

MITSUI & CO LTD
Form 6-K
June 05, 2008
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FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Private Issuer

Business Report The fiscal year ended March 31, 2008

Pursuant to Rule 13a-16 or 15d-16

of the Securities Exchange Act of 1934

For the month of June 5, 2008

Commission File Number 09929

Mitsui & Co., Ltd.

(Translation of registrant's name into English)

2-1, Ohtemachi 1-chome Chiyoda-ku, Tokyo 100-0004 Japan

(Address of principal executive offices)

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Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Note: Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Note: Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's home country), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-

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Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: June 5, 2008

MITSUI & CO., LTD.

By: /s/ Junichi Matsumoto
Name: Junichi Matsumoto
Title: Executive Director
Executive Vice President
Chief Financial Officer

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From the President

We are pleased to bring you the Business Report for our 89th fiscal year, which ended on March 31, 2008.

For the fiscal year under review we achieved consolidated net income of ¥410.1 billion and non-consolidated net income of ¥157.9 billion, considerably higher than our results in the previous fiscal year.

An interim dividend of ¥23 per share has already been paid during the year, and we propose paying a year-end dividend of a further ¥23 per share. This represents a total annual dividend of ¥46 per share, ¥12 per share higher than in the previous fiscal year.

We posted earnings growth in the period under review, driven by robust economic activity in emerging countries, rising prices of mineral and metal resources and energy, which were strongly impacted by this activity, and other factors. However, we are also seeing instability in financial markets triggered by the sub-prime loan problem in the United States, a strengthening of the yen, a downturn in equity markets and economic slowdowns in the United States, Europe and Japan.

While remaining constantly aware of the external environment, we intend to work to raise corporate value by continuing to harness our comprehensive business engineering capabilities and allocating our business resources in the best possible way, based on our Medium-Term Management Outlook announced in May 2006.

We look forward to your continued support.

Shoei Utsuda

President and Chief Executive Officer

June 2008

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Note: In this translated report, the term "the Group" refers to corporate organizations as defined in Clause 2, Article 122 of the enforcement regulations of the Corporate Law of Japan.

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(Billions of yen)

| | Year ended Mar. 31, 2005 | Year ended Mar. 31, 2006 | Year ended Mar. 31, 2007 | Year ended Mar. 31, 2008 |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Gross profit | 679.9 | 784.6 | 866.3 | 988.1 |
| Operating income | 173.0 | 247.7 | 282.8 | 374.8 |
| Equity in earnings of associated companies | 64.3 | 94.2 | 153.1 | 154.3 |
| Net income | 121.1 | 202.4 | 301.5 | 410.1 |

PART I: BUSINESS REVIEW**1. OPERATING ENVIRONMENT**

An overview of the operating environment in the fiscal year under review is as follows.

THE GLOBAL ECONOMY

The slowdown in the U.S. economy intensified from the middle of the fiscal year, and instability continued in the financial markets, due to a decline in residential investment and increasing losses at financial institutions. In response, the Federal Reserve Board strove to improve the financial and economic environment by implementing a series of policy interest rate cuts.

Despite a slowdown in growth of exports to the United States, Asia as a whole continued to enjoy strong growth, with increasing levels of industrial and construction investment, particularly in China.

Europe continued its moderate recovery, underpinned by factors including growth in exports and industrial investment in Germany and increasing consumer spending in the United Kingdom and France.

Prices of internationally traded commodities such as crude oil, non-ferrous metals and grains continued to rise, reaching record highs in March 2008. In the first half of the fiscal year, central banks across the world raised interest rates moderately, but in the second half the United States implemented a series of policy rate cuts and the United Kingdom and Canada also lowered interest rates.

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JAPANESE ECONOMY

In Japan, exports of automobiles, steel and chemical products and other materials, particularly to emerging countries, continued to grow. As a result, industrial production remains strong and the employment situation improved. Consumer spending continued to increase owing to the rising popularity of flat-screen TVs and cable television related services.

On the other hand, as a result of the impact of the revised Building Standards Law enforced in June 2007, investment in construction of residential housing and commercial facilities dropped off sharply, and business confidence declined particularly in construction and related industries.

The economy as a whole was moving steady over the course of the year, despite a moderate decline in the pace of expansion in the fiscal second half.

In foreign exchange, the yen strengthened against the U.S. dollar, but remained weak against the Euro and other major currencies.

2. OPERATING RESULTS, FINANCIAL CONDITION AND ETC.

1 EXECUTIVE SUMMARY

(1) BUSINESS PERFORMANCE OVERVIEW

Mitsui and its subsidiaries posted a considerably higher net income of ¥410.1 billion, ¥108.6 billion higher than the ¥301.5 billion recorded in the previous fiscal year. By operating segment, the Mineral and Metal Resources and Energy segments posted substantial increases in income due to gains on divestitures of interests in major projects such as iron ore manufacturer Sesa Goa Limited (Sesa Goa) in India and the Sakhalin II project. The income increases in both segments were also partly attributable to rising prices accompanied by generally steady growth in equity production volumes. Transactions and various types of business in the Iron & Steel Products, Chemical and Machinery & Infrastructure Projects segments continued to perform well, and results recovered in the Foods & Retail segment, which recorded large impairment losses in the previous fiscal year. However, the Americas segment posted lower net income, due to write-downs on ready-built house sales business as a result of the impact of the sub-prime loan problem in the Americas, a downturn in business within the Americas and other factors. In addition, write-downs relating to listed marketable securities in Japan increased, mainly at companies in which Mitsui has invested in automotive and financial market-related industries.

(2) FINANCIAL CONDITION

Total assets as of March 31, 2008 were ¥9.7 trillion, a decrease of ¥0.1 trillion compared to March 31, 2007. Total investments and plant, property and equipment decreased ¥0.2 trillion, due to a reduction in the investment balance with respect to the Sakhalin II project, the impact of the stronger yen and the downturn in the Japanese equity markets at the end of the fiscal year, and other factors, which offset new investments and expansion of existing investments in mineral and metal resources, energy, machinery and infrastructure projects and the Americas. As of March 31, 2008, shareholders' equity had increased to ¥2.2 trillion due to the growth in net income for the year and other factors, and the Net Debt-to-Equity Ratio was 1.27 times. Return on equity in the fiscal year ended March 31, 2008 was 19.1%.

(3) CASH FLOW

Net cash provided by operating activities for the fiscal year ended March 31, 2008 was ¥415.8 billion, reflecting steady operating income. Net cash used in investing activities was ¥104.8 billion, as a result of expenditures for various new investments and expansion projects, which was largely offset by cash provided from large-scale divestitures of interests in Sakhalin II, Sesa Goa and other assets. As a result, free cash flow for the fiscal year ended March 31, 2008 was a net inflow of ¥311.0 billion.

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2 RESULTS OF OPERATIONS: Key items of consolidated income

1 GROSS PROFIT

Gross profit for the fiscal year ended March 31, 2008 was ¥988.1 billion, an increase of ¥121.8 billion from the previous fiscal year. Increases in energy were the major drivers in the Group's increase in consolidated gross profit, with contributions coming from the consolidation of Mitsui Oil Exploration Co., Ltd. (Japan) (MOECO), the increase in production at the Enfield Oil Field in Australia and the commencement of production at the Tui Oil Field in New Zealand.

Automotive, shipping, rolling stock leasing and other Machinery & Infrastructure Projects businesses, and basic materials such as various chemical products and steel products at Mitsui and its subsidiaries, although differing by item also continued to show good overall performance, reflecting a favorable economic environment.

* MOECO was made a consolidated subsidiary in the fourth quarter of the previous fiscal year, having formerly been an associated company. As a result, gross profit recorded from the company increased significantly. However, this means that most of the increase in gross profit was transferred from previously being recorded as equity in earnings of associated companies.

1 OPERATING INCOME

Operating income* for the fiscal year ended March 31, 2008 was ¥374.8 billion, an increase of ¥92.0 billion compared to the previous fiscal year. Factors contributing to this increase included the large increase in gross profit noted above, which was partly offset by increases in selling, general and administrative expenses in Machinery & Infrastructure Projects, Energy and the Americas, reflecting consolidation of new subsidiaries acquired by these operating segments.

* Operating income = [gross profit - selling, general and administrative expenses - provision for doubtful receivables]

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1 EQUITY IN EARNINGS OF ASSOCIATED COMPANIES NET (AFTER INCOME TAX EFFECT)

Equity in earnings of associated companies net (after income tax effect) for the fiscal year ended March 31, 2008 was ¥154.3 billion, an increase of ¥1.2 billion compared to the previous fiscal year. Performance at associated companies was strong in general, with higher earnings at Valepar S.A. (Brazil) (Valepar)*¹ due to strong operating results at Vale concomitant with higher iron ore and nickel prices, and good results at Australian LNG operation Japan Australia LNG (MIMI) Pty. Ltd. and our Brazilian gas distribution operations. Major losses included a mark-to-market evaluation loss*² on long-term swap agreements relating to overseas power generation business, and an equity evaluation loss reflecting the decline in market value of ASAHI TEC CORPORATION (Japan) (Asahi Tec).

An additional factor was the change in accounting treatment of MOECO following the inclusion of the company in the scope of consolidation, because of which the announced result increased only slightly from the previous fiscal year.

*1 Valepar is a controlling shareholder of Vale (formerly named Companhia Vale do Rio Doce), a mineral resources company in Brazil.

*2 We recorded a mark-to-market evaluation loss, based on wholesale power market conditions, with respect to power swap contracts valid during the period of long-term power supply contracts.

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1 NET INCOME

Net income for the fiscal year ended March 31, 2008 was ¥410.1 billion, an increase of ¥108.6 billion compared to previous fiscal year. In addition to the higher operating income and equity in earnings of associated companies, factors contributing to this increase include the following:

- Income from discontinued operations Net (after income tax effect) increased by ¥68.6 billion to ¥71.0 billion. The majority of the figure recorded during the period arose from a gain on the sale of the Group's entire stake in Sesa Goa, and an additional factor was a gain on the sale of the entire upstream gas and oil interests of Wandoo Petroleum Pty. Ltd. (Australia) (Wandoo Petroleum).
- Gain on sales of securities increased by ¥33.5 billion to ¥92.3 billion. Major gains recorded during the period included a gain on the transfer of a part of the Group's stake in the Sakhalin II project, and the sale of the Group's stake in Empreendimentos Brasileiros de Mineracao S.A. (EBM) in Brazil. In addition, as a result of sales of securities based on a company-wide review of the significance of holding such securities, gains on sales of securities were recorded in various operating segments including Consumer Service & IT and Logistics & Financial Markets.

Loss on write-down of securities increased by ¥25.0 billion to ¥36.7 billion. The increase was attributable to recording of write-down losses on securities due to the decline in Japanese equity markets during the fiscal year under review.

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3 RESULTS BY OPERATING SEGMENT

Net Income by Operating Segment

- 1 **Iron & Steel Products:** Net income for the fiscal year ended March 31, 2008 was ¥20.2 billion, a decrease of ¥0.4 billion compared to the previous fiscal year. Performance was generally strong in steel product markets, driven by continued firm demand for tubular products and high-end products such as steel plates, particularly for energy applications. Increased earnings arising from the sale of steel pipes and steel plates to the Asian market by Regency Steel Asia Pte. Ltd. (Singapore) contributed, but lower gains from sales of securities and higher interest expenses meant that results were slightly lower than in the previous fiscal year.
- 1 **Mineral & Metal Resources:** Net income for the period increased substantially, rising ¥78.6 billion to ¥177.0 billion. In addition to ¥55.2 billion of income (post tax) recorded from the sale of the Group's entire stake of Sesa Goa noted above, income was recorded from other recycling initiatives, such as the sale of shares in EBM and Toho Titanium Co. Ltd. (Japan) (Toho Titanium).

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In addition, a rise in iron ore prices led to higher earnings at iron ore subsidiaries in Australia, while higher prices for iron ore and nickel also led to higher earnings at Valepar.

- 1 **Machinery & Infrastructure Projects:** Net income for the period was ¥35.0 billion, an increase of ¥1.4 billion. Automobile and shipping-related business was sound, supported by favorable global markets. Various types of infrastructure projects and rolling stock leasing also contributed to income. However, overall earnings in this segment increased only slightly, impacted by a mark-to-market evaluation loss on long-term swap agreements relating to power generation business in Australia and elsewhere, and a loss on investments in Asahi Tec and Yamaha Motor Co., Ltd. (Japan) (YMC) following other-than-temporary declines in those companies' share prices.

- 1 **Chemical:** Net income for the period was ¥18.4 billion, a decrease of ¥0.9 billion. Ammonia and methanol-related business grew soundly, supported by favorable market conditions, and inorganic mineral and raw materials also trended favorably. However, results in the previous fiscal year included a credit to income as a result of a reversal of an accrued cost for charges related to the DPF incident and a gain on the sale of shares in Toho Titanium, and the absence of these factors, along with the recording of an evaluation loss on holdings of shares in Kaneka Corporation (Japan), offset the factors increasing income and resulted in a slight decrease in earnings for the period.

- 1 **Energy:** Net income for the period was ¥124.1 billion, a substantial increase of ¥48.4 billion. Earnings in this segment were boosted significantly by the partial sale of the Group's stake in the Sakhalin II project and the sale of the Group's entire interests in Wandoo Petroleum. Increased equity production volumes at the Enfield Oil Field in Australia and the commencement of production in July 2007 at the Tui Oil Field in New Zealand contributed to profits, as did rising oil prices in the Group's overall oil and gas production business. Another factor was the absence of a naphtha trading loss at Mitsui Oil (Asia) Pte. Ltd. (Singapore) that had impacted performance in the previous fiscal year. Earnings declined at Australian coal mining operations, reflecting lower market prices for hard coking coal and lower-than-planned production.

- 1 **Foods & Retail:** Net income for the period was ¥10.4 billion, an increase of ¥22.7 billion. Raw materials businesses mainly trended positively as raw material prices remained high, and in domestic distribution and retail-related business, a reduction in selling, general and administrative expenses due to cost cutting initiatives also contributed. A write-down loss was recorded on holdings of securities of Seven & i Holdings Co., Ltd. (Japan), but reflecting the absence of impairment losses on intangible assets and goodwill at Mitsui Norin Co., Ltd. (Japan) that were recorded in the previous fiscal year meant that income increased substantially from the previous fiscal year.

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- 1 **Consumer Service & IT:** Net income for the period was ¥12.0 billion, a decrease of ¥4.6 billion. The trading environment in this segment varied by product and by region. In Europe and within Japan, for example, real-estate businesses performed well, while systems integration and other IT industry-related business declined. As a result, overall gross profit for the segment decreased. Net income also decreased, despite contributions to income from gains on the sale of shares in Jupiter Telecommunications Co., Ltd. (Japan) and other companies, and the absence of costs recorded in the previous fiscal year related to the discontinuation of housing operations at Mitsui Bussan House-Techno Inc (Japan).
- 1 **Logistics & Financial Markets:** Net income for the period was ¥7.5 billion, a decrease of ¥7.1 billion. The decline mainly reflects the fact that results were extremely strong in the highly volatile commodity markets of the previous fiscal year. In addition, results include a gain on sales of shares in BALtrans Holdings Limited, a logistics company in Hong Kong, but the impact of a write down in shares of Central Finance Co., Ltd. (Japan) (Central Finance) meant that income declined from the previous fiscal year.
- 1 **Americas:** Net income for the period was ¥4.3 billion, a decrease of ¥12.6 billion. U.S. real estate subsidiary MBK Real Estate LLC. (MRE) reported weak performance, reflecting the slowdown in the U.S. housing market and a write-down of ¥9.6 billion on real estate for sale. Relative income in the period under review was also affected by the absence of two factors that had boosted income in the previous fiscal year, namely: high earnings at U.S. subsidiary Westport Petroleum Inc., and similarly strong performance at Mitsui Steel Holdings, Inc., a U.S. steel product holding company. In addition, interest expenses increased due to an increase in interest-bearing debt, which also contributed to the decline in income.
- 1 **Europe, the Middle East and Africa:** Net income for the period was ¥5.0 billion, an increase of ¥0.9 billion. Energy and machinery and infrastructure projects performed strongly, results in this segment were contributed to by an increase in earnings from minority interests in automotive business and real estate business in Europe.
- 1 **Asia Pacific:** Net income for the period was ¥22.5 billion, an increase of ¥0.5 billion. In addition to strong performance mainly in steel products and chemicals, results in this segment were contributed to by an increase in earnings from minority interests in Australian iron ore ventures and energy-producing subsidiaries. However, due to factors including an increase in administrative expenses mainly attributable to personnel costs, net income increased only slightly compared to the previous fiscal year.

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Total assets as of March 31, 2008 were ¥9,690.9 billion, a decrease of ¥122.4 billion from March 31, 2007.

Of this, **current assets** were ¥5,211.1 billion, an increase of ¥137.3 billion from March 31, 2007. This was attributable to an increase in cash and cash equivalents mainly at Mitsui, and an increase in derivative assets reflecting rising commodities prices. **Current liabilities** were ¥3,594.6 billion, a decrease of ¥215.6 billion.

This was due to decreases in short-term liabilities and the current maturities of long-term debt mainly at Mitsui and overseas financial subsidiaries, which offset an increase in derivative liabilities that counterbalanced the increase in derivative assets noted above

- 1 Total non-current assets (namely, investments and non-current receivables, property and equipment at cost, etc.) were ¥4,479.8 billion, a decrease of ¥259.7 billion. The decrease was attributable to divestitures of major assets, a downturn in Japanese equity markets at the end of the period and the impact of the stronger yen, which offset investments made mainly in mineral resources and energy. A breakdown of principal items is as follows.

Total investments and non-current receivables as of March 31, 2008 were ¥3,237.3 billion, a decrease of ¥254.7 billion. Within this category, investments in and advances to associated companies totaled ¥1,333.0 billion, a decrease of ¥254.6 billion. As of March 31, 2007, investment for the Sakhalin II project amounting to ¥417.2 was recorded in this account. Concomitant with the partial divestiture of this investment, the remaining balance has been transferred to Other investments, resulting in a net decrease in this entry. Major factors of increase in this category for the period under review were: investment in Sims Group Limited (Sims Group), an Australian resource recycler; additional investment to combine United Kingdom power generating assets with International Power plc (IPR), an independent power producer in the United Kingdom; and investment in Erdos Electrical Power & Metallurgical Co., Ltd. (Erdos EPM), a conglomerate in the Inner Mongolian Autonomous Region of China engaged in power generation, coal mining and ferrous alloy production. Other investments were ¥1,281.5 billion, an increase of ¥42.6 billion. Significant items contributing to this increase were the purchase of preferred shares in Japan Airline Corporation (Japan) (JAL), shares in YMC, and the purchase of shares and convertible bonds of Central Finance. In addition, as noted above, investment in the Sakhalin II project amounting to ¥218.5 billion was transferred into this account and recorded as of March 31, 2008.

Property and equipment at cost, as of March 31, 2008 was ¥1,016.3 billion, an increase of ¥28.0 billion. Significant items contributing to this increase were investments for developing and expanding coal and iron ore mines in Australia, and the acquisition during the period of major U.S. steel processing company Steel Technologies Inc. (Steel Technologies).

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1 **Long-term debt** (excluding the current portion) as of March 31, 2008 was ¥2,944.4 billion, an increase of ¥56.9 billion. This increase was primarily due to an increase in borrowings from financial institutions associated with funding for various investments at Mitsui and Mitsui & Co. (U.S.A.), Inc.

1 **Shareholders equity** as of March 31, 2008 was ¥2,183.7 billion, an increase of ¥73.4 billion. This increase was primarily due to the ¥332.9 billion in retained earnings, along with bond conversions, which offset net deterioration in foreign currency translation adjustments due to the stronger yen against the Australian dollar, the U.S. dollar and the Brazilian real, and a decrease in unrealized holding gains on marketable securities reflecting the downturn in the Japanese equity markets and other factors.

As a result, the ratio of shareholders equity to total assets as of March 31, 2008 was 22.5%, 1.0 percentage point higher than the 21.5% figure as of March 31, 2007. Net interest-bearing debt (interest-bearing debt minus cash and cash equivalents and time deposits) as of March 31, 2008 was ¥2,774.0 billion, a decrease of ¥337.5 billion compared to March 31, 2007.

5 CASH FLOWS: Key items of consolidated cash flows

CASH FLOW FROM OPERATING ACTIVITIES

Net cash provided by operating activities for the fiscal year ended March 31, 2008 was **¥415.8 billion**, an increase of ¥176.5 billion from the ¥239.3 billion of the previous year. Factors contributing to this outcome included an increase in operating income and a reduction in trade receivables and inventories.

CASH FLOW FROM INVESTMENT ACTIVITIES

Net cash used in by investment activities for the fiscal year ended March 31, 2008 was **¥104.8 billion**. The primary factors contributing to this outcome were:

The net inflow of cash that corresponded to investments in and advances to associated companies was ¥102.8 billion, primarily accounted for by the partial sale of the Group's stake in the Sakhalin II project.

Other acquisitions and disposals of investments included a cash inflow of ¥92.8 billion from the sale of Sesa Goa, and an outflow of ¥45.0 billion for the acquisition of Steel Technologies.

The net outflow of cash that corresponded to property leased to others and property and equipment was ¥166.2 billion, primarily related to coal mining business in Australia and energy projects.

CASH FLOW FROM FINANCING ACTIVITIES

Net cash outflow from financing activities was **¥185.1 billion**, with key elements including reductions in short-term debt and long-term debt leading to a net outflow ¥111.5 billion, dividend payments of ¥72.1 billion and the purchases of treasury stock.

3. Progress of key measures of the Medium-Term Management Outlook

1 OVERVIEW

1 Mitsui announced its Medium-Term Management Outlook in May 2006. The Medium-Term Management Outlook is based on a company-wide consideration of the kind of business models that we should seek to develop over the next three to five years (2009 to 2011). The key elements of the approach outlined in this plan are:

Building a business portfolio that meets the needs of our stakeholders, including shareholders, customers and society.

Leveraging business engineering capabilities across Mitsui and its subsidiaries and optimizing resource allocation.

Prioritizing the development of human resources. In this respect we intend to build on our existing values of *challenge and opportunity* and *freedom and open-mindedness* with additional emphasis on *fairness, humbleness and compliance*. We intend to form and foster a diverse pool of capable personnel.

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1 The four key strategies of the Medium-Term Management Outlook are (i) **Development of strategic business portfolio**, (ii) **Evolution of business models leveraging business engineering capabilities**, (iii) **Implementation of global strategies** and (iv) **Reinforcing the management framework to support growth**. Of these strategies, the development of a strategic business portfolio is the most directly connected to our business results, financial position and cash flow for the consolidated fiscal year ended March 31, 2008 and we are implementing the following policies with regard to this strategy.

We have developed key policies based on dividing up the Group's business into four areas, as outlined below.

Mineral Resources & Energy

- (1) Complete the development of large-scale projects such as the Sakhalin II project and the Enfield Oil Field. Expand existing projects such as the LNG project in Western Australia and iron ore and coal production in Australia
- (2) Ensure the liquidity of our equity production interests and carry out recycling
- (3) Invest selectively in emerging regions and new business domains

Global Marketing Networks (particularly steel products, machinery and chemical products)

- (1) Actively invest in our operating base with the objective of strengthening our various logistics and IT capabilities and focus allocation of human resources to growth fields
- (2) Strengthen partnerships with quality customers and evolve our SCM capabilities
- (3) Strengthen initiatives in growth region Asia and the automotive, IT and energy business fields

Consumer Services

- (1) Pursue initiatives in media and information, healthcare and medical, and senior living industries
- (2) Develop new consumer-oriented businesses and strengthen related logistics business

Infrastructure

- (1) Develop business portfolio positioning power generation, water supply, energy and transportation as strategic industrial fields
- (2) Pursue synergies with other business areas

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Under the coordination of the Portfolio Management Committee that we established in April 2006, we will further refine our investment evaluation criteria, and seek to recycle existing investments, by reviewing their viability and taking into account the need to generate cash flow for new investments. Furthermore, accompanying a review of our business portfolio, we will allocate and shift human resources from a group-wide perspective in a more dynamic fashion.

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1 Quantitative image 3-5 years (2009 – 2011) ahead in the Medium-Term Management Outlook

Looking ahead towards 2009 to 2011, risks in the operating environment include political, economic and environmental factors. Notwithstanding these risks, we believe that the currently favorable operating environment with simultaneous growth in different regions of the world, and strong upstream markets for mineral resources, energy and materials is likely to continue. Based on this assumption, by implementing the four key strategies of the Medium-Term Management Outlook, we aim to achieve optimal allocation of the Group's business resources, and as of May 2006 envisaged achieving the parameters over the next three to five years as illustrated in the chart on the right.

2 PROGRESS ON KEY POLICIES IN MEDIUM-TERM MANAGEMENT OUTLOOK

(1) Development of strategic business portfolio

Progress on investments and loans plans and key policies in each business area

During the year ended March 31, 2008, investments, loans and leases of approximately ¥710 billion were undertaken as part of our total investment outlook of ¥800 billion.

Further, we have been focusing on divestitures of outstanding investments and fixed assets, and collected approximately ¥610 billion.

We made the following progress in each of the four business areas presented in our Medium-Term Management Outlook.

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1 Mineral & Metal Resources and Energy

We continued to focus on projects already under development as well as the expansion of existing projects. We made an additional investment in the Enfield Oil Field in Australia for facilities upgrading and to boost output capacity. Our total investment in the Sakhalin II project, as of the end of March 2008, was approximately ¥218.5 billion as a result of stake dilution and expenditure for the development of the project. Initiatives also include the May 2007 commencement of production from the Equatorial Guinea LNG project and the July 2007 start of production from the Tui Oil Field in New Zealand. We invested in our Australian iron ore and coal mining business as part of our plan to increase production capacity. We also acquired shares with voting rights of 16.0% in the Australian company Sims Group, and shares with voting rights of 25% in Erdos EPM. As a result, investments in Mineral & Metal Resources and Energy totaled ¥310 billion.

In this business area, through the divestiture of existing investments, we generated cash inflows totaling approximately ¥390 billion. In April 2007, we sold our entire stake in Sesa Goa, after deliberate consideration of our worldwide iron ore business portfolio. Regarding the Sakhalin II project, in April 2007, we transferred 50% of our stake to OAO Gazprom (Russia) (Gazprom), with our share diluting from 25% to 12.5%. We also agreed to an Area of Mutual Interest arrangement with Gazprom, relating to prospects for expansion of the Sakhalin II project.

Tui Oil Field in New Zealand

1 GLOBAL MARKETING NETWORKS BUSINESS AREA

We took further steps to strengthen our multi-functional global operating network in raw materials procurement and product sales, acquiring key businesses and reinforcing strategic alliances with major partners to support our goal of creating new value. In June 2007, we acquired Steel Technologies for ¥45.0 billion. In the motor vehicles, aerospace and chemical businesses, we acquired shares in YMC, JAL (preferred shares) and Mitsui Chemicals, Inc., respectively, aiming to enhance business relationships.

1 CONSUMER SERVICES BUSINESS AREA

We are continuing to build our operations in promising new business domains. In May 2007, we acquired new shares and convertible bonds issued by Central Finance aiming to increase business opportunities. In the foods and retail field, we have been taking measures to improve the performance of Mitsui Foods. At the same time we are making investments to secure a stable supply of overseas food sources and acquired 25% of the shares of Multigrain AG, a company that focuses on the origination and export of grain in Brazil.

1 INFRASTRUCTURE PROJECTS BUSINESS AREA

Our efforts were directed at selectively investing in superior project opportunities while seeking to develop synergies with other business areas. In overseas power generation business, we further strengthened our strategic alliance with IPR during the year, and in June 2007 consolidated power generating assets in the U.K., resulting in an increase of our generating capacity by approximately 260MW on an equity basis for ¥22.2 billion. The railway transportation leasing business (locomotive and freight wagon leasing business) has expanded in Europe, U.S.A and Brazil.

Locomotive and freight wagon leasing business in Europe

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Continuous review of business portfolio based on Mitsui's business strategy

Twice a year, Mitsui's management examines each business unit's strategic portfolio development, including asset recycling, referring to key performance indicators at subsidiaries and associated companies and also at other investments. Additionally, and from an overall company perspective, we have examined the key aspects of our human resources portfolio review and allocated our human resource assets to focused areas across the organization.

(2) Evolution of business models leveraging business engineering capabilities

We will pursue business development in new fields that show the greatest potential for growth in Japan, such as consumer-oriented services including healthcare and medical businesses, environment businesses including emission trading and recycling, and new energy businesses including biomass ethanol businesses. We have decided to enhance the cooperation of the various business units in the major operating areas across the Group and have established a specialized framework for the automobile-related businesses and the healthcare and medical businesses.

(3) Implementation of global strategies

To strengthen our product strategy in the broad economic regions of the Americas, Europe and Asia, we established the Regional Business Unit system in April 2006. In April 2007 we refined this system by expanding Europe to include the Middle East and Africa, while expanding Asia to include Oceania. We also adopted systems in each regional headquarters to hire and foster talented employees and increase the diversity of our human resources. We are undertaking a fundamental reform of our human resources system from the perspective of our Group's business units located globally.

(4) Reinforcing the management framework to support growth

We are undertaking initiatives, such as increasing in the number of our external directors, to strengthen our corporate governance system, and are implementing further improvements to our internal controls within the Group through various works to ensure compliance with Section 404 of the U.S. Sarbanes-Oxley Act (SOX-404). For information on our progress in CSR, please see 4. Mitsui's CSR Management Promotion

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4. MITSUI S CSR-ORIENTED MANAGEMENT PROMOTION

1 MITSUI S CSR-ORIENTED MANAGEMENT

Mitsui meets the challenges of a wide range of social issues through its broad-based business activities. Each officer and employee of the company firmly believes that the backbone of our CSR-oriented management comes from being aware of the company's role towards overcoming the challenges and expectations of society and striving to accumulate a track record of *Yoi-Shigoto* (good quality work).

2 PROMOTING CSR-ORIENTED MANAGEMENT THROUGHOUT THE GROUP

The company has focused on changes in business models and mindset during the 2-year period following the establishment of the Medium-Term Management Outlook, and unrolled a variety of awareness activities throughout the company.

The company hosted a workshop designed to reexamine what is meant by *Yoi-Shigoto* for all company employees in 2006, and conducted awareness activities centered on CSR through our ordinary course of business, in 2007, aimed at reviewing working processes and the quality of profits in line with the challenges faced by each department.

Informal session with stakeholders at Mitsui USA

The company also hosted a range of activities as a consolidated group including our subsidiaries and associated companies both in Japan and overseas, such as group discussions using case studies, and informal sessions with our business partners and interested parties designed for opinion exchanges focusing on specific topics.

3 SUPPLY CHAIN CSR POLICY

The globalization of the economy and heightened consumer awareness are driving a trend towards the selection of suppliers from a CSR standpoint that includes safety and security, human rights and labor as well as the environment. It was against this backdrop that the company, in December 2007, established a supply chain CSR policy. We are asking our business partners to understand and practice legal compliance, respect for human rights, environmental conservation, occupational safety and health, and the protection of the safety and security of products and services, as will jointly strive towards the development of a CSR-oriented supply chain.

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4 ENVIRONMENT-RELATED ACTIVITIES

In addition to reducing the burden on the environment caused by the consolidated group, including our subsidiaries and associated companies both in Japan and overseas, the company is also promoting various initiatives aimed at achieving an industrial solution to environmental issues, such as a clean energy-related businesses, emissions trading-related businesses and recycling businesses.

The Mitsui & Co., Ltd. Environment Fund has expanded the activities and the regions its supports and has selected numerous proposals from a broad range of areas, including the promotion of research into carbon fixing through tree planting in Australia's arid areas and the use of biomass in addition to supporting Argentina-based eco-education and related programs.

The company also plans to step up activities designed to further increase the environmental and social value of company-owned forests (on approximately 44,000 hectares of land at 73 locations throughout Japan). Apart from pushing ahead with long-term conservation and maintenance, we will also implement a forestry eco-education program, at company-owned forests in five locations, which aims to address the concerns of our shareholders, the general public, our employees and their families.

Forest environmental program

The company will continue to engage in activities designed to contribute to solutions for environmental problems that have become a global issue.

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5. OUTLINE OF FINANCING AND CAPITAL EXPENDITURE

1 FINANCING

Mitsui's basic funding policy is to secure stable sources of funds to maintain adequate liquidity and financing to satisfy capital requirements for our operations and to maintain the financial strength and stability of our balance sheet. We obtain funds primarily in the form of long-term funds with maturities of around 10 years, from financial institutions, including banks and insurance companies, and through the issuance of corporate bonds. In addition, for various projects and so forth we utilize financing programs from government financing agencies and also utilize project financing.

In principle, wholly owned Japanese and overseas subsidiaries do not individually raise their funds in financial markets or borrow from financial institutions, but instead use a cash management service provided by our regional financing subsidiary, which centralizes the fund raising function and promotes efficient use of funds.

As of March 31, 2008, interest-bearing debt decreased ¥232.5 billion compared to the previous fiscal year to ¥3,685.6 billion, and net interest bearing debt after deduction of cash equivalents decreased ¥337.5 billion over the same period to ¥2,774.0 billion. Approximately 83% of total interest-bearing debt was raised by Mitsui and the financing subsidiaries as in-house banking bases. We will continue to strive to ensure stable sources of funds, while closely monitoring Japanese and overseas business conditions and price movements, economic environments and other relevant trends.

During the fiscal year, we raised a total of ¥244.8 billion in long-term funding by borrowing from banks, insurance companies and other financial institutions, and issued three corporate bonds that raised ¥35.0 billion in total with the redemption period from March 18, 2022 to May 21, 2027. In addition, our Japanese and overseas in-house banking financial subsidiaries raised long-term funds and issued commercial paper and medium-term notes.

Table of Contents**2 CAPITAL EXPENDITURE**

For more information on capital expenditure during the consolidated fiscal year under review, please see FINANCIAL CONDITION OF THE GROUP: Key items from the consolidated balance sheet on pages 10-11 and PROGRESS ON KEY POLICIES IN MEDIUM-TERM MANAGEMENT OUTLOOK, section (a) Development of strategic business portfolio, on pages 13 15 of this report.

6. TRENDS IN VALUE OF GROUP ASSETS AND PROFITABILITY**1 TRENDS IN VALUE OF ASSETS AND OPERATING RESULTS (CONSOLIDATED)**

(Millions of Yen, Except Net Income per Share)

| | 86 th Fiscal Year | 87 th Fiscal Year | 88 th Fiscal Year | 89 th (Current) Fiscal Year |
|----------------------------|---------------------------------|---------------------------------|---------------------------------|---|
| Total Trading Transactions | ¥ 13,509,948 | ¥ 14,796,535 | ¥ 15,271,649 | ¥ 17,009,056 |
| Gross Profit | 679,872 | 784,564 | 866,291 | 988,077 |
| Net Income | 121,136 | 202,409 | 301,502 | 410,061 |
| Net Income per Share (Yen) | 76.55 | 126.26 | 174.26 | 227.20 |
| Net Assets | 1,122,828 | 1,677,907 | 2,110,279 | 2,183,660 |
| Total Assets | 7,593,387 | 8,573,578 | 9,813,312 | 9,690,879 |

Notes:

- The figures shown in this table have been prepared on the basis of accounting principles generally accepted in the United States of America (U.S. GAAP). Total Trading Transactions is a voluntary disclosure and represents the gross transaction volume of the nominal aggregate value of the sales contracts in which Mitsui & Co., Ltd. and its subsidiaries (collectively the companies) act as principal and transactions in which the companies serve as agent. Total Trading Transactions is not meant to represent sales or revenues in accordance with US GAAP. The companies have included the information concerning Total Trading Transactions because it is used by similar Japanese trading companies as an industry benchmark, and the companies believe it is a useful supplement to results of operations data as a measure of the companies performance compared to other similar Japanese trading companies.
- In accordance with the Statement of Financial Accounting Standards No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, the prior year figures relating to discontinued operations have been reclassified.
- Figures less than ¥1 million and figures less than ¥1/100 (in the case of Net Income per Share) are rounded.

2 TRENDS IN VALUE OF COMPANY ASSETS AND OPERATING RESULTS (NON-CONSOLIDATED)

(Millions of Yen, Except Net Income per Share)

| | 86 th Fiscal Year | 87 th Fiscal Year | 88 th Fiscal Year | 89 th (Current) Fiscal Year |
|----------------------------|---------------------------------|---------------------------------|---------------------------------|---|
| Sales | ¥ 10,415,768 | ¥ 11,378,886 | ¥ 11,407,301 | ¥ 12,291,218 |
| Net Income | 36,260 | 74,484 | 118,588 | 157,905 |
| Net Income per Share (Yen) | 22.91 | 46.31 | 68.53 | 87.47 |
| Total equity | 742,741 | 1,091,007 | 1,233,398 | 1,231,061 |
| Total Assets | 4,529,139 | 4,962,510 | 5,369,989 | 5,231,618 |

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Notes:

1. Net Income per Share was computed based on the average number of shares outstanding during the fiscal year.
2. Beginning with the 87th fiscal year, the Company changed accounting for retirement benefits and accounting for precious metals forward contracts.
3. Beginning with the 88th fiscal year, the Company has applied Accounting Standards for Bonuses to Directors , Accounting Standards Presentation of Shareholders' Equity , Accounting Standards Relating to Business Combinations and Accounting Standards Relating to Business Separation .
4. Figures less than ¥1 million and figures less than ¥1/100 (in the case of Net Income per Share) are truncated.

Table of Contents**7. KEY ISSUES TO ADDRESS****MANAGEMENT PLAN THROUGH MARCH 2009**

For the year ending March 2009, we are optimizing our strategic business portfolio and pursuing other measures under the four main policies outlined in our Medium-Term Management Outlook. Forecast net income and other items for the year ending March 2009 is as follows.

(Billions of yen)

| | Forecast for FY ending March 31, 2009 | FY ended March 31, 2008 | Change |
|--|--|------------------------------------|---------------|
| Gross profit | 1,080.0 | 988.1 | 91.9 |
| Operating income | 470.0 | 374.8 | 95.2 |
| Equity in earnings of associated companies | 220.0 | 154.3 | 65.7 |
| Net income | 460.0 | 410.1 | 49.9 |

*Note: The above chart is based on the following assumptions:

-Iron ore: US\$83 per ton (an increase of US\$33 per ton compared to the previous consolidated fiscal year)

-Crude oil: US\$85 per ton (an increase of US\$14 per barrel compared to the previous consolidated fiscal year)

-Exchange rate: ¥100 to US\$1 (an increase of ¥14 in the strength of the yen compared to the previous consolidated fiscal year)

In our Investment and Loan Plan, we project total investments and loans of ¥700.0 billion in the fiscal year ending March 31, 2009, including ¥350.0 billion allocated to metal resources and energy. Conversely, we project an inflow of ¥270.0 billion from asset recycling. As a result, we anticipate that cash flow from investing activities will be a net outflow for the year. We expect free cash flow to be broadly neutral or slightly positive, as we are anticipating a steady increase in cash flow from operating activities.

Table of Contents**PART II: CORPORATE OUTLINE****1. PRINCIPAL GROUP BUSINESS (AS OF MARCH 31, 2008)**

The Mitsui Group is engaged in its business through the product segments comprised of the business units of the Head Office and the regional segments comprised of overseas offices and subsidiaries. Along with its domestic and overseas subsidiaries and associated companies, the Group is engaged in the sale, import, export, international trading and manufacturing of various products from the Iron and Steel Products, Mineral and Material Resources, Machinery and Infrastructure Projects, Chemicals, Energy, Foods and Retail, and Consumer Service and IT business areas. The Mitsui Group also provides a diversified range of services including transport and financial services in addition to the development of natural resources and investment in operations.

2. PRINCIPAL GROUP OFFICES (AS OF MARCH 31, 2008)

Mitsui has 15 domestic offices and branches in Japan in addition to the Head Office, and 141 branches and trading subsidiaries overseas, including the principal entities outlined below.

| | | |
|------------------|-----------------------------|---|
| Domestic: | Head Office | Chiyoda-ku, Tokyo |
| | Offices and Branches | Sapporo Office, Tohoku Office (Sendai), Nagoya Office, Osaka Office, Hiroshima Office, Fukuoka Office, Niigata Branch, Hokuriku Branch (Toyama), Takamatsu Branch |
| Overseas: | Trading Subsidiaries | Mitsui & Co. (U.S.A.), Inc. Mitsui & Co. Europe Holdings PLC (United Kingdom) Mitsui & Co., (Asia Pacific) Pte. Ltd. (Singapore) |

Note: For information regarding the overseas offices, subsidiaries and other companies, including the above-listed entities and important subsidiaries and associated companies, please refer to page 23-24 of this document.

3. SHARES OF MITSUI & CO., LTD. (AS OF MARCH 31, 2008)

| | |
|-------------------------------|---|
| Number of shares authorized: | 2,500,000,000 shares |
| Number of shares outstanding: | 1,820,183,809 shares (including 3,325,430 treasury stock) |
| Number of shareholders: | 105,338 shareholders |

Table of Contents**4. PRINCIPAL SHAREHOLDERS (AS OF MARCH 31, 2007)**

| Name of Shareholder | Investment in Mitsui & Co., Ltd. | |
|--|----------------------------------|----------------------|
| | Number of shares (thousands) | Investment ratio (%) |
| The Master Trust Bank of Japan, Ltd. (trust account) | 180,697 | 9.92 |
| Japan Trustee Services Bank, Ltd. (trust account) | 130,503 | 7.16 |
| State Street Bank and Trust Company | 53,271 | 2.92 |
| Sumitomo Mitsui Banking Corporation | 38,500 | 2.11 |
| Mitsui Life Insurance Company, Limited | 37,630 | 2.06 |
| Nippon Life Insurance Company | 35,070 | 1.92 |
| The Chuo Mitsui Trust and Banking Company, Limited | 30,799 | 1.69 |

Note: In thousands of shares, rounded down

5. GROUP EMPLOYEES

| Operating segment | Number of Employees as of March 31, 2008 | Number of Employees as of March 31, 2007 | Change in Number of Employees |
|-------------------------------------|--|--|-------------------------------|
| Iron & Steel Products | 2,255 | 2,270 | (15) |
| Mineral & Metal Resources | 757 | 2,425 | (1,668) |
| Machinery & Infrastructure Projects | 13,177 | 10,859 | +2,318 |
| Chemical | 3,489 | 3,731 | (242) |
| Energy | 1,633 | 1,516 | +117 |
| Foods & Retail | 6,008 | 6,575 | (567) |
| Consumer Service & IT | 4,540 | 5,481 | (941) |
| Logistics & Financial Markets | 1,177 | 1,284 | (107) |
| (Corporate Staff Division) | 1,793 | 1,906 | (113) |
| Americas | 4,297 | 2,316 | +1,981 |
| Europe, the Middle East and Africa | 1,299 | 1,326 | (27) |
| Asia Pacific | 2,196 | 2,072 | +124 |
| Total | 42,621 | 41,761 | +860 |

Notes:

- The above employee figures do not include temporary staff, seconded or part-time staff.
- Of the 42,621 employees as of March 31, 2008, 5,869 were employed by the Company, (26 more than at the end of the previous fiscal year).

Table of Contents**6. PRINCIPAL SOURCES OF BORROWINGS (AS OF MARCH 31, 2008)**

Unit: Millions of yen, rounded down

| Source of Borrowings | Amount Borrowed by the Company |
|---|---|
| Meiji Yasuda Life Insurance Company | 221,500 |
| Nippon Life Insurance Company | 183,000 |
| The Dai-ichi Mutual Life Insurance Company | 166,000 |
| Mitsui Life Insurance Company, Limited | 150,000 |
| Sumitomo Life Insurance Company | 148,000 |
| National Mutual Insurance Federation of Agricultural Cooperatives | 75,000 |
| Sumitomo Mitsui Banking Corporation | 74,416 |
| Japan Bank for International Cooperation | 118,760 |

Table of Contents**7. PRINCIPAL SUBSIDIARIES****1 PRINCIPAL SUBSIDIARIES AND ASSOCIATED COMPANIES (AS OF MARCH 31, 2008)****Subsidiary(S)/**

| Associated companies(A) | Operating Segment | Common Stock | Percentage owned by Mitsui & Co., Ltd. | Main Business |
|--|---------------------------------------|------------------------|---|--|
| Mitsui & Co. Steel Ltd. (Japan) (S) | Iron and Steel Products | ¥1,000 million | 100 | Sales of iron and steel products |
| Mitsui Iron Ore Development Pty. Ltd. (Australia) (S) | Mineral & Metal Resources | A\$20,000 thousand | 100 (20) | Production and marketing of Australian iron ore |
| Valepar S.A. (Brazil) (A) | Mineral & Metal Resources | R\$7,258,206 thousand | 18.2 | Investments in Brazilian natural resources company Vale |
| Mitsui Automotive Europe B.V. (Netherlands) (S) | Machinery and Infrastructure Projects | Euro65,595 thousand | 100 (40) | Investments in automobile businesses |
| IPM Eagle LLP (United Kingdom) (A) | Machinery and Infrastructure Projects | US\$532,191 thousand | 30 (30) | Investments in power generation business |
| Japan-Arabia Menthol Company Ltd. (Japan) (S) | Chemical Products | ¥5,000 million | 55 | Investments in methanol producing businesses in Saudi Arabian |
| Mitsui Sakhalin Holdings B.V. (Netherlands) (S) | Energy | Euro1,402,204 thousand | 100 | Investment in Sakhalin Energy Investment |
| Mitsui Oil Exploration Co., Ltd. (Japan) (S) | Energy | ¥33,133 million | 51.0 | Exploration, development and production of oil and natural gas resources |
| Japan Australia LNG (MIMI) Pty. Ltd. (Australia) (A) | Energy | A\$369,050 thousand | 50 (50) | Exploration, development and marketing of oil and natural gas |
| MITSUI FOODS CO., LTD. (Japan) (S) | Food and Retail | ¥12,031 million | 99.9 | Wholesale of food products |
| MIKUNI COCA COLA BOTTLING | Food and Retail | ¥5,407 million | 34.3 | Production and sale of soft drinks |

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| | | | | |
|---|-------------------------|-----------------|-------|--|
| CO., LTD. (Japan) | | | | |
| (A) | | | | |
| QVC JAPAN INC. (Japan) | Consumer Service and IT | ¥11,500 million | 40 | TV shopping business |
| (A) | | | | |
| Mitsui Knowledge Industry Co., Ltd. (Japan) | Consumer Service and IT | ¥4,114 million | 58.4 | Development and sale of computer systems |
| (S) | | | | |
| Mitsui Leasing and Development Ltd. (Japan) | Logistics and Financial | ¥9,153 million | 40.7 | Leasing business |
| (A) | | | (0.7) | |
| TRI-NET INC. (Japan) | Logistics and Financial | ¥400 million | 100 | International integrated transportation business |
| (S) | | | | |
| Steel Technologies Inc. (United States) | Americas | US\$1 thousand | 100 | Sale of steel products |
| (S) | | | (100) | |
| Notes: | | | | |

1. The companies listed above are the major subsidiaries and associated companies of the main business segments.
2. The figures in brackets represent indirect ownership through other subsidiaries.
3. The figures for capital have been rounded.

Table of Contents**2 THE NUMBER OF SUBSIDIARIES AND ASSOCIATED COMPANIES**

The number of subsidiaries and associated companies as of March 31, 2008, and for the previous three years, is as follows:

(Unit: companies)

| | 86th Fiscal Year | 87th Fiscal Year | 88th Fiscal Year | 89th Fiscal Year |
|--|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| Subsidiaries | 356 | 314 | 315 | 297 |
| Associated Companies Accounted for under the Equity Method | 277 | 192 | 176 | 182 |

Note: Some of subsidiaries and associated companies report their financial statements with further consolidating their subsidiaries and associated companies. The numbers of companies in the table do not include the latter, namely, those consolidated to other subsidiaries and associated companies and companies that are managed by overseas trading subsidiaries.

Table of Contents**8. SENIOR COMPANY OFFICERS AND AUDITORS****1 Directors and Corporate Auditors (as of March 31, 2008)**

(* represents a director)

| Name | Title | Principal position(s)/Areas overseen |
|---------------------|--|---|
| Nobuo Ohashi | Chairman and Director | Chairman, Governance Committee |
| Shoei Utsuda* | President and Chief Executive Officer | Chief Executive Officer Chairman, Nomination Committee |
| Hiroshi Tada* | Director | Iron & Steel Products Business Unit; Mineral & Metal Resources Business Unit; Energy Business Unit I; Energy Business Unit II |
| Kazuya Imai* | Director | Chief Financial Officer, Corporate Staff Division (Financial Planning Division, Accounting Division, Finance Division, Investment Administration Division, Credit Risk Management Division, Market Risk Management Division, First Business Process Control Division, Second Business Process Control Division, Third Business Process Control Division, Investor Relations Division); Deputy Chief Operating Officer, Business Process Re-Engineering Project Headquarters; Director, Mitsui & Co. (U.S.A), Inc. |
| Toshihiro Soejima* | Director | Infrastructure Projects Business Unit; Motor Vehicles Business Unit; Marine & Aerospace Business Unit; Financial Markets Business Unit; Transportation Logistics Business Unit |
| Motokazu Yoshida* | Director | Chief Information Officer; Corporate Staff Division (Information Strategic Planning Division, Corporate Planning & Strategy Division, Corporate Communication Division, CSR Promotion Division); New Business Promotion; Environmental Matters; Chief Operating Officer, Business Process Re-Engineering Project Headquarters |
| Hiroshi Ito* | Director | First Consumer Service Business Unit; Second Consumer Service Business Unit; Foods & Retail Business Unit; IT Business Unit; Director, Mitsui & Co. (Asia Pacific) Pte. Ltd. |
| Yoshiyuki Izawa* | Director | First Chemicals Business Unit; Second Chemicals Business Unit; Domestic Offices and Branches; Director, Mitsui & Co. Europe Holdings PLC |
| Junichi Matsumoto* | Director | Chief Compliance Officer; Chief Privacy Officer; Corporate Staff Division (Secretariat, Corporate Auditor Division, Human Resources & General Affairs Division, Legal Division, Logistics Management Division); Business Continuity Plan Management |
| Akishige Okada | Director | Advisor to Board of Sumitomo Mitsui Banking Corporation Chairman, Remuneration Committee |
| Nobuko Matsubara | Director | Chairman, Japan Institute of Workers' Evolution |
| Ikujiro Nonaka | Director | Professor Emeritus, Hitotsubashi University |
| Hiroshi Hirabayashi | Director | President, The Japan-India Association |
| Tasuku Kondo | Corporate Auditor | |
| Satoru Miura | Corporate Auditor | |

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| | | |
|-------------------|-------------------|--|
| Motonori Murakami | Corporate Auditor | |
| Ko Matsukata | Corporate Auditor | Standing Advisor, Mitsui Sumitomo Insurance Company, Limited |
| Yasutaka Okamura | Corporate Auditor | Attorney at Law |
| Hideharu Kadowaki | Corporate Auditor | Chairman of the Institute, The Japan Research Institute, Limited |
| Naoto Nakamura | Corporate Auditor | Attorney at Law |

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Notes:

1. Akishige Okada, Nobuko Matsubara, Ikujiro Nonaka and Hiroshi Hirabayashi are external Directors.
2. Ko Matsukata, Yasutaka Okamura, Hideharu Kadowaki and Naoto Nakamura are external Corporate Auditors. Tasuku Kondo, Satoru Miura and Motonori Murakami are full-time Corporate Auditors.
3. Yasutaka Okamura is resigning as a Corporate Auditor as of the end of the General Meeting of Shareholders held June 24, 2008.
4. Full-time Corporate Auditor Tasuku Kondo, who was a General Manager of the Financial Division and Chief Financial Officer of the Company, has considerable expertise in finance and accounting. Full time Corporate Auditor Motonori Murakami, who was as Executive Managing Officer and Assistant to Chief Financial Officer, has considerable expertise in finance and accounting. Corporate Auditor Hideharu Kadowaki, who was a Vice President and Representative Director of Sumitomo Mitsui Financial Group, Inc., has considerable expertise in finance and accounting.
5. In addition to the foregoing, other significant representative positions and concurrent positions held by Directors and Corporate Auditors of the Company in the other organizations are as follows.

| Name | Representative and concurrent position(s) held in other organizations | |
|-------------------|---|----------------------------|
| Nobuo Ohashi | IHI Corporation | External Corporate Auditor |
| | The Norinchukin Bank | Auditor |
| Shoei Utsuda | Tokyo Broadcasting System, Inc. | External Director |
| Toshihiro Soejima | Katakura Industries Co.,Ltd. | External Director |
| | Mitsui Ocean Development & Engineering Co., Ltd. | External Director |
| Hiroshi Ito | Nihon Unisys, Ltd. | External Director |
| Akishige Okada | Sumitomo Mitsui Banking Corporation | Advisor |
| | Sony Corporation | External Director |
| | Daicel Chemical Industries, Ltd. | External Director |
| | Hotel Okura Co., Ltd. | External Corporate Auditor |
| | Toyota Motor Corporation | External Corporate Auditor |
| | Mitsui Fudosan Co., Ltd. | External Corporate Auditor |
| Nobuko Matsubara | Japan Institute of Workers Evolution | Chairman |
| Ikujiro Nonaka | Hitotsubashi University | Professor Emeritus |
| | Eisai Co., Ltd. | External Corporate Auditor |

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| | | |
|---------------------|---|--|
| Hiroshi Hirabayashi | Fujitsu, Ltd. The Japan-India Association | External Corporate Auditor President |
| Ko Matsukata | TOSHIBA Corporation Mitsui Sumitomo Insurance Company Limited | External Corporate Auditor Standing Advisor |
| Hideharu Kadowaki | Mitsui Life Insurance Company Limited The Japan Research Institute, Ltd. | External Corporate Auditor Chairman of the Institute |
| Naoto Nakamura | Mitsui Chemicals, Inc. Asahi Breweries, Ltd. | External Corporate Auditor External Corporate Auditor |

Table of Contents**2 Executive Officers (as of April 1, 2008)**

(* represents a director)

| Name | Title | Principal position(s)/Areas overseen |
|--------------------|--|---|
| Shoei Utsuda* | President and Chief Executive Officer | Chief Executive Officer Chairman, Internal Controls Committee |
| Yasunori Yokote | Executive Vice President | Chief Operating Officer, Americas Business Unit |
| Toshihiro Soejima* | Executive Vice President | Motor Vehicles Business Unit; Marine & Aerospace Business Unit; First Consumer Service Business Unit, Second Consumer Service Business Unit, IT Business Unit |
| Motokazu Yoshida* | Executive Vice President | Chief Information Officer; Corporate Staff Division (Information Strategic Planning Division, Corporate Planning & Strategy Division, Corporate Communication Division, CSR Promotion Division); New Business Promotion; Environment Matters; Chairman, CSR Promotion Committee |
| Ken Abe | Executive Vice President | Iron & Steel Products Business Unit; Infrastructure Projects Business Unit; Financial Markets Business Unit; Transportation Logistics Business Unit; Director, Mitsui & Co.(U.S.A.)Inc. |
| Yoshiyuki Izawa* | Executive Vice President | First Chemicals Business Unit; Second Chemicals Business Unit; Foods & Retail Business Unit; Domestic Offices and Branches; Director, Mitsui & Co. Europe Holdings PLC; Chairman, Portfolio management Committee |
| Junichi Matsumoto* | Executive Vice President | Chief Financial Officer, Chief Compliance Officer; Corporate Staff Division (Financial Planning Division, Accounting Division, Finance Division, Investment Administration Division, Credit Risk Management Division, Market Risk Management Division, First Business Process Control Division, Second Business Process Control Division, Third Business Process Control Division, Investor Relations Division); Chairman, Compliance Committee; Chairman, Disclosure Committee |
| Toshimasa Furukawa | Senior Executive Managing Officer | Chief Operating Officer, Asia Pacific Business Unit |
| Masami Iijima | Executive Managing Officer | Mineral & Metal Resources Business Unit; Energy Business Unit I; Energy Business Unit II |
| Seiichi Tanaka | Executive Managing Officer | Chief Privacy Officer; Corporate Staff Division (Secretariat, Corporate Auditing Division, Human Resource & General Affairs Division, Legal Division, Logistics Management Division); Business Continuity Plan Management; Director, Mitsui & Co.(Asia Pacific) Pte. Ltd. |
| Shinjiro Ogawa | Executive Managing Officer | Chief Representative of Mitsui & Co., Ltd. in China |
| Jitsuro Terashima | Executive Managing Officer | President & CEO, Mitsui Global Strategic Studies Institute |
| Koji Nakamura | Executive Managing Officer | General Manager, Osaka Office |
| Kenichi Yamamoto | Executive Managing Officer | Chief Operating Officer, First Consumer Service Business Unit |
| Toshio Awata | Executive Managing Officer | General Manager, Nagoya Office |
| Kiyotaka Watanabe | Executive Managing Officer | General Manager: Kyushu Office |
| Masaaki Fujita | Executive Managing Officer | Chief Operating Officer, Foods & Retail Business Unit |
| Junichi Mizonoue | Executive Managing Officer | Chief Operating Officer, Second Chemicals Business Unit |
| Takao Omae | Executive Managing Officer | Chief Operating Officer, Infrastructure Projects Business Unit |
| Norinao Iio | Executive Managing Officer | Chief Operating Officer, EMEA (Europe, the Middle East and Asia) Business Unit |

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| | | |
|--------------------|----------------------------|---|
| Hideyo Hayakawa | Executive Managing Officer | General Manager, Internal Auditing Division |
| Masaaki Murakami | Managing Officer | President, Mitsui & Co. Korea Ltd. |
| Osamu Koyama | Managing Officer | Deputy Chief Operating Officer, Americas Business Unit |
| Terukazu Okahashi | Managing Officer | Deputy General Manager, Osaka Office |
| Osamu Takahashi | Managing Officer | Chief Operating Officer, IT Business Unit |
| Shigeru Hanagata | Managing Officer | Chief Operating Officer, Motor Vehicles Business Unit |
| Masayoshi Komai | Managing Officer | Chief Operating Officer, Marine & Aerospace Business Unit |
| Katsumi Ogawa | Managing Officer | Chief Operating Officer, Financial Markets Business Unit |
| Akio Yamamoto | Managing Officer | President, Mitsui & Co. (Thailand) Ltd. |
| Yoshinori Setoyama | Managing Officer | Chief Operating Officer, First Chemicals Business Unit |
| Noriaki Sakamoto | Managing Officer | President, MITSUI & CO. (CANADA) LTD., |
| Masahiko Okamura | Managing Officer | Chief Operating Officer, Second Consumer Service Business Unit |
| Fuminobu Kawashima | Managing Officer | Chief Operating Officer, Energy Business Unit I |
| Masaaki Iida | Managing Officer | Chief Operating Officer, Transportation Logistics Business Unit |
| Joji Okada | Managing Officer | General Manager, Accounting Division |
| Takashi Fukunaga | Managing Officer | Deputy Operating Officer, EMEA (Europe, the Middle East and Africa) Business Unit |
| Takashi Yamauchi | Managing Officer | Chief Operating Officer, Iron & Steel Products Business Unit |
| Shuji Nakura | Managing Officer | General Manager, Investment Administration Division |
| Mitsuhiko Kawai | Managing Officer | Chief Operating Officer, Energy Business Unit II |
| Daisuke Saiga | Managing Officer | General Manager, Human Resources & General Affairs Division |
| Masayuki Kinoshita | Managing Officer | Chief Operating Officer, Mineral & Metal Resources Business Unit |
| Atsushi Ooi | Managing Officer | Chairman & managing Director, Mitsui & Co.(Australia) Ltd. |

Table of Contents**3 Remuneration of Directors and Corporate Auditors**

The remuneration of the Company's Directors and Corporate Auditors was as follows:

| | Number of recipients | Total remuneration paid relating to the year ended March 31, 2008 |
|---|----------------------|---|
| Directors | 13 | ¥1,053 million |
| Corporate Auditors | 7 | ¥187 million |
| Total | 20 | ¥1,240 million |
| (External Directors and Corporate Auditors) | (8) | (¥86 million) |

Notes:

- Limits on 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). Unrelated to the above, for Directors (not including external directors) there is a total limit for bonuses of ¥500 million.
- The above amounts include ¥410 million in bonuses for Directors (excluding external Directors).
- In addition to the above amounts, the company paid pensions and retirement compensation (including payments that were determined for payment before abolition of the pension system) of ¥705 million to Directors, and ¥76 million to Corporate Auditors.

4 External Directors and external Corporate Auditors (As of March 31, 2008)

(1) External Directors

Concurrent appointments as External officers or executive directors of other companies are as follows;

| Name | Concurrent appointments as External officers or executive directors of other companies | |
|---|--|----------------------------|
| Akishige Okada | Sony Corporation | External Director |
| | Daicel Chemical Industries, Ltd. | External Director |
| | Hotel Okura Co., Ltd. | External Corporate Auditor |
| | Toyota Motor Corporation | External Corporate Auditor |
| | Mitsui Fudosan Co., Ltd. | External Corporate Auditor |
| Ikujiro Nonaka | Eisai Co., Ltd | External Director |
| | Fujitsu, Ltd. | External Director |
| Hiroshi Hirabayashi | TOSHIBA Corporation | External Director |
| The eldest daughter of Hiroshi Hirabayashi is employed by Mitsui & Co. Ltd. | | |

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The Company has entered into agreements with its respective external Directors pursuant to Article 427(1) of the Corporate Law of Japan to limit their liability to the extent possible by law.

(2) External Corporate Auditors

Concurrent appointments as External officers or executive directors of other companies are as follows;

| Name | Concurrent appointments as external officers or executive directors of other companies | |
|-------------------|---|----------------------------|
| Ko Matsukata | Mitsui Life Insurance Company Limited | External Corporate Auditor |
| Hideharu Kadowaki | Mitsui Chemicals, Inc. | External Corporate Auditor |
| Naoto Nakamura | Asahi Breweries, Ltd. | External Corporate Auditor |

The eldest son of Ko Matsukata is employed by our associated company Mitsui Leasing & Development, Ltd.

The Company has entered into agreements with its respective external Corporate Auditors pursuant to Article 427(1) of the Corporate Law of Japan to limit their liability to the extent possible by law.

Table of Contents**(3) Major activities of external Directors and external Corporate Auditors**

| Name | Position | Major activities |
|---------------------|----------------------------|---|
| Akishige Okada | External Director | Director, Akishige Okada (Director, Mitsui & Co., Ltd., since June 2003) participated in 13 of the 14 Board of Directors meetings held during the fiscal year under review. He made statements mainly from the perspective of his high degree of knowledge and varied experience of the banking business. |
| Nobuko Matsubara | External Director | Director, Nobuko Matsubara (Director, Mitsui & Co., Ltd., since June 2006) participated in all 14 Board of Directors meetings held during the fiscal year under review. She made statements mainly from the perspective of her high degree of knowledge and varied experience of labor disputes while working as a Japanese public servant. |
| Ikujiro Nonaka | External Director | Director Ikujiro Nonaka (Director, Mitsui & Co., Ltd., since June 2007) participated in 9 of the 12 Board of Directors meetings held during the fiscal year under review and since his appointment in June 2007. He made statements mainly from the perspective of his high degree of knowledge and varied experience from his graduate and post-graduate research as an international business specialist. |
| Hiroshi Hirabayashi | External Director | Director Hiroshi Hirabayashi (Director, Mitsui & Co., Ltd., since June 2007) participated in all 12 of the Board of Directors meetings held during the fiscal year under review and since his appointment in June 2007. He made statements mainly from the perspective of his high degree of knowledge and varied international experience from his overseas activities as a foreign diplomat for Japan. |
| Ko Matsukata | External Corporate Auditor | Corporate Auditor, Ko Matsukata (Corporate Auditor, Mitsui & Co., Ltd., since June 1996) participated 12 of the 14 Board of Directors meetings, and all 13 Board of Corporate Auditors meetings, held during the fiscal year under review. He made statements mainly from the perspective of his high degree of knowledge and varied experience of the insurance and finance businesses. |
| Yasutaka Okamura | External Corporate Auditor | Corporate Auditor, Yasutaka Okamura (Corporate Auditor, Mitsui & Co., Ltd., since June 2003) participated in 11 of the 14 Board of Directors meetings, and 11 of the 13 Board of Corporate Auditors meetings, held during the fiscal year under review. He made statements mainly from the perspective of his high degree of knowledge and varied experience obtained from his many years as a prosecutor or an attorney at law. |
| Hideharu Kadowaki | External Corporate Auditor | Corporate Auditor, Hideharu Kadowaki (Corporate Auditor, Mitsui & Co., Ltd., since June 2004) participated in 13 of the 14 Board of Directors meetings, and all of the 13 Board of Corporate Auditors meetings, held during the fiscal year under review. He made statements mainly from the perspective of his high degree of knowledge and varied experience of the banking business. |
| Naoto Nakamura | External Corporate Auditor | Corporate Auditor, Naoto Nakamura (Corporate Auditor, Mitsui & Co., Ltd., since June 2006) participated in 12 of the 14 Board of Directors meetings, and 12 of the 13 Board of Corporate Auditors meetings, held during the fiscal year under review. He made statements mainly from the perspective of his high degree of knowledge and varied experience obtained working as an attorney at law predominantly in the corporate law field. |

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9. DETAILS OF INDEPENDENT AUDITORS

1. Name of Independent Auditor

Deloitte Touche Tohmatsu

2. Remuneration paid to Independent Auditor

Total remuneration paid by the Company to its Independent Auditor relating to the fiscal year under review: ¥574 million

Total amount of monetary and other economic benefits payable by the Company and its subsidiaries to Independent Auditor: ¥1,447 million

3. Non-Audit Services

The Company has engaged its Independent Auditor provide tax related services , etc, being services falling outside the scope of Article 2(1) of the Certified Public Accountants Law (non-audit services).

4. Policy on the Removal and Decision not to Re-Appoint Independent Auditor

The Company has the following policy on the removal of, and decisions not to re-appoint, Independent Auditor.

1. The tenure of the Independent Auditor is one year, and they may be re-appointed.
2. The appointment and removal of, and decisions not to re-appoint, Independent Auditor is/are resolved by the Board of Directors to be referred for discussion and resolution at the General Meeting of Shareholders, after obtaining the approval of the Board of Corporate Auditors. The re-appointment of Independent Auditor is determined by resolution of the Board of Directors after obtaining the approval of the Board of Corporate Auditors.
3. Where the Independent Auditor have breached or contravened law or regulation such the Corporate Law of Japan or the Certified Public Accountants Law, or have conducted themselves in breach of public policy or breached their contract of engagement, the Board of Directors considers whether or not it is appropriate to refer the removal of, or decisions not to re-appoint, Independent Auditor to the General Meeting of Shareholders for discussion and resolution.
4. The Board of Corporate Auditors may remove the Independent Auditor with the approval of each Corporate Auditor if the circumstances outlined in the respective provisions of Article 340(1) of the Corporate Law of Japan apply.

Note: Among the Company's principal subsidiaries, Mitsui & Co. (U.S.A.) Inc. is audited by Deloitte & Touche LLP (U.S.A.), Mitsui E&P Middle East B.V. is audited by Deloitte Accountants B.V. (Netherlands), and Mitsui Iron Ore Development Pty Ltd and Mitsui Coal Holdings Pty Ltd are audited by Deloitte Touche Tohmatsu (Australia).

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10. NECESSARY SYSTEMS TO ENSURE APPROPRIATE OPERATIONS

An outline of Mitsui's Necessary systems to ensure appropriate operations (pursuant to Article 362(4)(6) of the Corporate Law of Japan) is as follows. Further detail can be found via the following link on Mitsui's webpage (<http://www.mitsui.co.jp/en/company/governance/02/index.html>).

1 SYSTEMS TO ENSURE THAT PERFORMANCE OF DUTIES BY DIRECTORS AND EMPLOYEES COMPLIES WITH LAWS AND REGULATIONS AND THE ARTICLES OF INCORPORATION

1. Mitsui has established BUSINESS CONDUCT GUIDELINES FOR EMPLOYEES AND OFFICERS OF MITSUI & CO., LTD. positioning compliance by officers and employees in the course of carrying out their duties as one of Mitsui's most important priorities.
2. Mitsui has established a Compliance Committee, headed by Chief Compliance Officer (CCO), and carries out compliance training and other measures to improve awareness of compliance issues. Mitsui has set up several avenues, both internal and external, for its employees to report and consult on compliance matters, and conducts periodical auditing to ensure its compliance regime is observed while also taking disciplinary actions on violations.
3. Mitsui's Corporate Auditors monitor the observance of laws and regulations, and the Articles of Incorporation, amongst other things, by Directors and employees in the performance of their duties.
4. Mitsui has appointed external Directors and Corporate Auditors to strengthen the supervisory function of the Board of Directors, and has established various advisory committees which include external Directors and Corporate Auditors as committee members, in order to ensure management transparency and objectivity.

2 SYSTEMS TO STORE AND CONTROL INFORMATION RELATED TO DUTIES PERFORMED BY DIRECTORS

In accordance with its Documentation Management Regulations and Information Systems Regulations, Mitsui stores and controls important information such as minutes of General Meetings of Shareholders and the Board of Directors, under the charge of a Director responsible for its Corporate Staff Divisions.

3 REGULATIONS AND SYSTEMS RELATED TO MANAGEMENT OF RISK OF LOSS

- a) The heads of Mitsui's business units and overseas operations manage risks of losses (Risks) that arise from businesses within the scope of their authority.
- b) Mitsui's Corporate Staff Divisions holistically manage the various Risks which Mitsui faces in its businesses, under an integrated risk management system centered on the Internal Controls Committee and the Portfolio Management Committee
- c) Mitsui has established a Crisis Management Headquarters to respond to crises in accordance with the Crisis Management Headquarters Regulations and the Business Continuity Management Regulations.

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4 SYSTEMS TO ENSURE EFFECTIVE AND EFFICIENT EXECUTION OF DIRECTORS' DUTIES

- a) Efficient management performance is pursued through having the Board of Directors oversee each Director in the performance of his/her duties and the use of an Executive Officer System.
- b) Mitsui has established various committees, such as the Corporate Management Committee and the Portfolio Management Committee, to enhance efficient and appropriate management decisions.
- c) Mitsui has constructed a system whereby business units are aligned to its products and services and regions to enable timely management decisions, and following deliberations by the relevant Corporate Staff Divisions, Mitsui's representative directors make final decisions in the best interests of the Company.
- d) Management initiatives are implemented in accordance with the Medium-Term Management Outlook and annual business plans, with the Board of Directors regularly checking upon progress.

5 SYSTEMS TO ENSURE PROPER OPERATIONS IN THE GROUP

- a) Based on the general principle of the autonomy of its subsidiaries and associated companies, Mitsui appropriately manages subsidiaries and associated companies, understanding the management status and maintaining a group wide management framework while providing for Mitsui's participation in the management and/or governance of its subsidiaries and associated companies as appropriate to its equity investor status.
- b) Mitsui requires its major subsidiaries and associated companies to carry out regular auditing to check their compliance with laws and regulations.
- c) If Mitsui's subsidiaries or associated companies discover compliance breaches by Mitsui's officers or employees, these matters are reported to Mitsui's Compliance Committee.

6 SYSTEMS RELATING TO EMPLOYEES ASSIGNED TO ASSIST CORPORATE AUDITORS, AND THE INDEPENDENCE OF SUCH EMPLOYEES FROM DIRECTORS

- a) A Corporate Auditor Division is resourced with three or more full time employees.
- b) The organization and assignment of employees to the Corporate Auditor Division is determined with the approval of the Corporate Auditors.

7 SYSTEMS FOR DIRECTORS AND EMPLOYEES TO REPORT TO CORPORATE AUDITORS

- a) Corporate Auditors may receive information by attending relevant meetings, requesting copies of material documents, and holding regular meetings with Directors, Executive Officers or other management staff.

- b) If Directors discover circumstances which carry the risk of serious loss or consequence to Mitsui, they promptly report the same to the Board of Corporate Auditors.

- c) Mitsui's Corporate Auditors visit its major subsidiaries and associated companies to conduct audits, and collaborate with the corporate auditors of those companies.

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8 OTHER SYSTEMS TO ENSURE EFFECTIVE AUDITING BY CORPORATE AUDITORS

- a) The Directors maintain an appropriate environment for auditing.
- b) The Corporate Auditors may request cooperation from the Internal Auditing Division, the Legal Division and the Accounting Division, as well as other divisions with regard to their auditing.
- c) The Corporate Auditors maintain close contact with Mitsui's independent auditors.
- d) The Corporate Auditors may request the assistance of full-time corporate legal counsel and other external expert professional advisors.

Table of Contents**I CONSOLIDATED BALANCE SHEETS****ASSETS**

| | (Millions of Yen) | March 31, 2008 | March 31, 2007(*) |
|--|-------------------|--------------------|----------------------|
| Current Assets | | | |
| Cash and cash equivalents | | ¥ 899,264 | ¥ 800,032 |
| Time deposits | | 12,302 | 6,591 |
| Marketable securities | | 7,114 | 11,670 |
| Trade receivables: | | | |
| Notes and loans, less unearned interest | | 424,406 | 475,271 |
| Accounts | | 2,125,640 | 2,199,614 |
| Associated companies | | 228,831 | 240,950 |
| Allowance for doubtful receivables | | (23,289) | (29,824) |
| Inventories | | 739,721 | 696,470 |
| Advance payments to suppliers | | 95,188 | 96,702 |
| Deferred tax assets - current | | 37,766 | 21,175 |
| Derivative assets | | 391,333 | 254,319 |
| Other current assets | | 272,838 | 300,806 |
| Total current assets | | 5,211,114 | 5,073,776 |
| Investments and Non-current Receivables: | | | |
| Investments in and advances to associated companies | | 1,333,042 | 1,587,571 |
| Other investments | | 1,281,476 | 1,238,853 |
| Non-current receivables, less unearned interest | | 497,265 | 476,107 |
| Allowance for doubtful receivables | | (58,957) | (69,775) |
| Property leased to others - at cost, less accumulated depreciation | | 184,447 | 259,240 |
| Total investments and non-current receivables | | 3,237,273 | 3,491,996 |
| Property and Equipment - at Cost: | | | |
| Land, land improvements and timberlands | | 188,848 | 191,537 |
| Buildings, including leasehold improvements | | 385,140 | 379,814 |
| Equipment and fixtures | | 815,202 | 790,510 |
| Mineral rights | | 146,120 | 151,752 |
| Vessels | | 33,789 | 33,666 |
| Projects in progress | | 176,987 | 130,529 |
| Total | | 1,746,050 | 1,677,808 |
| Accumulated depreciation | | (729,715) | (689,508) |
| Net property and equipment | | 1,016,335 | 988,300 |
| Intangible Assets, less Accumulated Amortization | | 128,504 | 104,445 |
| Deferred Tax Assets - Non-current | | 20,574 | 21,800 |
| Other Assets | | 77,079 | 132,995 |
| Total | | ¥ 9,690,879 | ¥ 9,813,312 |

(*) Supplementary information

[continued on next page]

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LIABILITIES AND SHAREHOLDERS EQUITY

| | (Millions of Yen) | March 31, 2008 | March 31, 2007(*) |
|--|-------------------|-------------------|----------------------|
| Current Liabilities: | | | |
| Short-term debt | | ¥ 464,547 | ¥ 658,747 |
| Current maturities of long-term debt | | 276,620 | 371,865 |
| Trade payables: | | | |
| Notes and acceptances | | 79,414 | 98,199 |
| Accounts | | 1,888,911 | 1,966,800 |
| Associated companies | | 69,476 | 64,730 |
| Accrued expenses: | | | |
| Income taxes | | 127,411 | 85,692 |
| Interest | | 21,924 | 25,324 |
| Other | | 85,526 | 84,625 |
| Advances from customers | | 113,939 | 113,586 |
| Derivative liabilities | | 279,696 | 198,735 |
| Other current liabilities | | 187,149 | 141,899 |
| Total current liabilities | | 3,594,613 | 3,810,202 |
| Long-term Debt, less Current Maturities | | 2,944,383 | 2,887,528 |
| Accrued Pension Costs and Liability for Severance Indemnities | | 32,754 | 33,209 |
| Deferred Tax Liabilities Non-current | | 387,337 | 450,181 |
| Other Long-term Liabilities | | 304,156 | 283,226 |
| Minority Interests | | 243,976 | 238,687 |
| Shareholders Equity: | | | |
| Common stock no par value | | 337,544 | 323,213 |
| Authorized, 2,500,000,000 shares: | | | |
| Issued, 1,820,183,809 shares in 2008 and 1,787,538,428 shares in 2007(*) | | | |
| Capital surplus | | 432,245 | 417,900 |
| Retained earnings: | | | |
| Appropriated for legal reserve | | 47,463 | 39,670 |
| Unappropriated | | 1,397,313 | 1,072,234 |
| Accumulated other comprehensive income (loss): | | | |
| Unrealized holding gains and losses on available-for-sale securities | | 140,446 | 258,922 |
| Foreign currency translation adjustments | | (135,196) | (9,409) |
| Defined benefit pension plans | | (32,160) | 2,287 |
| Net unrealized gains and losses on derivatives | | 1,135 | 8,930 |
| Total accumulated other comprehensive (loss) income | | (25,775) | 260,730 |
| Treasury stock, at cost : 3,543,891 shares in 2008 and 2,911,367 shares in 2007(*) | | (5,130) | (3,468) |
| Total shareholders equity | | 2,183,660 | 2,110,279 |

Total

¥ 9,690,879 ¥ 9,813,312

(*) Supplementary information

Table of Contents**I STATEMENTS OF CONSOLIDATED INCOME**

| | (Millions of Yen) | Year ended March 31, 2008 | Year ended March 31, 2007(*) |
|---|-------------------|---------------------------------|------------------------------------|
| Revenues: | | | |
| Sales of products | | ¥ 5,009,773 | ¥ 4,090,447 |
| Sales of services | | 553,742 | 556,014 |
| Other sales | | 175,363 | 147,136 |
| Total revenues | | 5,738,878 | 4,793,597 |
| Total Trading Transactions: | | | |
| (Year ended March 31, 2008: ¥17,009,056 million) | | | |
| Year ended March 31, 2007: ¥15,271,649 million(*) | | | |
| Cost of Revenues: | | | |
| Cost of products sold | | 4,512,491 | 3,696,859 |
| Cost of services sold | | 156,187 | 158,543 |
| Cost of other sales | | 82,123 | 71,904 |
| Total cost of revenues | | 4,750,801 | 3,927,306 |
| Gross Profit | | 988,077 | 866,291 |
| Other Expenses (Income): | | | |
| Selling, general and administrative | | 605,176 | 571,617 |
| Provision for doubtful receivables | | 8,073 | 11,873 |
| Interest income | | (57,268) | (49,847) |
| Interest expense | | 106,213 | 92,501 |
| Dividend income | | (50,115) | (49,188) |
| Gain on sales of securities net | | (92,307) | (58,800) |
| Loss on write-down of securities | | 36,715 | 11,687 |
| Loss (gain) on disposal or sales of property and equipment net | | 228 | (5,283) |
| Impairment loss of long-lived assets | | 24,393 | 19,427 |
| Impairment loss of goodwill | | 2,004 | 16,528 |
| Compensation and other charges related to DPF incident | | | (3,864) |
| Other expense net | | 2,961 | 466 |
| Total other expenses | | 586,073 | 557,117 |
| Income from Continuing Operations before Income Taxes, Minority Interests and Equity in Earnings | | 402,004 | 309,174 |

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| | (Millions of Yen) | Year ended March 31, 2008 | Year ended March 31, 2007(*) |
|---|-------------------|---------------------------------|---------------------------------------|
| Income Taxes: | | | |
| Current | | 173,275 | 134,340 |
| Deferred | | (2,038) | 10,928 |
| Total | | 171,237 | 145,268 |
| Income from Continuing Operations before Minority Interests and Equity in Earnings | | 230,767 | 163,906 |
| Minority Interests in Earnings of Subsidiaries | | (45,958) | (17,874) |
| Equity in Earnings of Associated Companies Net (After Income Tax Effect) | | 154,268 | 153,094 |
| Income from Continuing Operations. | | 339,077 | 299,126 |
| Income from Discontinued Operations Net (After Income Tax Effect) | | 70,984 | 2,376 |
| Net Income | | ¥ 410,061 | ¥ 301,502 |

(*) Supplementary information

Table of Contents**I STATEMENTS OF CONSOLIDATED SHAREHOLDERS EQUITY**

| | (Millions of Yen) | Year ended March 31, 2008 | Year ended March 31, 2007(*) |
|--|-------------------|---------------------------------|------------------------------------|
| Common Stock: | | | |
| Balance at beginning of year | | ¥ 323,213 | ¥ 295,766 |
| Common stock issued upon conversion of bonds | | 14,331 | 27,447 |
| Balance at end of year | | ¥ 337,544 | ¥ 323,213 |
| Capital Surplus: | | | |
| Balance at beginning of year | | ¥ 417,900 | ¥ 390,488 |
| Conversion of bonds | | 14,285 | 27,359 |
| Gain on sales of treasury stock | | 60 | 53 |
| Balance at end of year | | ¥ 432,245 | ¥ 417,900 |
| Retained Earnings: | | | |
| Appropriated for Legal Reserve: | | | |
| Balance at beginning of year | | ¥ 39,670 | ¥ 38,508 |
| Transfer from unappropriated retained earnings | | 7,793 | 1,162 |
| Balance at end of year | | ¥ 47,463 | ¥ 39,670 |
| Unappropriated: | | | |
| Balance at beginning of year | | ¥ 1,072,234 | ¥ 825,306 |
| Cumulative effect of a change in accounting principle -initial application of FIN No. 48 | | (5,113) | |
| Net income | | 410,061 | 301,502 |
| Cash dividends paid | | (72,076) | (53,412) |
| Annual rate per share: | | | |
| Year ended March 31, 2008: ¥40.0 | | | |
| Year ended March 31, 2007: ¥31.0(*) | | | |
| Transfer to retained earnings appropriated for legal reserve | | (7,793) | (1,162) |
| Balance at end of year | | ¥ 1,397,313 | ¥ 1,072,234 |
| Accumulated Other Comprehensive Income (Loss) | | | |
| (After Income Tax Effect): | | | |
| Balance at beginning of year | | ¥ 260,730 | ¥ 129,842 |
| Unrealized holding gains and losses on available-for-sale securities | | (118,476) | 42,823 |
| Foreign currency translation adjustments | | (125,787) | 73,870 |
| Minimum pension liability adjustment | | | 1,058 |
| Defined benefit pension plans: | | | |
| Amortization of net prior service credit | | 474 | |
| Amortization of net actuarial loss | | (34,921) | |
| Adjustment to initially apply SFAS No. 158 | | | 6,646 |
| Net unrealized gains and losses on derivatives | | (7,795) | 6,491 |
| Balance at end of year | | ¥ (25,775) | ¥ 260,730 |
| Treasury Stock, at Cost: | | | |
| Balance at beginning of year | | ¥ (3,468) | ¥ (2,003) |
| Purchases of treasury stock | | (1,757) | (1,633) |
| Sales of treasury stock | | 95 | 168 |

| | | | | |
|------------------------|---|---------|---|---------|
| Balance at end of year | ¥ | (5,130) | ¥ | (3,468) |
|------------------------|---|---------|---|---------|

(*) Supplementary information

[Continued on next page]

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[Continued from previous page]

| (Millions of Yen) | Year ended March 31, 2008 | Year ended March 31, 2007(*) |
|--|---------------------------------|------------------------------------|
| Summary of Changes in Equity from Nonowner Sources (Comprehensive Income (loss)): | | |
| Net income | ¥ 410,061 | ¥ 301,502 |
| Other comprehensive income (loss) (after income tax effect): | | |
| Unrealized holding gains and losses on available-for-sale securities | (118,476) | 42,823 |
| Foreign currency translation adjustments | (125,787) | 73,870 |
| Minimum pension liability adjustment | | 1,058 |
| Defined benefit pension plans: | | |
| Amortization of net prior service credit | 474 | |
| Amortization of net actuarial loss | (34,921) | |
| Net unrealized gains and losses on derivatives | (7,795) | 6,491 |
| Changes in equity from nonowner sources | ¥ 123,556 | ¥ 425,744 |

(*) Supplementary information

Note: Appropriations of retained earnings are reflected in the consolidated financial statements upon shareholders' approval.

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Notes to Consolidated Financial Statements (Year ended March 31, 2008)

Notes to Basic Significant Matters Regarding Preparation of Consolidated Financial Statements

1. Subsidiaries and Associated Companies

(1) Subsidiaries 297
Mitsui & Co. (U.S.A.), Inc., Mitsui Iron Ore Development Pty. Ltd.,

Mitsui Sakhalin Holdings B.V., Mitsui E&P Middle East B.V.,

Mitsui Oil Exploration Co., Ltd., and others

(2) Associated companies accounted for under the equity method 182
Japan Australia LNG (MIMI) Pty. Ltd., Valepar S.A., P.T. Paiton Energy, and others

Total 380 subsidiaries and associated companies are excluded from above. These include the companies which are sub-consolidated or accounted for under the equity method by other subsidiaries, other than trading subsidiaries, and the companies which are managed by trading subsidiaries.

2. Summary of Significant Accounting Policies

(1) Basis of consolidated financial statements

The consolidated financial statements have been prepared on the basis of accounting principles generally accepted in the United States of America (U.S. GAAP), as provided for under the first clause of Article 148 of the accounting regulations of the Corporate Law of Japan. In accordance with the provision of the clause, certain disclosures required by U.S. GAAP have been omitted.

(2) Inventories

Stated at the lower of cost, principally on the specific-identification basis, or market.

(3) Debt and marketable equity securities

Statement of Financial Accounting Standards (SFAS) No. 115, Accounting for Certain Investments in Debt and Equity Securities, has been adopted.

| | |
|--------------------------------|--|
| Trading securities: | Carried at fair value. Unrealized holding gains and losses are included in earnings. |
| Held-to-maturity securities: | Measured at amortized cost. Premiums and discounts amortized in the period are included in interest income. |
| Available-for-sale securities: | Carried at fair value with related unrealized holding gains and losses reported in accumulated other comprehensive income in shareholders' equity on a net-of-tax basis. The cost of available-for-sale securities sold is determined based on the |

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moving-average cost method.

(4) Depreciation of property and equipment

Principally the declining-balance method is used for assets located in Japan.

Principally the straight-line method is used for assets located outside Japan.

Either the straight-line method or the unit-of-production method is used for mineral rights.

(5) Allowances and Reserves

Allowance for doubtful receivables:

An impairment loss for a specific loan deemed to be impaired is measured in accordance with SFAS No. 114, *Accounting by Creditors for Impairment of a Loan* an amendment of Financial Accounting Standards Board (FASB) Statements No. 5 and 15.

An allowance for doubtful receivables is recognized for all receivables not subject to the accounting requirement of SFAS No. 114 based primarily upon credit loss experiences of Mitsui & Co., Ltd. and subsidiaries (collectively, the companies) and an evaluation of potential losses in the receivables.

Pension costs and severance indemnities:

In accordance with SFAS No. 87, *Employers Accounting for Pensions*, and SFAS No. 158, *Employers Accounting for Defined Benefit Pension and Other Postretirement Plans* an amendment of FASB Statements No. 87, 88, 106, and 132(R) , accrued pension costs and the liability for severance indemnities for the employees retirement benefits are accrued based on the projected benefit obligations and the fair value of plan assets as of March 31, 2008.

The unrecognized prior service credit is amortized over the average remaining service period of employees.

The amount of the unrecognized net actuarial loss as of the beginning of the year, which exceeds 10 percent of the greater of the projected benefit obligation or the fair value of plan assets, is amortized over seven years for the contributory Corporate Pension Fund of Mitsui & Co., Ltd. (the Company) and over the average remaining service period for other defined benefit pension plans.

(6) All transactions are accounted for net of national and/or regional consumption taxes.

(7) Goodwill and other intangible assets

In accordance with SFAS No. 142, *Goodwill and Other Intangible Assets*, goodwill and identifiable intangible assets determined to have an indefinite useful life are 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 using the straight-line method.

(8) Total trading transactions

Total trading transactions, as presented in the accompanying Statements of Consolidated Income, are a voluntary disclosure as permitted by FASB Emerging Issues Task Force Issue (EITF) No. 99-19, *Reporting Revenue Gross as a Principal versus Net as an Agent*, and represent the gross transaction volume or the aggregate nominal value of the sales contracts in which the companies act as principal and transactions in which the companies serve as agent. 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.

(9) Discontinued operations

In accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, 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 income from discontinued operations net (after income tax effect). The figures of the Statements of Consolidated Income for the prior year related to the discontinued operations have been reclassified to conform to the current year presentation.

Table of Contents**3. Summary of a Change in Significant Accounting Policies**

Accounting for Uncertainty in Income Taxes

Effective April 1, 2007, the companies adopted FASB Interpretation (FIN) No. 48, Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109.

FIN No. 48 clarifies the accounting for uncertainty in income taxes recognized in financial statements in accordance with SFAS No. 109,

Accounting for Income Taxes, and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of all tax positions accounted for in accordance with SFAS No. 109.

The cumulative effect of applying the provisions of FIN No. 48 was reported as a decrease of ¥5,113 million to the opening balance of unappropriated retained earnings in the Statements of Consolidated Shareholders Equity for the year ended March 31, 2008.

Notes to Consolidated Balance Sheets

1. Pledged assets and related liabilities

| | |
|----------------------------------|------------------|
| (1) Assets pledged as collateral | ¥313,261 million |
|----------------------------------|------------------|

The following assets were pledged as collateral:

| | |
|--|------------------|
| Trade receivables (current and non-current) | ¥115,177 million |
| Inventories | ¥39,274 million |
| Investments | ¥71,770 million |
| Property leased to others (net book value) | ¥51,840 million |
| Property and equipment (net book value) | ¥33,639 million |
| Other | ¥1,561 million |

| | |
|---|------------------|
| (2) Liabilities related to the assets pledged as collateral | ¥184,437 million |
|---|------------------|

In addition to the above, bank borrowings under certain provisions of loan agreements which require the Company, upon the request of the bank, to provide collateral, which is not specified in the loan agreements, were ¥84,219 million.

2. Contingent liabilities

(1) Guarantees

| | |
|-------------------------|------------------|
| Financial guarantees | ¥156,293 million |
| Performance guarantees | ¥19,857 million |
| Market value guarantees | ¥66,726 million |
| Derivative instruments | ¥83,015 million |

Market value guarantees include obligations to repurchase bills of exchange of ¥56,436 million.

The figure for derivative instruments is the aggregation of notional amounts computed based on the strike prices and quantities of written put options. Written put options of the companies meet the accounting definition of guarantees when it is probable that the counterparties of the derivative contracts have underlying assets or liabilities. The companies disclose written put options that meet the definition of guarantees, with consideration of the business relationship with counterparties.

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Most of these derivative instruments are used as a part of trading transactions in the commodity markets, and the companies monitor the positions of derivative instruments which are subject to certain position and loss limits. In addition to the above, 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 shortfalls. The outstanding balance of guarantees related to these joint obligations is not quantifiable and the probability of being required to make any payments under these obligations is remote.

(2) Other

The Company was audited by the Tokyo Regional Taxation Bureau with regard to a transfer price taxation in connection with 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. At the end of June 2006 and 2007, the Company received notices of tax assessment from the Tokyo Regional Taxation Bureau for the years ended March 31, 2000 and 2001. Based on the notices of assessment, the taxable incomes were corrected by ¥4,863 million and ¥8,224 million, and the additional tax liabilities for income taxes were ¥2,375 million and ¥3,686 million, respectively. The Company has paid the additional taxes. The Company disagrees with the assessment and registered its protest in August 2006, and in addition, 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.

The Company believes that the amount of the correction for the years ended March 31, 2000 and 2001 and the tax liabilities for the years ended March 31, 2002 or later, arising from the final correction, if any, will be affected by the result of the mutual agreement procedure, which is still continuing. The effect of this matter was recorded in accordance with FIN No.48 in the consolidated financial statements for the year ended March 31, 2008.

Table of Contents**Notes to Statements of Consolidated Shareholders Equity**

1. Number of common stock issued as of March 31, 2008 1,820,183,809 shares

2. Dividends from capital surplus and/or retained earnings

| Resolution | Total amount of dividends (millions of yen) | Dividend per share (yen) | Record date | Effective date |
|--|--|---------------------------------|--------------------|-----------------------|
| Ordinary general meeting of shareholders held on June 22, 2007 | ¥30,342 | ¥17 | March 31, 2007 | June 25, 2007 |
| Board of Directors meeting held on November 2, 2007 | ¥41,734 | ¥23 | September 30, 2007 | December 3, 2007 |
| | | | | |
| Scheduled Resolution | Total amount of dividends (millions of yen) | Dividend per share (yen) | Record date | Effective date |
| Ordinary general meeting of shareholders to be held on June 24, 2008 | ¥41,788 | ¥23 | March 31, 2008 | June 25, 2008 |

Per Share Information

| | |
|------------------------------|------------|
| Net Assets per Share | ¥ 1,202.03 |
| Basic Net Income per Share | ¥ 227.20 |
| Diluted Net Income per Share | ¥ 224.82 |

Subsequent Events

There are no material subsequent events to be disclosed.

Table of Contents**I STATEMENTS OF CONSOLIDATED CASH FLOWS
(Supplementary Information) (Unaudited)**

| (Millions of Yen) | Year ended March 31, 2008 | Year ended March 31, 2007 |
|---|------------------------------------|------------------------------------|
| Operating Activities: | | |
| Net Income | ¥ 410,061 | ¥ 301,502 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Income from discontinued operations net (after income tax effect) | (70,984) | (2,376) |
| Depreciation and amortization | 139,328 | 87,945 |
| Pension and severance costs, less payments | (2,422) | (8,091) |
| Provision for doubtful receivables | 8,073 | 11,873 |
| Gain on sales of securities net | (92,307) | (58,800) |
| Loss on write-down of securities | 36,715 | 11,687 |
| Loss (gain) on disposal or sales of property and equipment net | 228 | (5,283) |
| Impairment loss of long-lived assets | 24,393 | 19,427 |
| Impairment loss on goodwill | 2,004 | 16,528 |
| Deferred income taxes | (2,038) | 10,928 |
| Minority interests of earnings of subsidiaries | 45,958 | 17,874 |
| Equity in earnings of associated companies, less dividends received | (55,016) | (43,022) |
| Changes in operating assets and liabilities: | | |
| Decrease (increase) in trade receivables | 77,800 | (315,964) |
| (Increase) decrease in inventories | (75,375) | 8,164 |
| (Decrease) increase in trade payables | (41,009) | 124,505 |
| Other net | 14,113 | 50,025 |
| Net cash (used in) provided by operating activities of discontinued operations | (3,731) | 12,353 |
| Net cash provided by operating activities | 415,791 | 239,275 |
| Investing Activities: | | |
| Net (increase) decrease in time deposits | (6,609) | 29,367 |
| Net decrease (increase) in investments in and advances to associated companies | 102,759 | (188,124) |
| Net increase in other investments | (32,680) | (20,677) |
| Net (increase) decrease in long-term loan receivables | (2,020) | 36,021 |
| Net increase in property leased to others and property and equipment | (166,228) | (274,615) |
| Net cash used in investing activities | (104,778) | (418,028) |

[Continued on next page]

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[Continued from previous page]

| | | |
|---|------------------|------------------|
| Financing Activities: | | |
| Net (decrease) increase in short-term debt | (148,848) | 70,820 |
| Net increase in long-term debt | 37,396 | 239,130 |
| Capital contribution from minority interests | | 17,095 |
| Purchases of treasury stock net | (1,601) | (1,344) |
| Payments of cash dividends | (72,076) | (53,412) |
| Net cash (used in) provided by financing activities | (185,129) | 272,289 |
| Effect of Exchange Rate Changes on Cash and Cash Equivalents | (26,652) | 9,431 |
| Net Increase in Cash and Cash Equivalents | 99,232 | 102,967 |
| Cash and Cash Equivalents at Beginning of Year | 800,032 | 697,065 |
| Cash and Cash Equivalents at End of Year | ¥ 899,264 | ¥ 800,032 |

Note: In accordance with SFAS No. 144, the figures for the year ended March 31, 2007 relating to discontinued operations have been reclassified.

Table of Contents**I OPERATING SEGMENT INFORMATION**
(Supplementary information) (Unaudited)

The companies allocate their resources and review their performance by 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.

Year ended March 31, 2008 (from April 1, 2007 to March 31, 2008)

(Millions of Yen)

| | Iron & Steel Products | Mineral & Metal Resources | Machinery & Infrastructure Projects | Chemical | Energy | Foods & Retail | Consumer Service & IT | Logistics & Financial Markets |
|--|--------------------------------------|--|--|-----------------|---------------|-------------------------------|--|--|
| Total Trading Transactions | 1,495,085 | 1,528,024 | 2,530,804 | 2,622,360 | 2,644,288 | 2,009,870 | 1,148,823 | 171,967 |
| Gross Profit | 61,344 | 95,765 | 134,090 | 110,261 | 219,267 | 81,229 | 116,657 | 55,142 |
| Operating Income (Loss) | 25,600 | 78,970 | 31,999 | 46,178 | 172,455 | 16,584 | 18,967 | 20,879 |
| Equity in Earnings of Associated Companies | 4,901 | 71,216 | 20,293 | 5,819 | 36,838 | 3,092 | 8,197 | (1,858) |
| Net Income (Loss) | 20,238 | 177,026 | 35,000 | 18,428 | 124,084 | 10,440 | 12,037 | 7,526 |
| Total Assets at March 31, 2008 | 632,329 | 916,150 | 1,563,228 | 818,680 | 1,668,655 | 675,253 | 760,764 | 797,341 |

| | Americas | Europe, the Middle East and Africa | Asia Pacific | Total | All Other | Adjustments and Eliminations | Consolidated Total |
|--|-----------------|---|-------------------------|--------------|------------------|---|-------------------------------|
| Total Trading Transactions | 1,625,587 | 514,190 | 721,112 | 17,012,110 | 6,758 | (9,812) | 17,009,056 |
| Gross Profit | 54,047 | 26,784 | 33,074 | 987,660 | 5,532 | (5,115) | 988,077 |
| Operating Income (Loss) | 1,981 | 1,768 | 7,616 | 422,997 | (1,375) | (46,794) | 374,828 |
| Equity in Earnings of Associated Companies | 5,021 | 327 | 1,072 | 154,918 | 71 | (721) | 154,268 |
| Net Income (Loss) | 4,283 | 5,011 | 22,518 | 436,591 | (7,101) | (19,429) | 410,061 |
| Total Assets at March 31, 2008 | 635,570 | 205,712 | 360,508 | 9,034,190 | 2,831,483 | (2,174,794) | 9,690,879 |

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Year ended March 31, 2007 (from April 1, 2006 to March 31, 2007) (As restated)

(Millions of Yen)

| | Iron & Steel Products | Mineral & Metal Resources | Machinery & Infrastructure Projects | Chemical | Energy | Foods & Retail | Consumer Service & IT | Logistics & Financial Markets |
|--|--------------------------|---------------------------------|---|-----------|-----------|-------------------|-----------------------------|-------------------------------------|
| Total Trading Transactions | 1,398,061 | 1,469,063 | 2,224,749 | 2,392,268 | 2,038,054 | 1,917,825 | 1,457,175 | 180,437 |
| Gross Profit | 57,766 | 110,974 | 108,003 | 103,073 | 123,871 | 81,336 | 129,983 | 60,489 |
| Operating Income (Loss) | 25,582 | 91,294 | 20,861 | 35,342 | 81,326 | 10,924 | 20,344 | 24,199 |
| Equity in Earnings of Associated Companies | 3,121 | 60,313 | 21,429 | 4,933 | 44,394 | 3,789 | 8,661 | 1,960 |
| Net Income (Loss) | 20,559 | 98,354 | 33,557 | 19,327 | 75,658 | (12,304) | 16,605 | 14,631 |
| Total Assets at March 31, 2007 | 663,682 | 912,596 | 1,643,151 | 949,091 | 1,733,630 | 696,062 | 861,501 | 681,294 |

| | Americas | Europe, the Middle East and Africa | Asia Pacific | Total | All Other | Adjustments and Eliminations | Consolidated Total |
|--|-----------|---|-----------------|------------|-----------|------------------------------------|-----------------------|
| Total Trading Transactions | 1,167,527 | 478,515 | 623,879 | 15,347,553 | 7,250 | (83,154) | 15,271,649 |
| Gross Profit | 64,704 | 25,447 | 30,678 | 896,324 | 4,344 | (34,377) | 866,291 |
| Operating Income (Loss) | 21,348 | 2,945 | 9,508 | 343,673 | (4,353) | (56,519) | 282,801 |
| Equity in Earnings of Associated Companies | 3,845 | 300 | 695 | 153,440 | 121 | (467) | 153,094 |
| Net Income | 16,917 | 4,136 | 22,001 | 309,441 | 5,845 | (13,784) | 301,502 |
| Total Assets at March 31, 2007 | 464,849 | 199,122 | 360,117 | 9,165,095 | 2,882,791 | (2,234,574) | 9,813,312 |

Notes:

- The figures of Consolidated Total for the year ended March 31, 2007 has been reclassified to conform to the change in current year presentation for discontinued operations in accordance with SFAS No. 144. The reclassification to income (loss) from discontinued operations net (after income tax effect) is included in Adjustments and Eliminations.
- 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, 2008 and 2007 consisted primarily of cash and cash equivalents and time deposits related to financing activities, and assets of certain subsidiaries related to the above services.
- 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 the corporate departments, and eliminations of intersegment transactions.
- Transfers between operating segments are made at cost plus a markup.
- 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.
- Based on the reorganization effective April 1, 2007, the presentation of operating segment information is changed as below. The operating segment information for the year ended March 31, 2007 has been restated to conform to the current year presentation.

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- * Iron & Steel Raw Materials and Non-Ferrous Metals which had been formerly disclosed as a reportable segment changed its name to Mineral & Metal Resources and the Coal & Nuclear Fuel business which had been formerly included in Iron & Steel Raw Materials and Non-Ferrous Metals was transferred to Energy.

- * Lifestyle, Consumer Service and Information, Electronics & Telecommunication changed its name of the reportable segment to Consumer Service & IT in relation to the change of the composition of the reportable segment.

- * Subsidiaries in Oceania region which had been formerly included in Other Overseas Areas were transferred to Asia Pacific which had been formerly disclosed as Asia.

- * Subsidiaries in the Middle East, Africa and Russia which had been formerly included in Other Overseas Areas were transferred to Europe, the Middle East and Africa which had been formerly disclosed as Europe.

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1 BALANCE SHEETS

ASSETS

| | (Millions of Yen) | March 31, 2008 | March 31, 2007(*) |
|------------------------------------|-------------------|-------------------|----------------------|
| Current Assets | | | |
| Cash and Time Deposits | | ¥ 488,865 | ¥ 443,322 |
| Notes Receivable, Trade | | 189,285 | 266,643 |
| Accounts Receivable, Trade | | 1,436,047 | 1,488,412 |
| Securities | | 1,565 | 4,833 |
| Inventories | | 219,524 | 161,440 |
| Real Estate for Sale | | 19,394 | 15,436 |
| Contract Work in Process | | 2,336 | 2,008 |
| Advance Payments to Suppliers | | 50,547 | 44,740 |
| Prepaid Expenses | | 5,260 | 3,153 |
| Accounts Receivable, Other | | 60,791 | 84,075 |
| Accrued Income | | 7,195 | 8,634 |
| Short-Term Loans Receivable | | 245,379 | 214,417 |
| Deferred Tax Assets - Current | | 16,112 | 13,407 |
| Derivative Assets | | 88,835 | 53,284 |
| Other | | 44,213 | 46,076 |
| Allowance for Doubtful Receivables | | (14,537) | (15,852) |
| Total Current Assets | | 2,860,818 | 2,834,035 |
| Non-Current Assets | | | |
| Tangible Assets (Net) | | | |
| Leased-out Property | | 35,139 | 40,171 |
| Buildings | | 23,404 | 24,868 |
| Structures | | 856 | 933 |
| Machinery and Equipment | | 126 | 140 |
| Ships | | 3 | 3 |
| Vehicles | | 377 | 593 |
| Furniture and Fixtures | | 3,777 | 3,986 |
| Timberland and Timber | | 7,624 | 7,615 |
| Land | | 12,181 | 12,957 |
| Construction in Progress | | | 148 |
| Total Tangible Assets (Net) | | 83,492 | 91,418 |
| Intangible Assets | | | |
| Leasehold Rights | | 5,987 | 5,987 |
| Trademark Rights | | 802 | 913 |
| Software | | 17,647 | 14,781 |
| Other | | 3,798 | 3,639 |
| Total Intangible Assets | | 28,235 | 25,321 |

(*) Supplementary information

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| | | |
|--|------------------|------------------|
| Investments and Other Assets | | |
| Investments in Securities | 681,390 | 861,075 |
| Investments in Subsidiaries and Associated Companies | 987,929 | 940,394 |
| Ownership | 19,264 | 9,765 |
| Ownership in Subsidiaries and Associated Companies | 358,215 | 369,199 |
| Long-Term Loans Receivable | 125,708 | 159,584 |
| Long-Term Accounts Receivable | 56,088 | 71,527 |
| Long-Term Prepaid Expenses | 66,575 | 46,476 |
| Other | 18,335 | 32,796 |
| Allowance for Doubtful Receivables | (54,435) | (71,607) |
| Total Investments and Other Assets | 2,259,072 | 2,419,214 |
| Total Non-Current Assets | 2,370,800 | 2,535,954 |
| Total Assets | 5,231,618 | 5,369,989 |

Table of Contents**LIABILITIES AND EQUITY**

| | (Millions of Yen) | March 31, 2008 | March 31, 2007(*) |
|---|-------------------|-------------------|----------------------|
| Current Liabilities | | | |
| Notes Payable, Trade | | ¥ 38,752 | ¥ 58,860 |
| Accounts Payable, Trade | | 1,137,278 | 1,166,271 |
| Short-Term Borrowings | | 164,720 | 249,960 |
| Commercial Paper | | 40,000 | 50,000 |
| Current Portion of Debentures and Bonds | | 10,000 | 30,000 |
| Accounts Payable, Other | | 60,905 | 76,371 |
| Accrued Income Taxes | | 54,280 | 8,429 |
| Accrued Expenses | | 38,110 | 36,652 |
| Advances from Customers | | 51,018 | 46,741 |
| Deposits Received | | 6,967 | 2,917 |
| Deferred Income | | 26,328 | 6,512 |
| Liability for Bonuses to Directors | | | 270 |
| Derivative Liabilities | | 59,535 | |
| Other | | 7,471 | 45,767 |
| Total Current Liabilities | | 1,695,370 | 1,778,757 |
| Long-Term Liabilities | | | |
| Bonds | | 568,334 | 558,348 |
| Convertible Bonds | | 7,960 | 36,577 |
| Long-Term Borrowings | | 1,636,492 | 1,596,715 |
| Deferred Tax Liabilities Non-Current | | 40,183 | 99,761 |
| Liability for Retirement Benefits | | 9,708 | 7,808 |
| Allowance for the Obligation for Guarantees and Commitments | | 10,517 | 13,258 |
| Other | | 31,990 | 45,363 |
| Total Long-Term Liabilities | | 2,305,187 | 2,357,832 |
| Total Liabilities | | 4,000,557 | 4,136,590 |
| Shareholders Equity | | | |
| Common Stock | | 337,543 | 323,212 |
| Capital Surplus | | | |
| Capital Reserve | | 363,833 | 349,547 |
| Other Capital Surplus | | 133 | 73 |
| Total Capital Surplus | | 363,966 | 349,620 |
| Retained Earnings | | | |
| Legal Reserve | | 27,745 | 27,745 |
| Other Retained Earnings | | | |
| General Reserve | | 176,851 | 176,851 |
| Special Reserve | | 1,619 | 1,619 |
| Reserve for Loss on Overseas Investments | | 8,424 | 3,716 |
| Reserve for Tax-Deductible Write-down of Tangible Assets | | 659 | 1,402 |
| Retained Earnings carry forward | | 223,555 | 141,691 |
| Total Retained Earnings | | 438,856 | 353,027 |
| Treasury Stock | | (4,959) | (3,297) |
| Total Shareholders Equity | | 1,135,407 | 1,022,563 |

(*) Supplementary information

[continued on next page]

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| | | |
|--|-----------|-----------|
| Valuation and Translation Adjustments | | |
| Net Unrealized Gain on Available-for-Sale Securities | 82,288 | 212,478 |
| Deferred Gain (Loss) on Derivatives under Hedge Accounting | 13,364 | (1,642) |
| Total Valuation and Translation Adjustments | 95,653 | 210,835 |
| Total Equity | 1,231,061 | 1,233,398 |
| Total Liabilities and Equity | 5,231,618 | 5,369,989 |

Table of Contents**I STATEMENTS OF INCOME**

| | Year ended March 31, 2008 | Year ended March 31, 2007(*) |
|--|---------------------------------|------------------------------------|
| | (Millions of Yen) | |
| Sales | ¥ 12,291,218 | ¥ 11,407,301 |
| Cost of Sales | 12,079,314 | 11,194,164 |
| Gross Profit | 211,903 | 213,136 |
| Selling, General and Administrative Expenses | 201,533 | 198,061 |
| Operating Profit | 10,370 | 15,074 |
| Non-Operating Income | | |
| Interest Income | 16,966 | 16,633 |
| Dividend Income | 272,308 | 156,992 |
| Other | 9,919 | 10,925 |
| Total Non-Operating Income | 299,194 | 184,551 |
| Non-Operating Expenses | | |
| Interest Expense | 41,664 | 36,948 |
| Other | 14,040 | 19,550 |
| Total Non-Operating Expenses | 55,705 | 56,498 |
| Ordinary Profit | 253,859 | 143,128 |
| Extraordinary Gains | | |
| Gain on Sales of Tangible Assets | 131 | 392 |
| Gain on Sales of Investments in Securities and Subsidiaries and Associated Companies | 64,559 | 57,173 |
| Gain on Reversal of Provision for Doubtful Receivables | 958 | 1,196 |
| Gain on Reversal of Accrued Compensation and Other Charges Related to DPF Incident | | 3,864 |
| Total Extraordinary Gains | 65,649 | 62,627 |
| Extraordinary Losses | | |
| Loss on Sales of Tangible Assets | 525 | 606 |
| Impairment Losses | 15,763 | 1,329 |
| Loss on Sales of Investments in Securities and Subsidiaries and Associated Companies | 863 | 1,845 |
| Loss on Write-Down of Investments in Securities and Subsidiaries and Associated Companies | 43,715 | 26,570 |
| Provision for Doubtful Receivables from Securities and Subsidiaries and Associated Companies | 5,097 | 2,178 |
| Provision for the Obligation for Guarantees and Commitments | 2,482 | 13,258 |
| Total Extraordinary Losses | 68,448 | 45,789 |

(*) Supplementary information

[Continued on next page]

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| (Millions of Yen) | Year ended March 31, 2008 | Year ended March 31, 2007(*) |
|--|---------------------------------|------------------------------------|
| Income before Income Taxes | 251,059 | 159,966 |
| Income Taxes Current | 63,765 | 18,306 |
| Income Taxes Assessed for Previous Fiscal Year | 8,731 | 2,375 |
| Income Taxes Deferred | 20,657 | 20,696 |
| Net Income | 157,905 | 118,588 |

(*) Supplementary information

Table of Contents**I STATEMENT OF CHANGES IN EQUITY**

(Year ended March 31, 2008)

(Unit: Millions of Yen)

| | Shareholders' Equity | | Capital Surplus | | | Retained Earnings | | | Reserve for Loss on Overseas Investments |
|--|----------------------|--------------------|-----------------------------|-----------------------------|------------------|--------------------|--------------------|-------|---|
| | Common Stock | Capital Reserve | Other Capital Surplus | Total Capital Surplus | Legal Reserve | General Reserve | Special Reserve | | |
| Balance as of March 31, 2007 | 323,212 | 349,547 | 73 | 349,620 | 27,745 | 176,851 | 1,619 | 3,716 | |
| Changes during period | | | | | | | | | |
| New Share Issuance | 14,331 | 14,285 | | 14,285 | | | | | |
| Addition to Reserve for Loss on Overseas Investments | | | | | | | | 5,295 | |
| Reversal of Reserve for Loss on Overseas Investments | | | | | | | | (588) | |
| Reversal of Reserve for Tax-Deductible Write-down of Tangible Assets | | | | | | | | | |
| Cash Dividends | | | | | | | | | |
| Net Income | | | | | | | | | |
| Acquisition of Treasury Stock | | | | | | | | | |
| Disposal of Treasury Stock | | | 60 | 60 | | | | | |
| Net Changes during Period of items in Valuation and Translation Adjustments | | | | | | | | | |
| Total Changes during period | 14,331 | 14,285 | 60 | 14,345 | | | | 4,707 | |
| Balance as of March 31, 2008 | 337,543 | 363,833 | 133 | 363,966 | 27,745 | 176,851 | 1,619 | 8,424 | |

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| | Shareholders Equity | | | | Valuation and Translation Adjustments | | | | |
|---|---|--|-------------------------------|-------------------|---------------------------------------|--|---|---|-----------------|
| | Retained Earnings Other Retained Earnings Reserve for Tax- Deductible Write- down of Tangible Assets | Retained Earnings - carry forward | Total Retained Earnings | Treasury Stock | Total Shareholders Equity | Net Unrealized Gain on Available- for-Sale Securities | Deferred Gain (Loss) on Derivatives under Hedge Accounting | Total Valuation and Transaction Adjustments | Total Equity |
| Balance as of March 31, 2007 | 1,402 | 141,691 | 353,027 | (3,297) | 1,022,563 | 212,478 | (1,642) | 210,835 | 1,233,398 |
| Changes during period | | | | | | | | | |
| New Share Issuance | | | | | 28,616 | | | | 28,616 |
| Addition to Reserve for Loss on Overseas Investments | | (5,295) | | | | | | | |
| Reversal of Reserve for Loss on Overseas Investments | | 588 | | | | | | | |
| Reversal of Reserve for Tax-Deductible Write-down of Tangible Assets | (742) | 742 | | | | | | | |
| Cash Dividends | | (72,076) | (72,076) | | (72,076) | | | | (72,076) |
| Net Income | | 157,905 | 157,905 | | 157,905 | | | | 157,905 |
| Acquisition of Treasury Stock | | | | (1,756) | (1,756) | | | | (1,756) |
| Disposal of Treasury Stock | | | | 95 | 155 | | | | 155 |
| Net Changes during Period of items in Valuation and Translation Adjustments | | | | | | (130,189) | 15,007 | (115,182) | (115,182) |
| Total Changes during Period | (742) | 81,863 | 85,828 | (1,661) | 112,844 | (130,189) | 15,007 | (115,182) | (2,337) |
| Balance as of March 31, 2008 | 659 | 223,555 | 438,856 | (4,959) | 1,135,407 | 82,288 | 13,364 | 95,653 | 1,231,061 |

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(Supplementary Information) (Year ended March 31, 2007)

(Unit: Millions of Yen)

| | Capital Surplus | | Shareholders Equity | | Retained Earnings | | | Reserve for Loss on Overseas Investments |
|--|-----------------|--------------------|---------------------|--------------------|-------------------|--------------------|--------------------|---|
| | Common Stock | Capital Reserve | Other | Total | Legal Reserve | General Reserve | Special Reserve | |
| | | | Capital Surplus | Capital Surplus | | | | |
| Balance as of March 31, 2006 | 295,766 | 322,189 | 32 | 322,221 | 27,745 | 176,851 | 1,619 | 5,075 |
| Changes during period | | | | | | | | |
| New Share Issuance (Note 1) | 27,446 | 27,358 | | 27,358 | | | | |
| Reversal of Reserve for Loss on Overseas Investments (Note 2) | | | | | | | | (863) |
| Reversal of Reserve for Loss on Overseas Investments | | | | | | | | (494) |
| Reversal of Reserve for Tax-Deductible Write-down of Tangible Assets (Note 2) | | | | | | | | |
| Reversal of Reserve for Tax-Deductible Write-down of Tangible Assets | | | | | | | | |
| Cash Dividends (Note 2) | | | | | | | | |
| Cash Dividends | | | | | | | | |
| Bonuses to Directors (Note 2) | | | | | | | | |
| Net Income | | | | | | | | |
| Acquisition of Treasury Stock | | | | | | | | |
| Disposal of Treasury Stock | | | 40 | 40 | | | | |
| Net Changes during Period of items in Valuation and Translation Adjustments | | | | | | | | |
| Total Changes during period | 27,446 | 27,358 | 40 | 27,399 | | | | (1,358) |
| Balance as of March 31, 2007 | 323,212 | 349,547 | 73 | 349,620 | 27,745 | 176,851 | 1,619 | 3,716 |

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| | Shareholders Equity | | | | | Valuation and Translation Adjustments | | | |
|---|--|-----------------------------------|-------------------------|----------------|---------------------------|--|---|---|--------------|
| | Retained Earnings | | Total Retained Earnings | Treasury Stock | Total Shareholders Equity | Net Unrealized Gain on Available-for-Sale Securities | Deferred Loss on Derivatives under Hedge Accounting | Total Valuation and Transaction Adjustments | Total Equity |
| | Other Retained Earnings Reserve for | Retained Earnings - carry forward | | | | | | | |
| | Tax-Deductible Write-down of Tangible Assets | | | | | | | | |
| Balance as of March 31, 2006 | 1,597 | 75,191 | 288,081 | (1,914) | 904,154 | 186,853 | | 186,853 | 1,091,007 |
| Changes during period | | | | | | | | | |
| New Share Issuance (Note 1) | | | | | 54,804 | | | | 54,804 |
| Reversal of Reserve for Loss on Overseas Investments (Note 2) | | 863 | | | | | | | |
| Reversal of Reserve for Loss on Overseas Investments | | 494 | | | | | | | |
| Reversal of Reserve for Tax-Deductible Write-down of Tangible Assets (Note 2) | (114) | 114 | | | | | | | |
| Reversal of Reserve for Tax-Deductible Write-down of Tangible Assets | (80) | 80 | | | | | | | |
| Cash Dividends (Note 2) | | (24,123) | (24,123) | | (24,123) | | | | (24,123) |
| Cash Dividends | | (29,289) | (29,289) | | (29,289) | | | | (29,289) |
| Bonuses to Directors (Note 2) | | (230) | (230) | | (230) | | | | (230) |
| Net Income | | 118,588 | 118,588 | | 118,588 | | | | 118,588 |
| Acquisition of Treasury Stock | | | | (1,462) | (1,462) | | | | (1,462) |
| Disposal of Treasury Stock | | | | 78 | 119 | | | | 119 |
| Net Changes during Period of items in Valuation and Translation Adjustments | | | | | | 25,624 | (1,642) | 23,982 | 23,982 |
| Total Changes during Period | (195) | 66,499 | 64,946 | (1,383) | 118,408 | 25,624 | (1,642) | 23,982 | 142,391 |
| Balance as of March 31, 2007 | 1,402 | 141,691 | 353,027 | (3,297) | 1,022,563 | 212,478 | (1,642) | 210,835 | 1,233,398 |

Note 1: Shares issued upon conversions of convertible bonds

Note 2: Appropriation of retained earnings in the Annual Shareholders Meeting held in June 2006

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Notes to Non-Consolidated Financial Statements (Year ended March 31, 2008)

Significant Accounting Policies

1. Securities are classified and accounted for as follows: Trading securities are stated at market value, whose costs of sales are determined by the moving average method. Held-to-maturity debt securities, which are expected to be held to maturity, are stated at amortized cost, determined by the straight-line method.

Investment in subsidiaries and associated companies are stated at cost, determined by the moving-average method.

Marketable available-for-sale securities, whose costs of sales are determined by the moving-average method, are reported at market value at year-end, with unrealized gains and losses reported in a separate component of equity.

Non-marketable available-for-sale securities are stated at cost, determined by the moving-average method.

Except for trading securities, those securities, whose market value or equity in net assets is materially lower than carrying value on and around the balance sheet date; are devaluated after determining whether the value could be recoverable.

2. Derivatives are stated at fair value. Cash in trusts for trading purposes are also stated at fair value.
3. Inventories are stated at the either cost or market, whichever is lower. Cost is determined principally by the specific identification method and, for certain items, by the moving-average method or the first-in, first-out method.
4. Depreciation of tangible fixed assets is computed using the declining-balance method. Depreciation of buildings (excluding equipment and fixtures) acquired on or after April 1, 1998, is computed using the straight-line method. The estimated useful lives for the majority of tangible fixed assets are as follows: Leased-out Property: 2-51 years; Buildings: 2-50 years; Furniture and Fixtures: 2-20 years. Depreciation of intangible fixed assets is computed using the straight-line method. Software for the Company's own use is amortized based on the straight-line method over the period it can be used (five years in principle).
5. Specific costs, which may be capitalized as deferred charges, are principally charged to costs when incurred.
6. To provide for possible losses on collection, the allowance for doubtful receivables that is set aside for receivables in general is computed using the actual ratio of bad debts. For certain receivables, the amount deemed unrecoverable is set aside in the allowance on an individual basis.

As the total limit of bonuses payable to Directors was determined by General Meeting of Shareholders resolution in this fiscal year and it will be paid in accordance with the formula based on business performance, the accrued director's bonuses of ¥410 million, which is attributable to this fiscal year is included in Accrued Expenses in Current Liabilities instead of Liability for Bonuses to Directors.

The liability for retirement benefits is recorded based on projected benefit obligations and plan assets at the balance sheet date with the Corporate Pension Fund plan and other retirement benefit plans.

Unrecognized prior service cost is amortized over seven years from the date of the revision of the pension plan, which is within the average remaining service period of employees. The unrecognized actuarial gain or loss that arose in the current year is amortized over seven years starting with the following fiscal year, which is within the average remaining service period of employees.

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To provide for contingent losses on the obligation for guarantees and commitments to subsidiaries, etc an amount is set aside as deemed necessary, considering the financial position of the indemnities.

7. Receivables and Payables denominated in foreign currencies are translated into Japanese yen at year-end exchange rates on the balance sheet dated. The foreign exchange gains and losses from translation are recognized in the income statement.

8. Finance leases, except those where the ownership of the property transfers to the lessee, are accounted for as operating leases.

9. For derivatives which meet hedge accounting criteria, except for available-for-sale securities, gains or losses on derivatives are deferred until realization of the hedged items.

For derivatives which meet hedge accounting criteria for available-for-sale securities, fair value hedge accounting is applied.

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not re-measured at market value, but the differential paid or received under the swap agreements is recognized on an accrual basis and included in interest expense or income.

Foreign currency forward exchange contracts to hedge monetary assets and liabilities denominated in foreign currencies are stated at fair value accounted for under the principle method of the Accounting Standards for Financial Instruments.

The Company enters into derivative financial instruments transactions and foreign currency borrowings to hedge foreign exchange risk associated with monetary assets and liabilities denominated in foreign currencies and forward contract of trade, etc and interest risk in the course of business activities and market risk of commodities and trading contracts.

Apart from trading transaction risks, market volatility risks related to foreign currency exchange rates, interest rates and commodity prices in the ordinary course of business are hedged using derivative financial instruments, considering the specific risk characteristics based on internal risk control policies.

The effectiveness between the hedging instruments and the hedged items is evaluated considering individual transactions characteristics.

10. All transactions are accounted for net of consumption taxes.

Table of Contents**Changes in Accounting Policies**

Not applicable.

Change in Presentation

Derivative Liabilities which was included in Others in previous years has been presented as a separate item beginning this fiscal year due to an increase in materiality.

The amount of Derivative Liabilities as of March 31, 2007 was ¥33,859 million.

Notes to the Balance Sheet

1. Assets pledged as security and related liabilities (Unit: Millions of Yen)

| Type | Assets pledged as security | | Details | |
|--|--------------------------------|---|-------------------|----------------|
| | Book Value at End of Period | For Long-Term Borrowings (See Note 1) | As Security for | |
| | | | Trading Contracts | For Guarantees |
| Deposits | 143 | | 143 | |
| Accounts Receivable | 5,772 | 5,772 | | |
| Land, Timberland and Timber | 568 | 568 | | |
| Investments in Securities, Investment in Subsidiaries and Associated Companies | 32,453 | 15,170 | 14,026 | 3,256 |
| Long-Term Loans Receivable | 4,064 | 4,064 | | |
| Total | 43,002 | 25,575 | 14,170 | 3,256 |

Note 1: Corresponds to the long-term borrowing secured of ¥27,250 million.

Note 2: In addition to the above, 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, were ¥66,686 million

2. Monetary assets held as security from others, for which the Company has free disposal rights: ¥8,925 million
3. Accumulated depreciation of tangible assets: ¥89,774 million

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4. Contingent liabilities

(1) Guarantee

(Unit: Million of Yen)

| The guaranteed | Amount of guarantee (Note 1) |
|--|---|
| 1. Guarantees related to trading partner bank borrowings, trade payable and other | |
| Lepta Shipping Co., Ltd. | 130,857 |
| Mitsui & Co., Energy Risk Management Ltd. | 85,300 |
| Mitsui Bussan Raw Materials Development Corp. | 78,149 |
| Mitsui Oil (Asia) Hong Kong Ltd. | 77,877 |
| Clio Marine Inc. | 66,422 |
| Mitsui Coal Holdings Pty., Ltd. | 54,194 |
| Mitsui & Co. Precious Metals, Inc. | 51,411 |
| Mitsui & Co. Financial Services (Europe) B.V. | 49,063 |
| Mitsui Raw Materials Development Pty. Ltd. | 41,093 |
| Mitsui Power Ventures Ltd. | 39,270 |
| Other-266 companies | 583,225 |
| Sub-total (See Note 2) | 1,256,861 |
| 2. Guarantees related to bank borrowings of overseas trading subsidiaries | |
| Mitsui & Co. (U.S.A), Inc. | 190,970 |
| Other-8 overseas trading subsidiaries | 67,270 |
| Sub-total (See Note 3) | 258,240 |
| Grand total | 1,515,102 |

Note 1: For joint guarantee agreements with two or more guarantors or guarantee agreements with re-guarantees by other companies, the amounts presented above only include the portion which the Company bears under such agreements.

Note 2: Commitments and other letters similar to guarantees amounting to ¥5,936 million are included.

Note 3: Commitments and other letters similar to guarantees amounting to ¥125,178 million are included.

Note 4: Presented above are subsidiaries and associated companies whose guarantee fee amounts and their payment conditions have been determined individually considering their business substance.

(2) Notes receivable discounted amount to ¥56,443 million.

Export bills of exchange under letters of credit, discounted at intermediary banks but not yet paid by the banks extending the letters of credit, of ¥42,938 million, are included in notes receivable discounted.

(3) Other

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The Company was audited by the Tokyo Regional Taxation Bureau with regard to a transfer price taxation in connection with 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. At the end of June 2006 and 2007, the Company received notices of tax assessment from the Tokyo Regional Taxation Bureau for the years ended March 31, 2000 and 2001, respectively. Based on the notices of tax assessment, the taxable incomes were corrected by ¥4,863 million and ¥8,224 million, and additional tax liabilities for income taxes were ¥2,375 million and ¥3,686 million, respectively. The Company has paid the additional taxes. The Company disagrees with the assessment and registered its protest in August 2006, and in addition, 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.

The Company believes that the amount of the correction for the years ended March 31, 2000 and 2001 and tax liabilities for the period from the year ended March 31, 2002 to the year ended March 31, 2005, arising from the final correction, if any, will be affected by the result of the mutual agreement procedure, which is still continuing. The effect of this matter is reflected in the financial statements for the year ended March 31, 2008, which include the payments made based on the assessments received and the estimated amount of additional tax liabilities.

5. Receivables from and payables to subsidiaries and associated companies:

Short-term receivables: ¥680,473 million
Short-term payables: ¥309,958 million

Long-term receivables: ¥144,506 million
Long-term payables: ¥1,735 million

Table of Contents**Notes to the Statement of Income**

1. Transactions with subsidiaries and associated companies:

| | |
|-----------------------------------|---------------------|
| Sales: | ¥ 2,441,041 million |
| Purchases: | ¥ 4,545,576 million |
| Other non-operating transactions: | ¥ 279,772 million |

2. Gain on Sales of Investments in Securities and Subsidiaries and Associated Companies

The amount of Gain on Sales of Investments in Securities and Subsidiaries and Associated Companies include gain on a share-for-share deal amounting to ¥642 million, where the Company obtained available-for-sale securities for securities of subsidiaries and associated companies under a business combination

3. Impairment losses

Certain land and other assets in 3 locations (mainly in and around the capital region) have suffered continuous declines in land prices. The Company has recorded an Impairment Loss of Fixed Assets as an extraordinary item, as the carrying value of the assets exceeds its recoverable value. The Impairment Loss consists of: Building, ¥929 million; Land ¥893 million; and Other, ¥21 million. Recoverable values are mainly calculated according to net saleable value based on similar market transactions.

Additionally, concerning Land held under long-term development policy (located in Ibaraki-city, Osaka Pref.), the Urban Renaissance Agency which is responsible for land readjustment had decided to change their business plan drastically, upon receiving the negative appraisal of the business execution from their business appraisal supervisory committee. The Company has re-evaluated its recoverable value on the assumption of possessing it under the present conditions and recorded an Impairment Loss of ¥13,919 million as an extraordinary item, as the carrying value of the assets exceeds its net sales value calculated based on posted land price.

4. Provisions for the obligation for guarantees and commitments

Includes ¥2,448 million related to subsidiaries and associated companies.

5. Income Taxes Assessed for Previous Fiscal Year

The amount consists of the payment based on the received notices of tax correction and estimated amount of additional tax liabilities as to a transfer price taxation in connection with the business transaction between the Company and its subsidiaries in Australia.

Notes to the Statement of Changes in Equity

New Share Issuance

New share issuance has been caused by the conversions of convertible bonds.

Numbers of treasury stock as of the ended of fiscal year end

Common stock 3,325,430 shares

Tax-Effect Accounting

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The principal items, which comprise deferred tax assets and deferred tax liabilities, were as follows:

(Millions of Yen)

| | |
|---|-----------------|
| Deferred tax assets | |
| Allowance for doubtful receivables | ¥ 13,457 |
| Impairment loss of investments in securities, subsidiaries and associated companies | 51,136 |
| Impairment loss of fixed assets | 12,848 |
| Impairment loss of real estates for sale and lease-out | 1,329 |
| Accrued bonuses | 9,746 |
| Undistributed earnings of tax-haven subsidiaries | 4,391 |
| Others | 11,781 |
| Subtotal deferred tax assets | 104,688 |
| Valuation allowance | (54,262) |
| Total deferred tax assets | 50,426 |
| Deferred tax liabilities | |
| Net unrealized gain on available-for-sale securities | 54,293 |
| Deferred gain on derivatives under hedge accounting | 9,288 |
| Reserve for loss on overseas investments loss | 5,854 |
| Gain on contribution of securities to retirement benefit trust | 3,987 |
| Others | 1,075 |
| Total deferred tax liabilities | 74,497 |
| Net deferred tax liabilities | ¥ 24,071 |

Leased Fixed Assets

Significant off-balance leased assets include buildings used for distribution & delivery centers.

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Transactions with Related Parties

Company Name: Mitsui & Co. Financial Services Co., Ltd.

Relationship: Subsidiary

Ownership of Voting Shares: 100% direct ownership

Relationship with Related Parties: Dispatching directors, and providing finance

Transaction Content: Loans

Transaction Amount: ¥840,690 million

Amount as of the current fiscal year: Short-term loans receivable ¥47,000 million. Long-term loans receivable ¥40,411 million

Transaction Conditions and Transaction Policy: Financing condition is determined considering market interest rates, with repayment terms of short-term loan receivables set at approximately one to three months.

Company Name: Mitsui & Co. Financial Services (Europe) B.V.

Relationship: Subsidiary

Ownership of Voting Shares: 75% direct ownership, 25% indirect ownership

Relationship with Related Parties: Dispatching directors, and providing finance

Transaction Content: Loans

Transaction Amount: ¥410,304 million

Amount as of the current fiscal year: Short-term loans receivable ¥32,113 million

Transaction Conditions and Transaction Policy: Financing condition is determined considering market interest rates, with repayment terms of short-term loan receivables set at approximately one to three months.

Per Share Information

| | |
|------------------------------|----------|
| Equity per Share | ¥ 677.57 |
| Basic Net Income per Share | ¥ 87.47 |
| Diluted Net Income per Share | ¥ 86.59 |

Significant Subsequent Events

There are no material subsequent events to be disclosed.

Table of Contents**Business Combinations**

1. The following business combinations have occurred, which were accounted for as transactions under common control.

(Business combination during the fiscal year ended March 31, 2008)

| Name of surviving company, etc | Names of companies related to business combinations, etc | Category of business combinations | Summary of business combinations |
|--------------------------------------|---|-----------------------------------|--|
| Mitsui Knowledge Industry. Co. Ltd. | 1. NextCom K.K. (which is listed on the 2 nd . Section of Tokyo Stock Exchange, and in which the Company held 49.002% of voting shares.) | Merger | They merged on April 1, 2007 in order to reinforce their financial structure by establishing a stable earning base and achieve higher growth by providing a wide variety of IT services in response to diversifying customer needs. |
| | 2. Mitsui Knowledge Industry. Co. Ltd. (which is listed on the 2 nd . Section of Tokyo Stock Exchange, and in which the Company held 67.373% of voting shares.) | | |
| Mitsui & Co. (Asia Pacific) Pte Ltd. | 1. Mitsui & Co. (Asia Pacific) Pte Ltd. (in which the Company holds 100% of voting shares.) | Contribution in-kind | The Company made a contribution in-kind of its Singapore branch's assets amounting to ¥130,897 million and the liabilities amounting to ¥127,163 million to Mitsui & Co. (Asia Pacific) Pte Ltd. on April 1, 2007. As well, the Company transferred all of its business and personnel thereto. |
| | 2. Singapore branch of the Company | | |

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(Business combination after the fiscal year ended March 31, 2008)

| Name of surviving company, etc | Names of companies related to business combinations, etc | Category of business combinations | Summary of business combinations |
|---------------------------------------|---|--|---|
| Mitsui & Co. Steel Ltd. | <p>1. Mitsui & Co. Steel Ltd.</p> <p>(in which the Company holds 100% of voting shares.)</p> <p>2. SINTSUDA CORPORATION</p> <p>(in which the Company holds 100% of voting shares.)</p> <p>3. Mitsui & Co. Stainless and Special Steel Ltd.</p> <p>(in which the Company holds 100% of voting shares.)</p> <p>4. Mitsui Bussan Plate Processing Corporation</p> <p>(in which the Company holds 100% of voting shares.)</p> | Merger | They merged on April 1, 2008 in order to reinforce trading, marketing and distribution of steel products focusing on the Japanese domestic market and achieve the greatest business efficiencies. |
| Mitsui Bussan Metals Co., Ltd. | <p>1. Mitsui Bussan Raw Materials Development Corporation</p> <p>(in which the Company holds 100% of voting shares.)</p> <p>2. Mitsui Bussan Metals Sales Co., Ltd.</p> <p>(in which the Company holds 100% of voting shares.)</p> | Merger | They merged on April 1, 2008 in order to enhance their sales and marketing performance in all mineral & metal businesses through their nationwide network, and reinforce their business control. |
| Mitsui Rail Capital Europe B.V. | 1. Mitsui Rail Capital Europe B.V. | Contribution in-kind | The Company made a contribution in-kind of shares of MRCE Dispolok GmbH, in which the Company holds 75% of voting shares and Mitsui & Co. Europe Holdings Plc. holds |

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(in which the Company holds 75% of voting shares.)

the rest, to Mitsui Rail Capital Europe B.V. in which the Company holds 75% of voting shares and Mitsui & Co. Europe Holdings Plc. holds the rest, on April 1, 2008 in order to achieve the greatest business efficiency and expand the locomotive leasing business.

2. MRCE Dispolok GmbH

(in which the Company holds 75% of voting shares.)

They merged on April 1, 2008 in order to reinforce trading, marketing and distribution of plastics and chemical products and achieve the greatest business efficiencies.

Mitsui Bussan Plastics Trade Co.,Ltd.

1. Mitsui Bussan Plastics Co., Ltd. Merger

(in which the Company holds 100% of voting shares.)

2. Mitsui Bussan Plastics Kansai Co. Ltd.

(in which the Company holds 100% of voting shares.)

3. Nippon Trading Co., Ltd.

(in which the Company holds 100% of voting shares.)

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2. Other than the above, the following take over of material assets and liabilities has occurred.

| Name of surviving company, etc | Names of companies related to business combinations, etc | Category of business combinations | Summary of business combinations |
|---------------------------------------|--|--|--|
| Mitsui & Co., Ltd. | 1. Mitsui Bussan Metals Sales Co., Ltd. A part of aluminum and copper business (in which the Company holds 100% of voting shares.) | Take over of assets and liabilities | The Company took over assets amounting to ¥48,903 million, liabilities amounting to ¥28,061 million and businesses relating to aluminum and copper from Mitsui Bussan Metals Sales Co., Ltd. on February 1, 2008 in order to achieve the greatest efficiency for the Non-ferrous business. |

2. The Company

(Figures presented in the balance sheet, the statement of income, statement of changes in equity, and notes are displayed following rounding down to the nearest million yen.)

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(translations)

INDEPENDENT AUDITORS REPORT (COPY)

INDEPENDENT AUDITORS REPORT (COPY)

May 13, 2008

To the Board of Directors of Mitsui & Co., Ltd.

Deloitte Touche Tohmatsu

Designated Partner, Engagement Partner,

Certified Public Accountant:

Katsuji Hayashi

Designated Partner, Engagement Partner,

Certified Public Accountant:

Hidehiko Yuki

Designated Partner, Engagement Partner,

Certified Public Accountant:

Keiji Nakae

Pursuant to fourth clause of Article 444 of the Corporate Law, we have audited the consolidated financial statements, namely the consolidated balance sheet as of March 31, 2008 of Mitsui & Co., Ltd. and subsidiaries (the Company), the related statements of consolidated income and consolidated shareholders equity and the related notes to the consolidated financial statements for the fiscal year from April 1, 2007 to March 31, 2008. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mitsui and Co., Ltd. and subsidiaries as of March 31, 2008, and the results of their operations for the year then ended in conformity with the recognition and measurement criteria of accounting principles generally accepted in the United States of America, as modified by the first clause of Article 148 of the accounting regulation of the Corporate Law. (Refer to Consolidated Financial Statements, Notes to Basic Significant Matters Regarding Preparation of Consolidated Financial Statements, 2. Summary of Significant Accounting Policies, (1) Basis of consolidated financial statements).

Additional information:

1.

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As discussed in Notes to Consolidated Financial Statements, Note to Consolidated Balance Sheets, 2. Contingent liabilities, (2) Other, the Company was audited by the Tokyo Regional Taxation Bureau with regard to a transfer price taxation for the six fiscal years from the year ended March 31, 2000 to the year ended March 31, 2005, and received notices of tax assessment from the Tokyo Regional Taxation Bureau for the years ended March 31, 2000 and 2001. The Company disagrees with the assessment and registered its protest, and lodged an application for the mutual agreement procedure pursuant to a provision in the tax treaty between Japan and Australia. The effect of this matter was recorded in accordance with FASB Interpretation (FIN) No.48, Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109.

2. As discussed in Notes to Consolidated Financial Statements, Notes to Basic Significant Matters Regarding Preparation of Consolidated Financial Statements, 3. Summary of a Change in Significant Accounting Policies, Accounting for Uncertainty in Income Taxes, effective April 1, 2007, the Company changed its method of accounting for uncertainty in income taxes to conform to FIN No. 48.

Our firm and the engagement partners do not have any financial interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Law.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.

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(translations)

INDEPENDENT AUDITORS REPORT (COPY)

INDEPENDENT AUDITORS REPORT (COPY)

May 13, 2008

To the Board of Directors of Mitsui & Co., Ltd.

Deloitte Touche Tohmatsu

Designated Partner, Engagement Partner,

Certified Public Accountant:

Katsuji Hayashi

Designated Partner, Engagement Partner,

Certified Public Accountant:

Hidehiko Yuki

Designated Partner, Engagement Partner,

Certified Public Accountant:

Keiji Nakae

Pursuant to first item, second clause of Article 436 of the Corporate Law, we have audited the financial statements, namely, the balance sheet as of March 31, 2008 of Mitsui & Co., Ltd. (the Company), and the related statements of income and changes in equity and the related notes, for the 89th fiscal year from April 1, 2007 to March 31, 2008, and the accompanying supplemental schedules. 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the accompanying supplementary schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and the accompanying supplemental schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement and the accompanying supplementary schedules presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements and the accompanying supplemental schedules referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2008, and the results of its operations for year then ended in conformity with accounting principles generally accepted in Japan.

Additional information:

As discussed in Notes to Balance Sheets, 4. Contingent liabilities, (3) Other, the Company was audited by the Tokyo Regional Taxation Bureau with regard to transfer price taxation for the six fiscal years from the year ended March 31, 2000 to the year ended March 31, 2005, and received notices of tax assessment from the Tokyo Regional Taxation Bureau for the years ended March 31, 2000 and 2001. The Company disagrees with the assessment and registered its protest, and lodged an application for the mutual agreement procedure pursuant

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to a provision in the tax treaty between Japan and Australia. The effect of this matter is reflected in the financial statements for the year ended March 31, 2008, which include the payments made based on the assessments received and the estimated amount of additional tax liabilities.

Our firm and the engagement partners do not have any financial interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Law.

The above represents a translation, for convenience only, of the original report issued in the Japanese language, and the accompanying supplement schedules referred to in this report are not included in attached financial documents.

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CORPORATE AUDITORS REPORT

(translations)

Having examined the Directors' performance of their duties during the 89th fiscal year from April 1, 2007, to March 31, 2008, we, the Board of Corporate Auditors, make this report as follows, based upon discussion on the basis of the reports submitted by the respective Corporate Auditors:

I. METHODS AND SUBSTANCE OF AUDIT BY CORPORATE AUDITORS AND BOARD OF CORPORATE AUDITORS

The Board of Corporate Auditors decided upon auditing policies, allocation of work duties, etc., received a report on the auditing work performed and its results from each Corporate Auditor, and received a report on their status of work executed from the Directors and the Independent Auditors and requested their explanations as necessary.

While conforming to the auditing standards as decided by the Board of Corporate Auditors, the auditing policies, the allocation of duties, etc., each Corporate Auditor endeavored to facilitate mutual understanding with the Directors, the internal auditing division and other employees, endeavored to collect information and to improve the auditing environment, attended the meetings of the Board of Directors and other important meetings, received a report on their status of work executed from the Directors and the employees and requested their explanations as necessary, inspected material internal decision-making documents, etc., and investigated the status of operations and assets of the headquarters and major business sites. In addition, audit was conducted of the substance of decisions made by the Board of Directors with regard to Necessary systems to ensure appropriate operations (pursuant to Article 362(4) (6) of the Corporate Law of Japan) and of the status of the systems actually developed on the basis of the said decisions (the internal control systems). With regard to subsidiaries, we endeavored to facilitate mutual understanding and exchanging of information with their directors, corporate auditors, etc., and collected reports on their business as necessary. Based on the above methods, the business report and its supplementary schedules for the relevant fiscal year were examined.

In addition, we examined whether the independence of the Independent Auditors was maintained and whether appropriate audit was being undertaken, received reports from the Independent Auditors on the status of operations, and requested explanations as necessary. We also received reports from the Independent Auditors that Necessary systems to ensure appropriate execution of operations (pursuant to Article 159 of the Corporate Accounting Regulations of Japan) was duly developed in line with Quality control standards for auditing (issued by the Japan Corporate Accounting Council on October 28, 2005), and requested explanations as necessary. Based on the above methods, we examined the financial statements for the relevant fiscal year (the balance sheet, the statements of income, the changes in shareholders' equity and the notes to non-consolidated financial statements) and their supplementary schedules and then the consolidated financial statements for the relevant fiscal year (the consolidated balance sheet, the statements of consolidated income, the statements of consolidated shareholders' equity and the notes to consolidated financial statements).

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2. RESULTS OF AUDIT

(1) Results of examination of the business report, etc.

In our opinion, the business report and its supplementary schedules are in conformity with the applicable laws and regulations of Japan and the Articles of Incorporation of the Company and fairly present the state of the Company's affairs.

We have found no misconduct or no material fact constituting a violation of any applicable laws and regulations of Japan or the Articles of Incorporation in connection with the Directors' performance of their duties

In our opinion, the substance of the decisions made by the Board of Directors with regard to the internal control systems is appropriate. Further, we find no matters that require noting with regard to the Directors' performance of their duties in connection with the internal control systems.

(2) Results of examination of the financial statements and their supplementary schedules

In our opinion, the auditing methods used and the conclusions reached by the Independent Auditors, Deloitte Touche Tohmatsu, are appropriate.

(3) Results of examination of the consolidated financial statements

In our opinion, the auditing methods used and the conclusions reached by the Independent Auditors, Deloitte Touche Tohmatsu, are appropriate.

May 14, 2008

Board of Corporate Auditors

Mitsui & Co., Ltd.

Corporate Auditor (full time)
Corporate Auditor (full time)
Corporate Auditor (full time)
Corporate Auditor
Corporate Auditor
Corporate Auditor
Corporate Auditor

Tasuku Kondo
Satoru Miura
Motonori Murakami
Ko Matsukata
Yasutaka Okamura
Hideharu Kadowaki
Naoto Nakamura

Note: Ko Matsukata, Yasutaka Okamura, Hideharu Kadowaki, and Naoto Nakamura are external Corporate Auditors

The above represents a translation, for convenience only, of the original report issued in the Japanese language.