045)   | 1,237                                   |
| Defined benefit pension plans (after income tax effect) (Note 14):   |                 |             |             |   |
| Net prior service (cost) credit  | (232)           | 240         | 463         | (2)                                     |
| Net actuarial gain (loss)  | 20,001          | (37,189)    | (35,028)    | 215                                     |
| Net unrealized gains (losses) on derivatives (after income tax effect) (Note 24)                           | 4,679           | (13,947)    | (7,653)     | 50                                      |
| Sales and purchases of treasury stock  | (659)           | (532)       | (1,662)     | (7)                                     |
| Equity transactions with noncontrolling interest shareholders and other                                    | (34,980)        | (1,703)     | (24,242)    | (376)                                   |
| Balance at end of year   | ¥ 2,429,806     | ¥ 2,111,446 | ¥ 2,427,636 | \$ 26,127                               |
| <b>Comprehensive Income (Loss)</b> (Notes 2, 15 and 20):   |                 |             |             |   |
| Net income before attribution of noncontrolling interests  | ¥ 167,502       | ¥ 212,699   | ¥ 459,788   | \$ 1,801                                |
| Other comprehensive income (loss) (after income tax effect):   |                 |             |             |   |
| Unrealized holding gains (losses) on available-for-sale securities (Note 5)                                | 66,857          | (119,527)   | (113,955)   | 719                                     |
| Foreign currency translation adjustments   | 115,067         | (257,131)   | (134,045)   | 1,237                                   |
| Defined benefit pension plans (Note 14):   |                 |             |             |   |
| Net prior service (cost) credit  | (232)           | 240         | 463         | (2)                                     |
| Net actuarial gain (loss)  | 20,001          | (37,189)    | (35,028)    | 215                                     |
| Net unrealized gains (losses) on derivatives (Note 24)   | 4,679           | (13,947)    | (7,653)     | 50                                      |
| Comprehensive income (loss) before attribution of noncontrolling interests                                 | 373,874         | (214,855)   | 169,570     | 4,020                                   |
| Comprehensive income attributable to noncontrolling interests  | (20,203)        | (3,260)     | (46,014)    | (217)                                   |

Edgar Filing: MITSUI & CO LTD - Form 20-F

|  |           |             |           |          |
|--|-----------|-------------|-----------|----------|
| Comprehensive income (loss) attributable to Mitsui & Co., Ltd. | ¥ 353,671 | ¥ (218,115) | ¥ 123,556 | \$ 3,803 |
|--|-----------|-------------|-----------|----------|

See notes to consolidated financial statements.

F-9

**Table of Contents****Statements of Consolidated Cash Flows****Mitsui & Co., Ltd. and subsidiaries****Years Ended March 31, 2010, 2009 and 2008**

|  | 2010             | Millions of Yen<br>2009 | 2008             | Millions of<br>U.S. Dollars<br>(Note 2)<br>2010 |
|--|------------------|-------------------------|------------------|---|
| <b>Operating Activities</b> (Note 27):   |                  |                         |                  |   |
| Net income before attribution of noncontrolling interests (Note 2)   | ¥ 167,502        | ¥ 212,699               | ¥ 459,788        | \$ 1,801  |
| Adjustments to reconcile net income before attribution of noncontrolling interests to net cash provided by operating activities: |                  |                         |                  |   |
| Loss (income) from discontinued operations net (after income tax effect)   | 794              | (4,030)                 | (77,180)         | 9   |
| Depreciation and amortization  | 136,951          | 139,564                 | 131,758          | 1,473   |
| Pension and severance costs, less payments   | 15,645           | 2,814                   | (2,360)          | 168   |
| Provision for doubtful receivables   | 11,227           | 18,013                  | 8,075            | 121   |
| Gain on sales of securities net  | (20,949)         | (33,228)                | (92,298)         | (225)   |
| Loss on write-down of securities   | 48,488           | 117,264                 | 36,691           | 521   |
| (Gain) loss on disposal or sales of property and equipment net   | (5)              | (3,586)                 | 340              | 0   |
| Impairment loss of long-lived assets   | 8,715            | 37,693                  | 24,005           | 94  |
| Impairment loss of goodwill  | 9,907            | 18,568                  | 2,004            | 106   |
| Deferred income taxes  | (16,351)         | 18,943                  | (1,897)          | (176)   |
| Equity in earnings of associated companies, less dividends received  | (19,933)         | (24,064)                | (55,016)         | (214)   |
| Changes in operating assets and liabilities:   |                  |                         |                  |   |
| Decrease in trade receivables  | 87,156           | 838,622                 | 77,983           | 937   |
| Decrease (increase) in inventories   | 79,035           | 63,309                  | (75,398)         | 850   |
| Decrease in trade payables   | (25,616)         | (569,861)               | (41,954)         | (275)   |
| (Decrease) increase in accrued expenses  | (24,538)         | (62,727)                | 4,026            | (264)   |
| Decrease (increase) in advance payments to suppliers   | 26,010           | (20,376)                | (35,730)         | 280   |
| (Decrease) increase in advances from customers   | (47,057)         | 20,420                  | 51,719           | (506)   |
| Decrease (increase) in derivative assets   | 186,647          | (60,576)                | (167,166)        | 2,007   |
| (Decrease) increase in derivative liabilities  | (61,718)         | (64,833)                | 106,451          | (664)   |
| Decrease (increase) in other current assets- income tax receivables  | 46,960           | (66,336)                | (18,207)         | 505   |
| Other net  | 18,831           | (10,370)                | 73,011           | 202   |
| Net cash provided by operating activities of discontinued operations   | 4,659            | 14,744                  | 7,146            | 50  |
| <b>Net cash provided by operating activities</b>   | <b>632,360</b>   | <b>582,666</b>          | <b>415,791</b>   | <b>6,800</b>                                    |
| <b>Investing Activities</b> (Note 27):   |                  |                         |                  |   |
| Net (increase) decrease in time deposits   | (12,891)         | 3,344                   | (6,609)          | (139)   |
| Investments in and advances to associated companies  | (90,577)         | (192,893)               | (206,866)        | (974)   |
| Sales of investments in and collection of advances to associated companies   | 45,728           | 61,247                  | 309,625          | 492   |
| Acquisitions of available-for-sale securities  | (19,558)         | (6,035)                 | (62,641)         | (210)   |
| Proceeds from sales of available-for-sale securities   | 17,552           | 16,110                  | 45,650           | 189   |
| Proceeds from maturities of available-for-sale securities  | 16,124           | 5,907                   | 4,509            | 173   |
| Proceeds from maturities of held-to-maturity debt securities   | 1,893            | 69                      | 6,196            | 20  |
| Acquisitions of other investments  | (29,234)         | (70,188)                | (131,539)        | (314)   |
| Proceeds from sales and maturities of other investments  | 77,485           | 97,867                  | 51,042           | 833   |
| Increase in long-term loan receivables   | (83,114)         | (76,427)                | (88,040)         | (894)   |
| Collection of long-term loan receivables   | 84,858           | 85,695                  | 86,020           | 912   |
| Additions to property leased to others and property and equipment  | (232,141)        | (253,638)               | (282,061)        | (2,496)   |
| Proceeds from sales of property leased to others and property and equipment  | 43,782           | 34,570                  | 115,833          | 471   |
| Acquisitions of subsidiaries, net of cash acquired   |                  | (1,208)                 | (52,216)         |   |
| Proceeds from sales of subsidiaries, net of cash held by subsidiaries  |                  | 4,688                   | 106,319          |   |
| <b>Net cash used in investing activities</b>   | <b>(180,093)</b> | <b>(290,892)</b>        | <b>(104,778)</b> | <b>(1,937)</b>                                  |
| <b>Financing Activities</b> (Note 27):   |                  |                         |                  |   |



Edgar Filing: MITSUI & CO LTD - Form 20-F

|   |                    |                    |                  |                  |
|---|--------------------|--------------------|------------------|------------------|
| Net (decrease) increase in short-term debt                          | (212,413)          | 41,020             | (148,848)        | (2,284)          |
| Proceeds from long-term debt  | 493,321            | 365,743            | 551,247          | 5,304            |
| Repayments of long-term debt  | (435,213)          | (314,094)          | (513,851)        | (4,680)          |
| Transactions with noncontrolling interests shareholders             | (47,330)           | (14,401)           |                  | (509)            |
| Purchases of treasury stock net                                     | (31)               | (724)              | (1,601)          | 0                |
| Payments of cash dividends  | (12,779)           | (87,318)           | (72,076)         | (137)            |
| Net cash used in financing activities                               | (214,445)          | (9,774)            | (185,129)        | (2,306)          |
| <b>Effect of Exchange Rate Changes on Cash and Cash Equivalents</b> | <b>15,768</b>      | <b>(33,455)</b>    | <b>(26,652)</b>  | <b>170</b>       |
| <b>Net Increase in Cash and Cash Equivalents</b>                    | <b>253,590</b>     | <b>248,545</b>     | <b>99,232</b>    | <b>2,727</b>     |
| <b>Cash and Cash Equivalents at Beginning of Year</b>               | <b>1,147,809</b>   | <b>899,264</b>     | <b>800,032</b>   | <b>12,342</b>    |
| <b>Cash and Cash Equivalents at End of Year</b>                     | <b>¥ 1,401,399</b> | <b>¥ 1,147,809</b> | <b>¥ 899,264</b> | <b>\$ 15,069</b> |

See notes to consolidated financial statements.

F-10

---

**Table of Contents**

**Notes to Consolidated Financial Statements**

**Mitsui & Co., Ltd. and subsidiaries**

**1. NATURE OF OPERATIONS**

Mitsui & Co., Ltd. (Mitsui Bussan Kabushiki Kaisha) and subsidiaries (collectively, the companies), as *sogo shosha* or general trading companies, are engaged in business activities, such as trading in various commodities, financing for customers and suppliers relating to such trading activities worldwide, and organizing and coordinating industrial projects through their worldwide business networks.

The companies conduct sales, export, import, offshore trades and manufacture of products in the areas of Iron & Steel Products, Mineral & Metal Resources, Machinery & Infrastructure Projects, Chemical, Energy, Foods & Retail, and Consumer Service & IT, while providing services for retailing, information and communications, technical support, transportation and logistics and financing.

Further, the companies are also engaged in development of natural resources such as oil and gas, and iron and steel raw materials.

In addition to the above, the companies are engaged in strategic business investments in new areas such as information technology, biotechnology and environmental technology.

**2. BASIS OF FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**I. BASIS OF FINANCIAL STATEMENTS**

The accompanying consolidated financial statements are stated in Japanese yen, the currency of the country in which Mitsui & Co., Ltd. (the Company) is incorporated and principally operates. The translation of Japanese yen amounts into U.S. dollar amounts for 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=U.S. \$1, the approximate rate of exchange at March 31, 2010. The 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 accompanying consolidated financial statements have been prepared on the basis of accounting principles generally accepted in the United States of America (U.S. GAAP). Effect has been given in the consolidated financial statements to adjustments which have not been entered in the companies' general books of account maintained principally in accordance with accounting practices prevailing in the countries of incorporation. Major adjustments include those relating to accounting for derivative instruments and hedging activities, accounting for certain investments including non-monetary exchange of investments and effects of changes in foreign currency exchange rates on foreign-currency-denominated available-for-sale debt securities, accounting for warrants, accounting for pension costs and severance indemnities, recognition of installment sales on the accrual basis of accounting, accounting for business combinations, accounting for goodwill and other intangible assets, accounting for asset retirement obligations, accounting for consolidation of variable interest entities, accounting for leasing, accounting for stock issuance costs, and accounting for uncertainty in income taxes.

Effective April 1, 2009, the companies adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 105, Generally Accepted Accounting Principles, which was formerly Statement of Financial Accounting Standards (SFAS) No. 168, and the accompanying consolidated financial statements are presented in accordance with the Codification. The companies have also included some references to superseded U.S. accounting standards for better guidance for users of the consolidated financial statements.

**Table of Contents****Notes to Consolidated Financial Statements (Continued)****Mitsui & Co., Ltd. and subsidiaries**

Total trading transactions, as presented in the accompanying Statements of Consolidated Income, are voluntary disclosures, and represent the gross transaction volume or the aggregate nominal value of the sales contracts in which the companies act as a principal and transactions in which the Company and certain subsidiaries serve as an agent. During the year ended March 31, 2010, the companies changed the reporting of total trading transactions for transactions where the Company and certain subsidiaries serve as an agent, and not as a contracting party, from gross amounts, which included transaction volume exchanged between the contracting parties and commissions earned as an agent; to net amounts, which include only commissions. In relation to this change, prior year amounts have been reclassified.

Total trading transactions should not be construed as equivalent to, or a substitute or a proxy for, revenues, or as an indicator of the companies operating performance, liquidity or cash flows generated by operating, investing or financing activities. The companies have included the gross transaction volume information because similar Japanese trading companies have generally used it as an industry benchmark. As such, management believes that total trading transactions are a useful supplement to the results of operations information for users of the consolidated financial statements.

**II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*****Consolidation***

The consolidated financial statements include the accounts of the Company, its majority-owned domestic and foreign subsidiaries, the variable interest entities ( VIEs ) where the Company or one of its subsidiaries is a primary beneficiary, and its proportionate share of the assets, liabilities, revenues and expenses of certain of its oil and gas producing, and mining unincorporated joint ventures in which the companies own an undivided interest in the assets, and pursuant to the joint venture agreements, are severally liable for their share of each liability. The VIEs are defined by ASC 810, Consolidation, which was formerly FASB Interpretation ( FIN ) No. 46 (revised December 2003). The unincorporated joint ventures proportionately consolidated in accordance with ASC 810-10-45-14, Consolidation Proportionate Consolidation, which was formerly FASB Emerging Issues Task Force Issue ( EITF ) No. 00-1, by the companies include but are not limited to Block 9 J/V (35%), Block 10,11,12,13,10A/11A J/V (20%-40%), Capricorn Coal Development J/V (30%), Dawson J/V (49%), Kestrel J/V (20%), Mt. Goldsworthy Mining Associates J/V (7%), Mt. Newman J/V (7%), Robe River Iron Associates J/V (33%), and WA-28-L J/V (40%).

The difference between the cost of investments in VIEs which are not a business and the equity in the fair value of the net assets at the dates of acquisition is accounted for as an extraordinary gain or loss while the excess of the cost of investments in other subsidiaries that meet the definition of a business over the equity in the fair value of the net assets at the dates of acquisition is accounted for as goodwill.

Certain subsidiaries with a fiscal year-end on or after December 31, but prior to the parent company's fiscal year-end of March 31, are included on the basis of the subsidiaries' respective fiscal year-ends.

***Foreign currency translation***

The assets and liabilities of foreign subsidiaries and associated 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 are included in accumulated other comprehensive income (loss).

Monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at year-end exchange rates with the resulting gains and losses recognized in earnings.

**Table of Contents**

**Notes to Consolidated Financial Statements (Continued)**

**Mitsui & Co., Ltd. and subsidiaries**

***Cash equivalents***

Cash equivalents are defined as short-term (original maturities of three months or less), highly liquid investments which are readily convertible into cash and have no significant risk of change in value including certificates of deposit, time deposits, financing bills and commercial papers with original maturities of three months or less.

***Allowance for doubtful receivables***

An impairment loss for a specific loan deemed to be impaired is measured based on the present value of expected cash flows discounted at the loan's original effective interest rate or the fair value of the collateral if the loan is collateral dependent.

An allowance for doubtful receivables is recorded for all receivables not defined as specific loan based primarily upon the companies' credit loss experiences and an evaluation of potential losses in the receivables.

***Inventories***

Inventories, consisting mainly of commodities and materials for resale, are stated at the lower of cost, principally on a specific-identification basis, or market.

***Derivative instruments and hedging activities***

In accordance with ASC 815, *Derivatives and Hedging*, which was formerly SFAS No. 133, all derivative instruments are recognized and measured at fair value as either assets or liabilities in the Consolidated Balance Sheets. The accounting for changes in the fair value depends on the intended use of the derivative instruments and their resulting hedge designation. On the Consolidated Balance Sheets, the companies offset fair value amounts recognized for the right to reclaim cash collateral (a receivable) or the obligation to return cash collateral (a payable) against fair value amounts recognized for derivative instruments executed with the same counterparty under the same master netting arrangement.

The companies enter into derivative commodity instruments, such as future, forward, option and swap contracts, as a means of hedging the exposure to changes in the fair value of inventories and unrecognized firm commitments and the exposure to variability in the expected future cash flows from forecasted transactions, principally for non-ferrous metals, crude oil and agricultural products.

Changes in the fair value of derivative commodity instruments, designated and effective as fair value hedges, are recognized in sales of products or cost of products sold as offsets to changes in the fair value of the hedged items. Changes in the fair value of derivative commodity instruments, designated and effective as cash flow hedges, are initially recorded as other comprehensive income and reclassified into earnings as sales of products or cost of products sold when the hedged transactions affect earnings. Changes in the fair value of the ineffective portion are recognized in sales of products or cost of products sold immediately.

Changes in the fair value of derivative commodity instruments, for which hedge requirements are not met under ASC 815, are currently recognized in sales of products or cost of products sold without any offsetting changes in the fair value of the hedged items.

The Company and certain subsidiaries also enter into agreements for derivative commodity instruments as a part of their trading activities. These derivative instruments are marked to market and gains or losses resulting from these contracts are reported in other sales.

---

**Table of Contents**

**Notes to Consolidated Financial Statements (Continued)**

**Mitsui & Co., Ltd. and subsidiaries**

Changes in the fair value of all open positions of precious metals traded in terminal (future) markets are recognized in other sales in order to reflect the fair value of commodity trading transactions consisting of inventories, unrecognized firm commitments and derivative commodity instruments as a whole.

The companies enter into derivative financial instruments such as interest rate swap agreements, foreign exchange forward contracts, currency swap agreements, and interest rate and currency swap agreements as a means of hedging their interest rate and foreign exchange exposure.

Changes in the fair value of interest rate swap agreements, designated and effective as fair value hedges for changes in the fair value of fixed-rate financial assets or liabilities attributable to changes in the designated benchmark interest rate, are recognized in interest income and expense as offsets to changes in the fair value of hedged items. Changes in the fair value of interest rate swap agreements, designated and effective as cash flow hedges for changes in the cash flows of floating-rate financial assets or liabilities attributable to changes in the designated benchmark interest rate, are initially recorded in other comprehensive income and reclassified into earnings as interest income and expense when the hedged transactions affect earnings. Changes in the fair value of the ineffective portion are recognized in interest income and expense immediately.

Changes in the fair value of foreign exchange forward contracts and currency swap agreements, designated and effective as cash flow hedges for changes in the cash flows of foreign-currency-denominated assets or liabilities, unrecognized firm commitments and forecasted transactions attributable to changes in the related foreign currency exchange rate, are initially recorded in other comprehensive income and reclassified into earnings as foreign exchange gains or losses when the hedged transactions affect earnings. Changes in the fair value of the ineffective portion are recognized in foreign exchange gains or losses immediately.

Changes in the fair value of interest rate and currency swap agreements, designated and effective as fair value hedges or cash flow hedges for changes in the fair values or cash flows of foreign-currency-denominated assets or liabilities attributable to changes in the designated benchmark interest rate or the related foreign currency exchange rate are recorded as either earnings or other comprehensive income depending on the treatment of foreign currency hedges as fair value hedges or cash flow hedges.

Changes in the fair value of derivative financial instruments, for which hedge requirements are not met under ASC 815, are currently recognized in interest income and expense for interest rate swap agreements and in foreign exchange gains or losses for foreign exchange forward contracts, currency swap agreements and interest rate and currency swap agreements.

The Company and certain subsidiaries also enter into agreements for certain derivative financial instruments as a part of their trading activities. These derivative instruments are marked to market and the related gains or losses are reported in other sales.

The companies use derivative instruments and non-derivative financial instruments in order to reduce the foreign currency exposure in the net investment in a foreign operation. The foreign currency transaction gains or losses on these instruments, designated as and effective as hedging instruments, are deferred and recorded as foreign currency translation adjustments within other comprehensive income to the extent they are effective as hedge. These amounts are only recognized in income upon the complete or partial sale of the related investment or the complete liquidation of the investment.

For the Statements of Consolidated Cash Flows, cash flows from derivative commodity instruments and derivative financial instruments that qualify for hedge accounting are included in the same category as the items being hedged.

---

**Table of Contents**

**Notes to Consolidated Financial Statements (Continued)**

**Mitsui & Co., Ltd. and subsidiaries**

***Debt and marketable equity securities***

The companies classify debt and marketable equity securities, at acquisition, into one of three categories: held-to-maturity, available-for-sale or trading.

Securities are classified as trading securities and carried at fair value only if the companies possess those securities for the purpose of purchase and sale. Unrealized holding gains and losses are included in earnings.

Debt securities are classified as held-to-maturity and measured at amortized cost in the Consolidated Balance Sheets only if the companies have the positive intent and ability to hold those securities to maturity. Premiums and discounts amortized in the period are included in interest income.

Debt and marketable equity securities other than those classified as trading or held-to-maturity securities are classified as available-for-sale securities and carried at fair value with related unrealized holding gains and losses reported in accumulated other comprehensive income (loss) in equity on a net-of-tax basis.

For other than a temporary decline in the value of debt and marketable equity securities below their cost or amortized cost, the investment is reduced to its fair value, which becomes the new cost basis of the investment. The amount of the reduction is reported as a loss for the year in which such determination is made. Various factors, such as the extent by which the cost exceeds the market value, the duration of the market decline, the financial condition and near-term prospects of the issuer, and the intent and ability to retain the investment for a period of time sufficient to allow for any anticipated recovery in market value, are reviewed to judge whether the decline is other than temporary.

The cost of debt and marketable securities sold is determined based on the moving-average cost method.

***Non-marketable equity securities***

Non-marketable equity securities are carried at cost. When other than a temporary decline in the value of such securities below their cost occurs, the investment is reduced to its fair value and an impairment loss is recognized. Various factors, such as the financial condition and near-term prospects of the issuer, are reviewed to judge whether it is other than temporary.

The cost of non-marketable equity securities sold is determined based on the moving-average cost method.

***Investments in associated companies***

Investments in associated companies (20% to 50%-owned corporate investees, corporate joint ventures, and less than 20%-owned corporate investees over which the companies have the ability to exercise significant influence) and noncontrolling investments in general partnerships, limited partnerships and limited liability companies are accounted for under the equity method, after appropriate adjustments for intercompany profits and dividends. The differences between the cost of such investments and the companies' equity in the underlying fair value of the net assets of associated companies at the dates of acquisition are recognized as equity method goodwill.

For other than a temporary decline in the value of investments in associated companies below the carrying amount, the investment is reduced to its fair value and an impairment loss is recognized.

***Leasing***

The companies are engaged in lease financing consisting of direct financing leases and leveraged leases, and in operating leases of properties. For direct financing leases, unearned income is amortized to income over the



---

**Table of Contents**

**Notes to Consolidated Financial Statements (Continued)**

**Mitsui & Co., Ltd. and subsidiaries**

lease term at a constant periodic rate of return on the net investment. Income on leveraged leases is recognized over the life of the lease at a constant rate of return on the positive net investment. Initial direct costs are deferred and amortized using the interest method over the lease period. Operating lease income is recognized as other sales over the term of underlying leases on a straight-line basis.

The companies are also lessees of various assets. Rental expenses on operating leases are recognized over the respective lease terms using the straight-line method.

***Property and equipment***

Property and equipment are stated at cost.

Depreciation of property and equipment (including property leased to others) is computed principally under the declining-balance method for assets located in Japan and under the straight-line method for assets located outside Japan, using rates based upon the estimated useful lives of the related property and equipment. The estimated useful lives for buildings, equipment and fixtures, freight cars, and vessels are primarily 8 to 50 years, 2 to 50 years, 13 to 30 years, and 2 to 15 years, respectively. Mineral rights are amortized over their respective estimated useful lives, which are 9 to 47 years, using the straight-line method or the unit-of-production method.

Leasehold improvements are amortized over the lesser of the useful life of the improvement or the term of the underlying lease.

Significant renewals and additions are capitalized at cost. Maintenance and repairs, and minor renewals and betterments are charged to expense as incurred.

***Impairment of long-lived assets***

Long-lived assets to be held and used or to be disposed of other than by sale are reviewed, by using undiscounted future cash flows, for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If the sum of the undiscounted expected future cash flows is less than the carrying amount of the asset, an impairment loss is recognized. Such impairment loss is measured as the amount by which the carrying amount of the asset exceeds its fair value. Long-lived assets to be disposed of by sale are reported at the lower of carrying amount or fair value less cost to sell.

***Business combinations***

In accordance with ASC 805, Business Combinations, which was formerly SFAS No. 141 (revised 2007), the acquisition method of accounting which requires the measurement of the fair value of all of the assets and liabilities of an acquired company, including noncontrolling interests, is used for all business combinations from April 1, 2009. The companies separately recognize and report acquired intangible assets as goodwill or other intangible assets. Any excess of fair value of acquired net assets over cost arising from a business combination is recognized as a gain from a bargain purchase.

***Goodwill and other intangible assets***

Goodwill is not amortized but tested for impairment annually or more frequently if impairment indicators arise. Identifiable intangible assets with a finite useful life are amortized over their respective estimated useful lives and reviewed for impairment in accordance with ASC 360,

Property, Plant and Equipment, which was formerly SFAS No. 144. Any identifiable intangible asset determined to have an indefinite useful life is not



---

**Table of Contents**

**Notes to Consolidated Financial Statements (Continued)**

**Mitsui & Co., Ltd. and subsidiaries**

amortized, but instead tested for impairment in accordance with ASC 350, Intangibles-Goodwill and Other, which was formerly SFAS No. 142, until its useful life is determined to be no longer indefinite.

Equity method goodwill is reviewed for impairment as part of an other-than-temporary decline in the value of investments in associated companies below the carrying amount in accordance with ASC 323, Investments-Equity Method and Joint Ventures, which was formerly Accounting Principles Board Opinion No. 18.

Intangible assets subject to amortization consist primarily of software, trademarks, customer relationships, sales rights and patents which are amortized over their respective estimated useful lives using the straight-line method. The estimated useful lives for software, trademarks, customer relationships, sales rights and patents are 3 to 5 years, 10 to 30 years, 10 to 24 years, 10 years and 10 to 20 years, respectively. Intangible assets not subject to amortization mainly consist of land rights and trademarks.

***Oil and gas producing activities***

Oil and gas exploration and development costs are accounted for using the successful efforts method of accounting. The costs of acquiring properties, costs of drilling and equipping exploratory wells, and costs of development wells and related plant and equipment are capitalized, and amortized using the unit-of-production method. Exploratory well costs are expensed, if economically recoverable reserves are not found. Other exploration costs, such as geological and geophysical costs, are expensed as incurred.

In accordance with ASC 360, Property, Plant and Equipment, which was formerly SFAS No. 144, 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 annually for impairment in accordance with ASC 932-360-35-11, Extractive Activities-Property, Plant and Equipment Subsequent Measurement Unproved Properties, which was formerly SFAS No. 19, with any impairment charged to expense. The companies make a comprehensive evaluation and record impairment of unproved property based on undiscounted future net cash flow approach, as well as taking into consideration various factors, such as remaining mining rights periods, examples of sales and purchases in neighboring areas, drilling results and seismic interpretations.

***Mining operations***

Mining exploration costs are expensed as incurred until the mining project has been established as commercially viable by a final feasibility study. Once established as commercially viable, costs are capitalized as development costs and are amortized using either the unit-of-production method or straight-line method based on the proven and probable reserves.

In open pit mining operations, it is necessary to remove overburden and other waste materials to access mineral deposits. The costs of removing waste materials are referred to as stripping costs. During the development of a mine, before production commences, such costs are generally capitalized as part of the development costs. Removal of waste materials continues during the production stage of the mine. Such post-production stripping costs are variable production costs to be considered as a component of mineral inventory costs and are recognized as a component of costs of products sold in the same period as the related revenues from the sales of the minerals. Depending on the configuration of the mineral deposits, the post-production stripping costs could lead to a lower of cost or market inventory adjustment.

---

**Table of Contents**

**Notes to Consolidated Financial Statements (Continued)**

**Mitsui & Co., Ltd. and subsidiaries**

***Asset retirement obligations***

The companies record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the companies capitalize the related cost 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 the useful life of the related asset.

***Pension and severance indemnities plans***

The company and certain subsidiaries have defined benefit pension plans and severance indemnities plans covering substantially all employees other than directors. The costs of defined benefit pension plans and severance indemnities plans are accrued based on amounts determined using actuarial methods. The company and certain subsidiaries recognize the overfunded or underfunded status of a defined benefit plan as an asset or a liability in the Consolidated Balance Sheets. In addition, the company and certain subsidiaries have defined contribution pension plans. The costs of defined contribution pension plans are charged to expenses when incurred.

***Guarantees***

In accordance with ASC 460, *Guarantees*, which was formerly FIN No. 45, the companies recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken for the guarantee.

***Revenue recognition***

The companies recognize revenues when they are realized or realizable and earned. Revenues are realized or realizable and earned when the companies have persuasive evidence of an arrangement, the goods have been delivered or the services have been rendered to the customer, the sales price is fixed or determinable and collectibility is reasonably assured. In addition to this general policy, the following are specific revenue recognition policies:

**Sales of products**

Sales of products include the sales of various products as a principal in the transactions, the manufacture and sale of a wide variety of products such as metals, chemicals, foods and general consumer merchandise, the development of natural resources such as coal, iron ore, oil and gas, and the development and sale of real estate. The companies recognize those revenues at the time the delivery conditions agreed with customers are met. These conditions are usually considered to have been met when the goods are received by the customer, the title to the warehouse receipts is transferred, or the implementation testing is duly completed.

For long-term construction contracts such as railroad projects, depending on the nature of the contract, revenues are accounted for by the percentage-of-completion method if estimates of costs to complete and extent of progress toward completion of long-term contracts are reasonably dependable, otherwise the companies use the completed contract method.

The Company and certain subsidiaries enter into buy/sell arrangements, mainly relating to transactions of crude oil and petroleum products. Under buy/sell arrangements, which are entered into primarily to optimize supply or demand requirements, the Company and certain subsidiaries agree to buy (sell) a specific quality and quantity of commodities to be delivered at a specific location and/or time while agreeing to sell (buy) the same quality and quantity of the commodities to be delivered at a different location and/or time to the same counterparty. The buy/sell arrangements are reported on a net basis in the Statements of Consolidated Income.

---

**Table of Contents****Notes to Consolidated Financial Statements (Continued)****Mitsui & Co., Ltd. and subsidiaries****Sales of services**

Sales of services include the revenues from trading margins and commissions related to various trading transactions in which the companies act as a principal or an agent. Specifically, the companies charge a commission for the performance of various services such as logistic and warehouse services, information and communication services, and technical support. For some back-to-back sales and purchase transactions of products, the companies act as a principal and record the net amount of sales and purchase prices as revenues. The companies also facilitate conclusion of the contracts between manufacturers and customers and deliveries for the products between suppliers and customers. Revenues from service related businesses are recorded as revenues when the contracted services are rendered to third-party customers pursuant to the agreements.

**Other sales**

Other sales principally include the revenues from leasing activities of real estate, rolling stock, ocean transport vessels, equipment and others, the revenues from derivative commodity instruments and derivative financial instruments held for trading purposes, and the revenues from external consumer financing. See accounting policies for leasing and derivative instruments and hedging activities for the revenue recognition policies regarding leasing and derivative transactions, respectively.

**Research and development expenses**

Research and development costs are charged to expenses when incurred.

**Advertising expenses**

Advertising costs are charged to expenses when incurred.

**Income taxes**

Income tax expense is based on reported earnings before income taxes. Deferred income taxes reflect the impact of temporary differences between assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes and tax loss carryforwards. These deferred taxes are measured using the currently enacted tax rates in effect for the year in which the temporary differences or tax loss carryforwards are expected to reverse. Valuation allowances are established when it is more likely than not that some or all of the deferred tax assets will not be realized.

In accordance with ASC 740, *Income Taxes*, which was formerly FIN No. 48, the companies recognize and measure uncertainty in income taxes. Interests and penalties incurred in relation to income taxes are reported in current income taxes in the Statements of Consolidated Income.

**Net income per share**

Basic net income per share attributable to Mitsui & Co., Ltd. is computed by dividing net income attributable to Mitsui & Co., Ltd. by the weighted-average number of common shares outstanding for the period. Diluted net income per share attributable to Mitsui & Co., Ltd. reflects the potential dilution as a result of issuance of shares upon conversion of the companies' convertible bonds.

---

**Table of Contents**

**Notes to Consolidated Financial Statements (Continued)**

**Mitsui & Co., Ltd. and subsidiaries**

**III. RECLASSIFICATION**

Tax effects on investments in associated companies which were formerly included in Equity in Earnings of Associated Companies Net (After Income Tax Effect) are included in Income Taxes for the year ended March 31, 2010. At the same time, the line item, Equity in Earnings of Associated Companies Net (After Income Tax Effect) has been changed to Equity in Earnings of Associated Companies Net. Amounts for the years ended March 31, 2008 and 2009 have been reclassified to conform to the current year's presentation.

The consolidated financial statements have been adjusted due to the adoption of ASC 810-10-65, Transition Related to FASB Statement No.160, Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No.51, which was formerly SFAS No.160.

Other certain reclassifications and format changes have also been made to prior year amounts to conform to the current year presentation.

**IV. NEW ACCOUNTING STANDARDS**

***FASB Accounting Standards Codification***

Effective July 1, 2009, the companies adopted ASC 105, Generally Accepted Accounting Principles, which was formerly SFAS No. 168.

ASC 105 establishes the FASB Accounting Standards Codification (the Codification) as the single source of authoritative generally accepted accounting principles. Rules and interpretive releases of the U.S. Securities and Exchange Commission (the SEC) are also sources of authoritative accounting principles for SEC registrants. The Codification reorganizes existing U.S. accounting standards by topic, and supersedes all existing U.S. accounting standards.

The adoption of this topic had no impact on the companies' financial position and results of operations.

***Fair value measurements***

Effective April 1, 2009, the companies adopted ASC 820, Fair Value Measurements and Disclosures, which was formerly SFAS No. 157, for nonfinancial assets and nonfinancial liabilities that are not recognized or disclosed at fair value in the financial statements on a recurring basis.

ASC 820 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

Effective April 1, 2009, the companies also adopted the new provisions in ASC 820, which was formerly FASB Staff Position ( FSP ) No. FAS 157-4. These provisions provide guidance for determining whether a market that was formerly active has become inactive and a transaction is not orderly in order to apply the fair value measurement provisions of ASC 820.

Effective October 1, 2009, the companies adopted the new provisions in ASC 820, which the FASB issued as the Accounting Standards Update ( ASU ) 2009-05, Measuring Liabilities at Fair Value. These provisions provide guidance for fair value measurement of liabilities.

Effective January 1, 2010, the companies adopted the new provisions in ASC 820, which the FASB issued as ASU 2010-06, Improving Disclosures about Fair Value Measurements, for disclosures regarding transfers in

**Table of Contents**

**Notes to Consolidated Financial Statements (Continued)**

**Mitsui & Co., Ltd. and subsidiaries**

and out of Levels 1 and 2. The companies also adopted the new provisions that clarify existing disclosure requirements regarding the level of disaggregation of fair value measurements and inputs and valuation techniques.

The effect of the adoption of this topic on the companies' financial position and results of operations was immaterial.

***Business combinations***

Effective April 1, 2009, the companies adopted ASC 805, Business Combinations, which was formerly SFAS No. 141 (revised 2007).

ASC 805 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 in the business combination or a gain from a bargain purchase. ASC 805 also requires disclosures to enable users of the financial statements to evaluate the nature and financial effects of the business combination. As a result of the adoption of this topic, the amounts of accumulated impairment losses of goodwill acquired in business combinations are disclosed in Note 12, GOODWILL AND OTHER INTANGIBLE ASSETS.

Effective April 1, 2009, the companies also adopted the new provisions in ASC 805-20, Business Combinations—Identifiable Assets and Liabilities, and Any Noncontrolling Interest, which require an asset or liability arising from a contingency in a business combination to be recognized at fair value if fair value can be reasonably determined.

The effect of the adoption of this topic on the companies' financial position and results of operations was immaterial.

***Noncontrolling interests in consolidated financial statements***

Effective April 1, 2009, the companies adopted ASC 810-10-65, Consolidation—Transition Related to FASB Statement No. 160, Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51.

ASC 810-10-65 establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary.

The effect of the adoption of this section on the companies' financial position and results of operations was immaterial. Also, as a result of the adoption of this section, noncontrolling interests, which were previously referred to as minority interests and classified between liabilities and equity on the Consolidated Balance Sheets, are included as a separate component of total equity. In addition, the way the Statements of Consolidated Income, the Statements of Changes in Consolidated Equity and the Statements of Consolidated Cash Flows are presented is changed. The companies have also retrospectively applied the presentation and disclosure provisions of this section, and have made reclassifications and format changes on the Consolidated Balance Sheets as of March 31, 2009, and the Statements of Consolidated Income, the Statements of Changes in Consolidated Equity, and the Statements of Consolidated Cash Flows for the years ended March 31, 2009 and 2008.

---

**Table of Contents**

**Notes to Consolidated Financial Statements (Continued)**

**Mitsui & Co., Ltd. and subsidiaries**

***Subsequent events***

Effective April 1, 2009, the companies adopted ASC 855, Subsequent Events, which was formerly SFAS No. 165.

ASC 855 establishes general accounting and disclosure standards for events and transactions 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 and transactions were evaluated, as well as whether that date is the date financial statements were issued or the date the financial statements were available to be issued.

The companies also adopted the new provisions in ASC 855, which the FASB issued as ASU2010-09, Amendments to Certain Recognition and Disclosure Requirements, for the consolidated financial statements for the year ended March 31, 2010. The provisions exempt SEC filers from disclosing the date through which subsequent events have been evaluated, amend existing disclosure requirements and clarify the scope of the reissuance disclosure requirements.

The adoption of this topic had no impact on the companies' financial position and results of operations.

***Recognition and presentation of other-than-temporary impairments***

Effective April 1, 2009, the companies adopted ASC 320-10-65, Investments-Debt and Equity Securities Transition Related to FSP FAS 115-2 and FAS 124-2, Recognition and Presentation of Other-Than-Temporary Impairments.

ASC 320-10-65 requires an entity to recognize the credit component of an other-than-temporary impairment of a debt security in earnings and the noncredit component in other comprehensive income when the entity does not intend to sell the security and it is more likely than not that the entity will not be required to sell the security prior to recovery. This section also expands the disclosure requirements for other-than-temporary impairments on debt and equity securities.

The effect of the adoption of this section on the companies' financial position and results of operations was immaterial.

***Employers' disclosures about postretirement benefit plan assets***

Effective March 31, 2010, the companies adopted the new provisions in ASC 715-20-65, Compensation-Retirement Benefits Transition related to FSP FAS 132(R)-1, Employers' Disclosures about Postretirement Benefit Plan Assets.

The provisions provide guidance on an employer's disclosures about plan assets of a defined benefit pension or other postretirement plan, including the disclosure of each class of plan assets at fair value using the fair value hierarchy in ASC 820.

The adoption of these provisions had no impact on the companies' financial position and results of operations.

***Oil and gas reserve estimation and disclosures***

Effective March 31, 2010, the companies adopted the new provisions in ASC 932, Extractive Activities-Oil and Gas, which the FASB issued as ASU 2010-03, Oil and Gas Reserve Estimation and Disclosures.

**Table of Contents**

**Notes to Consolidated Financial Statements (Continued)**

**Mitsui & Co., Ltd. and subsidiaries**

The provisions expand the definition of oil- and gas-producing activities to include hydrocarbons from non-traditional sources, and amend the definition of proved reserves to use the average, first-day-of-the-month price during the 12-month period before the fiscal year end. The provisions also enhance disclosure requirements in accordance with the SEC's final rule, Modernization of the Oil and Gas Reporting Requirements.

The effect of the adoption of these provisions on the companies' financial position and results of operations is immaterial.

***Multiple-deliverable revenue arrangements***

In October 2009, the FASB issued ASU 2009-13, Multiple-Deliverable Revenue Arrangements.

ASU 2009-13 amends the provisions in ASC 605-25, Revenue Recognition Multiple-Element Arrangements, for treating multiple deliverables in a revenue arrangement as separate units of accounting, and permits using a best estimate of selling price in allocating arrangement consideration to each deliverable if neither vendor-specific objective evidence nor third-party evidence is available. The provisions also expand the disclosure requirements for such arrangements.

The provisions are effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. The effect of the adoption of these provisions on the companies' financial position and results of operations is not currently known and cannot be reasonably estimated until further analysis is completed.

***Revenue arrangements with software elements***

In October 2009, the FASB issued ASU 2009-14, Certain Revenue Arrangements That Include Software Elements.

ASU 2009-14 amends the provisions in ASC 985-605, Software Revenue Recognition, clarifies the scope of the software revenue guidance for revenue arrangements that include both tangible products and software elements, and provide guidance on allocating revenue for such arrangements.

The provisions are effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. The effect of the adoption of these provisions on the companies' financial position and results of operations is not currently known and cannot be reasonably estimated until further analysis is completed.

***Transfers of financial assets***

In December 2009, the FASB issued ASU 2009-16, Accounting for Transfers of Financial Assets, which was formerly SFAS No. 166.

ASU 2009-16 amends the provisions in ASC 860, Transfers and Servicing, eliminates the concept of a qualifying special-purpose entity and changes the derecognition requirements of financial assets. The new provisions also enhance disclosure requirements for transfers of financial assets and a transferor's continuing involvement with transferred financial assets.

The provisions are effective for fiscal years beginning after November 15, 2009 and interim periods within those fiscal years. The effect of the adoption of these provisions on the companies' financial position and results of operations is not currently known and cannot be reasonably estimated until further analysis is completed.

**Table of Contents****Notes to Consolidated Financial Statements (Continued)****Mitsui & Co., Ltd. and subsidiaries*****Variable interest entities***

In December 2009 and February 2010, the FASB issued ASU 2009-17, Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities, which was formerly SFAS No. 167, and ASU 2010-10, Amendments for Certain Investment Funds, respectively.

ASU 2009-17 amends the provisions in ASC 810, Consolidation, to require an entity to determine the need for consolidating a VIE based on qualitative analysis, including whether the entity has the power to direct the activities of the VIE that most significantly impact the entity's economic performance, and to assess such needs on an ongoing basis. ASU 2010-10 indefinitely defers the application of provisions amended by ASU 2009-17 for interests in certain investment funds and similar entities.

The provisions are effective for fiscal years beginning after November 15, 2009 and interim periods within those fiscal years. The effect of the adoption of these provisions on the companies' financial position and results of operations is not currently known and cannot be reasonably estimated until further analysis is completed.

**V. USE OF ESTIMATES IN THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS**

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**3. BUSINESS COMBINATIONS****For the year ended March 31, 2010**

The business combinations, which were completed during the year ended March 31, 2010, were immaterial. After the reporting period but before the financial statements are issued, the following business combination occurred.

On December 24, 2009, the Company entered into a definitive agreement with Gas Natural SDG, S.A. to acquire 100% of its outstanding shares of a portfolio of companies holding five gas-fired combined cycle power stations in Mexico, as well as relevant companies including a pipeline company through a holding company, MT Falcon Holdings Company S.A.P.I. de C.V., a 70% owned subsidiary of the Company, with Tokyo Gas Co., Ltd. This acquisition for ¥112,324 million (U.S. \$1,241 million) was closed on June 2, 2010. The Company intends to enhance its portfolio of power generating assets through this acquisition.

Further information related to the accounting for this business combination has not been disclosed because the initial accounting for this acquisition has not been completed as of the issuance date of the consolidated financial statements.

**For the year ended March 31, 2009**

The following is the primary business combination, which was completed during the year ended March 31, 2009.

**Moeco Thai Oil Development Co., Ltd.**

Mitsui Oil & Exploration Co., Ltd. ( MOECO ), a 53.0%\* owned subsidiary of the Company, agreed with the Ministry of Economy, Trade and Industry of Japan to acquire additional 50% of ownership interests in Moeco





**Table of Contents****Notes to Consolidated Financial Statements (Continued)****Mitsui & Co., Ltd. and subsidiaries**

Thai Oil Development Co., Ltd. ( MOT ) for ¥9,000 million on June 30, 2008 as a result of the successful bid at general public bidding on June 13, 2008. The book value of the MOT was ¥3,026 million before this additional acquirement. After satisfying the closing conditions, MOECO completed the acquisition process on July 15, 2008. Since the MOECO's ownership of voting shares of MOT increased to 80%, MOT became a subsidiary of MOECO, which had been previously accounted for under the equity method. Subsequently, MOECO agreed with Toyo Engineering Corporation, a 22.8%\* owned associated company of the Company accounted for under the equity method, to sell 10% of ownership interests in MOT on August 11, 2008. MOECO completed the sale of the interests on September 25, 2008 and the MOECO's ownership of voting shares of MOT decreased to 70%. MOECO previously owned 30% of the MOT, the acquisition was accounted for as a step-acquisition. The purchase price was allocated based on 50% of the estimated fair value of the net assets acquired, including intangible assets acquired.

MOT is engaged in natural gas and condensate exploration, development and production projects in Thailand. MOT has 5% interest in the Block B12/27 in the Gulf of Thailand and is carrying out the stable production in the Pailin Field within the concession area. The Company positions its energy businesses as a significant strategic business sector and continues to strengthen its revenue base by acquiring new oil and natural gas assets and replacing its reserves in wider areas including Southeast Asia in addition to the Middle East, Sakhalin and Oceania areas. This acquisition of MOT is consistent with the Company's core strategy.

The purchase price was determined based on the expected future cash flows MOT will generate. The consolidated financial statements for the year ended March 31, 2009 include the operating results of MOT as a subsidiary from the date of acquisition.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition:

|   | <b>Millions of Yen</b> |
|---|------------------------|
| Current assets                                      | ¥ 8,544                |
| Property and equipment                              | 10,379                 |
| Intangible assets                                   | 486                    |
| <br>Total assets acquired                           | <br>19,409             |
| Current liabilities                                 | (2,292)                |
| Long-term liabilities                               | (3,083)                |
| Minority interest                                   | (2,008)                |
| <br>Total liabilities assumed and minority interest | <br>(7,383)            |
| <br>Net assets acquired                             | <br>¥ 12,026           |

Pro forma results of operations for the above business combination have not been presented because the effects were not material to the consolidated financial statements.

\* As of March 31, 2010, MOECO was a 69.9% owned subsidiary of the Company. This increase of voting interest was due to additional acquisition of its shares for the year ended March 31, 2010. Toyo Engineering Corporation was a 23.0% owned associated company of the Company accounted for under the equity method.

**Table of Contents**

**Notes to Consolidated Financial Statements (Continued)**

**Mitsui & Co., Ltd. and subsidiaries**

**For the year ended March 31, 2008**

The following are the primary business combinations, which were completed during the year ended March 31, 2008.

***Steel Technologies Inc.***

On February 28, 2007, Mitsui & Co. (U.S.A), Inc. ( Mitsui USA ), a wholly owned subsidiary of the Company, agreed with Steel Technologies Inc. ( Steel Tech ) to acquire all the outstanding shares of Steel Tech. After obtaining the approval of its shareholders in a special shareholders meeting on May 30, 2007 and all the necessary regulatory approvals, Mitsui USA closed the acquisition process on June 1, 2007. The total amount paid for the acquisition was ¥47,946 million (U.S. \$394 million). The carrying value of the companies' equity investment in Mi-Tech Steel Inc. (a J/V with Steel Tech, which later merged into Steel Tech in March 2008) immediately before the acquisition was ¥3,316 million (U.S. \$27 million). Steel Tech operates 25 steel processing facilities, including its joint venture operations, throughout the United States, Canada and Mexico, delivering processing capabilities and value-added services to customers in a variety of industries by leveraging its broad geographic network facilities.

Creation of higher value-added marketing and logistics services in the steel business is one of the companies' core strategies and the companies are actively investing resources in this area. Through this acquisition, the companies obtain an important business platform in North America. Using it as the base for steel product value chain management in the United States, the companies aim to strengthen the business foundation in the steel product industries in the Americas segment. This acquisition is consistent with the companies' core strategy.

The consolidated financial statements for the year ended March 31, 2008 include the operating results of Steel Tech as a subsidiary from the closing date of the acquisition.

The purchase price was determined based on the expected future cash flows Steel Tech will generate. The excess of the purchase price over the fair value of net assets of Steel Tech was recorded as goodwill. The primary factors that contributed to the determination of the purchase price that caused the recognition of goodwill include the following: (1) the Steel Tech's broad geographic network facilities in North America and ability to provide value-added services, (2) the synergies that might be achieved with the companies' marketing and logistics services in the steel business.

In connection with this acquisition, ¥4,236 million, ¥1,379 million and ¥8,289 million were assigned to intangible assets subject to amortization, intangible assets not subject to amortization, and goodwill, respectively. The intangible assets subject to amortization consist primarily of customer relationship of ¥3,516 million with an amortization period of 24 years. The goodwill is non-deductible for tax purpose and has been assigned to the Americas Segment.

**Table of Contents****Notes to Consolidated Financial Statements (Continued)****Mitsui & Co., Ltd. and subsidiaries**

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition:

|  | <b>Millions of Yen</b> |
|--|------------------------|
| Current assets   | ¥ 52,749               |
| Property and equipment                                 | 26,239                 |
| Intangible assets                                      | 13,904                 |
| Investments and other assets                           | 7,960                  |
| <b>Total assets acquired</b>                           | <b>100,852</b>         |
| Current liabilities                                    | (39,766)               |
| Long-term liabilities                                  | (9,357)                |
| Minority interest                                      | (467)                  |
| <b>Total liabilities assumed and minority interest</b> | <b>(49,590)</b>        |
| <b>Net assets acquired</b>                             | <b>¥ 51,262</b>        |

Pro forma results of operations for the above business combination have not been presented because the effects were not material to the consolidated financial statements.

***Affiliated Financial Corporation and BayQuest Capital Corporation***

On April 27, 2007, Mitsui USA, a wholly owned subsidiary of the Company, agreed with the owner group of Affiliated Financial Corporation and BayQuest Capital Corporation (collectively AFC) to acquire 87.5% of the outstanding shares of AFC for ¥7,221 million (U.S. \$63 million). After the closing conditions were met, Mitsui USA completed the acquisition on September 21, 2007. In the acquisition process, the owner group had Affiliated Financial Corporation and BayQuest Capital Corporation merge into newly formed LLCs, AFC LLC and BCC LLC, respectively; then Mitsui USA, through AFC HoldCo, LLC, a newly formed holding entity owned by Mitsui USA, acquired both AFC LLC and BCC LLC in exchange for cash and 12.5% of the LLC interest in AFC HoldCo, LLC on September 21, 2007. On the same day, BCC LLC was merged into AFC LLC, the surviving entity. After the series of transactions, Mitsui USA holds an 87.5% interest in AFC HoldCo, LLC.

AFC purchases, sells, securitizes and services retail automobile installment contracts originated by franchised and selected independent dealers in approximately 40 states in the United States. Through its loan purchases, AFC serves as a source of financing for more than 4,000 dealerships, providing financing to consumers indirectly.

The companies have considerable experience in automobile-related businesses worldwide, including logistics, assembly, distribution, dealerships, automotive parts and retail financing. This acquisition is intended to enhance the companies' automobile value chain in the United States and is consistent with the companies' core strategy.

The consolidated financial statements for the year ended March 31, 2008 include the operating results of AFC as a subsidiary from the closing date of the acquisition.

The purchase price was determined based on the expected future cash flows AFC will generate. The excess of the purchase price over the fair value of net assets of AFC was recorded as goodwill. The primary factors that contributed to the determination of the purchase price that caused the recognition of goodwill were following: (1) the AFC's network and experience in the automobile financing business in the United States, (2) the synergies that might be achieved with the companies' automobile value chain in the United States.



**Table of Contents****Notes to Consolidated Financial Statements (Continued)****Mitsui & Co., Ltd. and subsidiaries**

In connection with this acquisition, ¥277 million and ¥6,695 million were assigned to intangible asset subject to amortization and goodwill, respectively. The intangible asset subject to amortization consists of a non-compete agreement with an amortization period of 8 years. The goodwill is deductible for tax purpose and has been assigned to the Americas Segment.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition:

|  | <b>Millions of Yen</b> |
|--|------------------------|
| Current assets   | ¥ 3,105                |
| Property and equipment                                 | 151                    |
| Intangible assets                                      | 6,972                  |
| Investments and other assets                           | 6,403                  |
| <b>Total assets acquired</b>                           | <b>16,631</b>          |
| Current liabilities                                    | (2,064)                |
| Long-term liabilities                                  | (6,338)                |
| Minority interest                                      | (1,008)                |
| <b>Total liabilities assumed and minority interest</b> | <b>(9,410)</b>         |
| Net assets acquired                                    | ¥ 7,221                |

Pro forma results of operations for the above business combination have not been presented because the effects were not material to the consolidated financial statements.

**4. DISCONTINUED OPERATIONS**

The companies present the results of discontinued operations (including operations of a subsidiary that either has been disposed of or is classified as held for sale) as a separate line item in the Statements of Consolidated Income under (loss) income from discontinued operations net (after income tax effect). The figures of the Statements of Consolidated Income and the Statements of Consolidated Cash Flows for the prior years related to the discontinued operations have been reclassified to conform to the current year presentation.

The carrying amounts of assets and liabilities of a disposal group classified as held for sale were immaterial for the years ended March 31, 2010 and 2009.

The results of discontinued operations were immaterial for the year ended March 31, 2009.

**Table of Contents****Notes to Consolidated Financial Statements (Continued)****Mitsui & Co., Ltd. and subsidiaries**

Summarized selected financial information and amounts attributable to Mitsui & Co., Ltd. for the years ended March 31, 2010, 2009 and 2008 for the discontinued operations reclassified during the year ended March 31, 2010 were as follows:

|  | Millions of Yen                                     |                       |                |
|--|---|-----------------------|----------------|
|  | Oil and<br>gas<br>interests<br>held by<br>MitEnergy | Other<br>subsidiaries | Total          |
| <b>Year ended March 31, 2010:</b>                              |   |                       |                |
| Revenues   | ¥ 11,771  | ¥ 1,080               | ¥ 12,851       |
| Income from discontinued operations before income taxes        | ¥ 166   | ¥ 35                  | ¥ 201          |
| (Loss) gain on disposal-net                                    | (1,971)   | 156                   | (1,815)        |
| Income tax benefit (expense)                                   | 835   | (15)                  | 820            |
| <b>(Loss) income from discontinued operations net</b>          | <b>¥ (970)</b>                                      | <b>¥ 176</b>          | <b>¥ (794)</b> |
| <b>Year ended March 31, 2009:</b>                              |   |                       |                |
| Revenues   | ¥ 27,321  | ¥ 3,115               | ¥ 30,436       |
| Income (loss) from discontinued operations before income taxes | ¥ 6,225   | ¥ (1,096)             | ¥ 5,129        |
| Income tax (expense) benefit                                   | (1,884)   | 785                   | (1,099)        |
| <b>Income (loss) from discontinued operations net</b>          | <b>¥ 4,341</b>                                      | <b>¥ (311)</b>        | <b>¥ 4,030</b> |
| <b>Year ended March 31, 2008:</b>                              |   |                       |                |
| Revenues   | ¥ 18,767  | ¥ 4,999               | ¥ 23,766       |
| Income (loss) from discontinued operations before income taxes | ¥ 3,153   | ¥ (87)                | ¥ 3,066        |
| Income tax expense   | (608)   | (31)                  | (639)          |
| <b>Income (loss) from discontinued operations net</b>          | <b>¥ 2,545</b>                                      | <b>¥ (118)</b>        | <b>¥ 2,427</b> |

|  | Millions of Yen  |                  |                  |
|--|------------------|------------------|------------------|
|  | 2010             | 2009             | 2008             |
| <b>Amounts attributable to Mitsui &amp; Co., Ltd.</b>                    |                  |                  |                  |
| Income from continuing operations  | ¥ 150,376        | ¥ 174,237        | ¥ 336,983        |
| (Loss) income from discontinued operations net (after income tax effect) | (657)            | 3,370            | 73,078           |
| <b>Net income</b>  | <b>¥ 149,719</b> | <b>¥ 177,607</b> | <b>¥ 410,061</b> |

The primary discontinued operations for the year ended March 31, 2010 were as follows:

*Oil and Gas interests held by MitEnergy*

MitEnergy Upstream LLC ( MitEnergy ), a subsidiary partially reported in both the Energy and Americas Segments, had been engaged in the oil and gas exploration, development and production business ( E&P Business ) mainly in the Gulf of Mexico of the United States. After the careful scrutiny of the Company s E&P Business strategy in North America, MitEnergy divested all of its Gulf of Mexico oil and gas assets to a third party during the year ended March 31, 2010.



**Table of Contents****Notes to Consolidated Financial Statements (Continued)****Mitsui & Co., Ltd. and subsidiaries****Other subsidiaries**

This category consists of some individually immaterial subsidiaries engaged in operations such as apparel sale, consumer products related to daily life sale, venture investment fund, and membership rewards program.

Summarized selected financial information for the years ended March 31, 2008 for the discontinued operations reclassified during the year ended March 31, 2008 was as follows:

|  | Millions of Yen |   |                       |          |
|--|-----------------|---|-----------------------|----------|
|  | Sesa Goa        | Oil and gas<br>producing<br>interests<br>held<br>by Wandoo<br>Petroleum | Other<br>subsidiaries | Total    |
| Year ended March 31, 2008:                                     |                 |   |                       |          |
| Revenues   |                 | ¥ 2,358   | ¥ 4,407               | ¥ 6,765  |
| (Loss) income from discontinued operations before income taxes | ¥ (387)         | ¥ 1,421   | ¥ 5,867               | ¥ 6,901  |
| Gain on disposal-net   | 93,949          | 20,205  | 2,511                 | 116,665  |
| Income tax expense   | (38,355)        | (8,286)   | (2,172)               | (48,813) |
| Income from discontinued operations net                        | ¥ 55,207        | ¥ 13,340  | ¥ 6,206               | ¥ 74,753 |

The primary discontinued operations for the year ended March 31, 2008 were as follows:

**Sesa Goa**

Sesa Goa Limited, a subsidiary reported in the Mineral & Metal Resources Segment, had been engaged in the iron ore production business in India. In optimizing its business portfolio, the Company decided it best to sell this business during the year ended March 31, 2008, and Earlyguard Limited, a wholly owned subsidiary of the Company, sold all shares in Finsider International Company Limited, which owned 51% of the issued shares of Sesa Goa Limited.

**Oil and gas producing interests held by Wandoo Petroleum**

Wandoo Petroleum Pty Ltd. ( Wandoo ), a subsidiary partially reported in both the Energy and Asia Pacific Segments, had been engaged in the oil and gas development and production business in Australia. After the careful scrutiny of the booming oil and gas prices and the production situation by the operator, the Company decided it best to sell this business, and disposed of by sale all interests of producing assets of Wandoo during the year ended March 31, 2008.

**Other subsidiaries**

This category consists of some individually immaterial subsidiaries engaged in operations such as custom home sale, aircraft leasing, and lease related to Chinese trading business.



**Table of Contents****Notes to Consolidated Financial Statements (Continued)****Mitsui & Co., Ltd. and subsidiaries****5. MARKETABLE SECURITIES AND OTHER INVESTMENTS****Debt and marketable equity securities**

At March 31, 2010 and 2009, the fair value and gross unrealized holding gains and losses on available-for-sale securities and the amortized cost, fair value and gross unrealized holding gains and losses on held-to-maturity debt securities were as follows:

|   | Cost      | Fair value | Millions of Yen                   |            |           |
|---|-----------|------------|-----------------------------------|------------|-----------|
|   |           |            | Unrealized holding gains (losses) |            | Net       |
|   |           |            | Gains                             | Losses     |           |
| <b>March 31, 2010:</b>  |           |            |                                   |            |           |
| Available-for-sale:   |           |            |                                   |            |           |
| Marketable equity securities (Japan)  | ¥ 212,367 | ¥ 416,844  | ¥ 204,612                         | ¥ (135)    | ¥ 204,477 |
| Marketable equity securities (Non-Japan)  | 27,212    | 58,337     | 32,611                            | (1,486)    | 31,125    |
| Preferred stock that must be redeemed   | 78,940    | 74,595     | 271                               | (4,616)    | (4,345)   |
| Government bonds  | 8,024     | 8,036      | 12                                |            | 12        |
| Other securities  | 1,891     | 1,891      | 0                                 |            | 0         |
| <b>March 31, 2009:</b>  |           |            |                                   |            |           |
| Available-for-sale:   |           |            |                                   |            |           |
| Marketable equity securities  |           | ¥ 398,676  | ¥ 167,256                         | ¥ (20,780) | ¥ 146,476 |
| Debt securities, consisting principally of preferred stock that must be redeemed and convertible debt |           | 86,788     | 19                                | (16,001)   | (15,982)  |

|   | Amortized cost | Fair value | Millions of Yen                   |        |     |
|---|----------------|------------|-----------------------------------|--------|-----|
|   |                |            | Unrealized holding gains (losses) |        | Net |
|   |                |            | Gains                             | Losses |     |
| <b>March 31, 2010:</b>  |                |            |                                   |        |     |
| Held-to-maturity debt securities  | ¥ 117          | ¥ 117      | ¥ 0                               |        | ¥ 0 |
| <b>March 31, 2009:</b>  |                |            |                                   |        |     |
| Held-to-maturity debt securities, consisting principally of preferred stock that must be redeemed | ¥ 2,656        | ¥ 2,656    | ¥ 0                               |        | ¥ 0 |

At March 31, 2009, the carrying amounts of available-for-sale securities, with original maturities of three months or less, included in cash and cash equivalents in the Consolidated Balance Sheets were ¥1,498 million. The companies did not hold such securities or investments at March 31, 2010.

**Table of Contents****Notes to Consolidated Financial Statements (Continued)****Mitsui & Co., Ltd. and subsidiaries**

At March 31, 2010 and 2009, the fair value and gross unrealized holding losses on available-for-sale securities, aggregated by investment category and length of time that individual securities have been in continuous unrealized loss positions, were as follows:

|  | Millions of Yen     |                           |                   |                           |
|--|---------------------|---------------------------|-------------------|---------------------------|
|  | Less than 12 months |                           | 12 months or more |                           |
|  | Fair value          | Unrealized holding losses | Fair value        | Unrealized holding losses |
| <b>March 31, 2010:</b>   |                     |                           |                   |                           |
| Available-for-sale:  |                     |                           |                   |                           |
| Marketable equity securities   | ¥ 27,896            | ¥ (1,621)                 |                   |                           |
| Debt securities, consisting principally of preferred stock that must be redeemed |                     |                           | ¥ 73,440          | ¥ (4,616)                 |
| <b>Total</b>   | <b>¥ 27,896</b>     | <b>¥ (1,621)</b>          | <b>¥ 73,440</b>   | <b>¥ (4,616)</b>          |
| <b>March 31, 2009:</b>   |                     |                           |                   |                           |
| Available-for-sale:  |                     |                           |                   |                           |
| Marketable equity securities   | ¥ 71,166            | ¥ (20,780)                |                   |                           |
| Debt securities, consisting principally of preferred stock that must be redeemed | 63,033              | (16,001)                  |                   |                           |
| <b>Total</b>   | <b>¥ 134,199</b>    | <b>¥ (36,781)</b>         |                   |                           |

The companies' investments in available-for-sale securities in an unrealized holding loss position consisted primarily of marketable equity securities and preferred stock that must be redeemed (approximately 45 issuers). The severity of decline in fair value less than cost was 3% to 20%. The unrealized losses on marketable securities were due principally to a temporary decline in the stock market and the duration of the impairment was less than nine months. The companies evaluated the near-term prospects of the issuer in relation to the severity and duration of impairment. Based on that evaluation and the companies' ability and intent to hold these investments for a reasonable period of time sufficient for a forecasted recovery of fair value, the companies did not consider these investments to be other-than-temporarily impaired at March 31, 2010.

The unrealized losses on preferred stock that must be redeemed were due to a devaluation of foreign currencies against the yen in the foreign exchange market. The companies evaluated the prospects of the foreign exchange market for the period of maturity of the stock. Based on that evaluation, the companies did not consider these investments to be other-than-temporarily impaired at March 31, 2010.

For the years ended March 31, 2010, 2009 and 2008, losses of ¥17,100 million, ¥79,264 million and ¥28,100 million, respectively, were recognized on write-downs of available-for-sale securities to reflect the decline in market value considered to be other than temporary.

The portion of net trading gains and losses for the year that relates to trading securities still held at March 31, 2010, 2009 and 2008 were as follows:

|                    | Millions of Yen |        |        |
|--------------------|-----------------|--------|--------|
|                    | 2010            | 2009   | 2008   |
| Net trading losses | ¥ (10)          | ¥ (41) | ¥ (18) |

**Table of Contents****Notes to Consolidated Financial Statements (Continued)****Mitsui & Co., Ltd. and subsidiaries**

The proceeds from sales of available-for-sale securities and the gross realized gains and losses on those sales for the years ended March 31, 2010, 2009 and 2008 are shown below:

|                       | Millions of Yen |          |          |
|-----------------------|-----------------|----------|----------|
|                       | 2010            | 2009     | 2008     |
| Proceeds from sales   | ¥ 17,552        | ¥ 15,880 | ¥ 42,914 |
| Gross realized gains  | ¥ 6,646         | ¥ 5,174  | ¥ 28,776 |
| Gross realized losses | (258)           | (390)    | (276)    |
| Net realized gains    | ¥ 6,388         | ¥ 4,784  | ¥ 28,500 |

Debt securities classified as available-for-sale and held-to-maturity at March 31, 2010 mature as follows:

|                                | Millions of Yen    |                         |                   |                         |
|--------------------------------|--------------------|-------------------------|-------------------|-------------------------|
|                                | Available-for-sale |                         | Held-to-maturity  |                         |
|                                | Amortized<br>cost  | Aggregate<br>fair value | Amortized<br>cost | Aggregate<br>fair value |
| Contractual maturities:        |                    |                         |                   |                         |
| Within 1 year                  | ¥ 4,229            | ¥ 4,327                 | ¥ 10              | ¥ 10                    |
| After 1 year through 5 years   | 67,600             | 63,682                  | 106               | 106                     |
| After 5 years through 10 years | 17,026             | 16,513                  | 1                 | 1                       |
| After 10 years                 |                    |                         |                   |                         |
| Total                          | ¥ 88,855           | ¥ 84,522                | ¥ 117             | ¥ 117                   |

The actual maturities may differ from the contractual maturities shown above because certain issuers may have the right to redeem debt securities before their maturity.

***Investments other than debt and marketable equity securities***

Investments other than investments in debt and marketable equity securities consisted primarily of non-marketable equity securities and non-current time deposits and amounted to ¥482,930 million and ¥550,809 million at March 31, 2010 and 2009, respectively. The estimation of the corresponding fair values at those dates was not practicable, as the fair value for all the individual non-marketable securities held by the companies was not readily determinable at each balance sheet date.

Investments in non-marketable equity securities are carried at cost; however, if the fair value of an investment has declined and such decline is judged to be other than temporary, the investment is written down to its estimated fair value. Losses on write-downs of these investment securities recognized to reflect the declines in fair value considered to be other than temporary were ¥31,388 million, ¥37,687 million and ¥8,695 million for the years ended March 31, 2010, 2009 and 2008, respectively.

The aggregate carrying amount of the companies' non-marketable equity securities accounted for under the cost method totaled ¥434,194 million and ¥499,924 million at March 31, 2010 and 2009, respectively. Investments with an aggregate carrying amount of ¥408,508 million at March 31, 2010 and ¥444,738 million at March 31, 2009, were not evaluated for impairment because the companies did not identify any events or changes in circumstances that may have had a significant adverse effect on the fair value of those investments and the companies determined

Edgar Filing: MITSUI & CO LTD - Form 20-F

that it is not practicable to estimate the fair value of those investments in accordance with the requirements of ASC 825-10-50, Disclosures about Fair Value of Financial Instruments, which was formerly Statement of Financial Accounting Standards ( SFAS ) No.107.

F-33

**Table of Contents****Notes to Consolidated Financial Statements (Continued)****Mitsui & Co., Ltd. and subsidiaries****6. INVESTMENTS IN AND ADVANCES TO ASSOCIATED COMPANIES**

Investments in associated companies (investees owned 20% to 50%, corporate joint ventures and other investees over which the companies have the ability to exercise significant influence) are accounted for under the equity method. In addition, noncontrolling investments in general partnerships, limited partnerships and limited liability companies are also accounted for under the equity method. Such investments include, but are not limited to, the companies' investments in Valepar S.A. (18.24%), Japan Australia LNG (MIMI) Pty. Ltd. (50.00%), JA Mitsui Leasing, Ltd. (33.40%), Sims Metal Management Limited (17.76%), P.T. Paiton Energy (36.32%), IPM EAGLE LLP (30.00%), and Penske Automotive Group, Inc. (16.89%).

The investment in Valepar S.A. is accounted for under the equity method because of the Company's ability to exercise significant influence over operating and financial policies primarily through the board representation and power of veto over significant operating and financial decisions through the board of directors. As the sole operating company among the shareholders, which consist primarily of pension funds and financial institutions, the Company utilizes its experience and expertise in operating businesses and substantively participates in the decision-making processes.

The investment in Sims Metal Management Limited is accounted for under the equity method because the companies are the largest and sole shareholder to have board designation right and the top up right, which enable the companies to increase their share in the event of dilution so that the companies are able to retain proportionate share after the dilutive event, and the companies have ability to exercise significant influence over operating and financial policies primarily through the board representation and the membership in various advisory committees to the board, such as the Finance and Investment Committee.

The companies are the second largest shareholder group of Penske Automotive Group, Inc. (PAG) and entered into a shareholders agreement with the largest shareholder group owning approximately 40% of its voting shares. Based on a reciprocal voting provision set forth in the agreement for any shareholder election of the directors of PAG, the companies and the largest shareholder group constitute a "group" within the meaning of Section 13(d) of the Securities Exchange Act of 1934 and jointly participate in the management of PAG. The investment in PAG is accounted for under the equity method because of the companies' ability to exercise significant influence over operating and financial policies primarily through the board representation by a director and executive vice president dispatched from the companies. PAG is utilizing the companies' global network to develop its business activities outside the United States and, as part of the process, the companies substantively participate in the decision-making processes.

Associated companies are engaged primarily in the development of natural resources, power generation businesses outside Japan and the distribution of various products. The major geographic areas of such entities are the Americas, Europe, Asia and Oceania.

Investments in and advances to associated companies at March 31, 2010 and 2009 consisted of the following:

|                              | Millions of Yen    |                    |
|------------------------------|--------------------|--------------------|
|                              | 2010               | 2009               |
| Investments in capital stock | ¥ 1,227,795        | ¥ 1,115,804        |
| Advances                     | 175,261            | 159,686            |
| <b>Total</b>                 | <b>¥ 1,403,056</b> | <b>¥ 1,275,490</b> |

**Table of Contents****Notes to Consolidated Financial Statements (Continued)****Mitsui & Co., Ltd. and subsidiaries**

The carrying value of the investments in associated companies exceeded the companies' equity in the underlying net assets of such associated companies by ¥123,223 million and ¥134,170 million at March 31, 2010 and 2009, respectively. The excess is attributed first to certain fair value adjustments on a net-of-tax basis at the time of the initial and subsequent investments in those companies with the remaining portion considered as equity method goodwill. The fair value adjustments are generally attributed to property and equipment which consist primarily of mineral rights amortized over their respective estimated useful lives, principally 3 to 47 years, using either the straight-line or the unit-of-production method.

Investments in common stock of publicly traded associated companies include marketable equity securities carried at ¥186,809 million and ¥189,588 million at March 31, 2010 and 2009, respectively. Corresponding aggregate quoted market values were ¥225,091 million and ¥179,217 million, respectively.

Summarized financial information for associated companies at March 31, 2010 and 2009 and for the years ended March 31, 2010, 2009 and 2008 were as follows:

|   | Millions of Yen |              |
|---|-----------------|--------------|
|   | 2010            | 2009         |
| Current assets  | ¥ 6,576,064     | ¥ 7,011,843  |
| Property and equipment net of accumulated depreciation          | 9,168,375       | 7,747,955    |
| Other assets  | 2,782,559       | 2,376,812    |
| Total assets  | ¥ 18,526,998    | ¥ 17,136,610 |
| Current liabilities   | ¥ 4,035,355     | ¥ 4,054,649  |
| Long-term liabilities   | 6,327,492       | 6,123,570    |
| Associated companies' shareholders' equity                      | 4,461,376       | 3,922,868    |
| Non-controlling interests                                       | 3,702,775       | 3,035,523    |
| Total liabilities and shareholders' equity                      | ¥ 18,526,998    | ¥ 17,136,610 |
| The companies' equity in the net assets of associated companies | ¥ 1,104,572     | ¥ 981,634    |

|   | Millions of Yen |              |              |
|---|-----------------|--------------|--------------|
|   | 2010            | 2009         | 2008         |
| Revenues  | ¥ 9,541,949     | ¥ 11,969,061 | ¥ 13,127,701 |
| Gross profit                                    | 2,512,033       | 3,656,921    | 3,758,668    |
| Net income attributable to associated companies | 648,981         | 864,418      | 1,065,804    |

Note: The Company has corrected presentation of the disclosure of net income attributable to associated companies for the years ended March 31, 2009 and 2008, from ¥621,013 million to ¥864,418 million, from ¥1,065,978 million to ¥1,065,804 million, respectively. This correction had had no impact on financial position and results of operations of the Company as previously reported.



**Table of Contents****Notes to Consolidated Financial Statements (Continued)****Mitsui & Co., Ltd. and subsidiaries**

The companies' revenues and purchases from associated companies included in cost of revenues during the years ended March 31, 2010, 2009 and 2008 were as follows:

|           | Millions of Yen |          |          |
|-----------|-----------------|----------|----------|
|           | 2010            | 2009     | 2008     |
| Revenues  | ¥ 56,106        | ¥ 85,373 | ¥ 77,840 |
| Purchases | 254,873         | 327,417  | 323,664  |

Note: The figures for the years ended March 31, 2009 and 2008 related to discontinued operations have been reclassified. Dividends received from associated companies for the years ended March 31, 2010, 2009 and 2008 amounted to ¥111,540 million, ¥96,594 million and ¥99,252 million, respectively.

Consolidated unappropriated retained earnings at March 31, 2010 and 2009 included the companies' equity in net undistributed earnings of associated companies in the amount of ¥352,468 million and ¥352,703 million, respectively.

**7. ALLOWANCE FOR DOUBTFUL RECEIVABLES**

An analysis of the change in the allowance for doubtful receivables is as follows:

|                                    | Current  | Millions of Yen<br>Non-current | Total    |
|------------------------------------|----------|--------------------------------|----------|
| <b>Year ended March 31, 2010:</b>  |          |                                |          |
| Balance at beginning of year       | ¥ 18,165 | ¥ 51,883                       | ¥ 70,048 |
| Credits charged off                | (5,205)  | (10,758)                       | (15,963) |
| Provision for doubtful receivables | 6,171    | 5,056                          | 11,227   |
| Others                             | (708)    | 2,291                          | 1,583    |
| Balance at end of year             | ¥ 18,423 | ¥ 48,472                       | ¥ 66,895 |
| <b>Year ended March 31, 2009:</b>  |          |                                |          |
| Balance at beginning of year       | ¥ 23,289 | ¥ 58,957                       | ¥ 82,246 |
| Credits charged off                | (5,658)  | (16,220)                       | (21,878) |
| Provision for doubtful receivables | 4,695    | 13,318                         | 18,013   |
| Others                             | (4,161)  | (4,172)                        | (8,333)  |
| Balance at end of year             | ¥ 18,165 | ¥ 51,883                       | ¥ 70,048 |
| <b>Year ended March 31, 2008:</b>  |          |                                |          |
| Balance at beginning of year       | ¥ 29,824 | ¥ 69,775                       | ¥ 99,599 |
| Credits charged off                | (10,676) | (13,010)                       | (23,686) |
| Provision for doubtful receivables | 4,041    | 4,034                          | 8,075    |
| Others                             | 100      | (1,842)                        | (1,742)  |

Edgar Filing: MITSUI & CO LTD - Form 20-F

|                        |          |          |          |
|------------------------|----------|----------|----------|
| Balance at end of year | ¥ 23,289 | ¥ 58,957 | ¥ 82,246 |
|------------------------|----------|----------|----------|

Note: Others principally includes the effect of deconsolidation of subsidiaries, reclassification to discontinued operations, transfer from other accounts and the effect of changes in foreign exchange rates.

F-36

**Table of Contents****Notes to Consolidated Financial Statements (Continued)****Mitsui & Co., Ltd. and subsidiaries**

The recorded investment in impaired loans, as defined in ASC310 Receivables and the allowance for doubtful receivables related to such loans at March 31, 2010 and 2009 were as follows:

|  | Millions of Yen           |  |                           |  |
|--|---------------------------|--|---------------------------|--|
|  | 2010<br>Impaired<br>loans | 2010<br>Allowance for<br>doubtful<br>receivables | 2009<br>Impaired<br>loans | 2009<br>Allowance for<br>doubtful<br>receivables |
| Impaired loans with an allowance for doubtful receivables    | ¥ 83,079                  | ¥ 49,559   | ¥ 76,021                  | ¥ 57,468   |
| Impaired loans without an allowance for doubtful receivables | 4,489                     |  | 7,040                     |  |
| <b>Total</b>   | <b>¥ 87,568</b>           | <b>¥ 49,559</b>                                  | <b>¥ 83,061</b>           | <b>¥ 57,468</b>                                  |

The average investment in impaired loans and interest income on impaired loans for the years ended March 31, 2010, 2009 and 2008 were as follows:

|  | Millions of Yen |          |           |
|--|-----------------|----------|-----------|
|  | 2010            | 2009     | 2008      |
| Average investment in impaired loans         | ¥ 85,314        | ¥ 96,321 | ¥ 105,619 |
| Interest income recognized on impaired loans | 391             | 372      | 1,040     |

Interest income on impaired loans has been recognized mainly using the cash-basis method of accounting during the period that the loans were impaired.

**8. LEASES****Lessor**

The companies lease real estate, rolling stock, ocean transport vessels, aircraft, equipment and others.

Certain leases of rolling stock, aircraft, ocean transport vessels, equipment, real estate and others are classified as direct financing leases or leveraged leases, and the net investments are included as part of trade receivables accounts and non-current receivables, less unearned interest in the accompanying Consolidated Balance Sheets. The companies have no general obligation for principal and interest on notes and other instruments related to third-party participation in leveraged leases. Such notes and other instruments have not been included in liabilities but have been offset against the related lease receivables. The residual values represent the estimate of the values of the leased assets at the end of the lease contracts and are initially recorded based on appraisals and estimates. Realization of the residual values is dependent on the companies future ability to sell the related assets under then prevailing market conditions.

Other leases are classified as operating leases and the related assets are presented as property leased to others at cost, less accumulated depreciation in the accompanying Consolidated Balance Sheets.

**Table of Contents****Notes to Consolidated Financial Statements (Continued)****Mitsui & Co., Ltd. and subsidiaries**

The following comprises the components of the net investment in direct financing leases as of March 31, 2010 and 2009:

|  | Millions of Yen |           |
|--|-----------------|-----------|
|  | 2010            | 2009      |
| Total minimum lease payments to be received            | ¥ 112,440       | ¥ 103,074 |
| Estimated unguaranteed residual value of leased assets | 10,175          | 12,487    |
| Less unearned income                                   | (39,850)        | (38,317)  |
| Net investment in direct financing leases              | ¥ 82,765        | ¥ 77,244  |

The following is a schedule by years of future minimum lease payments to be received from direct financing leases as of March 31, 2010:

|                       | Millions of Yen |         |
|-----------------------|-----------------|---------|
| Year ending March 31: |                 |         |
| 2011                  | ¥               | 15,808  |
| 2012                  |                 | 14,798  |
| 2013                  |                 | 16,525  |
| 2014                  |                 | 14,733  |
| 2015                  |                 | 11,272  |
| Thereafter            |                 | 39,304  |
| Total                 | ¥               | 112,440 |

The following represents the components of the net investment in leveraged leases as of March 31, 2010 and 2009:

|   | Millions of Yen |         |
|---|-----------------|---------|
|   | 2010            | 2009    |
| Total minimum lease payments to be received (net of principal and interest on third-party nonrecourse debt) | ¥ 3,667         | ¥ 3,912 |
| Estimated unguaranteed residual value of leased assets  | 4,391           | 4,637   |
| Less unearned income  | (1,903)         | (2,024) |
| Investment in leveraged leases  | 6,155           | 6,525   |
| Less deferred tax liabilities arising from leveraged leases   | (6,147)         | (6,808) |
| Net investment in leveraged leases  | ¥ 8             | ¥ (283) |

**Table of Contents****Notes to Consolidated Financial Statements (Continued)****Mitsui & Co., Ltd. and subsidiaries**

The following provides an analysis of the companies' investment in property leased to others on operating leases by classes as of March 31, 2010 and 2009:

|                         | Millions of Yen  |                          |                  |                  |                          |                  |
|-------------------------|------------------|--------------------------|------------------|------------------|--------------------------|------------------|
|                         | 2010             |                          | 2009             |                  |                          |                  |
|                         | Cost             | Accumulated depreciation | Net              | Cost             | Accumulated depreciation | Net              |
| Real estate             | ¥ 174,879        | ¥ (70,454)               | ¥ 104,425        | ¥ 175,678        | ¥ (71,999)               | ¥ 103,679        |
| Rolling stock           | 79,633           | (6,089)                  | 73,544           | 57,239           | (4,133)                  | 53,106           |
| Ocean transport vessels | 48,953           | (12,763)                 | 36,190           | 42,626           | (10,479)                 | 32,147           |
| Equipment and others    | 23,535           | (13,694)                 | 9,841            | 22,019           | (11,747)                 | 10,272           |
| <b>Total</b>            | <b>¥ 327,000</b> | <b>¥ (103,000)</b>       | <b>¥ 224,000</b> | <b>¥ 297,562</b> | <b>¥ (98,358)</b>        | <b>¥ 199,204</b> |

The following is a schedule by years of minimum future rentals on noncancelable operating leases as of March 31, 2010:

|                       | Millions of Yen |               |
|-----------------------|-----------------|---------------|
| Year ending March 31: |                 |               |
| 2011                  | ¥               | 11,400        |
| 2012                  |                 | 8,712         |
| 2013                  |                 | 7,046         |
| 2014                  |                 | 5,708         |
| 2015                  |                 | 4,952         |
| Thereafter            |                 | 15,867        |
| <b>Total</b>          | <b>¥</b>        | <b>53,685</b> |

**Lessee**

The companies lease equipment, real estate and others under capital leases. At March 31, 2010, approximately 60% of the capital leases are with the Company's associated company, JA Mitsui Leasing, Ltd.

The following provides an analysis of the companies' leased assets recorded under capital leases by classes as of March 31, 2010 and 2009:

|              | Millions of Yen |                          |                 |                 |                          |                 |
|--------------|-----------------|--------------------------|-----------------|-----------------|--------------------------|-----------------|
|              | 2010            |                          | 2009            |                 |                          |                 |
|              | Cost            | Accumulated depreciation | Net             | Cost            | Accumulated depreciation | Net             |
| Equipment    | ¥ 20,220        | ¥ (11,084)               | ¥ 9,136         | ¥ 26,421        | ¥ (12,595)               | ¥ 13,826        |
| Real estate  | 10,461          | (2,508)                  | 7,953           | 10,847          | (3,272)                  | 7,575           |
| Others       | 1,345           | (750)                    | 595             | 1,819           | (1,009)                  | 810             |
| <b>Total</b> | <b>¥ 32,026</b> | <b>¥ (14,342)</b>        | <b>¥ 17,684</b> | <b>¥ 39,087</b> | <b>¥ (16,876)</b>        | <b>¥ 22,211</b> |



**Table of Contents****Notes to Consolidated Financial Statements (Continued)****Mitsui & Co., Ltd. and subsidiaries**

The following is a schedule by years of future minimum lease payments under capital leases together with components of the present value of the net minimum lease payments as of March 31, 2010. Minimum payments have not been reduced by minimum sublease rentals of ¥2,137 million due in the future under subleases:

|   | <b>Millions of Yen</b> |        |
|---|------------------------|--------|
| Year ending March 31:                       |                        |        |
| 2011  | ¥                      | 5,155  |
| 2012  |                        | 5,317  |
| 2013  |                        | 2,673  |
| 2014  |                        | 2,182  |
| 2015  |                        | 1,368  |
| Thereafter                                  |                        | 6,386  |
| <br>  |                        |        |
| Total minimum lease payments                |                        | 23,081 |
| <br>  |                        |        |
| Less amount representing interest           |                        | 4,000  |
| <br>  |                        |        |
| Present value of net minimum lease payments |                        | 19,081 |
| Less current capital lease obligations      |                        | 4,151  |
| <br>  |                        |        |
| Long-term capital lease obligations         | ¥                      | 14,930 |

The companies lease real estate, rolling stock, ocean transport vessels, aircraft, equipment and others under operating leases. Most of the rolling stock, ocean transport vessels and aircraft under operating leases are subleased to third parties.

The Company and certain subsidiaries sold rolling stock and others to third parties for ¥6,868 million and ¥393 million in total during the years ended March 31, 2010 and 2009, respectively, and leased them back with terms ranging up to 20 years. The resulting leases were classified as operating leases. There were no such transactions during the year ended March 31, 2008.

The following is a schedule by years of future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of March 31, 2010. Minimum payments have not been reduced by minimum sublease rentals of ¥29,304 million due in the future under noncancelable subleases:

|                       | <b>Millions of Yen</b> |         |
|-----------------------|------------------------|---------|
| Year ending March 31: |                        |         |
| 2011                  | ¥                      | 29,892  |
| 2012                  |                        | 22,148  |
| 2013                  |                        | 15,938  |
| 2014                  |                        | 15,588  |
| 2015                  |                        | 8,210   |
| Thereafter            |                        | 28,676  |
| <br>                  |                        |         |
| Total                 | ¥                      | 120,452 |

## Edgar Filing: MITSUI & CO LTD - Form 20-F

Rental expenses incurred for operating leases for the years ended March 31, 2010, 2009 and 2008 were ¥52,746 million, ¥54,383 million and ¥53,179 million, respectively. Sublease rental income for the years ended March 31, 2010, 2009 and 2008 were ¥18,589 million, ¥23,447 million and ¥23,996 million, respectively.

F-40



**Table of Contents****Notes to Consolidated Financial Statements (Continued)****Mitsui & Co., Ltd. and subsidiaries****9. PLEDGED ASSETS AND FINANCIAL ASSETS ACCEPTED AS COLLATERAL*****Pledged assets***

At March 31, 2010 and 2009, the following assets (exclusive of assets covered by trust receipts discussed below) were pledged as collateral for certain liabilities of the companies:

|   | Millions of Yen  |                  |
|---|------------------|------------------|
|   | 2010             | 2009             |
| Trade receivables (current and non-current) | ¥ 92,004         | ¥ 102,634        |
| Inventories                                 | 2,927            | 25,684           |
| Investments                                 | 217,672          | 281,554          |
| Property leased to others (net book value)  | 44,457           | 50,287           |
| Property and equipment (net book value)     | 23,761           | 63,044           |
| Other                                       | 9,079            | 14,621           |
| <b>Total</b>                                | <b>¥ 389,900</b> | <b>¥ 537,824</b> |

The distribution of such collateral among short-term debt, long-term debt, and financial guarantees and other was as follows:

|                                | Millions of Yen  |                  |
|--------------------------------|------------------|------------------|
|                                | 2010             | 2009             |
| Short-term debt                | ¥ 15,311         | ¥ 33,293         |
| Long-term debt                 | 145,693          | 214,847          |
| Financial guarantees and other | 228,896          | 289,684          |
| <b>Total</b>                   | <b>¥ 389,900</b> | <b>¥ 537,824</b> |

Trust receipts issued under customary import financing arrangements (short-term bank loans and bank acceptances) give banks a security interest in the merchandise imported and/or the accounts receivable resulting from the sale of such merchandise. Because of the companies' large volume of import transactions, it is not practicable to determine the total amount of assets covered by outstanding trust receipts.

In addition to the above, the Company has bank borrowings under certain provisions of loan agreements which require the Company, upon the request of the bank, immediately to provide collateral, which is not specified in the loan agreements. See Note 13, SHORT-TERM AND LONG-TERM DEBT, for certain bank loan agreements in which default provisions grant sale or possession rights of the pledged asset to lenders.

***Financial assets accepted as collateral***

At March 31, 2010 and 2009, the fair values of financial assets that the companies accepted as security for trade receivables and that they are permitted to sell or repledge consisted of the following:

Millions of Yen

Edgar Filing: MITSUI & CO LTD - Form 20-F

|                            | 2010  | 2009    |
|----------------------------|-------|---------|
| Bank deposits              | ¥ 899 | ¥ 1,261 |
| Trade receivables accounts | 608   | 1,492   |
| Stocks and bonds           | 4,906 | 3,654   |

There were no financial assets repledged or accepted as collateral under security repurchase agreements at March 31, 2010 and 2009.

F-41

**Table of Contents****Notes to Consolidated Financial Statements (Continued)****Mitsui & Co., Ltd. and subsidiaries****10. IMPAIRMENT LOSS ON LONG-LIVED ASSETS**

The companies have recognized impairment losses on long-lived assets in accordance with the provisions of ASC360 Property, Plant, and Equipment during the years ended March 31, 2010, 2009 and 2008.

The impairment loss on long-lived assets for the year ended March 31, 2010 consisted principally of intangible assets including customer relationships of ¥2,700 million, which were owned by a locomotive leasing subsidiary in Europe, Mitsui Rail Capital Europe B.V.

The impairments for the year ended March 31, 2010 mainly related to the decrease in the sales resulting from a prolonged downturn in the volume of rail freight transportation in Europe.

The impairment loss on long-lived assets for the year ended March 31, 2009 consisted principally of equipment and fixtures and mineral rights of the Vincent oil fields of ¥14,562 million, which were owned by Mitsui E&P Australia Pty Limited, a subsidiary in Australia for exploration, development and production of oil and natural gas; office buildings of ¥9,563 million, which were owned by MBK Real Estate Europe Limited, a real estate-related subsidiary in the United Kingdom; and intangible assets such as customer relationships of ¥2,697 million, which were owned by Steel Technologies Inc., a steel processing subsidiary in the United States. The impairments for the year ended March 31, 2009 mainly related to the revaluation of the assets due to a decline in oil prices, a decrease in profitability resulting from severe real estate market conditions in the United Kingdom, and the contraction of steel demand in the automotive and housing-related industries in the United States.

The impairment loss on long-lived assets for the year ended March 31, 2008 consisted principally of land held for development, and corporate residences and dormitories of ¥1,823 million, which were owned by the Company; power producing equipment of ¥3,941 million, which were owned by a domestic power producing subsidiary, GTF Green Power Co., Ltd. (Japan). The impairments for the year ended March 31, 2008 mainly related to the drastic change in the development plan, continuous fall of land prices in Japan, and declining profitability due to deterioration of operating environment of the domestic power producing industry.

See Note 23, EXIT OR DISPOSAL ACTIVITIES, for the exit or disposal activities which resulted in recognition of an impairment loss on long-lived assets.

Impairment losses on long-lived assets recognized by operating segment for the years ended March 31, 2010, 2009 and 2008 were as follows:

|                                     | Millions of Yen |                 |                 |
|-------------------------------------|-----------------|-----------------|-----------------|
|                                     | 2010            | 2009            | 2008            |
| Iron & Steel Products               | ¥ 56            | ¥ 633           | ¥ 192           |
| Mineral & Metal Resources           | 83              |                 | 127             |
| Machinery & Infrastructure Projects | 2,707           | 2,595           | 4               |
| Chemical                            | 431             | 806             | 273             |
| Energy                              | 1,517           | 16,994          | 5,910           |
| Foods & Retail                      | 1,498           | 1,207           | 532             |
| Consumer Service & IT               | 156             | 2,701           | 57              |
| Logistics & Financial Markets       | 163             | 18              | 1,381           |
| Americas                            | 2,205           | 2,883           |                 |
| Europe, the Middle East and Africa  |                 | 9,752           | 145             |
| All Other                           |                 |                 | 13,929          |
| Adjustments and Eliminations        | (431)           | (149)           | 1,434           |
| <b>Consolidated Total</b>           | <b>¥ 8,385</b>  | <b>¥ 37,440</b> | <b>¥ 23,984</b> |



**Table of Contents****Notes to Consolidated Financial Statements (Continued)****Mitsui & Co., Ltd. and subsidiaries**

Note: Adjustments and Eliminations represents impairment losses related to assets not allocated to specific operating segments. The figures for the years ended March 31, 2009 and 2008 related to discontinued operations have been reclassified. The reclassifications to (Loss) Income from Discontinued Operations-Net (After Income Tax Effect) are included in Adjustments and Eliminations. The fair value of the assets is calculated based on independent appraisals, market value or discounted future cash flows whichever management considers most appropriate.

In addition to the impairment loss on long-lived assets based on ASC360 Property, Plant, and Equipment shown in the above table, the impairment loss on intangible assets not subject to amortization based on ASC350 Intangibles Goodwill and Other was included in impairment loss of long-lived assets in the Statements of Consolidated Income for the years ended March 31, 2010, 2009, and 2008 as discussed in Note 12, GOODWILL AND OTHER INTANGIBLE ASSETS.

**11. ASSET RETIREMENT OBLIGATIONS**

The asset retirement obligations are principally related to the costs of dismantling and removing mining, and oil and gas production facilities owned by subsidiaries in Australia and a domestic subsidiary which has interests in oil and gas operations in South East Asia and others, which are engaged in mining operations or oil and gas producing activities.

The changes in asset retirement obligations for the years ended March 31, 2010 and 2009 were as follows:

|  | Millions of Yen |          |
|--|-----------------|----------|
|  | 2010            | 2009     |
| Balance at beginning of year             | ¥ 54,285        | ¥ 38,972 |
| Liabilities incurred                     | 1,375           | 8,751    |
| Liabilities settled                      |                 | (238)    |
| Disposition of assets                    | (4,202)         |          |
| Accretion expense                        | 3,899           | 4,568    |
| Revisions in estimated cash flows        | (952)           | 7,077    |
| Foreign currency translation adjustments | 575             | (4,845)  |
| Balance at end of year                   | ¥ 54,980        | ¥ 54,285 |

Note: Disposition of assets includes reduction of asset retirement obligations related to discontinued operations.

**Table of Contents****Notes to Consolidated Financial Statements (Continued)****Mitsui & Co., Ltd. and subsidiaries****12. GOODWILL AND OTHER INTANGIBLE ASSETS**

Intangible assets subject to amortization at March 31, 2010 and 2009 consisted of the following:

|                         | Millions of Yen       |                          |                       |                          |
|-------------------------|-----------------------|--------------------------|-----------------------|--------------------------|
|                         | 2010                  |                          | 2009                  |                          |
|                         | Gross carrying amount | Accumulated amortization | Gross carrying amount | Accumulated amortization |
| Software                | ¥ 74,566              | ¥ 42,815                 | ¥ 64,748              | ¥ 35,804                 |
| Trademarks              | 12,618                | 10,397                   | 12,574                | 10,019                   |
| Customer relationships  | 8,930                 | 4,925                    | 12,322                | 4,114                    |
| Patents                 | 8,007                 | 7,917                    | 8,487                 | 8,324                    |
| Unpatented technologies | 6,230                 | 6,113                    | 6,286                 | 6,141                    |
| Other                   | 28,879                | 17,216                   | 27,604                | 16,487                   |
| <b>Total</b>            | <b>¥ 139,230</b>      | <b>¥ 89,383</b>          | <b>¥ 132,021</b>      | <b>¥ 80,889</b>          |

The aggregate amortization expense of intangible assets for the years ended March 31, 2010, 2009 and 2008 was ¥13,425 million, ¥13,753 million and ¥14,378 million, respectively. The estimated aggregate amortization expense of intangible assets at March 31, 2010 for each of the next five years is as follows:

|                       | Millions of Yen |        |
|-----------------------|-----------------|--------|
| Year ending March 31: |                 |        |
| 2011                  | ¥               | 13,747 |
| 2012                  |                 | 10,928 |
| 2013                  |                 | 7,132  |
| 2014                  |                 | 3,957  |
| 2015                  |                 | 1,762  |

Total carrying amount of intangible assets not subject to amortization (excluding goodwill) at March 31, 2010 and 2009 consisted of:

|              | Millions of Yen |                 |
|--------------|-----------------|-----------------|
|              | 2010            | 2009            |
| Land rights  | ¥ 7,235         | ¥ 7,689         |
| Trademarks   | 668             | 762             |
| Other        | 4,274           | 3,282           |
| <b>Total</b> | <b>¥ 12,177</b> | <b>¥ 11,733</b> |

Intangible assets subject to amortization acquired during the year ended March 31, 2010 totaled ¥15,784 million, and consisted primarily of software of ¥12,900 million. The weighted average amortization periods for intangible assets subject to amortization in total and software are 6 years and 5 years, respectively. Acquisition of intangible assets not subject to amortization during the year ended March 31, 2010 totaled ¥1,823 million.

## Edgar Filing: MITSUI & CO LTD - Form 20-F

Intangible assets subject to amortization acquired during the year ended March 31, 2009 totaled ¥17,668 million, and consisted primarily of software of ¥11,857 million. The weighted average amortization period for software is 5 years. Acquisition of intangible assets not subject to amortization during the year ended March 31, 2009 totaled ¥1,566 million.

F-44

**Table of Contents****Notes to Consolidated Financial Statements (Continued)****Mitsui & Co., Ltd. and subsidiaries**

During the year ended March 31, 2010, the companies recognized impairment losses of ¥4,705 million on intangible assets subject to amortization and not subject to amortization (excluding goodwill) which are included in impairment loss of long-lived assets in the Statements of Consolidated Income. These impairment losses included in the Machinery & Infrastructure Projects Segment consisted of ¥2,939 million on the write-down of customer relationships (intangible assets subject to amortization) and other which were held by Mitsui Rail Capital Europe B.V., a locomotive leasing company in Europe. These impairments were due to the decrease in the fair values resulting from a prolonged downturn in railway freight transport in Europe. The fair values for the basis of determining these impairment losses were calculated based on the Discounted Cash Flow Method.

During the year ended March 31, 2009, the companies recognized impairment losses of ¥3,192 million on intangible assets subject to amortization and not subject to amortization (excluding goodwill) which are included in impairment loss of long-lived assets in the Statements of Consolidated Income. The impairment losses included in the Americas Segment consisted primarily of ¥2,561 million on the write-down of customer relationships (intangible assets subject to amortization) which were held by Steel Technologies Inc., a steel processing subsidiary in the United States. The impairments of customer relationships were due to the decrease in the fair value resulting from steel demand contraction in the automotive and housing-related industries in the United States. The fair value for the basis of determining the impairment loss was calculated based on the Excess Earnings Method.

The impairment losses recognized for intangible assets subject to amortization and not subject to amortization (excluding goodwill) for the year ended March 31, 2008 were immaterial.

The changes in the carrying amount of goodwill by operating segment for the years ended March 31, 2010 and 2009 were as follows:

|                               | Millions of Yen             |                                 |  |          |                   |                             |          |                       |
|-------------------------------|-----------------------------|---------------------------------|--|----------|-------------------|-----------------------------|----------|-----------------------|
|                               | Iron<br>& Steel<br>Products | Mineral &<br>Metal<br>Resources | Machinery<br>&<br>Infrastructure<br>Projects | Chemical | Foods &<br>Retail | Consumer<br>Service &<br>IT | Americas | Consolidated<br>Total |
| Balance at April 1, 2008      |                             |                                 |  |          |                   |                             |          |                       |
| Goodwill                      | ¥ 872                       | ¥ 190                           | ¥ 11,458                                     | ¥ 2,708  | ¥ 18,419          | ¥ 11,832                    | ¥ 26,655 | ¥ 72,134              |
| Accumulated impairment losses |                             |                                 |  |          | (16,528)          | (3,118)                     |          | (19,646)              |
|                               | 872                         | 190                             | 11,458                                       | 2,708    | 1,891             | 8,714                       | 26,655   | 52,488                |
| Acquisition                   |                             |                                 |  | 244      | 1,353             | 4,158                       | 1,474    | 7,229                 |
| Impairment losses             |                             |                                 | (769)  |          |                   | (4,199)                     | (13,600) | (18,568)              |
| Others                        |                             | (190)                           | (1,964)                                      | (818)    | 341               | (4,515)                     | (363)    | (7,509)               |
| Balance at March 31, 2009     |                             |                                 |  |          |                   |                             |          |                       |
| Goodwill                      | 872                         |                                 | 9,519  | 2,134    | 20,113            | 11,479                      | 28,222   | 72,339                |
| Accumulated impairment losses |                             |                                 | (794)  |          | (16,528)          | (7,321)                     | (14,056) | (38,699)              |
|                               | 872                         |                                 | 8,725  | 2,134    | 3,585             | 4,158                       | 14,166   | 33,640                |
| Acquisition                   |                             |                                 |  |          |                   |                             |          |                       |
| Impairment losses             |                             |                                 | (3,148)                                      |          |                   |                             | (6,759)  | (9,907)               |
| Others                        |                             |                                 | (25)   | 1,603    | (946)             | (1,186)                     | (462)    | (1,016)               |
| Balance at March 31, 2010     |                             |                                 |  |          |                   |                             |          |                       |
| Goodwill                      | 872                         |                                 | 9,269  | 3,737    | 19,167            | 10,286                      | 27,276   | 70,607                |
| Accumulated impairment losses |                             |                                 | (3,717)                                      |          | (16,528)          | (7,314)                     | (20,331) | (47,890)              |



Edgar Filing: MITSUI & CO LTD - Form 20-F

¥ 872                      ¥    5,552    ¥  3,737    ¥  2,639    ¥  2,972    ¥  6,945    ¥  22,717

F-45

---

**Table of Contents**

**Notes to Consolidated Financial Statements (Continued)**

**Mitsui & Co., Ltd. and subsidiaries**

Notes: Others principally includes the effect of foreign currency exchange rate changes, decrease as the result of deconsolidation of subsidiaries and purchase accounting adjustments.

The impairment loss included in the Machinery & Infrastructure Projects Segment for the year ended March 31, 2010 consisted of an impairment loss of ¥3,148 million for goodwill related to Mitsui Rail Capital Europe B.V. Because of a prolonged downturn in railway freight transport in Europe, the carrying amount of the subsidiary exceeded its fair value and the impairment loss was recognized in the amount equal to the excess of the carrying amount of goodwill over the implied fair value of goodwill. The fair value of the subsidiary for the basis of determining the impairment loss of goodwill was calculated with the Discounted Cash Flow Method.

The impairment losses included in the Americas Segment for the year ended March 31, 2010 consisted primarily of impairment losses of ¥3,108 million and ¥2,942 million for goodwill related to AFC HoldCo, LLC, an automotive retail finance company, and SunWize Technologies, Inc., a distributor of photovoltaic systems, respectively. Because of a prolonged economic slowdown, the carrying amounts of the subsidiaries exceeded their fair values and the impairment losses were recognized in the amounts equal to the excess of the carrying amounts of goodwill over the implied fair values of goodwill. The fair values of the subsidiaries for the basis of determining the impairment losses of goodwill were calculated with, the Discounted Cash Flow Method for AFC HoldCo, LLC, and a combination of the Discounted Cash Flow Method, the Guideline Public Company Method and the Guideline Merged & Acquired Company Method for SunWize Technologies, Inc.

The impairment losses included in the Consumer Service & IT Segment for the year ended March 31, 2009 consisted primarily of an impairment loss of ¥4,083 million for goodwill related to Mitsui Knowledge Industry Co., Ltd. ( MKI ) which is listed on the Tokyo Stock Exchange. Because a decline in MKI's stock price was determined to represent an indicator of impairment, its goodwill was tested for impairment. As a result, the carrying amount of MKI exceeded its fair value and the impairment loss was recognized in the amount equal to the excess of the carrying amount of goodwill over the implied fair value of goodwill.

The impairment losses included in the Americas Segment for the year ended March 31, 2009 consisted primarily of an impairment loss of ¥6,353 million for goodwill related to Steel Technologies Inc., a steel processing subsidiary in the United States. Because of steel demand contraction in the automotive and housing-related industries in the United States, the carrying amount of the subsidiary exceeded its fair value and the impairment loss was recognized in the amount equal to the excess of the carrying amount of goodwill over the implied fair value of goodwill. The fair value of the subsidiary for the basis of determining the impairment loss of goodwill was calculated with a combination of the Discounted Cash Flow Method and the EBITDA Multiple Method.

The impairment losses included in the Consumer Service & IT Segment for the year ended March 31, 2008 consisted of an impairment loss of ¥2,004 million for goodwill related to MKI. Because a decline in MKI's stock price was determined to represent an indicator of impairment, its goodwill was tested for impairment. As a result, the carrying amount of MKI exceeded its fair value and the impairment loss was recognized in the amount equal to the excess of the carrying amount of goodwill over the implied fair value of goodwill.

**Table of Contents****Notes to Consolidated Financial Statements (Continued)****Mitsui & Co., Ltd. and subsidiaries****13. SHORT-TERM AND LONG-TERM DEBT**

Short-term debt at March 31, 2010 and 2009 were comprised of the following:

|  | Millions of Yen |                  |           |                  |
|--|-----------------|------------------|-----------|------------------|
|  | 2010            | Interest rate *1 | 2009      | Interest rate *1 |
| Short-term bank loans and others       | ¥ 201,102       | 3.6%             | ¥ 364,793 | 3.4%             |
| Commercial paper                       | 37,197          | 1.0              | 78,391    | 0.7              |
| Notes under medium-term note programme | 2,976           | 0.6              | 10,545    | 0.9              |
| Total                                  | 241,275         |                  | 453,729   |                  |
| ASC815 fair value adjustment *2        | 105             |                  | 330       |                  |
| Total                                  | ¥ 241,380       |                  | ¥ 454,059 |                  |

\*1 The interest rates represent weighted average rates in effect at March 31, 2010 and 2009 regardless of borrowing currencies, though the range of the interest rates varies by borrowing currency.

\*2 In accordance with the requirements of ASC815, Accounting for Derivative Instruments and Hedging Activities, the portion of the companies' fixed-rate debt obligations that is designated and effective as a fair value hedge is reflected in the Consolidated Balance Sheets as an amount equal to the sum of the debt's carrying value plus an ASC815 fair value adjustment representing changes recorded in the fair value of the hedged debt obligations attributable to movements in the designated benchmark interest rates and applicable foreign currency exchange rates during the term of the hedge.

Unused lines of credit, for short-term financing outside Japan, at March 31, 2010 and 2009, aggregated ¥624,283 million and ¥627,359 million, respectively. Certain foreign subsidiaries compensate banks for these facilities in the form of commitment fees, which were not material during the years ended March 31, 2010 and 2009.

**Table of Contents****Notes to Consolidated Financial Statements (Continued)****Mitsui & Co., Ltd. and subsidiaries**

Long-term debt at March 31, 2010 and 2009 consisted of the following:

|  | Millions of Yen |             |
|--|-----------------|-------------|
|  | 2010            | 2009        |
| Long-term debt with collateral (Note 9):   |                 |             |
| Banks and insurance companies, maturing serially through 2045 principally 0.8% to 10.1%                          | ¥ 65,280        | ¥ 66,164    |
| Government-owned banks and government agencies, maturing serially through 2056 principally 0.7% to 12.2%         | 73,752          | 78,248      |
| Other, maturing serially through 2014 principally 2.5% to 5.5%   | 62              | 78          |
| Japanese yen bonds (floating rate 1.2% to 1.4%, due 2010)  |                 | 3,650       |
| Total  | 139,094         | 148,140     |
| Long-term debt without collateral:   |                 |             |
| Banks and others (principally insurance companies):  |                 |             |
| Principally 0.3% to 6.0%, maturing serially through 2028   | 1,880,623       | 1,792,324   |
| Principally 0.3% to 16.0%, maturing serially through 2040 (payable in foreign currencies)                        | 600,647         | 549,864     |
| Bonds and notes:   |                 |             |
| Japanese yen convertible bonds (fixed rate 1.05%, due 2009)  |                 | 3,801       |
| U.S. dollar convertible bonds (zero coupon, due 2010)  |                 | 981         |
| Japanese yen bonds with early redemption clause (fixed rate 0.7% to 1.4%, due 2013 - 2015)                       | 10,000          | 26,000      |
| Japanese yen bonds with early redemption clause (fixed and floating rate: floating rate 1.3% to 1.6%, due 2016)  | 10,000          | 10,000      |
| Japanese yen bonds (fixed rate 0.7% to 3.2%, due 2009 - 2027)  | 280,947         | 329,971     |
| Japanese yen bonds (fixed and floating rate: floating rate 0.9% to 2.9%, due 2013 - 2024)                        | 101,500         | 101,500     |
| Japanese yen bonds (floating rate 0.9% to 2.4%, due 2010 - 2017)   | 102,000         | 102,000     |
| Reverse dual currency yen/U.S. dollar bonds (fixed rate 3.0%, due 2012)  | 10,000          | 10,000      |
| Notes under global medium-term note programme (fixed rate 2.3% to 4.6%, due 2009 - 2014)                         | 2,501           | 4,666       |
| Notes under euro medium-term note programme (fixed rate 0.6% to 5.0%, due 2009 - 2018)                           | 23,726          | 63,808      |
| Notes under euro medium-term note programme (floating rate 0.1% to 2.7%, due 2009 - 2017)                        | 5,070           | 6,567       |
| Notes under euro medium-term note programme (fixed and floating rate: floating rate 0% to 3.1%, due 2010 - 2024) | 11,191          | 9,518       |
| Capital lease obligations (principally 0.5% to 8.0%, maturing serially through 2030)                             | 19,081          | 26,828      |
| Total  | 3,057,286       | 3,037,828   |
| Total  | 3,196,380       | 3,185,968   |
| ASC815 fair value adjustment*  | 33,894          | 28,530      |
| Total  | 3,230,274       | 3,214,498   |
| Less current maturities  | 320,480         | 373,197     |
| Long-term debt, less current maturities  | ¥ 2,909,794     | ¥ 2,841,301 |

\* In accordance with the requirements of ASC815, Accounting for Derivative Instruments and Hedging Activities, the portion of the companies fixed-rate debt obligations that is designated and effective as a fair value hedge is reflected in the Consolidated Balance Sheets as an amount equal to the sum of the debt's carrying value plus an ASC815 fair value adjustment representing changes recorded in the fair value of the hedged debt obligations attributable to movements in the designated benchmark interest rates and applicable foreign currency exchange rates during the term of the hedge.



**Table of Contents****Notes to Consolidated Financial Statements (Continued)****Mitsui & Co., Ltd. and subsidiaries**

The companies have entered into currency swap agreements and interest rate swap agreements in connection with certain bonds, notes and other long-term borrowings. The floating interest rates for interest rate swap agreements are generally based on the three-month or six-month LIBOR (London Interbank Offered Rate). The three-month and six-month LIBORs for U.S. dollar denominated debt as of March 31, 2010 were 0.29% and 0.44%, respectively. The three-month and six-month LIBORs for U.S. dollar denominated debt as of March 31, 2009 were 1.19% and 1.74%, respectively. (See Note 24, DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES, and Note 25, FINANCIAL INSTRUMENTS. )

The indenture, under which the bonds were issued, does not require maintenance of a prescribed amount of net assets, a minimum debt/equity ratio or limits on the payment of cash dividends by the Company.

Substantially all short-term and long-term bank borrowings are made under agreements which, as is customary in Japan, provide that under certain conditions a bank may require the borrower to provide collateral (or additional collateral) or guarantors with respect to the borrowings 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. Default provisions of certain loan agreements grant certain rights of possession to the lenders.

Under certain loan agreements with government-owned banks, the creditors may require the companies to submit proposals as to the payment of dividends and other appropriations of earnings for the creditors' review and approval before presentation to the shareholders. Certain of those agreements require the borrower, upon the request of the lender, to reduce outstanding loans before scheduled maturity dates when the lender considers that the companies are able to reduce such loans through increased earnings or through the proceeds from the sale of common stock or bonds and notes. During the years ended March 31, 2010 and 2009, the companies did not receive any such requests, and there is no expectation that any such requests will be made.

Maturities of long-term debt outstanding at March 31, 2010 were as follows, excluding the effect of the ASC815, Accounting for Derivative Instruments and Hedging Activities, fair value adjustment:

|                       | <b>Millions of Yen</b> |
|-----------------------|------------------------|
| Year ending March 31: |                        |
| 2011                  | ¥ 321,637              |
| 2012                  | 334,310                |
| 2013                  | 336,809                |
| 2014                  | 361,895                |
| 2015                  | 403,753                |
| Thereafter            | 1,437,976              |
| Total                 | ¥ 3,196,380            |

**14. PENSION COSTS AND SEVERANCE INDEMNITIES**

The Company and certain subsidiaries have non-contributory and contributory defined benefit pension plans, covering substantially all employees other than directors.

The primary pension plan is the Company's contributory Corporate Pension Fund ( CPF ) under the Defined Benefit Corporate Pension Law. The benefits from CPF are based on the length of service.

Effective April 1, 2006, the Company converted certain portions of CPF into a defined contribution plan and a cash balance plan. The cash balance plan calculates its benefits using a percentage of employees' annual salary and an interest crediting rate.



**Table of Contents****Notes to Consolidated Financial Statements (Continued)****Mitsui & Co., Ltd. and subsidiaries**

The Company and certain subsidiaries have unfunded severance indemnities plans. Benefits under the plans are based on the level of compensation at retirement, or earlier termination of employment, and the length of service.

The Companies use a measurement date of March 31 for their defined benefit pension plans.

**Obligations and funded status**

The following table sets forth the reconciliation of the companies' benefit obligations, plan assets and funded status of the plans:

|  | Millions of Yen |            |
|--|-----------------|------------|
|  | 2010            | 2009       |
| <b>Change in benefit obligation:</b>   |                 |            |
| Benefit obligation at beginning of year                                      | ¥ 274,973       | ¥ 278,220  |
| Service cost   | 8,981           | 10,033     |
| Interest cost  | 6,326           | 6,282      |
| Plan participants' contributions   | 451             | 430        |
| Plan amendments  | 403             | 66         |
| Actuarial loss (gain)  | 3,613           | (664)      |
| Benefits paid from plan assets   | (12,731)        | (12,406)   |
| Direct benefit payments  | (1,539)         | (2,056)    |
| Settlements  |                 | (597)      |
| Curtailments   | 896             |            |
| Acquisitions and divestitures  | (7)             | (897)      |
| Foreign currency translation adjustments                                     | (477)           | (3,438)    |
| <br>   |                 |            |
| Benefit obligation at end of year  | 280,889         | 274,973    |
| <br><b>Change in plan assets:</b>  |                 |            |
| Fair value of plan assets at beginning of year                               | 242,358         | 308,266    |
| Actual gain (loss) on plan assets  | 32,444          | (57,114)   |
| Employer contribution  | 4,122           | 4,572      |
| Plan participants' contributions   | 451             | 430        |
| Benefits paid from plan assets   | (12,731)        | (12,406)   |
| Settlements  | (36)            | (155)      |
| Acquisitions and divestitures  |                 | 912        |
| Foreign currency translation adjustments                                     | (334)           | (2,147)    |
| <br>   |                 |            |
| Fair value of plan assets at end of year                                     | 266,274         | 242,358    |
| <br>   |                 |            |
| Funded status at end of year   | ¥ (14,615)      | ¥ (32,615) |
| <br><b>Amounts recognized in the Consolidated Balance Sheets consist of:</b> |                 |            |
| Other assets (prepaid pension costs)   | ¥ 21,558        | ¥ 1,975    |
| Accrued expenses - others  | (2,246)         | (776)      |
| Accrued pension costs and liability for severance indemnities                | (33,927)        | (33,814)   |
|  | ¥ (14,615)      | ¥ (32,615) |



Edgar Filing: MITSUI & CO LTD - Form 20-F

|   |          |           |
|---|----------|-----------|
| Amounts recognized in accumulated other comprehensive loss before income tax effect consist of: |          |           |
| Prior service cost  | ¥ 3,688  | ¥ 1,949   |
| Net actuarial loss  | 81,050   | 116,476   |
|   | ¥ 84,738 | ¥ 118,425 |

F-50

**Table of Contents****Notes to Consolidated Financial Statements (Continued)****Mitsui & Co., Ltd. and subsidiaries**

The prior service cost/credit is amortized over the average remaining service period of employees expected to receive related benefits.

The amortization periods of the net actuarial gain/loss are seven years for CPF and the average remaining service period for other defined benefit pension plans.

The accumulated benefit obligation for the companies' defined benefit pension plans as of March 31, 2010 and 2009 was ¥276,732 million and ¥271,938 million, respectively.

The aggregate projected benefit obligation and aggregate fair value of plan assets for plans with projected benefit obligations in excess of plan assets were ¥58,742 million and ¥22,863 million at March 31, 2010 and ¥48,641 million and ¥14,042 million at March 31, 2009. The aggregate accumulated benefit obligation and aggregate fair value of plan assets for plans with accumulated benefit obligations in excess of plan assets were ¥48,666 million and ¥16,583 million at March 31, 2010 and ¥45,956 million and ¥14,042 million at March 31, 2009.

***Components of net periodic pension costs and other amounts recognized in other comprehensive (gain) loss***

Net periodic pension costs of the companies' defined benefit pension plans for the years ended March 31, 2010, 2009 and 2008 and other amounts recognized in other comprehensive (gain) loss for the years ended March 31, 2010, 2009 and 2008 included the following components:

|   | Millions of Yen   |                 |                 |
|---|-------------------|-----------------|-----------------|
|   | 2010              | 2009            | 2008            |
| Service cost - benefits earned during the period  | ¥ 8,981           | ¥ 10,033        | ¥ 10,244        |
| Interest cost on projected benefit obligation   | 6,326             | 6,282           | 6,244           |
| Expected return on plan assets  | (7,947)           | (9,470)         | (10,227)        |
| Amortization of prior service cost  | (8)               | (173)           | (116)           |
| Amortization of net actuarial loss  | 12,787            | 2,851           | 679             |
| Settlement loss   | 36                |                 |                 |
| Curtailement loss   | 1,233             |                 |                 |
| <b>Net periodic pension costs</b>   | <b>¥ 21,408</b>   | <b>¥ 9,523</b>  | <b>¥ 6,824</b>  |
| Prior service cost arising during period  | ¥ 403             | ¥ 66            | ¥ (832)         |
| Amortization of prior service cost  | 8                 | 173             | 116             |
| Net actuarial (gain) loss arising during period   | (19,900)          | 65,044          | 59,499          |
| Amortization of net actuarial loss  | (12,787)          | (2,851)         | (679)           |
| Acquisition and divestitures  |                   | 129             | (393)           |
| Foreign currency translation adjustments  | 474               | (729)           | (300)           |
| Curtailement loss   | (337)             |                 |                 |
| <b>Total recognized in other comprehensive (gain) loss</b>                                | <b>(32,139)</b>   | <b>61,832</b>   | <b>57,411</b>   |
| <b>Total recognized in net periodic pension costs and other comprehensive (gain) loss</b> | <b>¥ (10,731)</b> | <b>¥ 71,355</b> | <b>¥ 64,235</b> |

**Table of Contents****Notes to Consolidated Financial Statements (Continued)****Mitsui & Co., Ltd. and subsidiaries**

The estimated prior service cost and net actuarial loss of the companies that will be amortized for the year ending March 31, 2011 are as follows:

|                                    | <b>Millions of Yen<br/>2011</b> |
|------------------------------------|---------------------------------|
| Amortization of prior service cost | ¥ (139)                         |
| Amortization of net actuarial loss | (7,435)                         |

**Assumptions**

Weighted-average assumptions used to determine the companies' benefit obligations as of March 31, 2010 and 2009 are set forth as follows:

|  | <b>2010</b> | <b>2009</b> |
|--|-------------|-------------|
| Discount rate                                  | 2.5%        | 2.5%        |
| Rate of increase in future compensation levels | 0.9         | 0.8         |

Weighted-average assumptions used to determine the companies' net periodic pension costs for the years ended March 31, 2010, 2009 and 2008 are set forth as follows:

|  | <b>2010</b> | <b>2009</b> | <b>2008</b> |
|--|-------------|-------------|-------------|
| Discount rate                                    | 2.5%        | 2.5%        | 2.5%        |
| Expected long-term rate of return on plan assets | 3.3         | 3.2         | 2.9         |
| Rate of increase in future compensation levels   | 0.8         | 0.8         | 0.8         |

The companies determine the discount rates each year as of the measurement date, based on a review of interest rates associated with long-term Japanese government bonds or high-quality fixed-income corporate bonds. The discount rates determined on each measurement date are used to calculate the benefit obligation as of that date, and are also used to calculate the net periodic pension costs for the upcoming plan year.

The rate of increase in future compensation levels was not applied in determining the projected benefit obligation of CPF other than the cash balance plan, because the benefit formulas of these plans do not contain factors relating to compensation levels.

The Company determines the expected long-term rate of return on plan assets based on the weighted-average rate of return computed by using the expected long-term rate of return on each asset class, which is derived from an extensive study conducted by investment advisors and actuaries on a periodic basis, and the target allocations for each asset class. The study includes a review of anticipated future performance with market analysis of individual asset classes, and also gives appropriate consideration to actual historical returns achieved by the plans. The subsidiaries determine the expected long-term rates of return on plan assets mainly based on the expectations for future returns by investment advisors and actuaries.

**Plan assets**

The Company's investment objective is to build high quality plan assets, and the investment policy is targeted to ensure adequate returns available to provide future payments of pension benefits and severance indemnities. The basic strategy is diversified investment in various asset classes which have different risk return characteristics. The Company sometimes uses derivative instruments to hedge the exposure to changes in the fair value of debt and equity securities, but never uses them for speculation. The subsidiaries' investment strategies are mainly based on diversified investment, and are targeted to stably ensure adequate returns to provide future payments of pension benefits over the long term.



**Table of Contents****Notes to Consolidated Financial Statements (Continued)****Mitsui & Co., Ltd. and subsidiaries**

The companies' weighted-average target allocation of plan assets as of March 31, 2010 is 49% equity securities (including securities held in the employee retirement benefit trust), 49% debt securities, 1% life insurance company general accounts, and 1% cash and deposits.

The companies' pension plan weighted-average asset allocation based on the fair value of such assets as of March 31, 2009 was set forth as follows:

| <b>Asset category</b>                   | <b>2009</b> |
|---|-------------|
| Equity securities                       | 41%         |
| Debt securities                         | 42          |
| Life insurance company general accounts | 8           |
| Cash and deposits                       | 3           |
| Other                                   | 6           |
| <b>Total</b>                            | <b>100%</b> |

The fair value of the companies' pension plan assets as of March 31, 2010, by asset class and level within the fair value hierarchy, as described in Note 26, FAIR VALUE MEASUREMENTS, are set forth as follows:

| <b>Asset Class</b>                      | <b>2010</b>    |                |                | <b>TOTAL</b>   |
|---|----------------|----------------|----------------|----------------|
|   | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> |                |
| Equity securities (Japan)               | 58,368         | 47,840         |                | 106,208        |
| Equity securities (Non-Japan)           | 7,198          | 16,161         |                | 23,359         |
| Debt securities (Japan)                 | 335            | 38,017         |                | 38,352         |
| Debt securities (Non-Japan)             | 6,535          | 56,914         |                | 63,449         |
| Life insurance company general accounts |                | 21,321         |                | 21,321         |
| Cash and deposits                       | 10,729         |                |                | 10,729         |
| Other                                   | 27             | 2,829          |                | 2,856          |
| <b>Total</b>                            | <b>83,192</b>  | <b>183,082</b> |                | <b>266,274</b> |

Equity securities above include securities held in the Company's employee retirement benefit trust. Publicly-traded, marketable equity securities and debt securities are valued using quoted market prices and classified as level 1. Other equity securities and debt securities are mostly pooled investments managed by trust banks. They are valued using the net asset values of the investments calculated by the trust banks based on the fair value of the underlying assets and classified as level 2. Life insurance company general accounts are pooled investment portfolios managed by insurance companies with a guaranteed minimum rate of return. They are valued based on the value of the accounts calculated by the insurance companies and classified as level 2.

The fair value of equity securities of the companies and associated companies included in plan assets as of March 31, 2010 and 2009 were immaterial.

**Cash flows****Contributions**

The companies expect to contribute ¥4,168 million to their defined benefit pension plans for the year ending March 31, 2011.



**Table of Contents****Notes to Consolidated Financial Statements (Continued)****Mitsui & Co., Ltd. and subsidiaries***Estimated Future Benefit Payments*

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

|                       | <b>Millions of Yen</b> |
|-----------------------|------------------------|
| Year ending March 31: |                        |
| 2011                  | ¥ 14,762               |
| 2012                  | 13,843                 |
| 2013                  | 14,810                 |
| 2014                  | 15,591                 |
| 2015                  | 15,678                 |
| 2016 2020             | 80,153                 |

In addition to the above defined benefit pension plans, certain subsidiaries participate in a multiemployer plan (Mitsui Union Pension Fund). The companies recorded ¥2,225 million, ¥2,156 million and ¥1,740 million as costs of the multiemployer plan for the years ended March 31, 2010, 2009 and 2008, respectively.

The Company and certain subsidiaries have defined contribution plans. For the years ended March 31, 2010, 2009 and 2008, the companies recorded ¥2,090 million, ¥1,895 million, and ¥1,037 million as costs of defined contribution plans.

The Company also provides the Early Retirement Support Plan to eligible employees, which guarantees, prior to normal retirement age, certain supplemental payments based on preretirement compensation levels. During the years ended March 31, 2010, 2009 and 2008, the Company recorded ¥5,671 million, ¥2,490 million and ¥3,053 million of periodic payments in excess of previous projections and projected benefits based on factors including the history of benefit payments as selling, general and administrative expenses, respectively.

**15. EQUITY*****Common stock***

Under the companies act of Japan enacted in May 2006 (the Companies Act), certain issuances of common stock, including conversions of bonds and notes and exercises of warrants issued, are required to be credited to the common stock account for at least 50% of the amount of properties contributed by persons who become shareholders at share issue.

***Capital surplus and retained earnings***

The Companies Act provides that an amount equal to 10% of distribution must be appropriated as additional paid-in capital or a legal reserve depending on the equity account charged upon the payment of such distribution until the total aggregate amount of capital surplus and legal reserve equals 25% of the common stock. The Companies Act also provides that common stock, capital surplus, legal reserve and unappropriated retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders, while it is no longer allowed to transfer a portion of retained earnings to the common stock account. The adjustments included in the accompanying consolidated financial statements for U.S. GAAP purposes but not recorded in the general books of account have no effect on the above transfer under the Companies Act. Additional amounts recorded as capital surplus to conform with U.S. GAAP were ¥68,279 million at March 31, 2010 and primarily relate to accounting for warrants, business combinations and expenses for the issuance of common stock. When debt securities were previously issued with detachable stock purchase warrants, the portion





---

**Table of Contents****Notes to Consolidated Financial Statements (Continued)****Mitsui & Co., Ltd. and subsidiaries**

of the proceeds which was allocable to the warrants was credited to capital surplus under U.S. GAAP. In addition, the step acquisition of the shares held by minority shareholders of a subsidiary by selling unissued shares of the Company was accounted for by the purchase method under U.S. GAAP rather than by the pooling of interests method which was prevailing in Japan when such business combinations occurred.

Pursuant to the resolution of the Board of Directors, the Company made free distributions of common stock in prior years. Such free distributions did not result in the transfer of retained earnings to common stock or capital surplus. Corporations in the United States issuing shares in similar transactions would be required to account for them as stock dividends as of the shareholders' record date by reducing retained earnings and increasing appropriate capital accounts by an amount equal to the fair value of the shares issued. If such United States practice had been applied to the above free distributions of shares made on and after September 30, 1986, capital surplus at March 31, 2010 would have been increased by ¥87,860 million with a corresponding decrease in unappropriated retained earnings.

***Dividends***

Under the Companies Act, the amount available for distribution is calculated as of the effective date which is determined by the resolution of the shareholders at the shareholders' meeting. Such amount is calculated based on the amount of capital surplus, exclusive of additional paid-in capital, and retained earnings, exclusive of retained earnings appropriated for legal reserve, recorded in the general books of account in accordance with accepted Japanese accounting practices. The adjustments included in the accompanying consolidated financial statements for U.S. GAAP purposes but not recorded in the general books of account have no effect on the calculation of the amount available for distribution under the Companies Act. The amount of retained earnings available for dividends would amount to ¥289,170 million, if the amount were to be calculated at March 31, 2010.

The Companies Act permits to pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution of shareholders at the shareholders' meeting. A mid-year interim dividend may be paid by resolution of the Board of Directors, subject to limitations imposed by the Companies Act. See Note 13, **SHORT-TERM AND LONG-TERM DEBT**, for the right of certain creditors to review and approve the companies' proposal for the payment of dividends.

***Purchase by the Company of shares***

The Companies Act permits the Company to purchase and hold its own shares. The Company is allowed to decide the number, amount and others of the shares to be acquired, not to exceed the amount available for distribution, subject to the prior approval of the shareholders at the shareholders' meeting. The Companies Act permits the Company to purchase its own shares through market transactions or tender offer upon the approval of the Board of Directors, as far as it is permitted 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 Company amended the Articles of Incorporation to entitle the Board of Directors to purchase outstanding shares of the Company's own common stock by its resolution.

The Company may dispose of them, subject to the approval of the Board of Directors, unless otherwise specified in the Companies Act, or as far as the Articles of Incorporation do not require a resolution of the shareholders at the shareholders' meeting. In addition, the Companies Act enables the Company to retire its own shares by resolution of the Board of Directors.

**Table of Contents****Notes to Consolidated Financial Statements (Continued)****Mitsui & Co., Ltd. and subsidiaries****Equity transactions with noncontrolling interest shareholders**

For the years ended March 31, 2010, 2009 and 2008, changes in equity due to equity transaction with noncontrolling interest shareholders are as follows:

- (1) Net income attributable to Mitsui & Co., Ltd. and changes in Mitsui & Co., Ltd.'s paid-in capital due to equity transactions with noncontrolling interest shareholders

|   | Millions of Yen |           |           |
|---|-----------------|-----------|-----------|
|   | 2010            | 2009      | 2008      |
| Net income attributable to Mitsui & Co., Ltd.   | ¥ 149,719       | ¥ 177,607 | ¥ 410,061 |
| Transfers (to) from the noncontrolling interests  |                 |           |           |
| Increase in Mitsui & Co., Ltd.'s paid-in capital for partial sales of subsidiaries' common shares           | 558             |           |           |
| Decrease in Mitsui & Co., Ltd.'s paid-in capital for additional purchases of subsidiaries' common shares    | (7,748)         |           |           |
| <b>Net transfers to noncontrolling interests</b>  | <b>(7,190)</b>  |           |           |
| Changes from net income attributable to Mitsui & Co., Ltd. and transfers (to) from noncontrolling interests | ¥ 142,529       | ¥ 177,607 | ¥ 410,061 |

- (2) Changes in accumulated other comprehensive income (loss) (after income tax effect) attributable to Mitsui & Co., Ltd. due to equity transactions with noncontrolling interest shareholders

|   | Millions of Yen |      |      |
|---|-----------------|------|------|
|   | 2010            | 2009 | 2008 |
| Decrease in Mitsui & Co., Ltd.'s accumulated other comprehensive income for partial sales of subsidiaries' common shares        | ¥ (204)         |      |      |
| Increase in Mitsui & Co., Ltd.'s accumulated other comprehensive income for additional purchases of subsidiaries' common shares | 11,923          |      |      |

- (3) Changes in noncontrolling interests due to equity transactions with noncontrolling interest shareholders

|   | Millions of Yen |          |         |
|---|-----------------|----------|---------|
|   | 2010            | 2009     | 2008    |
| Increase in Mitsui & Co., Ltd.'s noncontrolling interests for partial sales of subsidiaries' common shares        | ¥ 4,264         | ¥ 11,630 | ¥ 697   |
| Decrease in Mitsui & Co., Ltd.'s noncontrolling interests for additional purchases of subsidiaries' common shares | (46,006)        | (6,315)  | (6,824) |



**Table of Contents****Notes to Consolidated Financial Statements (Continued)****Mitsui & Co., Ltd. and subsidiaries****Other comprehensive income (loss)**

Changes in each component of other comprehensive income (loss) for the years ended March 31, 2010, 2009 and 2008 are as follows:

|  | 2010      | Millions of Yen<br>2009 | 2008        |
|--|-----------|-------------------------|-------------|
| <b>Unrealized Holding Gains (Losses) on Available-for-Sale Securities:</b>           |           |                         |             |
| Pre-tax amount of unrealized holding gains (losses) on available-for-sale securities | ¥ 89,016  | ¥ (231,387)             | ¥ (203,919) |
| Deferred income taxes  | (30,722)  | 88,664                  | 85,601      |
| Adjustments for year (after income tax effect)                                       | 58,294    | (142,723)               | (118,318)   |
| Pre-tax amount of reclassification adjustments                                       | 10,712    | 74,793                  | (504)       |
| Deferred income taxes  | (2,804)   | (28,253)                | 346         |
| Adjustments for year (after income tax effect)                                       | 7,908     | 46,540                  | (158)       |
| <b>Foreign Currency Translation Adjustments:</b>                                     |           |                         |             |
| Pre-tax amount of translation adjustments  | ¥ 123,398 | ¥ (277,790)             | ¥ (145,615) |
| Deferred income taxes  | (11,244)  | 29,036                  | 18,439      |
| Adjustments for year (after income tax effect)                                       | 112,154   | (248,754)               | (127,176)   |
| Pre-tax amount of reclassification adjustments                                       | 1,546     | (507)                   | 1,267       |
| Deferred income taxes  | (77)      | (161)                   | 122         |
| Adjustments for year (after income tax effect)                                       | 1,469     | (668)                   | 1,389       |
| <b>Defined Benefit Pension Plans:</b>  |           |                         |             |
| Pre-tax amount of defined benefit pension plan                                       | ¥ 19,031  | ¥ (64,556)              | ¥ (58,934)  |
| Deferred income taxes  | (7,436)   | 26,452                  | 24,181      |
| Adjustments for year (after income tax effect)                                       | 11,595    | (38,104)                | (34,753)    |
| Pre-tax amount of reclassification adjustments                                       | 13,116    | 2,678                   | 519         |
| Deferred income taxes  | (5,124)   | (1,097)                 | (213)       |
| Adjustments for year (after income tax effect)                                       | 7,992     | 1,581                   | 306         |
| <b>Net Unrealized Gains (Losses) on Derivatives:</b>                                 |           |                         |             |
| Pre-tax amount of net unrealized gains (losses) on derivatives                       | ¥ 22,734  | ¥ (24,526)              | ¥ (3,403)   |
| Deferred income taxes  | (7,920)   | 8,833                   | 13          |
| Adjustments for year (after income tax effect)                                       | 14,814    | (15,693)                | (3,390)     |
| Pre-tax amount of reclassification adjustments                                       | (15,870)  | 2,959                   | (6,139)     |

Edgar Filing: MITSUI & CO LTD - Form 20-F

|  |           |             |             |
|--|-----------|-------------|-------------|
| Deferred income taxes  | 5,596     | (860)       | 1,734       |
| Adjustments for year (after income tax effect)   | (10,274)  | 2,099       | (4,405)     |
| <b>Other Comprehensive Income (Loss) Attributable to Mitsui &amp; Co., Ltd. Total:</b> |           |             |             |
| Pre-tax amount   | ¥ 263,683 | ¥ (518,336) | ¥ (416,728) |
| Deferred income taxes  | (59,731)  | 122,614     | 130,223     |
| Adjustments for year (after income tax effect)   | 203,952   | (395,722)   | (286,505)   |

F-57

**Table of Contents****Notes to Consolidated Financial Statements (Continued)****Mitsui & Co., Ltd. and subsidiaries**

|   | Millions of Yen |             |             |
|---|-----------------|-------------|-------------|
|   | 2010            | 2009        | 2008        |
| <b>Other Comprehensive Income (Loss) Attributable to Noncontrolling Interests</b> |                 |             |             |
| Pre-tax amount  | ¥ 2,957         | ¥ (40,003)  | ¥ (1,222)   |
| Deferred income taxes   | (537)           | 8,171       | (2,491)     |
| Adjustments for year (after income tax effect)                                    | 2,420           | (31,832)    | (3,713)     |
| <b>Other Comprehensive Income (Loss)</b>  |                 |             |             |
| Pre-tax amount  | ¥ 266,640       | ¥ (558,339) | ¥ (417,950) |
| Deferred income taxes   | (60,268)        | 130,785     | 127,732     |
| Adjustments for year (after income tax effect)                                    | 206,372         | (427,554)   | (290,218)   |

**16. NET INCOME ATTRIBUTABLE TO MITSUI & CO., LTD. PER SHARE**

The following is a reconciliation of basic net income attributable to Mitsui & Co., Ltd. per share to diluted net income attributable to Mitsui & Co., Ltd. per share for the years ended March 31, 2010, 2009 and 2008:

|   | 2010                         |                         |                     | 2009                         |                         |                     | 2008                         |                         |                     |
|---|------------------------------|-------------------------|---------------------|------------------------------|-------------------------|---------------------|------------------------------|-------------------------|---------------------|
|   | Net<br>income<br>(numerator) | Shares<br>(denominator) | Per share<br>amount | Net<br>income<br>(numerator) | Shares<br>(denominator) | Per share<br>amount | Net<br>income<br>(numerator) | Shares<br>(denominator) | Per share<br>amount |
|   | Millions<br>of<br>Yen        | In<br>Thousands         | Yen                 | Millions<br>of<br>Yen        | In<br>Thousands         | Yen                 | Millions<br>of<br>Yen        | In<br>Thousands         | Yen                 |
| <b>Basic Net Income Attributable to Mitsui &amp; Co., Ltd. per Share:</b>   |                              |                         |                     |                              |                         |                     |                              |                         |                     |
| Income from continuing operations   | ¥ 150,376                    | 1,823,240               | ¥ 82.48             | ¥ 174,237                    | 1,820,018               | ¥ 95.74             | ¥ 336,983                    | 1,804,877               | ¥ 186.71            |
| (Loss) income from discontinued operations net (after income tax effect)    | (657)                        | 1,823,240               | (0.36)              | 3,370                        | 1,820,018               | 1.85                | 73,078                       | 1,804,877               | 40.49               |
| Net income  | 149,719                      | 1,823,240               | 82.12               | 177,607                      | 1,820,018               | 97.59               | 410,061                      | 1,804,877               | 227.20              |
| <b>Effect of Dilutive Securities:</b>                                       |                              |                         |                     |                              |                         |                     |                              |                         |                     |
| Japanese yen convertible bonds  |                              |                         |                     | 28                           | 5,193                   |                     | 76                           | 19,379                  |                     |
| Adjustment of effect of dilutive securities of associated companies         | (19)                         |                         |                     |                              |                         |                     |                              |                         |                     |
| <b>Diluted Net Income Attributable to Mitsui &amp; Co., Ltd. per Share:</b> |                              |                         |                     |                              |                         |                     |                              |                         |                     |
| Income from continuing operations   | 150,357                      | 1,823,240               | 82.47               | 174,265                      | 1,825,211               | 95.47               | 337,059                      | 1,824,256               | 184.76              |
| (Loss) income from discontinued operations net (after income tax effect)    | (657)                        | 1,823,240               | (0.36)              | 3,370                        | 1,825,211               | 1.85                | 73,078                       | 1,824,256               | 40.06               |
| Net income after effect of dilutive securities                              | ¥ 149,700                    | 1,823,240               | ¥ 82.11             | ¥ 177,635                    | 1,825,211               | ¥ 97.32             | ¥ 410,137                    | 1,824,256               | ¥ 224.82            |

**17. SEGMENT INFORMATION**

ASC280, Segment Reporting, requires disclosure of financial and descriptive information about operating segments, which are components of an enterprise whose operating results are regularly reviewed by the enterprise's chief operating decision maker in deciding about resources to be allocated to the segment and assessing its performance.

F-58

**Table of Contents**

**Notes to Consolidated Financial Statements (Continued)**

**Mitsui & Co., Ltd. and subsidiaries**

The business units of the companies Head Office, which are organized based on products and services, plan overall and worldwide strategies for their products and services and conduct their worldwide operations. The business units also collaborate with the regional business units in planning and executing their strategies for products and regions. The regional business units are delegated the business of their regions as the centers of each particular regional strategy and operate diversified business together with their subsidiaries and associated companies in collaboration with the business units.

Therefore, the companies operating segments consist of product-focused operating segments comprised of the business units of the Head Office and region-focused operating segments comprised of the regional business units. The companies operating segments have been aggregated based on the nature of the products and other criteria into eight product-focused reportable operating segments and three region-focused reportable operating segments, totaling eleven reportable operating segments.

During the year ended March 31, 2010, Mitsui & Co. Financial Services (Australia) which had formerly operated under Asia Pacific segment was transferred to All Other with the aim to optimize the in-house banking operation.

The operating segment information for the year ended March 31, 2009 and 2008 has been restated to conform to the current year presentation.

A description of reportable operating segments of the Company follows.

Iron & Steel Products manufactures, sells and trades iron & steel products in Japan and abroad.

Mineral & Metal Resources develops raw material resources of iron and non-ferrous metals in foreign countries, and manufactures, sells and trades raw materials and metal products in Japan and abroad.

Machinery & Infrastructure Projects is engaged in the manufacture, sale and trade of machinery products, leasing, financing and promotion of certain projects such as plant constructions and infrastructure buildings in Japan and abroad.

Chemical manufactures, sells and trades chemical products in Japan and abroad.

Energy develops energy resources overseas and manufactures, sells and trades oil, gas and related products in Japan and abroad.

Foods & Retail manufactures, sells and trades foods and provides support service to large retailers in Japan and abroad.

Consumer Service & IT manufactures, sells and trades textiles and IT products for consumer, and is engaged in consumer-related business such as media & information, outsourcing business and real estate business in Japan and abroad.

Logistics & Financial Markets engages in logistics services, insurance and financial businesses in Japan and abroad.

Americas, Europe, the Middle East and Africa, and Asia Pacific trade in various commodities and conduct related business led by overseas trading subsidiaries or offices located in each region.



**Table of Contents****Notes to Consolidated Financial Statements (Continued)****Mitsui & Co., Ltd. and subsidiaries**

The companies' operating segment information, product information and geographic area information for the years ended March 31, 2010, 2009 and 2008 presented in conformity with ASC280 are as follows:

*OPERATING SEGMENT INFORMATION*

| Year ended  | Millions of Yen       |                           |                                     |             |             |                |                       |                               |
|---|-----------------------|---------------------------|-------------------------------------|-------------|-------------|----------------|-----------------------|-------------------------------|
|   | Iron & Steel Products | Mineral & Metal Resources | Machinery & Infrastructure Projects | Chemical    | Energy      | Foods & Retail | Consumer Service & IT | Logistics & Financial Markets |
| <b>March 31, 2010:</b>  |                       |                           |                                     |             |             |                |                       |                               |
| Total trading transactions:   | ¥ 978,442             | ¥ 546,519                 | ¥ 1,084,409                         | ¥ 1,562,488 | ¥ 1,194,705 | ¥ 1,783,900    | ¥ 403,555             | ¥ 129,863                     |
| Gross profit  | ¥ 34,016              | ¥ 72,469                  | ¥ 90,639                            | ¥ 65,673    | ¥ 155,028   | ¥ 83,561       | ¥ 52,026              | ¥ 31,342                      |
| Operating income (loss)   | ¥ 1,173               | ¥ 56,810                  | ¥ 10,740                            | ¥ 14,885    | ¥ 98,458    | ¥ 20,394       | ¥ (8,762)             | ¥ 1,493                       |
| Equity in earnings (losses) of associated companies net               | ¥ 4,514               | ¥ 35,301                  | ¥ 38,291                            | ¥ 2,683     | ¥ 35,297    | ¥ 7,830        | ¥ (6,197)             | ¥ 5,091                       |
| Net income (loss) attributable to Mitsui & Co., Ltd.                  | ¥ 3,226               | ¥ 62,949                  | ¥ 19,258                            | ¥ 11,887    | ¥ 83,848    | ¥ (849)        | ¥ (9,762)             | ¥ (839)                       |
| Total assets at March 31, 2010  | ¥ 460,562             | ¥ 912,777                 | ¥ 1,323,237                         | ¥ 605,727   | ¥ 1,458,763 | ¥ 609,146      | ¥ 528,174             | ¥ 384,516                     |
| Investments in and advances to associated companies at March 31, 2010 | ¥ 24,671              | ¥ 453,263                 | ¥ 339,470                           | ¥ 28,339    | ¥ 147,502   | ¥ 90,393       | ¥ 101,579             | ¥ 60,821                      |
| Depreciation and amortization   | ¥ 2,978               | ¥ 10,161                  | ¥ 9,421                             | ¥ 7,369     | ¥ 76,676    | ¥ 5,224        | ¥ 5,516               | ¥ 3,410                       |
| Additions to property leased to others and property and equipment     | ¥ 3,043               | ¥ 39,899                  | ¥ 43,154                            | ¥ 9,853     | ¥ 85,186    | ¥ 6,631        | ¥ 4,985               | ¥ 14,677                      |

| Year ended  | Millions of Yen |                                    |              |             |           |                              |                    |
|---|-----------------|------------------------------------|--------------|-------------|-----------|------------------------------|--------------------|
|   | Americas        | Europe, the Middle East and Africa | Asia Pacific | Total       | All Other | Adjustments and Eliminations | Consolidated Total |
| <b>March 31, 2010:</b>                                  |                 |                                    |              |             |           |                              |                    |
| Total trading transactions:                             | ¥ 904,144       | ¥ 376,195                          | ¥ 404,603    | ¥ 9,368,823 | ¥ 2,684   | ¥ (13,128)                   | ¥ 9,358,379        |
| Gross profit  | ¥ 73,082        | ¥ 16,655                           | ¥ 27,862     | ¥ 702,353   | ¥ 506     | ¥ (898)                      | ¥ 701,961          |
| Operating income (loss)                                 | ¥ 5,398         | ¥ (3,978)                          | ¥ 2,927      | ¥ 199,538   | ¥ (4,515) | ¥ (50,510)                   | ¥ 144,513          |
| Equity in earnings (losses) of associated companies net | ¥ 3,409         | ¥ 1,177                            | ¥ 3,783      | ¥ 131,179   |           | ¥ 294                        | ¥ 131,473          |
| Net income (loss) attributable to Mitsui & Co., Ltd.    | ¥ (9,572)       | ¥ (3,771)                          | ¥ 25,719     | ¥ 182,094   | ¥ 1,481   | ¥ (33,856)                   | ¥ 149,719          |

## Edgar Filing: MITSUI & CO LTD - Form 20-F

|   |           |           |           |             |             |               |             |
|---|-----------|-----------|-----------|-------------|-------------|---------------|-------------|
| Total assets at March 31, 2010  | ¥ 507,065 | ¥ 132,109 | ¥ 305,980 | ¥ 7,228,056 | ¥ 2,725,444 | ¥ (1,584,516) | ¥ 8,368,984 |
| Investments in and advances to associated companies at March 31, 2010 | ¥ 18,566  | ¥ 6,698   | ¥ 102,397 | ¥ 1,373,699 | ¥ 269       | ¥ 29,088      | ¥ 1,403,056 |
| Depreciation and amortization   | ¥ 9,083   | ¥ 944     | ¥ 648     | ¥ 131,430   | ¥ 574       | ¥ 4,947       | ¥ 136,951   |
| Additions to property leased to others and property and equipment     | ¥ 13,045  | ¥ 1,243   | ¥ 549     | ¥ 222,265   | ¥ 385       | ¥ 9,491       | ¥ 232,141   |

F-60

**Table of Contents****Notes to Consolidated Financial Statements (Continued)****Mitsui & Co., Ltd. and subsidiaries**

Millions of Yen

| Year ended  |                       |                           |                                     |             |             |                |                       |                               |  |
|---|-----------------------|---------------------------|-------------------------------------|-------------|-------------|----------------|-----------------------|-------------------------------|--|
| March 31, 2009  | Iron & Steel Products | Mineral & Metal Resources | Machinery & Infrastructure Projects | Chemical    | Energy      | Foods & Retail | Consumer Service & IT | Logistics & Financial Markets |  |
| (As restated):  |                       |                           |                                     |             |             |                |                       |                               |  |
| Total trading transactions:   | ¥ 1,522,270           | ¥ 912,577                 | ¥ 1,332,535                         | ¥ 2,097,449 | ¥ 2,048,579 | ¥ 1,988,325    | ¥ 663,969             | ¥ 215,222                     |  |
| Gross profit  | ¥ 52,204              | ¥ 119,199                 | ¥ 106,279                           | ¥ 79,976    | ¥ 272,001   | ¥ 82,402       | ¥ 73,665              | ¥ 62,123                      |  |
| Operating income (loss)   | ¥ 17,387              | ¥ 104,526                 | ¥ 15,973                            | ¥ 24,185    | ¥ 214,083   | ¥ 18,986       | ¥ (12,816)            | ¥ 23,781                      |  |
| Equity in earnings (losses) of associated companies net               | ¥ (2,555)             | ¥ 72,320                  | ¥ 21,432                            | ¥ 3,227     | ¥ 45,801    | ¥ (5,889)      | ¥ 3,568               | ¥ (16,633)                    |  |
| Net income (loss) attributable to Mitsui & Co., Ltd.                  | ¥ (4,766)             | ¥ 90,045                  | ¥ 21,810                            | ¥ (10,209)  | ¥ 153,322   | ¥ 1,548        | ¥ (31,365)            | ¥ (14,511)                    |  |
| Total assets at March 31, 2009  | ¥ 523,034             | ¥ 782,074                 | ¥ 1,400,813                         | ¥ 546,046   | ¥ 1,476,420 | ¥ 616,569      | ¥ 556,367             | ¥ 576,509                     |  |
| Investments in and advances to associated companies at March 31, 2009 | ¥ 20,655              | ¥ 409,197                 | ¥ 324,532                           | ¥ 39,942    | ¥ 138,519   | ¥ 81,045       | ¥ 117,073             | ¥ 16,503                      |  |
| Depreciation and amortization   | ¥ 2,436               | ¥ 6,392                   | ¥ 8,815                             | ¥ 9,103     | ¥ 84,108    | ¥ 6,492        | ¥ 6,150               | ¥ 3,635                       |  |
| Additions to property leased to others and property and equipment     | ¥ 6,403               | ¥ 43,270                  | ¥ 47,101                            | ¥ 8,366     | ¥ 96,352    | ¥ 5,995        | ¥ 6,349               | ¥ 2,333                       |  |

Millions of Yen

| Year ended  |             |                                    |              |              |             |                              |                    |  |
|---|-------------|------------------------------------|--------------|--------------|-------------|------------------------------|--------------------|--|
| March 31, 2009  | Americas    | Europe, the Middle East and Africa | Asia Pacific | Total        | All Other   | Adjustments and Eliminations | Consolidated Total |  |
| (As restated):  |             |                                    |              |              |             |                              |                    |  |
| Total trading transactions:                             | ¥ 1,383,403 | ¥ 527,599                          | ¥ 461,717    | ¥ 13,153,645 | ¥ 2,898     | ¥ (31,399)                   | ¥ 13,125,144       |  |
| Gross profit  | ¥ 115,976   | ¥ 22,155                           | ¥ 26,586     | ¥ 1,012,566  | ¥ 2,879     | ¥ (16,181)                   | ¥ 999,264          |  |
| Operating income (loss)                                 | ¥ 39,015    | ¥ (1,947)                          | ¥ (1,493)    | ¥ 441,680    | ¥ (2,989)   | ¥ (56,204)                   | ¥ 382,487          |  |
| Equity in earnings (losses) of associated companies net | ¥ (3,208)   | ¥ 611                              | ¥ 1,709      | ¥ 120,383    | ¥ 83        | ¥ 192                        | ¥ 120,658          |  |
| Net income (loss) attributable to Mitsui & Co., Ltd.    | ¥ (7,123)   | ¥ (11,469)                         | ¥ 29,947     | ¥ 217,229    | ¥ 7,125     | ¥ (46,747)                   | ¥ 177,607          |  |
| Total assets at March 31, 2009                          | ¥ 572,972   | ¥ 148,490                          | ¥ 239,230    | ¥ 7,438,524  | ¥ 2,886,834 | ¥ (1,961,115)                | ¥ 8,364,243        |  |

Edgar Filing: MITSUI & CO LTD - Form 20-F

|   |   |        |   |        |   |        |   |           |   |       |   |        |   |           |
|---|---|--------|---|--------|---|--------|---|-----------|---|-------|---|--------|---|-----------|
| Investments in and advances to associated companies at March 31, 2009 | ¥ | 31,392 | ¥ | 15,534 | ¥ | 55,180 | ¥ | 1,249,572 | ¥ | 1,847 | ¥ | 24,071 | ¥ | 1,275,490 |
| Depreciation and amortization   | ¥ | 10,042 | ¥ | 1,153  | ¥ | 677    | ¥ | 139,003   | ¥ | 636   | ¥ | (75)   | ¥ | 139,564   |
| Additions to property leased to others and property and equipment     | ¥ | 15,303 | ¥ | 11,964 | ¥ | 1,074  | ¥ | 244,510   | ¥ | 356   | ¥ | 8,772  | ¥ | 253,638   |

F-61

**Table of Contents****Notes to Consolidated Financial Statements (Continued)****Mitsui & Co., Ltd. and subsidiaries**

**Millions of Yen**

**Year ended**

**March 31, 2008**

| <b>(As restated):</b>   | <b>Iron &amp;<br/>Steel<br/>Products</b> | <b>Mineral &amp;<br/>Metal<br/>Resources</b> | <b>Machinery &amp;<br/>Infrastructure<br/>Projects</b> | <b>Chemical</b> | <b>Energy</b> | <b>Foods &amp;<br/>Retail</b> | <b>Consumer<br/>Service &amp;<br/>IT</b> | <b>Logistics &amp;<br/>Financial<br/>Markets</b> |
|---|--|--|--|-----------------|---------------|-------------------------------|--|--|
| Total trading transactions:   | ¥ 1,494,324                              | ¥ 1,178,095                                  | ¥ 1,602,005  | ¥ 2,547,510     | ¥ 1,875,783   | ¥ 2,000,160                   | ¥ 1,118,705                              | ¥ 171,967  |
| Gross profit  | ¥ 61,344                                 | ¥ 95,765                                     | ¥ 119,749  | ¥ 100,155       | ¥ 219,267     | ¥ 81,229                      | ¥ 116,657                                | ¥ 55,142   |
| Operating income (loss)   | ¥ 25,600                                 | ¥ 78,970                                     | ¥ 30,110   | ¥ 42,776        | ¥ 172,455     | ¥ 16,584                      | ¥ 18,967                                 | ¥ 20,879   |
| Equity in earnings (losses) of associated companies net               | ¥ 7,648                                  | ¥ 107,494                                    | ¥ 26,035   | ¥ 9,806         | ¥ 38,534      | ¥ 5,174                       | ¥ 12,281                                 | ¥ (3,041)  |
| Net income (loss) attributable to Mitsui & Co., Ltd.                  | ¥ 20,238                                 | ¥ 177,026                                    | ¥ 34,440   | ¥ 18,294        | ¥ 124,084     | ¥ 10,440                      | ¥ 12,037                                 | ¥ 7,526  |
| Total assets at March 31, 2008  | ¥ 632,329                                | ¥ 916,150                                    | ¥ 1,533,937  | ¥ 806,412       | ¥ 1,668,621   | ¥ 674,230                     | ¥ 760,764                                | ¥ 645,348  |
| Investments in and advances to associated companies at March 31, 2008 | ¥ 25,557                                 | ¥ 388,762                                    | ¥ 374,730  | ¥ 42,944        | ¥ 153,974     | ¥ 63,098                      | ¥ 122,976                                | ¥ 29,113   |
| Depreciation and amortization   | ¥ 2,125                                  | ¥ 8,519                                      | ¥ 9,283  | ¥ 8,379         | ¥ 72,987      | ¥ 6,232                       | ¥ 6,097                                  | ¥ 3,809  |
| Additions to property leased to others and property and equipment     | ¥ 4,397                                  | ¥ 27,927                                     | ¥ 57,155   | ¥ 7,572         | ¥ 125,652     | ¥ 7,442                       | ¥ 18,406                                 | ¥ 2,891  |

**Millions of Yen**

**Year ended**

**March 31, 2008**

| <b>(As restated):</b>                                   | <b>Americas</b> | <b>Europe, the<br/>Middle East<br/>and Africa</b> | <b>Asia Pacific</b> | <b>Total</b> | <b>All Other</b> | <b>Adjustments<br/>and<br/>Eliminations</b> | <b>Consolidated<br/>Total</b> |
|---|-----------------|---|---------------------|--------------|------------------|---|-------------------------------|
| Total trading transactions:                             | ¥ 1,646,983     | ¥ 514,378   | ¥ 672,068           | ¥ 14,821,978 | ¥ 6,758          | ¥ (33,715)                                  | ¥ 14,795,021                  |
| Gross profit  | ¥ 78,494        | ¥ 26,784  | ¥ 33,074            | ¥ 987,660    | ¥ 5,532          | ¥ (12,588)                                  | ¥ 980,604                     |
| Operating income (loss)                                 | ¥ 7,272         | ¥ 1,768   | ¥ 7,690             | ¥ 423,071    | ¥ (1,449)        | ¥ (50,438)                                  | ¥ 371,184                     |
| Equity in earnings (losses) of associated companies net | ¥ 7,736         | ¥ 511   | ¥ 1,894             | ¥ 214,072    | ¥ 120            | ¥ (902)                                     | ¥ 213,290                     |
| Net income (loss) attributable to Mitsui & Co., Ltd.    | ¥ 4,977         | ¥ 5,011   | ¥ 22,143            | ¥ 436,216    | ¥ (6,726)        | ¥ (19,429)                                  | ¥ 410,061                     |
| Total assets at March 31, 2008                          | ¥ 677,129       | ¥ 205,712   | ¥ 356,273           | ¥ 8,876,905  | ¥ 2,835,718      | ¥ (2,174,794)                               | ¥ 9,537,829                   |
|   | ¥ 36,929        | ¥ 25,509  | ¥ 53,520            | ¥ 1,317,112  | ¥ 3,230          | ¥ 12,700                                    | ¥ 1,333,042                   |

## Edgar Filing: MITSUI & CO LTD - Form 20-F

### Investments in and advances to associated companies at March 31, 2008

|                               |   |       |   |       |   |     |   |         |   |     |   |       |   |         |
|-------------------------------|---|-------|---|-------|---|-----|---|---------|---|-----|---|-------|---|---------|
| Depreciation and amortization | ¥ | 8,865 | ¥ | 1,174 | ¥ | 795 | ¥ | 128,265 | ¥ | 786 | ¥ | 2,707 | ¥ | 131,758 |
|-------------------------------|---|-------|---|-------|---|-----|---|---------|---|-----|---|-------|---|---------|

### Additions to property leased to others and property and equipment

|  |   |        |   |       |   |       |   |         |   |       |   |       |   |         |
|--|---|--------|---|-------|---|-------|---|---------|---|-------|---|-------|---|---------|
|  | ¥ | 17,669 | ¥ | 1,417 | ¥ | 1,063 | ¥ | 271,591 | ¥ | 1,378 | ¥ | 9,092 | ¥ | 282,061 |
|--|---|--------|---|-------|---|-------|---|---------|---|-------|---|-------|---|---------|

- Notes: (1) The figures for the year ended March 31, 2009 and 2008 relating to discontinued operations have been reclassified. The reclassification to (Loss) Income from Discontinued Operations Net (After Income Tax Effect) is included in Adjustments and Eliminations.
- (2) All Other includes business activities which primarily provide services, such as financing services and operations services to external customers and/or to the companies and associated companies. Total assets of All Other at March 31, 2010, 2009 and 2008 consisted primarily of cash and cash equivalents and time deposits related to financing activities, and assets of certain subsidiaries related to the above services.

F-62

**Table of Contents****Notes to Consolidated Financial Statements (Continued)****Mitsui & Co., Ltd. and subsidiaries**

- (3) Net income (loss) attributable to Mitsui & Co., Ltd. of Adjustments and Eliminations includes income and expense items that are not allocated to specific reportable operating segments, such as certain expenses of the corporate departments, and eliminations of intersegment transactions. Net income (loss) attributable to Mitsui & Co., Ltd. of Adjustments and Eliminations for the year ended March 31, 2010 includes (a) ¥21,328 million in general and administrative expenses of the corporate departments excluding pension costs, (b) a charge of ¥8,267 million for pension related items, and (c) ¥7,126 million related to tax items including adjustments of difference between actual tax rate and intercompany tax rate, and so on. (all amounts are after income tax effects)  
 Net income (loss) attributable to Mitsui & Co., Ltd. of Adjustments and Eliminations for the year ended March 31, 2009 includes (a) ¥23,327 million in general and administrative expenses of the corporate departments excluding pension costs, (b) a charge of ¥4,663 million for pension related items, and (c) ¥21,962 million related to tax items including adjustments of difference between actual tax rate and intercompany tax rate, and so on. (all amounts are after income tax effects)  
 Net income (loss) attributable to Mitsui & Co., Ltd. of Adjustments and Eliminations for the year ended March 31, 2008 includes (a) ¥23,487 million in general and administrative expenses of the corporate departments excluding pension costs, (b) a charge of ¥2,228 million for pension related items, and (c) ¥4,361 million related to tax items including adjustments of difference between actual tax rate and intercompany tax rate, and so on. (all amounts are after income tax effects)
- (4) Transfers between operating segments are made at cost plus a markup.
- (5) Operating income (loss) reflects the companies (a) gross profit, (b) selling, general and administrative expenses, and (c) provision for doubtful receivables, as presented in the Statements of Consolidated Income.
- (6) As significant non-cash item, the amounts of loss on write-down of securities of the Consumer Service & IT and Chemical for the year ended March 31, 2009 were ¥35,235 and ¥30,000 million.
- (7) During the year ended March 31, 2010, the companies changed the reporting of total trading transactions for transactions where the Company and certain subsidiaries serve as an agent, and not as a contracting party, from gross amounts, which included transaction volume exchanged between the contracting parties and commissions earned as an agent; to net amounts, which include only commissions. In relation to this change, the Operating Segment Information for the year ended March 31, 2009 and 2008 have been reclassified.
- (8) Tax effects on investments in associated companies which were formerly included in Equity in Earnings of Associated Companies (After Income Tax Effect) are included in Income Taxes for the year ended March 31, 2010. At the same time, the line item, Equity in Earnings of Associated Companies (After Income Tax Effect) has been changed to Equity in Earnings of Associated Companies Net. Reclassifications have been made to the Operating Segment Information for the year ended March 31, 2009 and 2008 to conform to the current year's presentation.

**PRODUCT INFORMATION**

|                                   | Millions of Yen |                    |           |                           |             |             |
|-----------------------------------|-----------------|--------------------|-----------|---------------------------|-------------|-------------|
|                                   | Iron and Steel  | Non-Ferrous Metals | Machinery | Electronics & Information | Chemicals   | Energy      |
| <b>Year ended March 31, 2010:</b> |                 |                    |           |                           |             |             |
| Revenues                          | ¥ 623,491       | ¥ 118,134          | ¥ 291,098 | ¥ 94,150                  | ¥ 1,117,925 | ¥ 1,134,080 |
| <b>Year ended March 31, 2009:</b> |                 |                    |           |                           |             |             |
| Revenues                          | ¥ 865,582       | ¥ 197,481          | ¥ 394,179 | ¥ 132,348                 | ¥ 1,414,909 | ¥ 1,692,008 |
| <b>Year ended March 31, 2008:</b> |                 |                    |           |                           |             |             |
| Revenues                          | ¥ 801,290       | ¥ 79,669           | ¥ 478,205 | ¥ 180,762                 | ¥ 1,318,579 | ¥ 1,998,962 |

|                                   | Millions of Yen |          |                     |                               |                    |
|-----------------------------------|-----------------|----------|---------------------|-------------------------------|--------------------|
|                                   | Foods           | Textiles | General Merchandise | Property and Service Business | Consolidated Total |
| <b>Year ended March 31, 2010:</b> |                 |          |                     |                               |                    |
| Revenues                          | ¥ 536,277       | ¥ 26,623 | ¥ 13,633            | ¥ 141,034                     | ¥ 4,096,445        |
| <b>Year ended March 31, 2009:</b> |                 |          |                     |                               |                    |
| Revenues                          | ¥ 611,248       | ¥ 26,686 | ¥ 19,361            | ¥ 150,987                     | ¥ 5,504,789        |
| <b>Year ended March 31, 2008:</b> |                 |          |                     |                               |                    |

Edgar Filing: MITSUI & CO LTD - Form 20-F

Revenues

¥ 572,561    ¥ 37,756    ¥ 40,494    ¥ 206,834    ¥ 5,715,112

F-63



**Table of Contents****Notes to Consolidated Financial Statements (Continued)****Mitsui & Co., Ltd. and subsidiaries**

Note: The figures relating to discontinued operations are eliminated from each product amount and Consolidated Total. The figures for the years ended March 31, 2009 and 2008 have been reclassified to conform to the current year presentation.

**GEOGRAPHIC AREA INFORMATION**

|                                    | Millions of Yen |               |           |           | Consolidated Total |
|------------------------------------|-----------------|---------------|-----------|-----------|--------------------|
|                                    | Japan           | United States | Australia | All Other |                    |
| <b>Year ended March 31, 2010:</b>  |                 |               |           |           |                    |
| Revenues                           | ¥ 2,329,501     | ¥ 821,317     | ¥ 289,396 | ¥ 656,231 | ¥ 4,096,445        |
| <b>Year ended March 31, 2009:</b>  |                 |               |           |           |                    |
| Revenues                           | ¥ 2,915,875     | ¥ 1,250,165   | ¥ 401,870 | ¥ 936,879 | ¥ 5,504,789        |
| <b>Year ended March 31, 2008 :</b> |                 |               |           |           |                    |
| Revenues                           | ¥ 3,181,526     | ¥ 1,408,076   | ¥ 229,853 | ¥ 895,657 | ¥ 5,715,112        |

- Notes: (1) Revenues are attributed to countries based on the location of sellers.  
(2) The Company changed the information from total trading transactions to revenues. Certain costs related to revenues presented net in accordance with ASC605-45, Revenue Recognition Principal Agent Considerations, are not attributable to countries based on the location of customers. Therefore the Company provided total trading transaction attributed to countries based on the location of customers in previous years. In accordance with this change, the figures for the years ended March 31, 2009 and 2008 have been changed to conform to the current year presentation.  
(3) The figures relating to discontinued operations are eliminated from each geographic area amount and Consolidated Total.

|                           | Millions of Yen |           |               |           | Consolidated Total |
|---------------------------|-----------------|-----------|---------------|-----------|--------------------|
|                           | Japan           | Australia | United States | All Other |                    |
| <b>At March 31, 2010:</b> |                 |           |               |           |                    |
| Long-lived assets         | ¥ 503,230       | ¥ 403,219 | ¥ 103,028     | ¥ 193,083 | ¥ 1,202,560        |
| <b>At March 31, 2009:</b> |                 |           |               |           |                    |
| Long-lived assets         | ¥ 491,840       | ¥ 322,121 | ¥ 144,579     | ¥ 186,954 | ¥ 1,145,494        |
| <b>At March 31, 2008:</b> |                 |           |               |           |                    |
| Long-lived assets         | ¥ 489,269       | ¥ 353,521 | ¥ 150,517     | ¥ 207,475 | ¥ 1,200,782        |

There were no individual material customers with respect to revenues for the years ended March 31, 2010, 2009 and 2008.

**Table of Contents****Notes to Consolidated Financial Statements (Continued)****Mitsui & Co., Ltd. and subsidiaries****18. SUPPLEMENTAL INCOME STATEMENT INFORMATION**

Supplemental information related to the Statements of Consolidated Income is as follows:

|  | Millions of Yen |           |           |
|--|-----------------|-----------|-----------|
|  | 2010            | 2009      | 2008      |
| Depreciation of property and equipment | ¥ 129,119       | ¥ 132,912 | ¥ 125,668 |
| Research and development expenses      | 3,602           | 3,472     | 3,983     |
| Advertising expenses                   | 5,877           | 8,125     | 8,353     |
| Foreign exchange (gains) losses net    | (20,422)        | 34,726    | (2,887)   |

**19. OTHER (INCOME) EXPENSE NET**

Other (income) expense net for the years ended March 31, 2010, 2009 and 2008 consists of the following:

|                                     | Millions of Yen |                 |                |
|-------------------------------------|-----------------|-----------------|----------------|
|                                     | 2010            | 2009            | 2008           |
| Exploration expenses                | ¥ 14,729        | ¥ 15,292        | ¥ 9,802        |
| Business interruption insurance     | (3,356)         |                 |                |
| Foreign exchange (gains) losses net | (20,422)        | 34,726          | 1,293          |
| Other                               | 8,650           | (9,208)         | (8,040)        |
| <b>Total</b>                        | <b>¥ (399)</b>  | <b>¥ 40,810</b> | <b>¥ 3,055</b> |

Note: The figures for the years ended March 31, 2009 and 2008 related to discontinued operations have been reclassified.

The major factor of the recoveries of business interruption insurance is that Novus International, Inc., a 65% owned subsidiary of the Company, received insurance recoveries related to a business interruption claim due to the Hurricane Ike of ¥2,027 million for the year ended March 31, 2010. The insurance recoveries are included in the other (income) expense net in the Statements of Consolidated Income for the year ended March 31, 2010.

**20. INCOME TAXES**

Income taxes in Japan applicable to the companies, imposed by the national, prefectural and municipal governments, in the aggregate resulted in normal effective statutory tax rates of approximately 41% for the years ended March 31, 2010, 2009 and 2008. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

**Table of Contents****Notes to Consolidated Financial Statements (Continued)****Mitsui & Co., Ltd. and subsidiaries**

A reconciliation between the normal statutory tax rate in Japan applied to income from continuing operations and the effective income tax rate on income from continuing operations for the years ended March 31, 2010, 2009 and 2008 is summarized as follows:

|  | 2010   | %<br>2009 | 2008  |
|--|--------|-----------|-------|
| Normal statutory tax rate in Japan applied to income from continuing operations before income taxes and equity in earnings | 41.0%  | 41.0%     | 41.0% |
| Increases (decreases) in tax rate resulting from:  |        |           |       |
| Expenses not deductible for tax purposes and income not taxable net  | 6.5    | 1.6       | 0.3   |
| Application of lower tax rates to certain taxable income   | (16.7) | (11.2)    | (8.9) |
| Tax effects on dividends   | (26.3) | (6.8)     | 1.2   |
| Changes in valuation allowance net   | 17.4   | 17.3      | 3.2   |
| Higher tax rates for resource related taxes  | 11.7   | 9.1       | 6.7   |
| Tax effects on investments in associated companies   | 33.6   | 14.8      | 14.8  |
| Other net  | 3.6    | (2.1)     | (0.7) |
| Effective income tax rate on income from continuing operations   | 70.8%  | 63.7%     | 57.6% |

Amounts provided for income taxes for the years ended March 31, 2010, 2009 and 2008 are allocated as follows:

|   | 2010      | Millions of Yen |           |
|---|-----------|-----------------|-----------|
|   |           | 2009            | 2008      |
| Income taxes on income from continuing operations | ¥ 89,217  | ¥ 154,167       | ¥ 229,620 |
| (Loss) income from discontinued operations net    | (820)     | 1,099           | 49,452    |
| Other comprehensive income (loss)                 | 60,268    | (130,785)       | (127,732) |
| Total   | ¥ 148,665 | ¥ 24,481        | ¥ 151,340 |

**Table of Contents****Notes to Consolidated Financial Statements (Continued)****Mitsui & Co., Ltd. and subsidiaries**

The tax effects of significant temporary differences and carryforwards which result in deferred tax assets and liabilities at March 31, 2010 and 2009 are as follows:

|   | Millions of Yen |             |
|---|-----------------|-------------|
|   | 2010            | 2009        |
| <b>Deferred Tax Assets:</b>                                   |                 |             |
| Accrued pension costs and liability for severance indemnities | ¥ 33,578        | ¥ 40,416    |
| Allowance for doubtful receivables                            | 11,832          | 17,152      |
| Estimated losses  | 65,167          | 63,707      |
| Impairment loss of long-lived assets                          | 37,624          | 35,936      |
| Loss carryforwards of subsidiaries and associated companies   | 84,405          | 67,126      |
| Foreign currency translation                                  | 26,292          | 37,783      |
| Tax credit carryforwards                                      | 36,867          | 39,020      |
| Other   | 25,388          | 20,554      |
| <br>  |                 |             |
| Total deferred tax assets                                     | 321,153         | 321,694     |
| Valuation allowance   | (164,124)       | (153,781)   |
| <br>  |                 |             |
| Deferred tax assets net                                       | 157,029         | 167,913     |
| <b>Deferred Tax Liabilities:</b>                              |                 |             |
| Property  | 98,046          | 105,570     |
| Investment securities   | 96,369          | 72,494      |
| Undistributed earnings  | 206,230         | 186,771     |
| Foreign currency translation                                  | 6,421           | 3,819       |
| Other   | 8,770           | 9,624       |
| <br>  |                 |             |
| Deferred tax liabilities                                      | 415,836         | 378,278     |
| <br>  |                 |             |
| Net deferred tax liabilities                                  | ¥ (258,807)     | ¥ (210,365) |

Net deferred tax liabilities at March 31, 2010 and 2009 are included in the Consolidated Balance Sheets as follows:

|                                      | Millions of Yen |             |
|--------------------------------------|-----------------|-------------|
|                                      | 2010            | 2009        |
| Current assets                       | ¥ 39,809        | ¥ 29,969    |
| Deferred tax assets Non-current      | 13,376          | 21,011      |
| Current liabilities                  | (6,896)         | (5,260)     |
| Deferred tax liabilities Non-current | (305,096)       | (256,085)   |
| <br>                                 |                 |             |
| Net deferred tax liabilities         | ¥ (258,807)     | ¥ (210,365) |

The valuation allowance is provided principally on deferred tax assets for loss carryforwards of certain subsidiaries where it is more likely than not that a tax benefit will not be realized. During the years ended March 31, 2010, 2009 and 2008, the valuation allowances were increased by ¥10,343 million, increased by ¥54,732 million and increased by ¥18,704 million, respectively. For the years ended March 31, 2010, 2009 and

## Edgar Filing: MITSUI & CO LTD - Form 20-F

2008, adjustments of the beginning-of-the-year balance of the valuation allowances attributable to continuing operations were ¥63 million (loss), ¥15,247 million (loss) and ¥376 million (loss), respectively.

The tax benefits of operating loss carryforwards attributable to continuing operations for the years ended March 31, 2010, 2009 and 2008 were ¥14,361 million, ¥6,790 million and ¥2,886 million, respectively.

F-67

**Table of Contents****Notes to Consolidated Financial Statements (Continued)****Mitsui & Co., Ltd. and subsidiaries**

The amounts of undistributed earnings, which have been considered to be indefinitely reinvested into foreign subsidiaries and foreign corporate joint ventures, and for which deferred tax liabilities have not been recognized, were ¥883,014 million and ¥794,675 million at March 31, 2010 and 2009, respectively. Determination of the amount of unrecognized deferred income taxes with respect to these foreign earnings is not practicable. At March 31, 2010, the companies had aggregate operating loss carryforwards of ¥171,840 million, which are available to reduce taxable income in subsequent periods. If not utilized, such loss carryforwards expire as follows:

|                      | Millions of Yen |                |
|----------------------|-----------------|----------------|
| Within 5 years       | ¥               | 32,681         |
| After 5 to 10 years  |                 | 69,889         |
| After 10 to 15 years |                 | 764            |
| After 15 years       |                 | 68,506         |
| <b>Total</b>         | <b>¥</b>        | <b>171,840</b> |

At March 31, 2010, certain subsidiaries had aggregate tax credit carryforwards of ¥36,867 million. If not utilized, such tax credit carryforwards expire within 3 years.

Income from continuing operations before income taxes and equity in earnings for the years ended March 31, 2010, 2009 and 2008 comprised the following:

|                                  | Millions of Yen                                 |                         |           |
|----------------------------------|---|-------------------------|-----------|
|                                  | The Company<br>and its domestic<br>subsidiaries | Foreign<br>subsidiaries | Total     |
| <b>Year ended March 31, 2010</b> | ¥ (30,452)                                      | ¥ 156,492               | ¥ 126,040 |
| Year ended March 31, 2009        | ¥ (9,408)                                       | ¥ 251,586               | ¥ 242,178 |
| Year ended March 31, 2008        | ¥ 145,483                                       | ¥ 253,455               | ¥ 398,938 |

Income taxes on income from continuing operations for the years ended March 31, 2010, 2009 and 2008 comprised the following:

|                                   | Millions of Yen                                 |                         |                 |
|-----------------------------------|---|-------------------------|-----------------|
|                                   | The Company<br>and its domestic<br>subsidiaries | Foreign<br>subsidiaries | Total           |
| <b>Year ended March 31, 2010:</b> |   |                         |                 |
| Current                           | ¥ 37,568  | ¥ 68,000                | ¥ 105,568       |
| Deferred                          | (19,263)  | 2,912                   | (16,351)        |
| <b>Total</b>                      | <b>¥ 18,305</b>                                 | <b>¥ 70,912</b>         | <b>¥ 89,217</b> |
| <b>Year ended March 31, 2009:</b> |   |                         |                 |
| Current                           | ¥ 31,685  | ¥ 103,539               | ¥ 135,224       |
| Deferred                          | 21,825  | (2,882)                 | 18,943          |

Edgar Filing: MITSUI & CO LTD - Form 20-F

|                            |           |           |           |
|----------------------------|-----------|-----------|-----------|
| Total                      | ¥ 53,510  | ¥ 100,657 | ¥ 154,167 |
| Year ended March 31, 2008: |           |           |           |
| Current                    | ¥ 81,898  | ¥ 90,597  | ¥ 172,495 |
| Deferred                   | 46,468    | 10,657    | 57,125    |
| Total                      | ¥ 128,366 | ¥ 101,254 | ¥ 229,620 |

F-68

**Table of Contents****Notes to Consolidated Financial Statements (Continued)****Mitsui & Co., Ltd. and subsidiaries**

On April 1, 2007, the companies adopted the provisions of ASC740 Income Taxes which was formerly FIN No. 48. The cumulative effect of applying the provisions was recorded as a decrease of ¥5,113 million to retained earnings unappropriated as of April 1, 2007.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

|   | Millions of Yen |         |
|---|-----------------|---------|
|   | 2010            | 2009    |
| Balance at beginning of year                        | ¥ 4,300         | ¥ 8,343 |
| Additions for tax positions of prior years          | 578             | 860     |
| Additions for tax positions of current year         | 1,149           | 1,572   |
| Reductions for tax positions of prior years         | (655)           | (194)   |
| Settlements with tax authorities                    | (925)           | (6,215) |
| Reductions due to lapse of statutes of limitation   | (47)            | (5)     |
| Foreign currency translation adjustments and others | (169)           | (61)    |
| Balance at end of year                              | ¥ 4,231         | ¥ 4,300 |

The total amounts of unrecognized tax benefits that, if recognized, would affect the effective tax rate as of March 31, 2010 and 2009 were approximately ¥3,783 million and ¥4,109 million, respectively.

The companies recognize interest expense and penalties accrued related to uncertain tax positions in income taxes current. For the years ended March 31, 2010, 2009 and 2008, the companies recognized a net reduction in interest expense and penalties of ¥489 million, ¥93 million and ¥1,927 million, respectively. The companies had ¥220 million for the refund and ¥278 million for the payment of interest and penalties accrued as of March 31, 2010 and 2009, respectively.

A subsidiary engaging in exploration, development and production of oil and natural gas in Australia was audited by the Australian Taxation Office with regard to an acquisition cost of oil fields for the year ended March 31, 2006 and 2005 and received notices of tax assessment in November, 2009. While the subsidiary disagrees with the assessment and filed a suit in the Federal Court of Australia, the subsidiary has made a partial payment based on the notices of assessment. The subsidiary believes the amount of the tax liabilities for the year ended March 2006 and 2005 will be affected by the result of the legal procedure, which is still continuing. Under the assumption that the tax paid will be refunded, the subsidiary recorded the effect of this matter in the consolidated financial statements for the year ended March 31, 2010.

It is reasonably possible that the situation may change within the next 12 months, and the change could increase the gross unrecognized tax benefits by up to ¥7,257 million based on the current estimates.

As of March 31, 2010, the earliest tax years that remain subject to examination by major tax jurisdictions in which the companies operate are the year ended March 31, 2004 for Japan, the year ended March 31, 2007 for the United States of America, and the year ended March 31, 2006 for Australia.



**Table of Contents****Notes to Consolidated Financial Statements (Continued)****Mitsui & Co., Ltd. and subsidiaries****21. CONTINGENT LIABILITIES****I. GUARANTEES**

The table below summarizes the companies' guarantees as defined in ASC460, "Guarantees," at March 31, 2010 and March 31, 2009. The maximum potential amount of future payments represents the amounts without consideration of possible recoveries under recourse provisions or from collateral held or pledged that the companies could be obliged to pay if there were defaults by guaranteed parties or there were changes in an underlying which would cause triggering events under market value guarantees and indemnification contracts. Such amounts bear no relationship to the anticipated losses on these guarantees and indemnifications, and, in the aggregate, they greatly exceed anticipated losses.

The companies evaluate risks involved for each guarantee in an internal screening procedure before issuing a guaranty and regularly monitor outstanding positions and record adequate allowance to cover losses expected from probable performance under these agreements. The companies believe that the likelihood to perform guarantees which will materially affect the consolidated financial position, results of operations, or cash flows of the companies is remote at March 31, 2010.

|   | Millions of Yen            |                           |                                |                                       |   |                                      |                         |
|---|----------------------------|---------------------------|--------------------------------|---------------------------------------|---|--------------------------------------|-------------------------|
|   | Expire<br>within<br>1 year | Expire<br>after<br>1 year | Total<br>amount<br>outstanding | Recourse<br>provisions/<br>collateral | Maximum<br>potential<br>amount of<br>future<br>payments | Carrying<br>amount of<br>liabilities | Expire no<br>later than |
| <b>March 31, 2010:</b>  |                            |                           |                                |                                       |   |                                      |                         |
| Type of guarantees:   |                            |                           |                                |                                       |   |                                      |                         |
| Financial guarantees:   |                            |                           |                                |                                       |   |                                      |                         |
| Guarantees for third parties  | ¥ 118,981                  | ¥ 41,277                  | ¥ 160,258                      | ¥ 29,781                              | ¥ 189,381   | ¥ 893                                | 2042                    |
| Guarantees for associated companies                                 | 18,910                     | 62,978                    | 81,888                         | 5,671                                 | 124,074   | 4,719                                | 2045                    |
| Guarantees to financial institutions for employees<br>housing loans |                            | 5,382                     | 5,382                          |                                       | 5,382   |                                      | 2035                    |
| <b>Total</b>  | <b>¥ 137,891</b>           | <b>¥ 109,637</b>          | <b>¥ 247,528</b>               | <b>¥ 35,452</b>                       | <b>¥ 318,837</b>  | <b>¥ 5,612</b>                       |                         |
| Performance guarantees  | ¥ 1,401                    | ¥ 4,875                   | ¥ 6,276                        | ¥ 2,925                               | ¥ 6,276   |                                      | 2013                    |
| Market value guarantees:  |                            |                           |                                |                                       |   |                                      |                         |
| Obligation to repurchase bills of exchange                          | ¥ 56,910                   |                           | ¥ 56,910                       | ¥ 53,516                              | ¥ 56,910  |                                      | 2010                    |
| Minimum purchase price guarantees                                   |                            | ¥ 8,177                   | 8,177                          |                                       | 8,177   | ¥ 224                                | 2014                    |
| Residual value guarantees of leased assets                          | 1,124                      | 7,852                     | 8,976                          |                                       | 8,976   |                                      | 2015                    |
| <b>Total</b>  | <b>¥ 58,034</b>            | <b>¥ 16,029</b>           | <b>¥ 74,063</b>                | <b>¥ 53,516</b>                       | <b>¥ 74,063</b>   | <b>¥ 224</b>                         |                         |
| Derivative instruments  | ¥ 10,862                   | ¥ 1,203                   | ¥ 12,065                       |                                       | ¥ 12,065  | ¥ 420                                |                         |

**Table of Contents****Notes to Consolidated Financial Statements (Continued)****Mitsui & Co., Ltd. and subsidiaries**

|  | Millions of Yen      |                     |                          |                                |   |                                |                      |
|--|----------------------|---------------------|--------------------------|--------------------------------|---|--------------------------------|----------------------|
|  | Expire within 1 year | Expire after 1 year | Total amount outstanding | Recourse provisions/collateral | Maximum potential amount of future payments | Carrying amount of liabilities | Expire no later than |
| <b>March 31, 2009:</b>   |                      |                     |                          |                                |   |                                |                      |
| Type of guarantees:  |                      |                     |                          |                                |   |                                |                      |
| Financial guarantees:  |                      |                     |                          |                                |   |                                |                      |
| Guarantees for third parties                                     | ¥ 32,091             | ¥ 101,428           | ¥ 133,519                | ¥ 27,854                       | ¥ 188,036                                   | ¥ 1,322                        | 2040                 |
| Guarantees for associated companies                              | 9,889                | 64,137              | 74,026                   | 7,023                          | 127,528                                     | 2,998                          | 2045                 |
| Guarantees to financial institutions for employees housing loans |                      | 6,493               | 6,493                    |                                | 6,493                                       |                                | 2033                 |
| <b>Total</b>   | <b>¥ 41,980</b>      | <b>¥ 172,058</b>    | <b>¥ 214,038</b>         | <b>¥ 34,877</b>                | <b>¥ 322,057</b>                            | <b>¥ 4,320</b>                 |                      |
| Performance guarantees   | ¥ 1,402              | ¥ 9,928             | ¥ 11,330                 | ¥ 3,653                        | ¥ 11,330                                    | ¥ 22                           | 2013                 |
| Market value guarantees:   |                      |                     |                          |                                |   |                                |                      |
| Obligation to repurchase bills of exchange                       | ¥ 35,979             | ¥ 612               | ¥ 36,591                 | ¥ 30,660                       | ¥ 36,591                                    |                                | 2010                 |
| Minimum purchase price guarantees                                |                      | 8,936               | 8,936                    |                                | 8,936                                       | ¥ 357                          | 2014                 |
| <b>Total</b>   | <b>¥ 35,979</b>      | <b>¥ 9,548</b>      | <b>¥ 45,527</b>          | <b>¥ 30,660</b>                | <b>¥ 45,527</b>                             | <b>¥ 357</b>                   |                      |
| Derivative instruments   | ¥ 28,569             | ¥ 5,401             | ¥ 33,970                 |                                | ¥ 33,970                                    | ¥ 5,231                        |                      |

**(1) Financial guarantees**

The companies provide various types of guarantees to the benefit of third parties and related parties principally to enhance their credit standings, and would be required to execute payments if a guaranteed party failed to fulfill its obligation with respect to a borrowing or trade payable.

Categories of financial guarantees are as follows:

*Guarantees for third parties*

The companies guarantee, severally or jointly with others, indebtedness of certain customers and suppliers in the furtherance of their trading activities.

*Guarantees for associated companies*

The companies, severally or jointly with others, issue guarantees for associated companies for the purpose of furtherance of their trading activities and credit enhancement of associated companies.

*Guarantees to financial institutions for employees housing loans*

As a part of its employee benefits program, the Company issues guarantees to financial institutions for employees housing loans. The maximum duration of the guarantees is 25 years. The Company obtains a mortgage on the employees assets, if necessary.

**(2) Performance guarantees**

## Edgar Filing: MITSUI & CO LTD - Form 20-F

Main items of performance guarantees are contractual guarantees of Toyo Engineering Corporation and other companies regarding plant construction contracts executed under the name of the guaranteed parties in the

F-71

---

**Table of Contents**

**Notes to Consolidated Financial Statements (Continued)**

**Mitsui & Co., Ltd. and subsidiaries**

Middle East and other regions. The Company has pledged bank guarantees and performance bonds to the project owners, and in the case that Toyo Engineering Corporation failed to fulfill the contractual obligation, the project owners would execute bank guarantees and performance bonds to claim compensation for damages. Certain performance bonds ceased to be pledged at March 31, 2010.

In the furtherance of its trading activities, a subsidiary has issued guarantees for the performance of contracts to a customer. The subsidiary would be required to make payment if a guaranteed party fails to fulfill its obligation, however it is not practicable to determine the maximum potential amount of future payment and the amount is not represented since the amount to be compensated is not specified in those guarantees. No liability is recorded since the companies believe that the likelihood of those guarantees to be performed is considered to be remote at March 31, 2010 and March 31, 2009.

**(3) Market value guarantees**

*Obligation to repurchase bills of exchange*

In connection with export transactions, the Company issues bills of exchange, some of which are discounted by its negotiating banks. If a customer fails to fulfill its obligation with respect to the bills, the Company would be obligated to repurchase the bills based on the banking transaction agreement. The maximum potential amount of future payments is represented by the aggregate par value of the bills discounted by the banks, and the recourse provisions and collateral are represented by the amount backed by letters of credit from the issuing banks of the customers.

*Minimum purchase price guarantees*

To support financing activities of a partner of the joint venture which owns interests in oil & gas producing fields, a subsidiary has committed to bid a certain amount in the sale of the partner's stock by the bank which provides financing for the partner if the partner defaults. The Company provides marketing services of aircraft for domestic and overseas airline companies, and as a part of such businesses, the Company issues market value guarantees on the aircraft for certain customers.

*Residual Value guarantees of leased assets*

As lessees in operating lease contracts, a subsidiary has issued residual value guarantees on the leased locomotives. On the date of expiration of the operating lease contracts, in case of sales of those leased locomotives to the third party, the subsidiary will be responsible for making up any shortfall between the actual sales price and the guaranteed price for sales of those leased locomotives to the third party.

**(4) Derivative instruments**

Certain derivative contracts, including written put options and credit default swaps, meet the accounting definition of guarantees under ASC460, Guarantees, when it is probable that the counterparties have underlying assets or liabilities related to the derivative contracts.

The companies consider the business relationship with counterparties and other circumstances in deciding whether it is probable that the counterparties have underlying assets or liabilities, and did not include the derivative contracts with certain financial institutions and traders.

---

**Table of Contents**

**Notes to Consolidated Financial Statements (Continued)**

**Mitsui & Co., Ltd. and subsidiaries**

ASC460, Guarantees, does not require disclosure about derivative contracts if such contracts permit or require net settlement and the companies have no basis for concluding that it is probable that the counterparties have underlying assets or liabilities.

The companies have written put options as a part of various derivative transactions related to energy, non-ferrous metals, precious metals and grain. The aggregation of notional amounts computed based on the strike prices and quantities of written options are disclosed as the total amount outstanding and the maximum potential amount of future payments. The carrying amount of liabilities is represented by the fair value of such written options recorded in the consolidated financial statements.

The companies manage the market and credit risks on these derivative instruments by monitoring fair values against loss limits and credit lines, and generally the maximum potential amount of future payments as stated above greatly overstates the companies' exposure to market and credit risks.

***(5) Indemnification contracts***

*Indemnification for cargo delivery*

The companies have issued Discharging Letters of Indemnification ( DLOI ) to shipping companies for international trading activities. The maximum potential amount of future payments can not be estimated since the amount to be compensated is not specified in DLOI. No liability is recorded since the companies believe that there is little likelihood of incurring any loss from DLOI.

*Joint obligation under membership agreement in commodity exchanges*

The companies are members of major commodity exchanges in Japan and overseas. In connection with these memberships, the companies provide guarantees to the exchanges. Under the membership agreements, if a member becomes unable to satisfy its obligations to the exchange, the other members would be required to meet such shortfall apportioned among the non-defaulting members in a prescribed manner. The companies' maximum potential amount of future payments related to these joint obligations is not quantifiable, however no liability is recorded since the companies believe that there is little likelihood of being required to make any payments under these obligations.

***(6) Product warranties***

Certain subsidiaries provide warranties, in relation to their sales of products, including residential houses and automobiles, for the performance of such products during specified warranty periods, and they are responsible for repair or payments of compensation against the claims by the customers regarding defects in performance or function. Estimated warranty costs are accrued at the time the products are sold based on the historical claim experiences.

Mitsui Bussan House-Techno, Inc., a 100% subsidiary engaged in the custom-made house building business, exited from the business due to the downturn of the business environment caused by declining demand, however, the companies retained the obligation for the future maintenance service, because Bussan Housing Maintenance Co., Ltd. a 100% subsidiary, assumed the obligation for periodical inspection and maintenance service for a contractual period after the completion.

**Table of Contents****Notes to Consolidated Financial Statements (Continued)****Mitsui & Co., Ltd. and subsidiaries**

A tabular reconciliation of changes in the estimated liabilities for product warranties for the years ended March 31, 2010, 2009 and 2008 is as follows:

|   | Millions of Yen |                |                |
|---|-----------------|----------------|----------------|
|   | 2010            | 2009           | 2008           |
| Balance at beginning of year                          | ¥ 6,534         | ¥ 7,639        | ¥ 8,089        |
| Payments made in cash or in kind                      | (415)           | (1,018)        | (563)          |
| Accrual for warranties issued during the year         | 1,078           | 941            | 1,772          |
| Changes in accrual related to pre-existing warranties | (1,435)         | (1,028)        | (1,659)        |
| <b>Balance at end of year</b>                         | <b>¥ 5,762</b>  | <b>¥ 6,534</b> | <b>¥ 7,639</b> |

**II. LITIGATION**

See note 28, Subsequent Events, for lawsuits on the oil spill of a drilling rig in the Gulf of Mexico.

Various claims and legal actions are pending against the companies in respect of contractual obligations and other matters arising out of the conduct of the companies' business. Appropriate provision has been recorded for the estimated loss on claims and legal actions. In the opinion of management, any additional liabilities will not materially affect the consolidated financial position, results of operations, or cash flows of the Company.

**22. VARIABLE INTEREST ENTITIES**

The companies are involved with VIEs which mainly engage in leasing and financing activities within the Machinery & Infrastructure Projects, Energy and Logistics & Financial Markets Segments.

When evaluating whether the companies are the primary beneficiary of a VIE and must therefore consolidate the VIE, we perform a qualitative analysis that considers the design of the VIE, the nature of the companies' involvement and the variable interests held by other parties. If that evaluation is inconclusive as to which party absorbs a majority of the VIE's expected losses or residual returns, a quantitative analysis is performed to determine who is the primary beneficiary.

**Consolidated Variable Interest Entities**

The VIEs that have been consolidated by the companies in accordance with ASC810, Consolidation, are described by groups aggregated by similar characteristics of risks and rewards of each VIE as follows (excluding consolidated VIEs where the companies also hold a majority of the voting interests in the entity unless the activities of the VIE are primarily related to securitizations, other forms of asset-backed financings, or single-lessee leasing arrangements):

As lessees in lease contracts concluded with a lessor that has been established for those lease contracts in Europe, certain subsidiaries have issued residual value guarantees of the leased vessels. On the date of expiration of lease contracts, such subsidiaries will either purchase the leased assets at a fixed price or be responsible for making up any shortfall between an actual sales price and the guaranteed value. The lessor of the leased vessels is a VIE ( Leasing VIE ), and the companies have consolidated the lessor as the primary beneficiary. The lessor is financed mainly by bank borrowings.

## Edgar Filing: MITSUI & CO LTD - Form 20-F

In addition, the companies hold senior investment securities without voting rights of VIEs whose operations are real estate development ( Real estate development VIEs ), as of March 31, 2010 and 2009. The companies also hold a majority of the voting interest in a VIE whose primary activity is chartering a vessel, which is a single-lessee leasing arrangement ( Vessel chartering VIE ), as of March 31, 2010 and 2009. These VIEs are financed mainly by issuance of bond, issuance of stock including preferred securities, a combination of these, or borrowings.

F-74

**Table of Contents****Notes to Consolidated Financial Statements (Continued)****Mitsui & Co., Ltd. and subsidiaries**

The companies held beneficial interests without voting rights of VIEs whose operations are investment management ( Investment management VIEs ), as of March 31, 2009. The Investment management VIEs which the companies consolidated as of March 31, 2009 ceased to be consolidated during the year ended March 31, 2010 due to the companies' withdrawal of interest in the VIEs. The effect on the companies' consolidated financial statements for the year ended March 31, 2010 was immaterial.

The companies' involvement with the above consolidated VIEs as of March 31, 2010 and 2009 is as follows:

| March 31, 2010: | Type of VIEs                 | Total Assets<br>of VIEs | Millions of Yen<br>Amounts in the Consolidated<br>Balance Sheets |             |
|-----------------|------------------------------|-------------------------|--|-------------|
|                 |                              |                         | Assets   | Liabilities |
|                 | Leasing VIE                  | ¥ 10,735                |  | ¥ 10,756    |
|                 | Real estate development VIEs | 4,863                   | ¥ 4,863  | 84          |
|                 | Vessel chartering VIE        | 3,334                   | 3,334  | 6           |

- Notes: (1) For Leasing VIE, liabilities are mainly short-term debt and deferred tax liabilities non-current.  
 (2) For Real estate development VIEs, assets are mainly inventories, and liabilities are mainly accrued expenses.  
 (3) For Vessel chartering VIE, assets are mainly property leased to others at cost, less accumulated depreciation.

| March 31, 2009: | Type of VIEs                 | Total Assets<br>of VIEs | Millions of Yen<br>Amounts in the Consolidated<br>Balance Sheets |             |
|-----------------|------------------------------|-------------------------|--|-------------|
|                 |                              |                         | Assets   | Liabilities |
|                 | Leasing VIE                  | ¥ 11,900                | ¥ 112  | ¥ 11,896    |
|                 | Investment management VIEs   | 6,371                   | 6,344  | 23          |
|                 | Real estate development VIEs | 4,943                   | 4,943  | 3,730       |
|                 | Vessel chartering VIE        | 3,682                   | 3,662  | 6           |

- Notes: (1) For Leasing VIE, liabilities are mainly short-term debt and deferred tax liabilities non-current.  
 (2) For Investment management VIEs, assets are mainly cash and cash equivalents.  
 (3) For Real estate development VIEs, assets are mainly inventories, and liabilities are mainly long-term debt, less current maturities.  
 (4) For Vessel chartering VIE, assets are mainly property and equipment at cost.

The consolidated real estate which includes land and buildings was pledged as collateral for Real estate development VIEs' long-term debt, and was classified as real estate for sale, included in inventories in the Consolidated Balance Sheets, and the carrying amounts as of March 31, 2009 were ¥4,745 million. The consolidated Real estate development VIEs do not pledge any of their assets as collateral as of March 31, 2010 due to repayment of long-term debt in the VIEs.

The companies did not provide any financial or other support to the VIEs that they were not previously contractually obligated to provide for the years ended March 31, 2010 and 2009.

The creditors or beneficial interest holders of the consolidated VIEs do not have recourse to the general credit of the companies, except for the aforementioned residual value guarantees of the Leasing VIE.





**Table of Contents****Notes to Consolidated Financial Statements (Continued)****Mitsui & Co., Ltd. and subsidiaries*****Non-consolidated Variable Interest Entities***

The VIEs that are not consolidated because the companies are not the primary beneficiary, but in which the companies have significant variable interests, are described as follows:

The companies are involved with and have significant variable interests in a number of VIEs that have been established to finance crude oil and LNG producing plants and equipment or to finance subordinated debts by providing guarantees or subordinated loans to the VIEs. Those VIEs provide financing for customers located principally in Latin America, Middle East, and Southeast Asia in the form of leases and loans. These entities are financed mainly by bank borrowings and issuance of stock including preferred securities.

The total assets of the non-consolidated VIEs in which the companies have significant variable interests, and the carrying amounts of assets and liabilities in the Consolidated Balance Sheets that relate to the companies' variable interests in the VIEs, and the companies' maximum exposure to loss as a result of the companies' involvement with the VIEs as of March 31, 2010 and 2009 are as follows:

March 31, 2010:

| Total Assets<br>of VIEs | Millions of Yen<br>Assets and liabilities that relate to variable<br>interests in VIEs |                                    | Maximum<br>exposure to loss |
|-------------------------|--|------------------------------------|-----------------------------|
|                         | Carrying amounts<br>of assets  | Carrying amounts<br>of liabilities |                             |
| ¥ 1,645,609             | ¥ 99,959   | ¥ 91                               | ¥ 114,449                   |

Notes: (1) The assets that relate to the companies' variable interests in the VIEs are mainly investments and non-current receivables.  
(2) The liabilities that relate to the companies' variable interests in the VIEs are mainly other current liabilities.

March 31, 2009:

| Total Assets<br>of VIEs | Millions of Yen<br>Assets and liabilities that relate to variable<br>interests in VIEs |                                    | Maximum<br>exposure to loss |
|-------------------------|--|------------------------------------|-----------------------------|
|                         | Carrying amounts<br>of assets  | Carrying amounts<br>of liabilities |                             |
| ¥ 1,728,170             | ¥ 98,964   | ¥ 2,887                            | ¥ 123,871                   |

Notes: (1) The assets that relate to the companies' variable interests in the VIEs are mainly investments and non-current receivables.  
(2) The liabilities that relate to the companies' variable interests in the VIEs are mainly trade payables and advances from customers.

The total assets of the VIEs reflect the most current information available to the companies.

The amount of maximum exposure to loss represents a loss that the companies could incur from the variability in value of the leased assets, from financial difficulties of the customers or from other causes without consideration of possible recoveries through insurance and the like. In addition, the amount bears no relation to



---

**Table of Contents****Notes to Consolidated Financial Statements (Continued)****Mitsui & Co., Ltd. and subsidiaries**

the loss anticipated to be incurred from the companies' involvement with the VIEs and is considered to greatly exceed the anticipated loss. The liabilities that relate to the companies' variable interests in the VIEs represent trade payables, advances from customers, and a liability as a guarantor recognized under ASC460, Guarantees, while the maximum exposure to loss represents the amounts of investments, advances and guarantees provided by the companies to the VIEs as of March 31, 2010 and 2009.

The companies did not provide any financial or other support to the VIEs that they were not previously contractually obligated to provide for the years ended March 31, 2010 and 2009.

**23. EXIT OR DISPOSAL COST OBLIGATIONS**

The Company focuses on the maximization of its consolidated corporate value. To achieve this objective, the Company is trying to strengthen its consolidated capabilities through optimal group management. The Company actively restructures its businesses to make them more efficient by regularly reassessing the business environment and operational objectives of each of its businesses.

In addition to these restructurings, the companies have disposed of certain long-lived assets based on reviews of whether the companies should keep holding those assets from the standpoint of profitability.

For the year ended March 31, 2010, the companies recorded total exit or disposal costs of ¥3,749 million, which consisted of losses on disposals and impairments of long-lived assets of ¥2,502 million, contract termination costs of ¥1,247 million. The line items in the Statements of Consolidated Income of the exit and disposal costs are impairment loss of long-lived assets of ¥531 million, other expense of ¥1,247 million and loss from discontinued operations-net (after income tax effect) of ¥1,971 million, all of which are before income tax effect. Of the total exit or disposal costs for the year ended March 31, 2010, ¥3,218 million was recorded in the Energy Segment. The companies do not expect to recognize additional material costs in future period relating to these restructurings.

For the year ended March 31, 2009, the companies did not record material exit or disposal costs.

For the year ended March 31, 2008, the companies recorded impairment losses on long-lived assets of ¥1,425 million as exit or disposal costs. Of the total exit or disposal costs for the year ended March 31, 2008, ¥1,240 million was recorded in the Logistics & Financial Markets Segment.

Exit or disposal activities for the year ended March 31, 2010 are expected to complete during the year ending March 31, 2011. Exit or disposal activities for the years ended March 31, 2009 and 2008 were completed in the years ended March 31, 2010 and 2009, respectively. Ending balances of liabilities for exit or disposal costs at March 31, 2010 were ¥1,247 million.

**24. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES**

The companies are exposed to market risks related to foreign currency exchange rates, interest rates and commodity prices in the ordinary course of business.

In order to offset or reduce these risks, the companies use derivative instruments, such as foreign exchange forward contracts, currency swap agreements, interest rate swap agreements, commodity future, forward, option and swap contracts, to hedge the exposure to changes in the fair value or expected future cash flows of recognized assets and liabilities, unrecognized firm commitments or forecasted transactions. The companies also use non-derivative financial instruments, such as foreign-currency-denominated debt, to hedge the foreign currency exposure in the net investment in a foreign operation.



**Table of Contents****Notes to Consolidated Financial Statements (Continued)****Mitsui & Co., Ltd. and subsidiaries**

The notional amounts of the companies' derivative instruments as of March 31, 2010 and 2009 were as follows:

|  | Billions of Yen |                 |
|--|-----------------|-----------------|
|  | March 31, 2010  | March 31, 2009  |
| Foreign exchange contracts               | ¥ 2,341         | ¥ 3,207         |
| Interest rate contracts                  | 2,023           | 1,927           |
| Commodity contracts                      | 23,801          | 57,264          |
| Other contracts                          | 4               | 23              |
| <b>Total derivative notional amounts</b> | <b>¥ 28,169</b> | <b>¥ 62,421</b> |

***Foreign currency exchange rate risk hedging activities***

The companies use derivative instruments, such as foreign exchange forward contracts, currency swap agreements and interest rate and currency swap agreements, to fix the expected future cash flows from foreign-currency-denominated receivables and payables resulting from selling and purchasing activities in currencies other than the local currency and long-term financing transactions as part of the companies' global operations in many countries. The companies also use non-derivative financial instruments, such as foreign-currency-denominated debt, in order to hedge the foreign currency exposure in the net investment in a foreign operation.

***Interest rate risk hedging activities***

The companies use interest rate swap agreements and interest rate and currency swap agreements to diversify the sources of fund raising, reduce fund-raising costs, fix the expected future cash flows from long-term financial assets and liabilities with floating interest rates and reduce the exposure to changes in the fair value of long-term financial assets and liabilities with fixed interest rates.

***Commodity price risk hedging activities***

The companies use derivative instruments, such as commodity future, forward, option and swap contracts, to reduce the exposure to changes in the fair value of inventories and unrecognized firm commitments and to fix the expected future cash flows from forecasted transactions in marketable commodities, such as non-ferrous metals, crude oil and agricultural products.

***Risk management policy***

The companies have strictly separated the trading sections from the sections that record the results and positions of derivative instruments and are responsible for cash settlement and account confirmation with counterparties. Risk management sections classify the derivative transactions into trading transactions and hedging transactions. The distinction between trading and hedging transactions is strictly managed by confirming the correspondence with the hedged items for transactions for hedging purposes. Furthermore, these risk management sections comprehensively monitor, evaluate and analyze the positions of derivative instruments and report the results periodically to the Company's executive officers in charge of risk management. Based on these reports, the executive officers assess derivative instruments and the market risks surrounding these instruments, and establish the companies' risk management policy regarding derivative instruments.

**Table of Contents****Notes to Consolidated Financial Statements (Continued)****Mitsui & Co., Ltd. and subsidiaries*****Fair value hedges***

Changes in the fair value of derivative instruments designated as hedging the exposure to changes in the fair value of recognized assets or liabilities or unrecognized firm commitments are recorded in earnings together with changes in the fair value of the corresponding hedged items attributable to the hedged risks.

The net gain or loss recognized in earnings representing the amount of the hedges ineffectiveness and the component of the derivative instruments gain or loss excluded from the assessment of hedge effectiveness were immaterial for the year ended March 31, 2010, 2009 and 2008.

The amount of net gain or loss recognized in earnings when a hedged firm commitment no longer qualifies as a fair value hedge was immaterial for the year ended March 31, 2010, 2009 and 2008.

The companies include the gain and loss on the hedged items in the same line item as the offsetting loss or gain on the derivative instruments designated as hedging instruments.

The following table presents the gain/(loss) on hedged items and derivative instruments designated and qualifying as a fair value hedge included within the Statement of Consolidated Income for the year ended March 31, 2010 and three-month period ended March 31, 2009:

| <b>Year Ended March 31, 2010</b> |                                     | <b>Millions of Yen</b>                     |   |   |
|----------------------------------|-------------------------------------|--|---|---|
| <b>Income statement location</b> | <b>Hedged items</b>                 | <b>Gain (loss)<br/>on hedged<br/>items</b> | <b>Hedging instruments</b>                                | <b>Gain (loss)<br/>on hedging<br/>instruments</b> |
| Interest expense                 | Long-term debt                      | ¥ (10,454)                                 | Interest rate contracts and<br>foreign exchange contracts | ¥ 10,654  |
| Other (income) expense net       | Long-term debt                      | 200  | Foreign exchange contracts                                | (194)   |
| Cost of revenues                 | Firm commitments<br>and inventories | 1,128                                      | Commodity contracts                                       | (1,097)   |
| Total                            |                                     | ¥ (9,126)                                  |   | ¥ 9,363   |

**Three-Month Period Ended**

| <b>March 31, 2009</b>            |                     | <b>Millions of Yen</b>                     |   |   |
|----------------------------------|---------------------|--|---|---|
| <b>Income statement location</b> | <b>Hedged items</b> | <b>Gain (loss)<br/>on hedged<br/>items</b> | <b>Hedging instruments</b>                                | <b>Gain (loss)<br/>on hedging<br/>instruments</b> |
| Interest expense                 | Long-term debt      | ¥ 3,968                                    | Interest rate contracts and<br>foreign exchange contracts | ¥ (4,356)   |
| Other (income) expense net       | Long-term debt      | 9,848                                      | Foreign exchange contracts                                | (10,486)  |
| Total                            |                     | ¥ 13,816                                   |   | ¥ (14,842)  |

---

**Table of Contents**

**Notes to Consolidated Financial Statements (Continued)**

**Mitsui & Co., Ltd. and subsidiaries**

***Cash flow hedges***

Changes in the fair value of foreign exchange forward contracts, currency swap agreements and interest rate and currency swap agreements designated as hedging instruments to hedge the exposure to variability in expected future cash flows of recognized assets or liabilities, unrecognized firm commitments and forecasted transactions denominated in foreign currencies are initially recorded as other comprehensive income ( OCI ) to the extent they are effective. The amounts in accumulated other comprehensive income ( AOCI ) are reclassified into earnings when earnings are affected by the hedged items.

Changes in the fair value of interest rate swap agreements designated as hedging instruments to reduce the exposure to variability in expected future cash flows of floating-rate financial assets and liabilities are initially recorded as OCI to the extent they are effective. The amounts in AOCI are reclassified into earnings as interest income and expense when earnings are affected by the hedged items.

Changes in the fair value of commodity forward and swap contracts designated as hedging instruments to hedge the exposure to variability in expected future cash flows of the marketable commodities are initially recorded as OCI to the extent they are effective. The amounts in AOCI are reclassified into earnings as sales of products or cost of products sold when earnings are affected by the hedged transactions.

The ineffective portion of the hedging instruments gain or loss and the component of the derivative instruments gain or loss excluded from the assessment of hedge effectiveness are reported in earnings immediately. If the hedged forecasted transaction will not occur by the end of the originally specified time period, gain or loss on the hedging instrument reported in AOCI is reclassified into earnings. These amounts were immaterial for the years ended March 31, 2010 and 2008, and a net loss of ¥10,255 million for the year ended March 31, 2009.

The estimated net amount of the existing gains or losses in AOCI at March 31, 2010 that is expected to be reclassified into earnings within the next 12 months is a net gain of ¥918 million.

The maximum length of time over which the companies are hedging their exposure to the variability in expected future cash flows for forecasted transactions (excluding those forecasted transactions related to the payment of variable interest on existing financial instruments) is 13 months. Foreign exchange forward contracts are used as hedging instruments for the forecasted transactions.

***Hedges of the net investment in a foreign operation***

The foreign currency transaction gain or loss on the derivative instrument and the non-derivative financial instrument that are designated as, and are effective as, hedging instruments to hedge the foreign currency exposure of a net investment in a foreign operation are recorded as foreign currency translation adjustments within OCI to the extent they are effective as a hedge.

***Derivative instruments for trading purposes and risk management policy***

The Company and certain subsidiaries use derivative instruments such as foreign exchange forward contracts, interest rate swap agreements and commodity future, forward, swap and option contracts for trading purposes. The Company's executive officers in charge of risk management have set strict position and loss limits for these instruments. Independent back and middle offices strictly separated from trading sections (front offices) monitor, evaluate and analyze the position of trading transactions and market risks. Those results are periodically reported to the executive officers. Among others, VaR (Value at Risk: Statistical measure of the potential



**Table of Contents****Notes to Consolidated Financial Statements (Continued)****Mitsui & Co., Ltd. and subsidiaries**

maximum loss in the fair value of a portfolio resulting from adverse market movements in the underlying risk factors such as foreign currency exchange rates, interest rates and commodity prices, over a defined period, within a certain confidence level) is used to measure the market risks of derivative instruments for trading purposes.

The following table presents the fair value of derivative instruments included within the Consolidated Balance Sheets as of March 31, 2010 and 2009:

*Derivative instruments designated as hedging instruments under ASC 815 Derivatives and Hedging*

|                               | Balance sheet location                          | Millions of Yen           |                           | Balance sheet location      | March 31, 2010 Fair value | March 31, 2009 Fair value |
|-------------------------------|---|---------------------------|---------------------------|-----------------------------|---------------------------|---------------------------|
|                               |   | March 31, 2010 Fair value | March 31, 2009 Fair value |                             |                           |                           |
| <b>Derivative instruments</b> |   |                           |                           |                             |                           |                           |
| Foreign exchange contracts    | Derivative assets                               | ¥ 7,053                   | ¥ 8,276                   | Derivative liabilities      | ¥ 1,964                   | ¥ 2,669                   |
|                               | Non-current receivables, less unearned interest | 12,026                    | 13,960                    | Other Long-Term Liabilities | 3,544                     | 1,865                     |
| Interest rate contracts       | Derivative assets                               | 434                       | 537                       | Derivative liabilities      | 354                       | 766                       |
|                               | Non-current receivables, less unearned interest | 27,582                    | 25,600                    | Other Long-Term Liabilities | 4,959                     | 7,762                     |
| Commodity contracts           | Derivative assets                               | 966                       | 5,611                     | Derivative liabilities      | 889                       | 1,814                     |
| Total                         |   | ¥ 48,061                  | ¥ 53,984                  |                             | ¥ 11,710                  | ¥ 14,876                  |

**Table of Contents****Notes to Consolidated Financial Statements (Continued)****Mitsui & Co., Ltd. and subsidiaries***Derivative instruments not designated as hedging instruments under ASC 815 Derivatives and Hedging*

| Derivative instruments     | Balance sheet location                             | Millions of Yen           |                           | Balance sheet location      | March 31, 2010 Fair value | March 31, 2009 Fair value |
|----------------------------|--|---------------------------|---------------------------|-----------------------------|---------------------------|---------------------------|
|                            |  | March 31, 2010 Fair value | March 31, 2009 Fair value |                             |                           |                           |
| Foreign exchange contracts | Derivative assets                                  | ¥ 18,856                  | ¥ 32,032                  | Derivative liabilities      | ¥ 23,669                  | ¥ 43,513                  |
|                            | Non-current receivables, less unearned interest(*) | 10,434                    | 8,361                     | Other Long-Term Liabilities | 12,938                    | 12,003                    |
| Interest rate contracts    | Derivative assets                                  | 4,222                     | 246                       | Derivative liabilities      | 3,069                     | 119                       |
|                            | Non-current receivables, less unearned interest(*) | 8,497                     | 583                       | Other Long-Term Liabilities | 10,623                    | 2,700                     |
| Commodity contracts        | Derivative assets                                  | 919,170                   | 4,380,103                 | Derivative liabilities      | 919,872                   | 4,350,322                 |
|                            | Non-current receivables, less unearned interest(*) | 465,281                   | 1,381,968                 | Other Long-Term Liabilities | 481,513                   | 1,374,221                 |
| Credit contracts           |  |                           |                           | Derivative liabilities      |                           | 221                       |
|                            |  |                           |                           | Other Long-Term Liabilities | 32                        |                           |
| Total                      |  | ¥ 1,426,460               | ¥ 5,803,293               |                             | ¥ 1,451,716               | ¥ 5,783,099               |

(\*) The balance sheet location, Non-current receivables, less unearned interest has been corrected from Other Assets, which was shown in the financial statements for the year ended March 31, 2009.

As of March 31, 2010 and March 31, 2009, the amount of receivables in respect of cash collateral paid that was netted against derivative liabilities was ¥90,063 million and ¥260,366 million, respectively. The amount of payables associated with cash collateral received that was netted against derivative assets was ¥38,077 million and ¥132,511 million, respectively. Cash collateral receivables and payables of ¥19,763 million and ¥3,896 million, respectively, as of March 31, 2010, and ¥36,358 million and ¥19,415 million, respectively as of March 31, 2009 were not offset.

*Non-derivative designated as hedging instruments under ASC 815 Derivatives and Hedging*

| Hedging instruments               | Balance sheet location                     | Millions of Yen                |                                |
|-----------------------------------|--|--------------------------------|--------------------------------|
|                                   |  | March 31, 2010 Carrying amount | March 31, 2009 Carrying amount |
| Foreign-currency-denominated debt | Current maturities of long-term debt       | ¥ 10,770                       | ¥ 12,782                       |
|                                   | Long-term Debt, less Current Maturities(*) | 134,207                        | 90,047                         |

|       |   |         |   |         |
|-------|---|---------|---|---------|
| Total | ¥ | 144,977 | ¥ | 102,829 |
|-------|---|---------|---|---------|

(\*) The carrying amount in the above table of Long-term Debt, less Current Maturities at March 31, 2009 has been corrected due to immaterial error from ¥77,670 million to ¥90,047 million.

F-82

**Table of Contents****Notes to Consolidated Financial Statements (Continued)****Mitsui & Co., Ltd. and subsidiaries**

The following tables present the amount affecting the Statements of Consolidated Income and other comprehensive income for the year ended March 31, 2010 and three-month period ended March 31, 2009:

*Derivative instruments in ASC 815 fair value hedging relationships*

| Year Ended March 31, 2010  | Millions of Yen   |  |
|----------------------------|---|--|
| Derivative instruments     | Location of gain (loss) recognized in<br>income of derivative instruments | Amount of gain (loss)<br>recognized in income<br>on derivative instruments |
| Foreign exchange contracts | Interest expense  | ¥ 304  |
|                            | Other (income) expense net  | (194)  |
| Interest rate contracts    | Interest expense  | 10,350   |
| Commodity contracts        | Cost of products sold   | (1,097)  |
| <b>Total</b>               |   | <b>¥ 9,363</b>   |

**Three-Month Period Ended**

| March 31, 2009             | Millions of Yen   |  |
|----------------------------|---|--|
| Derivative instruments     | Location of gain (loss) recognized in<br>income of derivative instruments | Amount of gain (loss)<br>recognized in income<br>on derivative instruments |
| Foreign exchange contracts | Interest expense  | ¥ (260)  |
|                            | Other (income) expense net  | (10,486)   |
| Interest rate contracts    | Interest expense  | (4,096)  |
| <b>Total</b>               |   | <b>¥ (14,842)</b>  |

*Derivative instruments in ASC 815 cash flow relationships*

| Year Ended March 31, 2010  | Effective portion   |  | Ineffective portion and amount<br>excluded from effective testing          |  |  |
|----------------------------|---|--|--|--|--|
| Derivative instruments     | Amount<br>of<br>gain<br>(loss)<br>recognized<br>in OCI<br>on<br>derivative<br>instruments | Location of gain (loss)<br>reclassified from AOCI into<br>income | Amount<br>of<br>gain (loss)<br>reclassified<br>from<br>AOCI into<br>income | Location of gain (loss)<br>recognized in income on<br>derivative instruments | Amount<br>of<br>gain (loss)<br>recognized in<br>income on<br>derivative<br>instruments |
| Foreign exchange contracts | ¥ 11,551  | Sales of products  | ¥ 14,470   |  |  |
|                            |   | Sales of services  | (14)   |  |  |
|                            |   | Cost of products sold  | (49)   |  |  |

Edgar Filing: MITSUI & CO LTD - Form 20-F

|                         |          |                            |          |                   |        |
|-------------------------|----------|----------------------------|----------|-------------------|--------|
|                         |          | Other (income) expense net | (5,236)  |                   |        |
| Interest rate contracts | 289      | Interest income            | 5        |                   |        |
|                         |          | Interest expense           | 564      |                   |        |
| Commodity contracts     | 322      | Sales of products          | 6,262    | Sales of products | ¥ (74) |
|                         |          | Cost of products sold      | (38)     |                   |        |
| Total                   | ¥ 12,162 |                            | ¥ 15,964 |                   | ¥ (74) |

F-83

**Table of Contents****Notes to Consolidated Financial Statements (Continued)****Mitsui & Co., Ltd. and subsidiaries**

| Three-Month Period Ended   |   | Millions of Yen  |  |   |  |
|----------------------------|---|--|--|---|--|
| March 31, 2009             | Amount of gain (loss) recognized in OCI on derivative instruments | Effective portion Location of gain (loss) reclassified from AOCI into income | Amount of gain (loss) reclassified from AOCI into income | Ineffective portion and amount excluded from effective testing Location of gain (loss) recognized in income on derivative instruments | Amount of gain (loss) recognized in income on derivative instruments |
| Derivative instruments     |   |  |  |   |  |
| Foreign exchange contracts | ¥ 5,260   | Sales of products  | ¥ (14,218)   |   |  |
|                            |   | Sales of services  | 313  |   |  |
|                            |   | Cost of services sold  | (232)  |   |  |
|                            |   | Other (income) expense net   | 4,012  |   |  |
| Interest rate contracts    | (1,046)   | Interest income  | (3,418)  |   |  |
| Commodity contracts        | 4,388   | Cost of products sold  | (1,380)  | Cost of products sold   | ¥ (353)  |
| Total                      | ¥ 8,602   |  | ¥ (14,923)   |   | ¥ (353)  |

*Derivative instruments and hedging instruments in ASC 815 net investment hedging relationships*

| Year Ended                         |   | Millions of Yen  |  |   |  |
|------------------------------------|---|--|--|---|--|
| March 31, 2010                     | Amount of gain (loss) recognized in OCI on derivative instruments | Effective portion Location of gain (loss) reclassified from AOCI into income | Amount of gain (loss) reclassified from AOCI into income | Ineffective portion and amount excluded from effective testing Location of gain (loss) recognized in income on derivative instruments | Amount of gain (loss) recognized in income on derivative instruments |
| Derivative instruments             |   |  |  |   |  |
| Foreign exchange contracts         | ¥ 3,745   |  |  | Interest expense  | ¥ (221)  |
|                                    |   |  |  | Other (income) expense net  | 1,848  |
| Foreign-currency -denominated debt | 7,525   | Other (income) expense net   | ¥ (201)  | Other (income) expense net  | (10)   |
| Total                              | ¥ 11,270  |  | ¥ (201)  |   | ¥ 1,617  |

| Three-Month Period Ended |           | Millions of Yen   |           |  |           |
|--------------------------|-----------|---|-----------|--|-----------|
| March 31, 2009           | Amount of | Effective portion Location of gain (loss) reclassified from AOCI into | Amount of | Ineffective portion and amount excluded from effective testing Location of gain (loss) recognized in income on | Amount of |
| Derivative instruments   |           |   |           |  |           |
|                          |           |   |           |  |           |

Edgar Filing: MITSUI & CO LTD - Form 20-F

|                                    | gain<br>(loss)<br>recognized<br>in OCI on<br>derivative<br>instruments | income                     | gain<br>(loss)<br>reclassified<br>from<br>AOCI<br>into<br>income | derivative instruments     | recognized in<br>income on<br>derivative<br>instruments |
|------------------------------------|--|----------------------------|--|----------------------------|---|
| Foreign exchange contracts         | ¥ (9,595)  |                            |  | Other (income) expense net | ¥ 975   |
| Foreign-currency -denominated debt | (5,024)  | Other (income) expense net | ¥ (319)  |                            |   |
| Total                              | ¥ (14,619)   |                            | ¥ (319)  |                            | ¥ 975   |

F-84

**Table of Contents****Notes to Consolidated Financial Statements (Continued)****Mitsui & Co., Ltd. and subsidiaries***Derivative instruments not designated as hedging instruments under ASC 815***Year Ended March 31, 2010****Millions of Yen**

| <b>Derivative instruments</b> | <b>Location of gain (loss) recognized in<br/>income of derivative instruments</b> | <b>Amount of<br/>gain (loss)<br/>recognized in<br/>income on<br/>derivative<br/>instruments</b> |
|-------------------------------|---|---|
| Foreign exchange contracts    | Other sales   | ¥ (261)   |
|                               | Cost of products sold   | (712)   |
|                               | Interest income   | 50  |
|                               | Interest expense  | (372)   |
|                               | Other (income) expense net  | (17,780)  |
| Interest rate contracts       | Other sales   | (67)  |
|                               | Interest income   | 154   |
|                               | Interest expense  | 765   |
| Commodity contracts           | Other (income) expense net  | 510   |
|                               | Sales of products   | (14,011)  |
|                               | Other sales   | 15,120  |
|                               | Cost of products sold   | (16,517)  |
| Credit contracts              | Other (income) expense net  | 477   |
|                               | Other (income) expense net  | (389)   |
| <b>Total</b>                  |   | <b>¥ (33,033)</b>   |

**Three-Month Period Ended****March 31, 2009****Millions of Yen**

| <b>Derivative instruments</b> | <b>Location of gain (loss) recognized in<br/>income of derivative instruments</b> | <b>Amount of<br/>gain (loss)<br/>recognized in<br/>income on<br/>derivative<br/>instruments</b> |
|-------------------------------|---|---|
| Foreign exchange contracts    | Other sales   | ¥ 959   |
|                               | Cost of services sold   | (184)   |
|                               | Interest income   | 223   |
|                               | Interest expense  | (132)   |
|                               | Other (income) expense net  | (5,693)   |
| Interest rate contracts       | Other sales   | (1,103)   |
| Commodity contracts           | Sales of products   | (3,808)   |
|                               | Other sales   | (1,491)   |
|                               | Cost of products sold   | (979)   |
| Credit contracts              | Other (income) expense net  | 140   |
|                               | Other (income) expense net  | (117)   |



Total ¥ (12,185)

***Credit-risk-related contingent features***

Certain of the companies' derivative instruments mainly for commodity future, forward, option and swap contracts contain provisions that require the companies' debt to maintain a certain credit rating from each of the major credit rating agencies such as Standard & Poor's Services. If the credit rating of the companies' debt is to

F-85

**Table of Contents****Notes to Consolidated Financial Statements (Continued)****Mitsui & Co., Ltd. and subsidiaries**

fall below a designated credit rating, it will be in violation of these provisions, and the counterparties to the derivative instruments can request early termination or demand immediate and ongoing overnight collateralization on derivative instruments in net liability positions. The aggregate fair value of all derivative instruments with credit-risk-related contingent features that were in a liability position on March 31, 2010, was ¥124,643 million (¥31,211 million on the net basis of liability position after offsetting derivative assets against derivative liabilities in accordance with the adoption of ASC 210-20 Balance Sheet: Offsetting, which was formerly FIN No. 39, Offsetting of Amounts Related to Certain Contracts, an interpretation of APB Opinion No. 10 and FASB Statement No. 105). We have posted collateral of ¥18,289 million in the normal course of business associated with these contracts. If the credit-risk-related contingent features underlying these agreements were triggered on March 31, 2010, the aggregate fair value of additional assets that would be required to be posted as collateral and/or the aggregate fair value of assets needed to settle the instrument would be ¥14,097 million.

**25. FINANCIAL INSTRUMENTS****FAIR VALUE OF FINANCIAL INSTRUMENTS**

In accordance with the requirements of ASC 825-10-50, Disclosures about Fair Value of Financial Instruments, the companies have provided the following fair value estimates and information about valuation methodologies.

Quoted market prices, where available, are used to estimate fair values of financial instruments. However, quoted market prices are not available for a substantial portion of the financial instruments. Accordingly, fair values for such financial instruments are estimated using discounted cash flow analysis or other valuation techniques.

***Current financial assets other than marketable securities and current financial liabilities***

The carrying amount approximates the fair value of the majority of these instruments because of their short maturities.

***Marketable securities and other investments***

See Note 5, MARKETABLE SECURITIES AND OTHER INVESTMENTS, and Note 26, FAIR VALUE MEASUREMENTS.

***Non-current receivables and advances to associated companies***

The fair values of non-current receivables, including fixed rate, long-term loans receivable, are estimated by discounted cash flow analysis, using interest rates currently being offered for loans or accounts receivable with similar terms to borrowers or customers of similar credit quality and remaining maturities. The carrying amounts of loans with floating rates approximate the fair value.

***Long-term debt***

The fair values for long-term debt, except for debt with floating rates whose carrying amounts approximate fair value, are estimated by discounted cash flow analysis, using rates currently available for similar types of borrowings with similar terms and remaining maturities.

**Table of Contents****Notes to Consolidated Financial Statements (Continued)****Mitsui & Co., Ltd. and subsidiaries*****Financial guarantees and financing commitments***

The fair values of financial guarantees are estimated based on the present values of expected future cash flows, considering the remaining terms of the arrangements and the counterparties' credit standings.

The companies have not estimated the fair values of financing commitments because management does not believe it is practicable to estimate the fair values due to uncertainty involved in attempting to assess the likelihood and timing of commitments being drawn upon, coupled with the lack of an established market. However, management believes the likelihood is remote that material payments will be required under these financing commitments.

***Derivative financial instruments***

See Note 26, FAIR VALUE MEASUREMENTS.

The estimated fair values of certain financial instruments at March 31, 2010 and 2009 were as follows:

|  | Millions of Yen    |             |                    |             |
|--|--------------------|-------------|--------------------|-------------|
|  | 2010               |             | 2009               |             |
|  | Carrying<br>amount | Fair value  | Carrying<br>amount | Fair value  |
| <b>Financial Assets (other than derivative financial instruments):</b>                                 |                    |             |                    |             |
| Current financial assets other than marketable securities  | ¥ 3,467,283        | ¥ 3,467,283 | ¥ 3,328,151        | ¥ 3,328,151 |
| Non-current receivables and advances to associated companies (less allowance for doubtful receivables) | 267,594            | 268,190     | 296,517            | 298,231     |
| <b>Financial Liabilities (other than derivative financial instruments):</b>                            |                    |             |                    |             |
| Current financial liabilities  | 1,824,030          | 1,824,030   | 2,055,416          | 2,055,416   |
| Long-term debt (including current maturities)  | 3,386,747          | 3,444,758   | 3,408,206          | 3,476,001   |

Note: The amounts of Carrying amount and Fair value related to Non-current receivables and advances to associated companies (less allowance for doubtful receivables) at March 31, 2009 have been corrected due to an immaterial error from ¥358,676 million and ¥360,390 million to ¥296,517 million and ¥298,231 million, respectively.

**CONCENTRATION OF CREDIT RISK**

The companies' global operations include a variety of businesses with diverse customers and suppliers, which reduces concentrations of credit risks. The companies mainly deal with selective international financial institutions to minimize the credit risk exposure of derivative financial instruments. Credit risk represents the likelihood that the counterparties may be unable to meet the terms of the agreements. Management does not expect any significant losses as a result of counterparty default on financial instruments. Credit risk is managed with approvals of credit line by management and monitoring counterparty's operations continuously. The companies require counterparty to post collateral, if necessary.

**Table of Contents**

**Notes to Consolidated Financial Statements (Continued)**

**Mitsui & Co., Ltd. and subsidiaries**

**26. FAIR VALUE MEASUREMENTS**

ASC 820 Fair Value Measurements and Disclosures, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 Fair Value Measurements and Disclosures establishes the fair value hierarchy that may be used to measure fair value which is provided as follows:

*Level 1*

Quoted prices (unadjusted) in active markets for identical assets or liabilities.

*Level 2*

Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include the following:

- (1) Quoted prices for similar assets or liabilities in active markets
- (2) Quoted prices for identical or similar assets or liabilities in markets that are not active
- (3) Inputs other than quoted prices that are observable for the asset or liability
- (4) Inputs that are derived principally from or corroborated by observable market data by correlation or other means

*Level 3*

Unobservable inputs for the asset or liability.

Effective January 1, 2010, the companies adopted ASU 2010-06, Improving Disclosures about Fair Value Measurements, and recognize transfers of assets or liabilities between levels of the fair value hierarchy as of the end of each reporting period when the transfers occur.

***Valuation Techniques***

Primary valuation techniques used for each financial instrument and nonfinancial asset measured at fair value are as follows:

*Securities*

Marketable equity securities and debt securities are measured at fair value.

Publicly-traded, marketable equity securities are valued using quoted market prices and classified as level 1.

## Edgar Filing: MITSUI & CO LTD - Form 20-F

Debt securities, consisting principally of preferred stock that must be redeemed and government bonds, are valued using a discounted cash flow analysis or quoted prices obtained from third parties, and classified as level 2.

The financing bills and commercial papers included in cash and cash equivalents are valued using quoted prices obtained from third parties. These are classified as level 2.

F-88

**Table of Contents**

**Notes to Consolidated Financial Statements (Continued)**

**Mitsui & Co., Ltd. and subsidiaries**

In the event of an other-than-temporary decline in fair value of non-marketable equity securities and investments in associated companies, these are measured at fair value. The investments in listed associated companies are valued based on quoted market prices. These are classified as level 1. The investments in unlisted associated companies and non-marketable equity securities are valued based on the net assets value of its investment adjusted using cash flows and other factors that would impact the fair value. These are classified as level 3.

*Derivative Instruments*

Derivative instruments mainly consist of derivative commodity instruments and derivative financial instruments.

Exchange-traded derivative commodity instruments valued using quoted market prices are classified as level 1. The valuation for certain derivative commodity instruments is based upon adjusted quoted prices. These derivative commodity instruments are classified as level 2 or level 3 depending on the level of adjustment made.

Derivative financial instruments classified as level 2 are mainly valued by a discounted cash flow analysis using foreign exchange and interest rates or quoted prices currently available for similar types of agreements.

*Nonfinancial Assets*

Long-lived assets include tangible assets and identifiable intangible assets subject to amortization.

The assets are valued based on independent appraisals, prices for similar assets or discounted future cash flows whichever management considers most appropriate and categorized as level 3.

Goodwill classified as level 3 is mainly valued on the basis of the fair value of the subsidiary, which is measured using discounted cash flows or third party valuations.

**Table of Contents****Notes to Consolidated Financial Statements (Continued)****Mitsui & Co., Ltd. and subsidiaries****Assets and liabilities measured at fair value on a recurring basis**

Assets and liabilities measured at fair value on a recurring basis at March 31, 2010 and March 31, 2009 are as follows:

| March 31, 2010   | Millions of Yen<br>Fair value measurements using |             |          | Netting<br>adjustments* | Total fair<br>value |
|--|--|-------------|----------|-------------------------|---------------------|
|  | Level 1  | Level 2     | Level 3  |                         |                     |
| <b>Assets:</b>   |  |             |          |                         |                     |
| Equity securities and debt securities:                 |  |             |          |                         |                     |
| Marketable equity securities (Japan)                   | ¥ 416,844  |             |          |                         |                     |
| Marketable equity securities (Non-Japan)               | 59,335   |             | ¥ 8,663  |                         |                     |
| Preferred stock that must be redeemed                  |  | ¥ 74,595    |          |                         |                     |
| Government bonds                                       |  | 8,036       |          |                         |                     |
| Other securities                                       |  | 1,891       |          |                         |                     |
| Total equity securities and debt securities            | ¥ 476,179  | ¥ 84,522    | ¥ 8,663  |                         | ¥ 569,364           |
| Derivative assets                                      |  |             |          |                         |                     |
| Foreign exchange contracts                             |  | ¥ 48,369    |          |                         |                     |
| Interest rate contracts                                | ¥ 3,104  | 37,631      |          |                         |                     |
| Commodity contracts                                    | 16,531   | 1,367,885   | ¥ 1,001  |                         |                     |
| Total derivative assets (current and non-current)      | ¥ 19,635   | ¥ 1,453,885 | ¥ 1,001  | ¥ (1,296,721)           | ¥ 177,800           |
| Total assets   | ¥ 495,814  | ¥ 1,538,407 | ¥ 9,664  | ¥ (1,296,721)           | ¥ 747,164           |
| <b>Liabilities:</b>                                    |  |             |          |                         |                     |
| Derivative liabilities                                 |  |             |          |                         |                     |
| Foreign exchange contracts                             |  | ¥ 42,115    |          |                         |                     |
| Interest rate contracts                                | ¥ 2,697  | 16,308      |          |                         |                     |
| Commodity contracts                                    | 18,475   | 1,376,247   | ¥ 7,552  |                         |                     |
| Other contracts  | 32   |             |          |                         |                     |
| Total derivative liabilities (current and non-current) | ¥ 21,204   | ¥ 1,434,670 | ¥ 7,552  | ¥ (1,348,707)           | ¥ 114,719           |
| Total liabilities                                      | ¥ 21,204   | ¥ 1,434,670 | ¥ 7,552  | ¥ (1,348,707)           | ¥ 114,719           |
| <b>March 31, 2009</b>                                  |  |             |          |                         |                     |
| March 31, 2009   | Millions of Yen<br>Fair value measurements using |             |          | Netting<br>adjustments* | Total fair<br>value |
|  | Level 1  | Level 2     | Level 3  |                         |                     |
| <b>Assets:</b>   |  |             |          |                         |                     |
| Equity securities and debt securities                  | ¥ 398,676  | ¥ 86,788    |          |                         | ¥ 485,464           |
| Derivative assets (current and non-current)            | 2,972  | 5,849,246   | ¥ 5,059  | ¥ (5,479,748)           | 377,529             |
| Total assets   | ¥ 401,648  | ¥ 5,936,034 | ¥ 5,059  | ¥ (5,479,748)           | ¥ 862,993           |
| <b>Liabilities:</b>                                    |  |             |          |                         |                     |
| Derivative liabilities (current and non-current)       | ¥ 3,638  | ¥ 5,771,858 | ¥ 22,479 | ¥ (5,607,603)           | ¥ 190,372           |

Edgar Filing: MITSUI & CO LTD - Form 20-F

\* Amounts of netting adjustments include the impact of legally enforceable master netting agreements that allow the companies to settle positive and negative positions and also cash collateral held or placed with the same counterparties.

F-90



**Table of Contents****Notes to Consolidated Financial Statements (Continued)****Mitsui & Co., Ltd. and subsidiaries**

Reconciliation for all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended March 31, 2010 is as follows:

|  | Millions of Yen   |                      |   |  |                                      |                         |                | The amount of total losses for the year included in earnings attributable to the change in unrealized gains or losses relating to assets still held at the reporting date |
|--|---|----------------------|---|--|--------------------------------------|-------------------------|----------------|---|
|  | Fair value measurements using significant unobservable inputs (Level 3) |                      |   |  |                                      |                         |                |   |
|  | Beginning balance   | Included in earnings | Included in other comprehensive income (loss) | Purchases, sales, issuances, and settlements | Transfers into and/or out of Level 3 | Translation adjustments | Ending balance |   |
| Derivative assets (liabilities) net      |   |                      |   |  |                                      |                         |                |   |
| Commodity contracts                      | ¥ (17,420)  | ¥ 898                |   | ¥ 14,500                                     | ¥ (5,635)                            | ¥ 1,106                 | ¥ (6,551)      | ¥ (6,554)   |
| Equity securities and debt securities    |   |                      |   |  |                                      |                         |                |   |
| Marketable equity securities (Non-Japan) |   | (1,941)              |   | 1,322  | 9,613                                | (331)                   | 8,663          | (1,635)   |

|   | Millions of Yen |                       |                                  |           | Total losses |
|---|-----------------|-----------------------|----------------------------------|-----------|--------------|
|   | Other sales     | Cost of products sold | Loss on write-down of securities |           |              |
| Total gains or (losses) included in earnings for the year                       | ¥ 1,315         | ¥ (2,052)             | ¥ (306)                          | ¥ (1,043) |              |
| Change in unrealized losses relating to assets still held at the reporting date | (6,987)         | (1,202)               |                                  | (8,189)   |              |

Reconciliation for all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended March 31, 2009 is as follows:

|                   | Millions of Yen   |   |                                    |                |  | The amount of total gains for the year included in earnings attributable to the change in unrealized gains or losses relating to assets still held at the |
|-------------------|---|---|------------------------------------|----------------|--|---|
|                   | Fair value measurements using significant unobservable inputs (Level 3) |   |                                    |                |  |   |
| Beginning balance | Total gains or losses (realized/unrealized)                             | Purchases, sales, issuances, and settlements  | Transfers in and/or out of Level 3 | Ending balance |  |   |
|                   | Included in earnings  | Included in other comprehensive income (loss) |                                    |                |  |   |
|                   |   |   |                                    |                |  |   |

Edgar Filing: MITSUI & CO LTD - Form 20-F

|                                     |         |           |         |            |            |         |
|-------------------------------------|---------|-----------|---------|------------|------------|---------|
| Derivative assets (liabilities) net | ¥ 4,040 | ¥ (2,560) | ¥ (953) | ¥ (17,947) | ¥ (17,420) | ¥ 1,598 |
|-------------------------------------|---------|-----------|---------|------------|------------|---------|

reporting date

Gains and losses (realized and unrealized) included in earnings for the year ended March 31, 2009 are recorded in the Statements of Consolidated Income as follows:

|  | Other sales | Millions of Yen<br>Cost of products<br>sold | Total gains<br>(losses) |
|--|-------------|---|-------------------------|
| Total gains or (losses) included in earnings for the year                      | ¥ (3,271)   | ¥ 711                                       | ¥ (2,560)               |
| Change in unrealized gains relating to assets still held at the reporting date | 838         | 760   | 1,598                   |

F-91

**Table of Contents****Notes to Consolidated Financial Statements (Continued)****Mitsui & Co., Ltd. and subsidiaries****Assets and liabilities measured at fair value on a nonrecurring basis**

Certain non-marketable equity securities and investments in associated companies are written down to fair value if the fair value of these investments has declined and such decline is judged to be other-than-temporary. The investments in listed associated companies are measured at fair value using unadjusted quoted prices in active markets for identical assets. Non-marketable equity securities and investments in unlisted associated companies are primarily valued by unobservable inputs based on financial information obtained from counterparties or third parties.

Financial assets measured at fair value on a nonrecurring basis for the years ended March 31, 2010 and March 31, 2009 are as follows:

|  | Millions of Yen |                               |         |          | Year Ended<br>March<br>31, 2010<br>Total losses |
|--|-----------------|-------------------------------|---------|----------|---|
|  | Fair value      | Fair value measurements using |         |          |   |
|  | Fair value      | Level 1                       | Level 2 | Level 3  |   |
| <b>Non-marketable equity securities</b>    |                 |                               |         |          |   |
| Japan                                      | ¥ 11,832        |                               | ¥ 2,735 | ¥ 9,097  | ¥ (26,992)                                      |
| Non-Japan                                  | 4,363           |                               |         | 4,363    | (4,396)   |
| Total non-marketable equity securities     | ¥ 16,195        |                               | ¥ 2,735 | ¥ 13,460 | ¥ (31,388)                                      |
| <b>Investments in associated companies</b> |                 |                               |         |          |   |
| Japan                                      | ¥ 43,366        | ¥ 43,366                      |         |          | ¥ (16,075)                                      |
| Non-Japan                                  | 1,270           |                               |         | ¥ 1,270  | (12,377)  |
| Total investments in associated companies  | ¥ 44,636        | ¥ 43,366                      |         | ¥ 1,270  | ¥ (28,452)                                      |

|   | Millions of Yen |                               |         |          | Year Ended<br>March<br>31, 2009<br>Total losses |
|---|-----------------|-------------------------------|---------|----------|---|
|   | Fair value      | Fair value measurements using |         |          |   |
|   | Fair value      | Level 1                       | Level 2 | Level 3  |   |
| <b>Non-marketable equity securities</b> |                 |                               |         |          |   |
| Japan                                   | ¥ 31,914        |                               |         | ¥ 31,914 | ¥ (38,263)                                      |
| Investments in associated companies     | 108,627         | ¥ 96,427                      |         | 12,200   | (75,406)  |

Long-lived assets are reviewed for impairment using undiscounted future cash flows whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If the sum of the undiscounted future cash flows is less than the carrying amount of the assets, the assets are determined to be impaired and written down to the amount of fair value. Long-lived assets are primarily valued by unobservable inputs based on an operating plan reflecting the most recent condition of the long-lived assets or prices for similar assets.

The carrying amount of goodwill is assessed for impairment annually or upon the occurrence of an indicator of impairment. If the implied fair value of goodwill, which is measured on the basis of the fair value of the subsidiary, falls below the carrying amount of goodwill, an impairment loss is recognized in the amount equal to the excess of the carrying amount of goodwill over the implied fair value of goodwill. Goodwill is primarily valued by unobservable inputs based on financial information including the business plan of the subsidiary.



**Table of Contents****Notes to Consolidated Financial Statements (Continued)****Mitsui & Co., Ltd. and subsidiaries**

Nonfinancial assets measured at fair value on a nonrecurring basis for the year ended March 31, 2010 are as follows:

|                   | Millions of Yen<br>Fair value measurements using |         |         |         | Year Ended     |
|-------------------|--|---------|---------|---------|----------------|
|                   | Fair value                                       | Level 1 | Level 2 | Level 3 | March 31, 2010 |
| Long-lived assets | ¥ 7,324  |         |         | ¥ 7,324 | ¥ (8,715)      |
| Goodwill          | 5,428  |         |         | 5,428   | (9,907)        |

**27. SUPPLEMENTAL CASH FLOW INFORMATION**

Supplemental information related to the Statements of Consolidated Cash Flows is as follows:

|  | Millions of Yen |          |           |
|--|-----------------|----------|-----------|
|  | 2010            | 2009     | 2008      |
| Cash paid during the year for:   |                 |          |           |
| Interest   | ¥ 59,103        | ¥ 83,962 | ¥ 110,013 |
| Income taxes, net of refunds (Note 20)   | 106,256         | 254,951  | 184,325   |
| Non-cash investing and financing activities:   |                 |          |           |
| Exchange of shares in connection with business combinations and reorganizations involving investees: |                 |          |           |
| Fair market value of shares received   |                 | 29,600   | 26,787    |
| Cost of shares surrendered   |                 | 24,358   | 23,390    |
| Common stock issued upon conversion of convertible bonds   | 3,705           | 4,159    | 28,616    |
| Acquisitions of subsidiaries (Note 3):   |                 |          |           |
| Fair value of assets acquired  |                 | 19,409   | 117,483   |
| Fair value of liabilities assumed  |                 | 7,383    | 59,000    |
| Acquisition costs of subsidiaries  |                 | 12,026   | 58,483    |
| Non-cash acquisition cost  |                 |          | 3,316     |
| Pre-acquisition carrying amount of equity method investment  |                 | 3,026    |           |
| Cash acquired  |                 | 7,792    | 2,951     |
| Acquisitions of subsidiaries, net of cash acquired   |                 | 1,208    | 52,216    |

**28. SUBSEQUENT EVENTS*****The Oil Spill Incident of a Drilling Rig in the Gulf of Mexico***

On April 20, 2010, a third party semi-submersible drilling rig, known as the Deepwater Horizon rig, which was conducting exploration work on the Mississippi Canyon 252 block in the Gulf of Mexico, experienced an explosion, which sank the rig and resulted in a spill of hydrocarbons from the well. Since the explosion, there has been an on-going, large-scale well-control and clean-up effort. MOEX Offshore 2007 LLC ( MOEX Offshore ) holds a 10% minority non-operating interest in the Mississippi Canyon 252 lease on which the Deepwater Horizon rig was drilling. MOEX Offshore is a wholly owned subsidiary of MOEX USA Corporation (MOEX USA), which in turn is wholly owned by Mitsui Oil Exploration Co., Ltd. ( MOECO ), in which Mitsui & Co., Ltd. ( Mitsui ) holds a 69.91% equity interest.



---

**Table of Contents**

**Notes to Consolidated Financial Statements (Continued)**

**Mitsui & Co., Ltd. and subsidiaries**

MOEX Offshore has received, and expects to continue to receive, invoices from BP Exploration and Production Inc. ( BP ) seeking reimbursement of costs incurred by BP related to BP 's response to the Deepwater Horizon incident. As of August 13, 2010, the aggregate amount of costs covered by these invoices is approximately US\$974 million. In light of the numerous ongoing investigations that are currently taking place to determine the facts and circumstances surrounding the incident, the numerous lawsuits that are pending and the others that are expected to be commenced against MOEX Offshore and its affiliates and the provisions of the operating agreement relating to the well that affect the respective rights and responsibilities of the three holders of interests in the lease for costs associated with the incident, MOEX Offshore is undertaking a very careful and independent review of BP 's claims for reimbursement. For the reasons expressed above, MOEX Offshore is withholding payment of the referenced invoices, pending further discussions with BP and its affiliates and the resolution of the outstanding issues referenced above.

MOECO, MOEX USA, MOEX Offshore and Mitsui & Co. (U.S.A.), Inc. have been named as defendants in various legal actions.

Given our indirect equity interest in a non-operating interest holder of the lease on which the Deepwater Horizon rig was drilling, and in light of the outstanding issues referenced above, we are currently unable to estimate the potential liability of MOEX Offshore or its affiliates, if any, for the costs associated with the Deepwater Horizon incident in the Gulf of Mexico.

Mitsui recognized the impairment losses for the amount to acquire the interest of this lease that were booked as Property and Equipment (Mineral rights) in Impairment loss of long-lived assets, and also recognized expenses relating to the well in Other expense net for the three-month period ended June 30, 2010. Other than that, Mitsui is unable, at this time, to determine the impact, if any, the damage of the incident will have on its future consolidated financial position, consolidated operating results or consolidated cash flows.

***Acquisition of natural-gas-fired power stations in Mexico***

On June 2, 2010, MT Falcon Holdings Company S.A.P.I. de C.V., a 70% owned subsidiary of the Company, acquired a portfolio of companies holding five gas-fired combined cycle power stations in Mexico, as well as relevant companies including a pipeline company for ¥112,324 million (U.S.\$1,241 million), as further discussed in Note 3.

***Approval for the payment of a cash dividend***

On June 23, 2010, the shareholders approved the payment of a cash dividend to shareholders of record on March 31, 2010 of ¥11 per share or a total of ¥20,081 million at the Company 's ordinary general meeting of shareholders.

**Table of Contents****SUPPLEMENTAL INFORMATION ON OIL AND GAS PRODUCING ACTIVITIES (UNAUDITED)**

In accordance with Accounting Standard Codification ( ASC ) 932 Extractive Activities-Oil and Gas , this section provides supplemental information on oil and gas exploration and producing activities of the companies in five separate tables. Tables 1 through 3 provide historical cost information pertaining to costs incurred for property acquisitions, exploration and development; capitalized cost; and results of operations. Tables 4 and 5 present information on the companies' estimated net proved reserve quantities and standardized measure of estimated discounted future net cash flows related to proved reserves. The amounts for investments that are accounted for by the equity method are separately presented as Associated Companies, for which the companies' share of the investees' information on oil and gas producing activities is presented in the following tables.

In January 2010, the FASB issued Accounting Standard Update No. 2010-03 Extractive Activities - Oil and Gas (Topic 932) (hereinafter ASU 2010-03 ) to amend existing oil and natural gas reserve accounting and disclosure guidance to align its requirements with SEC's revised rules. In line with them, the regional analysis presented below is on a continent basis, with separate disclosure for countries that contain 15% or more of the total proved reserves. The comparative information for 2009 and 2008 is also presented on this basis. The Consolidated Companies' column includes activities in Australia/Oceania , Thai/Asia , Middle East (Qatar and Oman) and Others (North America and Africa). The Associated Companies' column includes activities in Australia/Oceania and Thai/Asia . The Associated Companies' column of the following tables includes information on liquefied natural gas ( LNG ) producing activities as an integral part of natural gas producing activities.

**TABLE 1. COSTS INCURRED FOR PROPERTY ACQUISITION, EXPLORATION AND DEVELOPMENT \***

|                                    | Millions of Yen        |               |                |          |                       |               |           |
|------------------------------------|------------------------|---------------|----------------|----------|-----------------------|---------------|-----------|
|                                    | Consolidated Companies |               |                |          | Associated Companies  |               |           |
|                                    | Australia/<br>Oceania  | Thai/<br>Asia | Middle<br>East | Others   | Australia/<br>Oceania | Thai/<br>Asia | Worldwide |
| <b>Year Ended March 31, 2010:</b>  |                        |               |                |          |                       |               |           |
| Acquisition of Proved Properties   |                        |               |                |          |                       |               |           |
| Acquisition of Unproved Properties |                        | ¥ 7           |                | ¥ 277    |                       |               | ¥ 284     |
| Exploration                        | ¥ 3,743                | 1,826         | ¥ 101          | 7,374    | ¥ 142                 | ¥ 25          | 13,211    |
| Development                        | 11,153                 | 35,936        | 9,174          | 3,350    | 13,975                | 3,176         | 76,764    |
| Total Costs Incurred               | ¥ 14,896               | ¥ 37,769      | ¥ 9,275        | ¥ 11,001 | ¥ 14,117              | ¥ 3,201       | ¥ 90,259  |
| <b>Year Ended March 31, 2009:</b>  |                        |               |                |          |                       |               |           |
| Acquisition of Proved Properties   |                        | ¥ 7,177       |                |          |                       |               | ¥ 7,177   |
| Acquisition of Unproved Properties | ¥ 2,026                | 25            |                | ¥ 2,385  |                       |               | 4,436     |
| Exploration                        | 9,331                  | 2,872         | ¥ 870          | 13,221   | ¥ 823                 | ¥ 30          | 27,147    |
| Development                        | 20,393                 | 25,340        | 6,771          | 2,864    | 14,822                | 3,948         | 74,138    |
| Total Costs Incurred               | ¥ 31,750               | ¥ 35,414      | ¥ 7,641        | ¥ 18,470 | ¥ 15,645              | ¥ 3,978       | ¥ 112,898 |
| <b>Year Ended March 31, 2008:</b>  |                        |               |                |          |                       |               |           |
| Acquisition of Proved Properties   |                        | ¥ 13,499      |                |          |                       | ¥ 3,701       | ¥ 17,200  |
| Acquisition of Unproved Properties |                        | 83            |                | 763      |                       | 3,039         | 3,885     |
| Exploration                        | ¥ 6,801                | 2,901         | ¥ 397          | ¥ 4,657  | ¥ 647                 | 63            | 15,466    |
| Development                        | 35,908                 | 22,371        | 6,035          | 473      | 18,127                | 3,090         | 86,004    |
| Total Costs Incurred               | ¥ 42,709               | ¥ 38,854      | ¥ 6,432        | ¥ 5,893  | ¥ 18,774              | ¥ 9,893       | ¥ 122,555 |

\* Includes costs incurred whether capitalized or expensed and capitalized asset retirement costs incurred in accordance with ASC 410 Asset Retirement and Environmental Obligations .





**Table of Contents****TABLE 2. CAPITALIZED COSTS RELATED TO OIL AND GAS PRODUCING ACTIVITIES**

|  | Millions of Yen<br>Consolidated Companies |               |                |          | Associated Companies  |               |           |
|--|---|---------------|----------------|----------|-----------------------|---------------|-----------|
|  | Australia/<br>Oceania                     | Thai/<br>Asia | Middle<br>East | Others   | Australia/<br>Oceania | Thai/<br>Asia | Worldwide |
| <b>Year Ended March 31, 2010:</b>  |   |               |                |          |                       |               |           |
| Proved Properties*   | ¥ 164,707                                 | ¥ 373,543     | ¥ 68,463       | ¥        | ¥ 189,125             | ¥ 48,452      | ¥ 844,290 |
| Unproved Properties  | 10,077                                    | 3,017         |                | 8,498    |                       | 5,137         | 26,729    |
| Gross Capitalized Properties   | 174,784                                   | 376,560       | 68,463         | 8,498    | 189,125               | 53,589        | 871,019   |
| Accumulated Depreciation, Depletion, Amortization and Valuation Allowances | 104,207                                   | 273,557       | 39,658         | 1,927    | 94,803                | 34,995        | 549,147   |
| Net Capitalized Costs  | ¥ 70,577                                  | ¥ 103,003     | ¥ 28,805       | ¥ 6,571  | ¥ 94,322              | ¥ 18,594      | ¥ 321,872 |
| <b>Year Ended March 31, 2009:</b>  |   |               |                |          |                       |               |           |
| Proved Properties*   | ¥ 156,655                                 | ¥ 336,371     | ¥ 62,383       | ¥ 52,566 | ¥ 147,485             | ¥ 34,536      | ¥ 789,996 |
| Unproved Properties  | 11,325                                    | 2,287         |                | 12,687   |                       | 5,051         | 31,350    |
| Gross Capitalized Properties   | 167,980                                   | 338,658       | 62,383         | 65,253   | 147,485               | 39,587        | 821,346   |
| Accumulated Depreciation, Depletion, Amortization and Valuation Allowances | 83,947                                    | 253,397       | 30,670         | 16,317   | 69,870                | 22,391        | 476,592   |
| Net Capitalized Costs  | ¥ 84,033                                  | ¥ 85,261      | ¥ 31,713       | ¥ 48,936 | ¥ 77,615              | ¥ 17,196      | ¥ 344,754 |
| <b>Year Ended March 31, 2008:</b>  |   |               |                |          |                       |               |           |
| Proved Properties*   | ¥ 142,489                                 | ¥ 280,752     | ¥ 58,240       | ¥ 53,719 | ¥ 182,443             | ¥ 36,944      | ¥ 754,587 |
| Unproved Properties  | 6,720                                     | 10,731        |                | 2,298    |                       | 4,493         | 24,242    |
| Gross Capitalized Properties   | 149,209                                   | 291,483       | 58,240         | 56,017   | 182,443               | 41,437        | 778,829   |
| Accumulated Depreciation, Depletion, Amortization and Valuation Allowances | 35,843                                    | 207,663       | 21,780         | 10,945   | 90,329                | 23,014        | 389,574   |
| Net Capitalized Costs  | ¥ 113,366                                 | ¥ 83,820      | ¥ 36,460       | ¥ 45,072 | ¥ 92,114              | ¥ 18,423      | ¥ 389,255 |

\* Includes capitalized asset retirement costs in accordance with ASC 410.

**Table of Contents****TABLE 3. RESULTS OF OPERATIONS FOR OIL AND GAS PRODUCING ACTIVITIES**

The companies' results of operations from oil and gas producing activities are shown in the following table. In accordance with ASC 932, income taxes are based on statutory tax rates. Interest income and expense are excluded from the results reported.

|  | Millions of Yen<br>Consolidated Companies |               |                |           | Associated Companies  |               |           |
|--|---|---------------|----------------|-----------|-----------------------|---------------|-----------|
|  | Australia/<br>Oceania                     | Thai/<br>Asia | Middle<br>East | Others    | Australia/<br>Oceania | Thai/<br>Asia | Worldwide |
| <b>Year Ended March 31, 2010:</b>  |   |               |                |           |                       |               |           |
| Sales to Unaffiliated Enterprises  | ¥ 45,854                                  | ¥ 73,059      | ¥ 3,058        | ¥ 11,820  | ¥ 72,955              | ¥ 11,686      | ¥ 218,432 |
| Transfers to Affiliated Enterprises  | 9,795                                     |               | 30,133         |           |                       |               | 39,928    |
| Total Revenues   | 55,649                                    | 73,059        | 33,191         | 11,820    | 72,955                | 11,686        | 258,360   |
| Production Costs   | 11,365                                    | 7,746         | 4,399          | 4,307     | 22,260                | 3,723         | 53,800    |
| Exploration Expenses   | 2,792                                     | 2,926         | 267            | 8,744     | 273                   | 12            | 15,014    |
| Depreciation, Depletion, Amortization, Accretion and<br>Valuation Allowances | 23,098                                    | 20,275        | 10,567         | 8,322     | 6,808                 | 4,675         | 73,745    |
| Income Tax Expenses  | 11,893                                    | 22,073        | 11,314         | 242       | 13,022                | 1,809         | 60,353    |
| Results of Operations for Oil and Gas Producing Activities                   | ¥ 6,501                                   | ¥ 20,039      | ¥ 6,644        | ¥ (9,795) | ¥ 30,592              | ¥ 1,467       | ¥ 55,448  |
| <b>Year Ended March 31, 2009:</b>  |   |               |                |           |                       |               |           |
| Sales to Unaffiliated Enterprises  | ¥ 96,307                                  | ¥ 95,778      | ¥ 5,149        | ¥ 27,537  | ¥ 87,737              | ¥ 11,660      | ¥ 324,168 |
| Transfers to Affiliated Enterprises  | 13,970                                    |               | 50,136         |           | 14,034                |               | 78,140    |
| Total Revenues   | 110,277                                   | 95,778        | 55,285         | 27,537    | 101,771               | 11,660        | 402,308   |
| Production Costs   | 16,643                                    | 12,739        | 4,849          | 10,330    | 27,186                | 3,922         | 75,669    |
| Exploration Expenses   | 6,683                                     | 3,832         | 593            | 5,512     | 715                   | 63            | 17,398    |
| Depreciation, Depletion, Amortization, Accretion and<br>Valuation Allowances | 53,096                                    | 19,121        | 9,192          | 9,056     | 4,508                 | 3,138         | 98,111    |
| Income Tax Expenses  | 7,388                                     | 31,943        | 23,885         | 2,548     | 16,553                | 2,298         | 84,615    |
| Results of Operations for Oil and Gas Producing Activities                   | ¥ 26,467                                  | ¥ 28,143      | ¥ 16,766       | ¥ 91      | ¥ 52,809              | ¥ 2,239       | ¥ 126,515 |
| <b>Year Ended March 31, 2008:</b>  |   |               |                |           |                       |               |           |
| Sales to Unaffiliated Enterprises  | ¥ 75,827                                  | ¥ 98,512      | ¥ 5,002        | ¥ 19,100  | ¥ 59,715              | ¥ 13,034      | ¥ 271,190 |
| Transfers to Affiliated Enterprises  | 11,167                                    |               | 39,099         |           | 12,478                | 0             | 62,744    |
| Total Revenues   | 86,994                                    | 98,512        | 44,101         | 19,100    | 72,193                | 13,034        | 333,934   |
| Production Costs   | 7,256                                     | 10,427        | 4,023          | 6,308     | 22,868                | 4,532         | 55,414    |
| Exploration Expenses   | 6,801                                     | 3,474         | 257            | 789       | 638                   |               | 11,959    |
| Depreciation, Depletion, Amortization, Accretion and<br>Valuation Allowances | 34,655                                    | 21,264        | 5,447          | 8,184     | 5,854                 | 3,462         | 78,866    |
| Income Tax Expenses  | 21,737                                    | 38,081        | 18,965         | 1,446     | 12,778                | 2,537         | 95,544    |
| Results of Operations for Oil and Gas Producing Activities                   | ¥ 16,545                                  | ¥ 25,266      | ¥ 15,409       | ¥ 2,373   | ¥ 30,055              | ¥ 2,503       | ¥ 92,151  |

**Table of Contents****TABLE 4. PROVED RESERVE QUANTITY INFORMATION**

The following table describes proved oil and gas reserves and changes thereto for the years ended March 31, 2010, 2009 and 2008. The definitions of proved oil and gas reserves used herein are revised by ASU 2010-03 in January 2010. Among the significant revisions in this rule are requirements to use a price based on the average first-day-of-the-month price during the 12-month period for reserve estimation and disclosure instead of a single end-of-year price; expanding the definition of oil and gas producing activities to include nontraditional resources such as synthetic oil and gas; permitting the use of new reliable technologies to establish reasonable certainty of proved reserves. The effect of applying new definition for reserve estimation did not significantly impact net proved reserve volumes in 2010.

**Proved Developed and Undeveloped Reserves:**

|   | Crude Oil, Condensate and Natural Gas Liquids<br>Millions of Barrels *1 |                  |                |           |                       |               |           | Natural Gas Billions of Cubic Feet *1 *3 |                  |                |           |                       |                  |           |
|---|---|------------------|----------------|-----------|-----------------------|---------------|-----------|--|------------------|----------------|-----------|-----------------------|------------------|-----------|
|   | Consolidated Companies  |                  |                |           | Associated Companies  |               |           | Consolidated Companies                   |                  |                |           | Associated Companies  |                  |           |
|   | Australia/<br>Oceania   | Thai/<br>Asia *4 | Middle<br>East | Others *5 | Australia/<br>Oceania | Thai/<br>Asia | Worldwide | Australia/<br>Oceania                    | Thai/<br>Asia *4 | Middle<br>East | Others *5 | Australia/<br>Oceania | Thai/<br>Asia *6 | Worldwide |
| <b>Reserves at<br/>April 1, 2007</b>                                      | 53  | 19               | 23             | 15        | 37                    | 91            | 238       | 79                                       | 265              | 31             | 38        | 740                   | 1,668            | 2,822     |
| Changes<br>attributable<br>to:  |   |                  |                |           |                       |               |           |  |                  |                |           |                       |                  |           |
| Revisions of<br>previous<br>estimates<br>(includes<br>proved<br>recovery) | 5   | 24               | (3)            | 1         | 2                     | (1)           | 28        | (18)                                     | 467              | 1              | (2)       | 2                     | (17)             | 43        |
| Extensions<br>and<br>discoveries  |   |                  | 1              |           | 1                     |               | 2         |  |                  | 6              |           | 24                    |                  | 3         |
| Purchases<br>of<br>reserves   | (11)  |                  |                |           |                       | (85)          | (96)      | (22)                                     |                  |                |           |                       | (1,636)          | (1,655)   |
| Production  | (10)  | (6)              | (3)            | (2)       | (5)                   | (1)           | (27)      | (11)                                     | (96)             | (6)            | (5)       | (44)                  | (3)              | (16)      |
| <b>Reserves at<br/>March 31,<br/>2008</b>                                 | 37  | 37               | 18             | 14        | 35                    | 4             | 145       | 28                                       | 636              | 32             | 31        | 722                   | 189              | 1,633     |
| Changes<br>attributable<br>to:  |   |                  |                |           |                       |               |           |  |                  |                |           |                       |                  |           |
| Revisions of<br>previous<br>estimates<br>(includes<br>proved<br>recovery) | 2   | 2                | 2              | 1         | 3                     |               | 10        | 1  | 32               | 17             | (1)       | 36                    | (2)              | 8         |
| Extensions<br>and<br>discoveries  | 1   |                  |                |           |                       |               | 1         | 27                                       |                  |                |           |                       |                  | 2         |
| Purchases<br>of<br>reserves   |   | 1                |                |           |                       |               | 1         |  | 6                |                |           |                       |                  |           |
| Production  | (11)  | (8)              | (3)            | (2)       | (5)                   | (1)           | (30)      | (8)                                      | (90)             | (5)            | (5)       | (44)                  | (2)              | (15)      |
| <b>Reserves at<br/>March 31,<br/>2009</b>                                 | 29  | 32               | 17             | 13        | 33                    | 3             | 127       | 48                                       | 584              | 44             | 25        | 714                   | 185              | 1,600     |
| Changes<br>attributable<br>to:  |   |                  |                |           |                       |               |           |  |                  |                |           |                       |                  |           |

Edgar Filing: MITSUI & CO LTD - Form 20-F

|   |     |     |     |      |     |     |      |      |      |     |      |      |     |      |
|---|-----|-----|-----|------|-----|-----|------|------|------|-----|------|------|-----|------|
| vision of<br>vious<br>imates<br>cludes<br>proved<br>covery) | 1   | 5   | 5   |      | 5   | 7   | 23   | 24   | 6    | (2) |      | 30   | (9) | 4    |
| tensions<br>l<br>discoveries                                | 4   |     |     |      |     |     | 4    |      |      |     |      |      |     |      |
| urchases<br>es  |     |     |     | (10) |     |     | (10) |      |      |     | (23) |      |     | (2)  |
| duction   | (9) | (6) | (5) | (3)  | (5) | (2) | (30) | (10) | (70) | (4) | (2)  | (54) | (7) | (14) |
| <b>erves at<br/>arch 31,<br/>10</b>                         | 25  | 31  | 17  |      | 33  | 8   | 114  | 62   | 520  | 38  |      | 690  | 169 | 1,47 |
| <b>oved<br/>veloped<br/>erves: *2</b>                       |     |     |     |      |     |     |      |      |      |     |      |      |     |      |
| erves at<br>ril 1, 2007                                     | 28  | 18  | 18  | 11   | 21  | 24  | 120  | 72   | 227  | 19  | 24   | 385  | 11  | 73   |
| erves at<br>arch 31,<br>08                                  | 37  | 18  | 14  | 11   | 20  | 3   | 102  | 28   | 294  | 15  | 21   | 454  | 182 | 99   |
| erves at<br>arch 31,<br>09                                  | 25  | 19  | 14  | 10   | 21  | 3   | 92   | 14   | 339  | 29  | 15   | 392  | 181 | 97   |
| <b>erves at<br/>arch 31,<br/>10</b>                         | 20  | 20  | 12  |      | 17  | 7   | 76   | 25   | 274  | 23  |      | 315  | 161 | 79   |

F-98

**Table of Contents**

- \*1 1 barrel of crude oil = 5,800 cubic feet of natural gas
- \*2 The proportion of Proved Developed Reserves to Proved Developed and Undeveloped Reserves was about 64 percent as of March 31, 2008 and the expected costs to develop these undeveloped reserves were estimated to be ¥248,020 million in total as of March 31, 2008. The proportion of Proved Developed Reserves to Proved Developed and Undeveloped Reserves was about 64 percent as of March 31, 2009 and almost same level compared to the percentage as of March 31, 2008. The expected costs to develop these undeveloped reserves were estimated to be ¥368,673 million in total as of March 31, 2009. The proportion of Proved Developed Reserves to Proved Developed and Undeveloped Reserves was about 58 percent as of March 31, 2010 and almost same level compared to the percentage as of March 31, 2009. The expected costs to develop these undeveloped reserves were estimated to be ¥265,398 million in total as of March 31, 2010.
- \*3 The proved gas reserves are restricted to those volumes that are related to firm sales commitments.
- \*4 Includes total proved reserves attributable to Mitsui Oil Exploration Co., Ltd. of 37 million, 32 million and 31 million barrels of Crude oil, Condensate and Natural Gas Liquids and 636 billions, 584 billions and 520 billions of cubic feet of Natural Gas in March 2008, 2009 and 2010, as well as proved developed reserves of 18 million, 19 million and 19 million barrels of Crude oil, Condensate and Natural Gas Liquids and 294 billions, 339 billions and 274 billions of cubic feet of Natural Gas in March 2008, 2009 and 2010, respectively, in which there is a 48.5 percent, 46.5 percent and 29.7 percent noncontrolling interests.
- \*5 The decrease of 10 million barrels in sales of Crude oil, Condensate and Natural Gas Liquids and, 23 billion of cubic feet in sales of Natural Gas in place was mainly due to the asset sales related to operation in Gulf of Mexico.
- \*6 The decrease of 96 million barrels in sales of Crude oil, Condensate and Natural Gas Liquids and 1,658 billions of cubic feet in sales of Natural Gas in place was mainly related to the reduction of Mitsui's interest in Sakhalin II project.

**TABLE 5. STANDARDIZED MEASURE OF DISCOUNTED FUTURE NET CASH FLOWS RELATED TO PROVED OIL AND GAS RESERVES**

The standardized measure of discounted future cash flows, related to the preceding proved oil and gas reserves, is calculated in accordance with ASU 2010-03. Estimated future net cash inflows from proved oil and gas reserves are computed using the average first-day-of-the-month price during the 12-month period for 2010, and using single year-end price for 2009 and 2008. Future development and production costs are those estimated future expenditures necessary to develop and produce year-end estimated proved reserves based on year-end cost indices, assuming continuation of year-end economic conditions. Estimated future income taxes are calculated by applying appropriate year-end statutory tax rates. Discounted future net cash flows are calculated using a discount factor of 10 percent.

The information provided does not represent management's estimate of the companies' expected future cash flows or value of proved oil and gas reserves. Estimates of proved reserve quantities shall change over time as new information becomes available. Moreover, probable and possible reserves, which may become proved in the future, are excluded from the calculations. The arbitrary valuation prescribed under ASC 932 requires assumptions as to the timing of future development and production costs. The calculations are made as of each fiscal year-end and should not be relied upon as an indication of the companies' future cash flows or value of their oil and gas reserves.

**Table of Contents****1) Standardized Measure of Discounted Future Net Cash Flows**

|  | Millions of Yen<br>Consolidated Companies |                  |                |           | Associated Companies  |               |             |
|--|---|------------------|----------------|-----------|-----------------------|---------------|-------------|
|  | Australia/<br>Oceania                     | Thai/<br>Asia *1 | Middle<br>East | Others *4 | Australia/<br>Oceania | Thai/<br>Asia | Worldwide   |
| <b>At March 31, 2010:</b>                                |   |                  |                |           |                       |               |             |
| Future Cash Inflows from Production                      | ¥ 160,574                                 | ¥ 452,310        | ¥ 187,141      | ¥         | ¥ 642,427             | ¥ 65,008      | ¥ 1,507,460 |
| Future Production Costs                                  | (53,166)                                  | (79,265)         | (24,497)       |           | (189,893)             | (22,956)      | (369,777)   |
| Future Development Costs *2                              | (27,154)                                  | (118,084)        | (16,772)       |           | (95,176)              | (13,080)      | (270,266)   |
| Future Income Taxes                                      | (27,442)                                  | (184,626)        | (78,877)       |           | (116,833)             | (14,134)      | (421,912)   |
| Undiscounted Future Net Cash Flows                       | 52,812                                    | 70,335           | 66,995         |           | 240,525               | 14,838        | 445,505     |
| 10% Annual Discount for Timing of Estimated Cash Flows   | (7,685)                                   | (6,311)          | (19,324)       |           | (97,594)              | (3,943)       | (134,857)   |
| Standardized Measure of Discounted Future Net Cash Flows | ¥ 45,127                                  | ¥ 64,024         | ¥ 47,671       | ¥         | ¥ 142,931             | ¥ 10,895      | ¥ 310,648   |
| <b>At March 31, 2009:</b>                                |   |                  |                |           |                       |               |             |
| Future Cash Inflows from Production                      | ¥ 113,255                                 | ¥ 446,237        | ¥ 239,886      | ¥ 67,557  | ¥ 448,784             | ¥ 24,776      | ¥ 1,340,495 |
| Future Production Costs                                  | (34,454)                                  | (118,940)        | (18,553)       | (23,846)  | (82,104)              | (3,539)       | (281,436)   |
| Future Development Costs                                 | (27,326)                                  | (227,765)        | (27,803)       | (18,431)  | (62,207)              | (2,722)       | (366,254)   |
| Future Income Taxes                                      | (23,756)                                  | (93,153)         | (106,237)      | (975)     | (98,366)              | (6,577)       | (329,064)   |
| Undiscounted Future Net Cash Flows                       | 27,719                                    | 6,379            | 87,293         | 24,305    | 206,107               | 11,938        | 363,741     |
| 10% Annual Discount for Timing of Estimated Cash Flows   | (2,640)                                   | 15,976 *3        | (25,846)       | (5,226)   | (89,411)              | (1,153)       | (108,300)   |
| Standardized Measure of Discounted Future Net Cash Flows | ¥ 25,079                                  | ¥ 22,355         | ¥ 61,447       | ¥ 19,079  | ¥ 116,696             | ¥ 10,785      | ¥ 255,441   |
| <b>At March 31, 2008:</b>                                |   |                  |                |           |                       |               |             |
| Future Cash Inflows from Production                      | ¥ 338,439                                 | ¥ 657,951        | ¥ 281,462      | ¥ 148,446 | ¥ 943,422             | ¥ 77,112      | ¥ 2,446,832 |
| Future Production Costs                                  | (59,713)                                  | (119,129)        | (18,490)       | (30,657)  | (138,031)             | (8,216)       | (374,236)   |
| Future Development Costs                                 | (66,210)                                  | (109,679)        | (13,685)       | (16,160)  | (102,207)             | (6,290)       | (314,231)   |
| Future Income Taxes                                      | (102,269)                                 | (235,492)        | (135,034)      | (22,523)  | (221,343)             | (29,743)      | (746,404)   |
| Undiscounted Future Net Cash Flows                       | 110,247                                   | 193,651          | 114,253        | 79,106    | 481,841               | 32,863        | 1,011,961   |
| 10% Annual Discount for Timing of Estimated Cash Flows   | (16,474)                                  | (24,783)         | (37,930)       | (18,577)  | (225,345)             | (4,297)       | (327,406)   |
| Standardized Measure of Discounted Future Net Cash Flows | ¥ 93,773                                  | ¥ 168,868        | ¥ 76,323       | ¥ 60,529  | ¥ 256,496             | ¥ 28,566      | ¥ 684,555   |

\*1 Includes discounted future net cash flows attributable to Mitsui Oil Exploration Co., Ltd. of ¥168,868 million, ¥21,899 million and ¥64,024 million in March 2008, 2009 and 2010 respectively, in which there is a 48.5 percent, 46.5 percent and 29.7 percent minority interest.

\*2 Includes cash-out for asset retirement obligations incurred in accordance with ASC 410 Asset Retirement and Environmental Obligations .

\*3 The positive figure for the 10% annual discount is mainly related to a large amount of cash outflow in a distant future period for asset retirement obligations related to operations in Gulf of Thailand.

\*4 The decrease of ¥11,214 million Standardized Measure of Discounted Future Net Cash Flows was mainly due to the asset sales related to operation in Gulf of Mexico.

F-100



**Table of Contents****2) Details of Changes for the Year**

|  | Consolidated Companies |                  |                | Millions of Yen<br>Associated Companies |                  |                  | Worldwide     |                  |                 |
|--|------------------------|------------------|----------------|---|------------------|------------------|---------------|------------------|-----------------|
|  | 2010                   | 2009             | 2008           | 2010                                    | 2009             | 2008             | 2010          | 2009             | 2008            |
| Present Value at April 1   | ¥ 127,960              | ¥ 399,493        | ¥ 277,988      | ¥ 127,481                               | ¥ 285,062        | ¥ 471,753        | ¥ 255,441     | ¥ 684,555        | ¥ 749,741       |
| Sales/Transfers of Oil and Gas<br>Produced, Net of Production<br>Costs | (144,138)              | (246,105)        | (220,695)      | (58,879)                                | (82,322)         | (57,826)         | (203,017)     | (328,427)        | (278,521)       |
| Development Costs Incurred   | 59,613                 | 55,368           | 67,381         | 17,152                                  | 18,770           | 21,217           | 76,765        | 74,138           | 88,598          |
| Purchases of Reserves in Place   |                        | 5,190            |                |   |                  | 6,065            |               | 5,190            | 6,065           |
| Extensions and Discoveries   | 32,502                 | 26,907           | 14,075         |   |                  | 13,636           | 32,502        | 26,907           | 27,711          |
| Sales of Reserves  | (11,214)               |                  | (44,026)       |   |                  | (267,723)        | (11,214)      |                  | (311,749)       |
| Net Changes in Prices,<br>Development and Production<br>Cost           | 27,252                 | (397,758)        | 383,154        | (38,098)                                | (175,943)        | 77,619           | (10,846)      | (573,701)        | 460,773         |
| Revisions of Previous<br>Quantity Estimates *1                         | 169,549                | 54,697           | 175,921        | 51,934                                  | 13,789           | 10,074           | 221,483       | 68,486           | 185,995         |
| Accretion of Discount  | 12,055                 | 39,949           | 27,799         | 12,748                                  | 28,506           | 47,175           | 24,803        | 68,456           | 74,974          |
| Net Changes in Income Taxes  | (84,395)               | 259,845          | (135,031)      | 9,523                                   | 73,022           | (36,286)         | (74,872)      | 332,867          | (171,317)       |
| Others *2  | (32,362)               | (69,626)         | (147,073)      | 31,963                                  | (33,403)         | (642)            | (399)         | (103,030)        | (147,715)       |
| <b>Net Changes for the Year</b>  | <b>28,862</b>          | <b>(271,533)</b> | <b>121,505</b> | <b>26,343</b>                           | <b>(157,581)</b> | <b>(186,691)</b> | <b>55,205</b> | <b>(429,114)</b> | <b>(65,186)</b> |
| Present Value at March 31  | ¥ 156,822              | ¥ 127,960        | ¥ 399,493      | ¥ 153,824                               | ¥ 127,481        | ¥ 285,062        | ¥ 310,646     | ¥ 255,441        | ¥ 684,555       |

\*1 Includes amounts resulting from changes in the timing of production.

\*2 Main portion of Others is foreign currency translation adjustments and increase or decrease of royalty due to revisions of previous reserves.

**Table of Contents**

**SIGNATURE**

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

MITSUI & CO., LTD.  
(Registrant)

Date: August 13, 2010

By

/s/ JUNICHI MATSUMOTO  
**Junichi Matsumoto**

**Executive Vice President and**

**Chief Financial Officer**

**Table of Contents****INDEX OF EXHIBITS****Exhibit**

| <b>Number</b> | <b>Document</b>  |
|---------------|--|
| 1.1*          | The Articles of Incorporation of Mitsui & Co., Ltd., as of June 23, 2009 (English-language translation).   |
| 1.2*          | The Share Handling Regulation of Mitsui & Co., Ltd., as amended on January 5, 2009 (English-language translation).   |
| 1.3*          | The Rules of the Board of Directors of Mitsui & Co., Ltd., as amended on September 17, 2008 (English-language translation).  |
| 1.4**         | The Rules of the Board of Corporate Auditors of Mitsui & Co., Ltd., as amended on July 31, 2006 (English-language translation).  |
| 2.1*          | Deposit Agreement, dated as of October 1, 1982 among Mitsui & Co., Ltd., Citibank, N.A., and holders of ADRs and European Depositary Receipts, as amended by Amendment No.1 dated as of January 4, 2006. |
| 8.1           | List of Subsidiaries of Mitsui & Co., Ltd.   |
| 11.1          | Code of Ethics for Senior Financial Officers and Professionals.  |
| 11.2          | Business Conduct Guidelines for Employees and Officers of Mitsui & Co., Ltd.   |
| 12.1          | Certification of the principal executive officer of Mitsui & Co., Ltd. required by Rule 13a-14(a).   |
| 12.2          | Certification of the principal financial officer of Mitsui & Co., Ltd. required by Rule 13a-14(a).   |
| 13.1          | Certification required by Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code.   |
| 99.1          | Third Party Report of Ryder Scott Company  |
| 101.INS       | XBRL Instance Document   |
| 101.SCH       | XBRL Schema Document   |
| 101.CAL       | XBRL Calculation Linkbase Document   |
| 101.DEF       | XBRL Definition Linkbase Document  |
| 101.LAB       | XBRL Label Linkbase Document   |
| 101.PRE       | XBRL Presentation Linkbase Document  |

\* Incorporated by reference to the corresponding exhibit to our annual report on Form 20-F (File No. 0-9929) filed on July 17, 2009.

\*\* Incorporated by reference to the corresponding exhibit to our annual report on Form 20-F (File No. 0-9929) filed on September 27, 2006.

We have not included as exhibits certain instruments with respect to our long-term debt, the amount of debt authorized under each of which does not exceed 10% of our total assets, and we agree to furnish a copy of any such instruments to the Securities and Exchange Commission upon request.