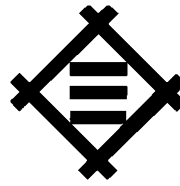

ANNUAL REPORT 2005

April 1, 2004 - March 31, 2005

MITSUI & CO. (U.S.A.), INC.

To the Board of Directors of Mitsui & Co. (U.S.A.), Inc.:

We have audited the accompanying consolidated balance sheets of Mitsui & Co. (U.S.A.), Inc. and subsidiaries (collectively, the "Company") as of March 31, 2005 and 2004, and the related consolidated statements of operations, shareholder's equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards as established by the Auditing Standards Board (United States) and in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Mitsui & Co. (U.S.A.), Inc. and subsidiaries at March 31, 2005 and 2004, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

New York, NY
September 22, 2005

MITSUI & CO. (U.S.A.), INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

MARCH 31, 2005 AND 2004

	March 31, 2005	March 31, 2004
	(In Thousands)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents (Note 1)	$ 106,206	$ 94,889
Marketable securities (Notes 1, 3 and 11)	6,510	49,574
Accounts and notes receivable (Notes 1 and 11):		
Customers	781,838	637,499
Parent and affiliated companies—net	566,613	722,633
Allowance for doubtful receivables	(18,407)	(21,615)
Inventories (Note 1)	904,872	552,056
Advance payments to suppliers	12,156	12,448
Other current assets	238,443	199,326
Total current assets	2,598,231	2,246,810
INVESTMENTS:		
Investments in and advances to associated companies (Notes 1 and 3)	421,649	301,923
Financing leases (Note 7)	518,449	505,607
Other investments (Notes 1, 3 and 11)	146,776	176,091
Total investments	1,086,874	983,621
PROPERTY AND EQUIPMENT—NET (Notes 1, 4 and 7)	316,558	333,234
NONCURRENT ADVANCES, RECEIVABLES AND OTHER—NET (Notes 8 and 11)	166,405	89,396
Total	$4,168,068	$3,653,061

See Notes to Consolidated Financial Statements.

(continued)

CONSOLIDATED BALANCE SHEETS

MARCH 31, 2005 AND 2004

	March 31,	
	2005	2004
	(In Thousands)	
LIABILITIES AND SHAREHOLDER'S EQUITY		
CURRENT LIABILITIES:		
Notes, acceptances and accounts payable:		
Trade creditors	$ 653,514	$ 562,909
Other	827	17,063
Notes and loans payable (Notes 5 and 11)	689,216	727,921
Advances received on contracts	8,753	22,576
Current maturities of long-term debt (Notes 5 and 11)	300,144	342,608
Accrued taxes on income	2,944	23,239
Accrued expenses and sundry	232,501	70,249
Total current liabilities	1,887,899	1,766,565
LONG-TERM DEBT, LESS CURRENT MATURITIES (Notes 5 and 11)	1,434,716	1,238,175
CAPITAL LEASE OBLIGATIONS (Note 7)	74,305	36,000
DEFERRED INCOME TAXES (Note 6)	144,038	102,549
OTHER LIABILITIES (Note 8)	57,966	15,787
COMMITMENTS AND CONTINGENCIES (Notes 3, 6, 7, 9, 10 and 11)		
MINORITY INTEREST IN SUBSIDIARIES	64,304	48,792
SHAREHOLDER'S EQUITY:		
Capital stock, no par value, authorized and outstanding, 1,000 shares	350,000	350,000
Retained earnings	156,860	90,251
Accumulated other comprehensive (loss) income (Notes 1, 3 and 8)	(2,020)	4,942
Shareholder's equity	504,840	445,193
Total	$4,168,068	$3,653,061

See Notes to Consolidated Financial Statements. (concluded)

CONSOLIDATED STATEMENTS OF OPERATIONS

YEARS ENDED MARCH 31, 2005 AND 2004

	March 31,	
	2005	2004
	(In Thousands)	
REVENUES (NOTE 1)		
SALES OF PRODUCTS	$5,453,321	$4,839,177
SALES OF SERVICES	156,341	89,397
OTHER SALES	71,096	63,731
TOTAL REVENUES	5,680,758	4,992,305
[TOTAL TRADING TRANSACTIONS 2005—$12,468,059,000 2004—$9,769,011,000]		
COST OF REVENUES (NOTE 1)		
COST OF PRODUCTS SOLD	5,213,574	4,655,983
COST OF SERVICES SOLD	10,763	10,883
COST OF OTHER SALES	58,347	42,994
TOTAL COST OF REVENUES	5,282,684	4,709,860
GROSS PROFIT (Notes 1 and 12)	398,074	282,445
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	(279,747)	(225,714)
INTEREST (NET OF INTEREST INCOME (EXPENSE) OF $56,011,000 AND ($36,464,000) for the Years Ended March 31, 2005 and 2004, respectively)	(417)	10,015
OTHER INCOME (LOSS)—NET (NOTE 10)	9,352	(106,850)
INCOME (LOSS) BEFORE INCOME TAXES AND EQUITY IN EARNINGS OF ASSOCIATED COMPANIES	127,262	(40,104)
PROVISION (BENEFIT) FOR INCOME TAXES (Notes 1 and 6)	59,489	(13,105)
INCOME (LOSS) BEFORE EQUITY IN EARNINGS OF ASSOCIATED COMPANIES	67,773	(26,999)
EQUITY IN EARNINGS OF ASSOCIATED COMPANIES—NET (Note 1)	33,366	15,871
NET INCOME (LOSS)	$ 101,139	$ (11,128)

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS'S EQUITY

YEARS ENDED MARCH 31, 2005 AND 2004

(In Thousands)

	Comprehensive Income (Loss)	Capital Stock	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total Shareholder's Equity
Balance, April 1, 2003		$350,000	$101,729	$(7,479)	$444,250
Comprehensive income:					
Net loss	$ (11,128)		(11,128)		(11,128)
Other comprehensive income (loss):					
Foreign currency translation adjustments	(33)			(33)	(33)
Unrealized gain on derivatives used as cash flow hedges	25			25	25
Unrealized gain on marketable securities, net of tax of $5,269	7,904			7,904	7,904
Reclassification adjustments on marketable securities, net of tax of $2,450	3,675			3,675	3,675
Minimum pension liability adjustments, net of tax of $566	850			850	850
Comprehensive income	$ 1,293				
Reorganization of certain subsidiaries, etc.			(350)		(350)
Balance March 31, 2004		350,000	90,251	4,942	445,193
Comprehensive income:					
Net income	$101,139		101,139		101,139
Other comprehensive income (loss):					
Foreign currency translation adjustments	3,277			3,277	3,277
Unrealized gain on derivatives used as cash flow hedges, net of tax of $328	611			611	611
Unrealized loss on marketable securities, net of tax of $1,738	(2,656)			(2,656)	(2,656)
Reclassification adjustments on marketable securities, net of tax of $4,440	(6,660)			(6,660)	(6,660)
Minimum pension liability adjustments, net of tax of $1,022	(1,534)			(1,534)	(1,534)
Comprehensive income	$ 94,177				
Dividends declared			(38,000)		(38,000)
Reorganization of certain subsidiaries, etc.			3,470		3,470
Balance, March 31, 2005		$350,000	$156,860	$(2,020)	$504,840

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED MARCH 31, 2005 AND 2004

	March 31, 2005	March 31, 2004
	(In Thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ 101,139	$ (11,128)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation, depletion and amortization	70,169	57,995
Provision for losses on receivables, etc.	1,924	526
Gain on sales of marketable securities and other—net	(9,797)	(7,606)
Loss on write-down of investments	7,890	10,289
Financing leases	(9,903)	(22,413)
Equity in earnings of associated companies—net, less dividends received	22,027	(7,005)
Deferred income taxes	41,677	(21,456)
Minority interest in subsidiaries	(22,437)	(18,818)
Net (gain) loss on sales of fixed assets	(16,519)	890
Other	3,753	(33)
Changes in operating assets and liabilities:		
Decrease (increase) in accounts and notes receivable	32,742	(232,917)
Increase in inventories	(343,337)	(30,050)
Decrease in advance payments to suppliers	292	6,191
(Increase) decrease in other current assets	(76,349)	12,959
(Increase) decrease in noncurrent advances, receivables and other	(20,969)	25,612
Increase (decrease) in notes, acceptances and accounts payable	74,848	(13,996)
Decrease in advances received on contracts	(13,823)	(42,007)
Decrease in accrued taxes on income	(20,295)	(5,030)
Increase (decrease) in accrued expenses and sundry	135,618	(21,351)
Increase (decrease) in noncurrent other liabilities	48,364	(23,592)
Net cash provided by (used in) operating activities	7,014	(342,940)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Decrease (increase) in marketable securities and other investments	65,174	(30,067)
(Increase) decrease in investments in and advances to associated companies	(138,283)	24,277
Acquisition of business	(86,621)	—
Proceeds from financing leases	34,890	55,561
Issuance of financing leases	—	(64,976)
Proceeds from sales of fixed assets	40,923	17,647
Capital expenditures	(67,891)	(73,068)
Net cash used in investing activities	(151,808)	(70,626)
CASH FLOWS FROM FINANCING ACTIVITIES:		
(Decrease) increase in short-term notes and loans payable	(11,892)	32,005
Issuance of long-term debt	626,911	616,413
Payments on long-term debt	(444,857)	(334,990)
Minority interest in subsidiaries	37,949	(1,733)
Dividends paid	(52,000)	—
Net cash provided by financing activities	156,111	311,695
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	11,317	(101,871)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	94,889	196,760
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 106,206	$ 94,889
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	$ 52,280	$ 36,956
Income taxes paid	$ 14,992	$ 7,393

See Notes to Consolidated Financial Statements.

1. Summary Of Significant Accounting Polices

BASIS OF PRESENTATION

The consolidated financial statements include the accounts of Mitsui & Co. (U.S.A.), Inc. ("Mitsui USA"), a wholly-owned subsidiary of Mitsui & Co., Ltd. ("Mitsui Japan") (a Japanese corporation), and all of its significant subsidiaries (collectively, the "Company"). Significant intercompany items have been eliminated in consolidation. The Company's operations are principally in the following industries: steel products, iron & raw materials, non-ferrous metals, machinery & information, chemicals, foods, energy and life commerce, each having a diverse customer base.

Total trading transactions, as presented in the accompanying Consolidated Statements of Operations, is a voluntary disclosure as permitted by Emerging Issues Task Force Issue No. 99-19, and represents the gross transaction volume or the aggregate nominal value of the sales contracts in which the Company acts as principal and transactions in which the Company serves 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 Company's operating performance, liquidity or cash flows generated by operating, investing or financing activities. The Company has 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 is a useful supplement to the results of operations information for users of the consolidated financial statements.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH EQUIVALENTS

Cash equivalents are highly liquid short-term investments with an original maturity of three months or less and are readily convertible to cash.

INVENTORIES

Inventories are generally stated at the lower of cost (principally identified cost) or market. Commodities inventories that are able to be hedged using a terminal (futures) market (principally aluminum, cocoa, coffee and copper) are stated at an amount which approximates cost. At March 31, 2005 and 2004, such commodities inventories comprise approximately 0.2 percent and 2 percent, respectively, of total inventories.

SECURITIZATION OF ACCOUNTS RECEIVABLE

The Company has an asset-backed securitization facility whereby certain accounts receivable are sold through a wholly-owned special purpose entity to a third party. The securitization facility allows for the Company to sell eligible accounts receivable on a monthly revolving basis. At March 31, 2005 and 2004, the unpaid balance of accounts receivable sold was $94 million and $139 million, respectively.

The Company continues to service these receivables and maintains a retained interest in the receivables sold. The retained interest totaled $50.4 million and $63.8 million as of March 31, 2005 and 2004, respectively. The retained interest does not have a readily available market value. The initial fair value of the retained interest approximates the carrying value of the excess of receivables sold to the wholly-owned special purpose entity over the amount funded to the Company because the receivables to be sold are strictly limited to those of credit worthy obligors. Obligor payment histories are reviewed monthly and receivables deemed not to be credit worthy are replaced with higher quality receivables on a revolving basis. In addition, the wholly-owned special purpose entity will receive payment for the receivables sold shortly after the date purchased. More than 85% of the receivables sold are due within 90 days of the original billing date. A subsequent fair value re-measurement of the retained interest is made if any significant change in credit risk exposure of the receivables sold occurs before the next monthly review date.

In connection with the sale of accounts receivable, the Company recorded a loss, net of interest income, of $1.4 million and $1.1 million for the years ended March 31, 2005 and 2004, respectively.

INVESTMENTS AND MARKETABLE SECURITIES

The Company classifies certain investments as "available-for-sale" which are carried at fair value, with any unrealized gains and losses excluded from earnings and reported as a separate component of accumulated other comprehensive (loss) income on a net-of-tax basis. Equity interests in associated companies are accounted for on the equity method of accounting when the Company and its parent have a combined equity interest in these companies of 20 percent or more. Investments in which combined ownership is less than 20 percent are carried at cost.

DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

In accordance with Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended, all derivative instruments are recognized and measured at fair value as either assets or liabilities in the consolidated balance sheets.

The Company enters into agreements for derivative commodity instruments, such as futures, forwards, options and swap contracts, as a part of its trading activities principally for non-ferrous metals and agricultural products that are traded on a terminal (futures) market. These derivative instruments are marked-to-market and gains or losses resulting from these contracts are reported in earnings as sales of products or cost of products sold when the hedged transactions affect earnings. Changes in the fair value of the ineffective portion of the hedges are recognized in sales of products or cost of products sold immediately.

The Company enters into derivative financial instruments, such as interest rate swap agreements, foreign exchange forward contracts, currency swap agreements, and interest rate and currency swap agreements as a means of hedging its interest rate and foreign exchange rate exposures. Changes in the fair value of interest rate swap agreements, designated and effective as fair value hedges for changes in the value of fixed-rate financial assets or liabilities attributable to changes in the designated benchmark interest rate, are initially recorded in other comprehensive (loss) income and reclassified into earnings as interest expense when the hedged transactions affect earnings. Changes in the fair value of the ineffective portion of the hedges are recognized in interest expense immediately.

Changes in the fair value of foreign exchange forward contracts and currency swap agreements, designated and effective as cash flow hedges for changes in foreign currency denominated assets or liabilities, unrecognized firm commitments and forecasted transactions attributable to changes in the related foreign currency exchange rate, are initially recorded in other comprehensive (loss) income and reclassified into earnings as foreign exchange gains or losses when the hedged transactions affect earnings. Changes in the fair value of the ineffective portion of the hedges are recognized in foreign exchange gains or losses immediately.

Changes in the fair value of derivative financial instruments for which hedge requirements are not met under SFAS No. 133 are recognized currently in interest expense for interest rate swap agreements and in other income (loss)—net for foreign exchange forward contracts and currency swap agreements.

PROPERTY AND EQUIPMENT

Property and equipment is recorded at cost. Depreciation and amortization are provided over the estimated useful lives (ranging from 3 to 33 years) of the property and equipment using primarily the straight-line method.

RECOVERABILITY OF LONG-LIVED ASSETS

In accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," the Company periodically evaluates the carrying values and periods over which long-lived tangible and intangible assets are depreciated or amortized to determine if events have occurred which would require adjustment to the carrying values or modification to the useful lives. In evaluating useful lives and carrying values of long-lived assets, the Company reviews certain indicators of potential impairment, such as future undiscounted cash flows, profitability and other factors, such as business plans. When the carrying value is greater than the undiscounted cash flows, the fair value of the related asset is determined, and the Company would record a charge to earnings calculated by comparing the asset's

carrying value to the estimated fair value. The Company estimates fair value based on the best information available, making whatever estimates, judgments and projections are considered necessary.

REVENUE PRESENTATION

The Company recognizes revenues when they are realized or realizable and earned. Revenues are realized or realizable and earned when the Company has persuasive evidence of an arrangement, the goods have been delivered or the services have been rendered to the customer, the sales price is fixed or determinable and collectibility is reasonably assured. In addition to this general policy, the following are specific revenue recognition policies:

Sales of products

Sales of products include the sales of various products as a principal in the transactions and the manufacture and sale of a wide variety of products such as metals, chemicals, foods and general consumer merchandise. The Company recognizes those revenues at the time the delivery conditions agreed with customers are met. These conditions are usually considered to have been met when the goods are received by the customer or the title to the warehouse receipts is transferred.

Sales of services

Sales of services include the revenues from trading margins and commissions related to various trading transactions in which the Company acts as a principal or an agent. Specifically, the Company charges a commission for the performance of various services such as logistic and warehouse services, information services and technical support. For some back-to-back sales and purchase transactions of products, the Company acts as a principal and records the net amount of sales and purchase prices as revenues. The Company also facilitates conclusion of the contracts between manufacturers and customers and deliveries for the products between suppliers and customers. Revenues from services-related businesses are recorded as revenues when the contracted services are rendered to third-party customers pursuant to the agreements.

Other sales

Other sales principally include the revenues from the leasing of petrochemical tanks.

INCOME TAXES

Income tax expense is based on reported earnings before income taxes and equity in earnings of associated companies. Deferred income taxes reflect the impact of temporary differences between assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes and tax loss carryforwards. These deferred taxes are measured using the currently enacted tax rates in effect for the year in which the temporary differences or tax loss carryforwards are expected to reverse. Valuation allowances are established when it is more likely than not that some or all of the deferred tax assets will not be recognized.

The Company's Federal income tax return is prepared on a consolidated basis. Provision for income taxes on undistributed earnings of associated companies has been made on the assumption that the earnings were distributed on a current basis as dividends.

COMPREHENSIVE INCOME

In accordance with SFAS No. 130, ''Reporting Comprehensive Income,'' the Company has included amounts for comprehensive income (which consists of net income (loss) and other comprehensive (loss) income in the consolidated statements of shareholder's equity). Other comprehensive (loss) income consists of all changes to shareholder's equity other than those resulting from net income (loss) or shareholder transactions. For the Company, other comprehensive (loss) income consists of foreign currency translation adjustments, minimum pension liability adjustments, unrealized gains (losses) on derivatives accounted for as cash flow hedges and unrealized gains (losses) on marketable securities (net of reclassification adjustments) on a net of tax basis where applicable. Accumulated other comprehensive (loss) income, which is the cumulative amount of other comprehensive (loss) income, is a separate component of total shareholder's equity.

GUARANTEES

In accordance with FASB Interpretation (''FIN'') No. 45, ''Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others—an Interpretation of FASB Statements No. 5, 57 and 107 and the rescission FASB Interpretation No. 34,'' the Company recognizes, at the inception of a guarantee, a liability for the fair value of the obligation undertaken for the guarantee issued or modified after December 31, 2002.

RECLASSIFICATIONS

Certain reclassifications have been made to the 2004 consolidated financial statements to conform to the current year presentation.

NEW ACCOUNTING STANDARDS

Inventory costs

In November 2004, the Financial Accounting Standards Board (''FASB'') issued SFAS No. 151, ''Inventory Costs—an amendment of ARB No. 43, Chapter 4.'' SFAS No. 151 requires that abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage) should be recognized as current period charges. In addition, SFAS No. 151 requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. SFAS No. 151 is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. The effect of the adoption of this statement on the Company's consolidated financial position and results of operations is not currently known and cannot be reasonably estimated until further analysis is completed.

Exchanges of nonmonetary assets

In December 2004, the FASB issued SFAS No. 153, ''Exchanges of Nonmonetary Assets—an amendment of APB Opinion No. 29.'' SFAS No. 153 eliminates the exception to fair value measurement for nonmonetary exchanges of similar productive assets and replaces it with a general exception to fair value measurement for exchanges of nonmonetary assets that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS No. 153 is effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. The effect of the adoption of this statement on the Company's consolidated financial position and results of operations is not currently known and cannot be reasonably estimated until further analysis is completed.

Share-based payment

In December 2004, the FASB issued SFAS No. 123 (revised 2004), ''Share-Based Payment'' (''SFAS No. 123R''). SFAS No. 123R requires the compensation cost from share-based payment transactions to be recognized in a company's financial statements. The amount of the compensation cost is measured based on the grant-date fair value of the equity instruments issued or the liabilities incurred. In addition, the award of liability instruments will be remeasured at the end of each reporting period. The compensation cost is recognized over the requisite service period. In April 2005, the U.S. Securities and Exchange Commission adopted a new rule which amends the effective dates for SFAS No. 123R. Under the new rule, SFAS No. 123R is effective for fiscal years beginning after June 15, 2005. The adoption of this statement is not expected to have a material impact on the Company's consolidated financial position and results of operations.

Conditional asset retirement obligations

In March 2005, the FASB issued FIN No. 47, ''Accounting for Conditional Asset Retirement Obligations—an interpretation of FASB Statement No. 143.'' FIN No. 47 clarifies that an entity is required to recognize a liability for the fair value of a legal obligation to perform asset retirement activities that are conditional on a future event if the amount can be reasonably estimated. FIN No. 47 also clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. FIN No. 47 is effective for fiscal years ending after December 15, 2005. The effect of the adoption of this interpretation is not expected to have a material impact on the Company's consolidated financial position and results of operations.

2. Business Combination

On December 21, 2004, Cornerstone Research & Development, Inc., a wholly-owned subsidiary of Mitsui USA, agreed with Cornerstone Nutritional Labs, LLC (''Cornerstone'') to take over its business by acquiring substantially all of the assets used in the business for $86.6 million. Cornerstone provides a complete set of manufacturing, such as raw material sourcing, blending, encapsulation and packaging, in addition to new product development, and sells its products to wholesalers mainly throughout the United States and Canada.

Demand for nutraceuticals in the U.S. market, which is one of the largest supplements markets in the world, has been continuously growing. By acquiring Cornerstone's business through Cornerstone Research & Development, Inc., Mitsui USA, which had sold raw materials for supplements to Cornerstone, has established a series of business structures from raw material sourcing to manufacturing end products and considers that the acquisition will contribute to the Company's business performance. This acquisition is consistent with the Company's core strategy, which focuses on making strategic investments in the medical and health care fields.

The consolidated financial statements for the year ended March 31, 2005 include the operating results of Cornerstone from the date of acquisition.

The purchase price was determined based on the expected future cash flows Cornerstone is expected to generate. The excess of the purchase price over the fair value of net assets acquired was recorded as goodwill. The significant factors that contributed to the determination of the purchase price that resulted in the recognition of goodwill include the following: (1) growth potential of Cornerstone's supplements business due to increased demand by major supplement makers to contract with manufacturers including Cornerstone to provide a complete set of manufacturing and (2) synergies that might be achieved from combining the operations with Mitsui Japan's and Mitsui USA's supplements businesses.

In connection with this acquisition, $42 million and $33 million were assigned to intangible assets subject to amortization and goodwill, respectively. The intangible assets subject to amortization consist primarily of customer relationships of $39 million with an amortization period of ten years.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition:

	(In millions)
Current assets	$ 20.5
Property and equipment	2.0
Intangible assets	42.2
Goodwill	33.0
Total assets acquired	97.7
Less: current liabilities acquired	(11.1)
Net assets acquired	$ 86.6

3. INVESTMENTS AND MARKETABLE SECURITIES

At March 31, 2005 and 2004, the cost, fair value and gross unrealized holding gains and losses on available-for-sale securities were as follows:

	(In Thousands)				
			Unrealized Holding Gains (Losses)		
	Cost	Fair Value	Gains	Losses	Net
March 31, 2005					
Marketable equity securities	$ 7,950	$17,924	$ 9,990	$(16)	$ 9,974
Debt securities	13,059	13,059	—	—	—
March 31, 2004					
Marketable equity securities	$40,165	$64,614	$24,449	$ —	$24,449
Debt securities	55,524	56,323	799	—	799

Included in other noncurrent investments at March 31, 2005 and 2004 are investments other than marketable available-for-sale securities which were carried at a cost of $122,303,000 and $104,728,000, respectively.

The proceeds from sales of available-for-sale securities and the gross realized gains and losses on those sales, determined using the specific identification method, for the years ended March 31, 2005 and 2004 are shown below:

	March 31,	
	2005	2004
	(In Thousands)	
Proceeds from sales	$15,744	$14,652
Gross realized gains	$13,661	$ 4,430
Gross realized losses	(15)	(957)
Net realized gains	$13,646	$ 3,473

Investment in associated companies (investees owned 20% to 50% and other investees over which the Company has the ability to exercise significant influence) are accounted for under the equity method. Such investments include, but are not limited to, the Company's investments in Wilsey Foods, Inc. (20%), Tamco (20.45%) and Raw Materials Development Co., Ltd. (20%). Associated companies are engaged primarily in the manufacturing and distribution of various products.

Investments in and advances to associated companies are comprised of the following:

	March 31,	
	2005	2004
	(In Thousands)	
Investments in capital, at cost	$294,005	$211,966
Share of equity earnings—net	66,504	41,420
Advances, etc.	61,140	48,537
Total	$421,649	$301,923

The carrying value of the investments in associated companies exceeded the Company's equity in underlying net assets of such associated companies by $39,167,000 and $3,151,000 at March 31, 2005 and 2004, respectively. The excess is attributed first to certain fair value adjustments on a net-of-tax basis at the time of the initial investment and subsequent investments in those companies, with the remaining portion considered as equity method goodwill. The fair value adjustments are generally attributed to intangible assets which consist primarily of favorable contracts and customer relationships amortized over their respective estimated useful lives (principally 5 to 11 years) using the straight-line method, and franchise rights which are not amortized because of their indefinite useful lives.

Summarized financial information for associated companies at March 31, 2005 and 2004 was as follows:

	March 31,	
	2005	2004
	(In Thousands)	
Current assets	$4,370,201	$2,750,092
Property and equipment—net of accumulated depreciation and amortization	948,001	691,202
Other assets	1,039,258	641,620
Total assets	$6,357,460	$4,082,914
Current liabiities	$4,089,931	$2,590,531
Long-term liabilities	1,315,174	595,024
Shareholders' equity	952,355	897,359
Total liabilities and shareholders' equity	$6,357,460	$4,082,914
The Company's equity in the net assets of associated companies	$ 321,342	$ 250,235

	March 31,	
	2005	2004
	(In Thousands)	
Revenues	$13,543,033	$4,258,964
Gross profit	1,998,289	385,083
Net income	217,264	112,408

The Company had a 32.5 percent equity interest in Global Octanes Texas L.P. (''Global Octanes''), a partnership which produced methyl tertiary butyl ether (''MTBE''). In December 2003, one of the partners assigned and transferred its title and interests in Global Octanes to the remaining partners. As a result, the Company's equity interest in Global Octanes increased to 34.5 percent. In March 1999, the Governor of California had issued an executive order that called for the discontinuation of MTBE use in California by the year 2003. Since such time, there have been numerous other actions initiated that either call for the phasing-out or discontinuation of MTBE use in various states throughout the United States. Legislators continue to debate the future of the ''Oxygen Mandate,'' which required the addition of MTBE in gasoline. Global Octanes discontinued its operations in July 2003 and it was agreed by all the remaining partners to dissolve Global Octanes because the demand for MTBE was expected to decrease in the future due to the increased possibility that the use of MTBE in the United States would be abolished. During the year ended March 31, 2004 the Company recognized its proportionate share of the loss generated from the dissolution of Global Octanes of approximately $7.3 million in equity in earnings of associated companies—net.

4. Property and Equipment

Property and equipment, including those under capital leases (see Note 7), consists of the following:

	March 31 2005	March 31 2004
	(In Thousands)	
Property leased to others	$ 39,538	$ 59,361
Land and land improvements	35,749	34,233
Building, structures and improvements	369,202	356,276
Equipment and fixtures, including leasehold improvements	233,080	247,100
Total	677,569	696,970
Less—Accumulated depreciation and amortization	(361,011)	(363,736)
Net	$ 316,558	$ 333,234

During the year ended March 31, 2005, the Company sold a part of its warehouse property in Long Beach, California, including a warehouse building and land, which resulted in a gain of approximately $17 million.

5. Debt and Other Financing Agreements

The Company had commercial paper of approximately $99 million and $200 million outstanding at March 31, 2005 and 2004, respectively. Such commercial paper can be sold on a discount or interest-bearing basis in denominations of not less than the equivalent of $100,000, with maturities of not more than 270 days. Interest rates on such debt were approximately 2.74 to 3.12% at March 31, 2005 and 1.12 to 1.14% at March 31, 2004, respectively.

At March 31, 2005 and 2004, the Company had short-term notes payable of approximately $355 million and $346 million, respectively, and loans payable of approximately $235 million and $182 million, respectively. The weighted-average interest rates on short-term notes and loans payable outstanding at Match 31, 2005 and 2004 were 1.3% and 0.6%, respectively.

Long-term debt is comprised of the following:

	March 31, 2005	March 31, 2004
	(In Thousands)	
Parent and affiliated companies—maturing through 2009—from 0.08 to 5.35%	$ 24,916	$ 42,456
Other:		
Financial Institutions—maturing through 2015 at fixed or floating rates, principally from 0.25 to 7.2%	691,695	609,314
Medium term notes—maturing through 2015 at fixed or floating rates, principally from 0.08 to 4.7%	998,749	908,373
Others—maturing through 2007 from 1.4 to 7.7%	19,500	20,640
Total principal amount	1,734,860	1,580,783
Less—Current maturities	(300,144)	(342,608)
Net	$1,434,716	$1,238,175

The Company has Japanese yen denominated liabilities, which are included in long-term debt (U.S. dollar equivalent of approximately $1.1 billion and $1.0 billion at March 31, 2005 and 2004, respectively).

Long-term debt matures during the following years ending March 31 as follows:

	(In Thousands)
2006	$ 300,144
2007	418,509
2008	395,748
2009	149,740
2010	223,564
Thereafter	247,155
Total	$1,734,860

6. Income Taxes

At March 31, 2005 and 2004, the total of all deferred tax assets were $118,710,000 and $118,017,000, respectively, and the total of all deferred tax liabilities were $236,825,000 and $199,293,000, respectively. At March 31, 2005 and 2004, deferred tax assets consisted primarily of the tax effects of reserves recorded for financial statement purposes (principally losses on receivables and certain legal reserves) that are not currently deductible for tax purposes. At March 31, 2005 and 2004, deferred tax liabilities consisted primarily of the tax effects of accelerated tax depreciation and financing leases.

At March 31, 2005, the Company had net operating loss carryforwards of approximately $100 million for Federal income tax purposes that expire through the year ending March 31, 2024. Based on the periods in which reversals are expected or taxable temporary differences, the Company is of the opinion that it is more likely than not that the benefit of these deductible differences will be realized before expiration.

The provision (benefit) for income taxes consists of the following for the years ended March 31, 2005 and 2004:

	March 31,	
	2005	2004
	(In Thousands)	
Current:		
Federal	$13,800	$ 5,953
State	4,012	2,398
Total current	17,812	8,351
Deferred	41,677	(21,456)
Total income taxes	$59,489	$(13,105)

For the years ended March 31, 2005 and 2004, the effective tax rate for the reported amount of income tax expense (benefit) differs from the domestic Federal statutory rate of 35 percent mainly due to state and local income taxes, and certain non-deductible expenses.

For open years (subsequent to 2003), the Company is of the opinion that amounts accrued in the consolidated balance sheets for Federal income taxes are adequate to cover amounts, if any, that may be due as a result of Internal Revenue Service examinations.

7. Leases

The Company is engaged, as lessor, in lease financing consisting of certain direct financing and leveraged leases, and in operating leases of properties, which are classified as investments. Investments in financing leases (primarily collateralized by aircrafts and railcars) are comprised of the following:

	March 31, 2005	March 31, 2004
	(In Thousands)	
Direct financing leases:		
Net minimum lease payments—(approximately $232,357,000 collectible through March 31, 2010 on an approximately ratable annual basis; the remaining balance is collectible through 2021)	$ 599,943	$ 603,025
Estimated unguaranteed residual value of leased assets	140,283	134,971
Less—Unearned income	(271,610)	(286,705)
Allowance for doubtful accounts	(5,541)	(5,330)
Investment in direct financing leases	463,075	445,961
Less—Current portion	(19,208)	(34,165)
Net investment in direct financing leases	$ 443,867	$ 411,796
Leveraged leases:		
Minimum lease payments—(net of principal and interest on third-party nonrecourse debt)—approximately $1,728,000 collectible through March 31, 2010 on an approximately ratable annual basis; the remaining balance is collectible through 2022	$ 43,184	$ 43,573
Estimated unguaranteed residual value of leased assets	58,561	78,940
Less—Unearned income	(24,449)	(28,702)
Allowance for doubtful accounts	(2,714)	—
Investment in leveraged leases	74,582	93,811
Less—Deferred tax liabilities arising from leveraged leases	(67,530)	(62,698)
Net investment in leveraged leases	$ 7,052	$ 31,113

Future minimum lease payments to be received, by year and in aggregate, from direct financing and leveraged leases with initial or remaining terms of one year or more during the future periods ending March 31 are as follows:

	Direct Financing and Leveraged Leases
	(In Thousands)
2006	$ 48,377
2007	47,023
2008	46,158
2009	46,142
2010	46,385
Thereafter	409,042
Total minimum payments to be received	$643,127

The Company's investment in property under operating leases, by asset class, as of March 31, 2005 and 2004 is as follows:

	March 31, 2005			March 31, 2004		
	Cost	Accumulated Depreciation	Net	Cost	Accumulated Depreciation	Net
		(In Thousands)			(In Thousands)	
Aircraft	$12,825	$(3,010)	$ 9,815	$37,283	$(12,639)	$24,644
Railcars	19,910	(186)	19,724	—	—	—
Total	$32,735	$(3,196)	$29,539	$37,283	$(12,639)	$24,644

Future minimum payments to be received, by year and in aggregate, from operating leases with initial or remaining terms of one year or more during the future periods ending March 31 are as follows:

	Operating Leases
	(In Thousands)
2006	$ 3,470
2007	3,470
2008	3,309
2009	2,330
Total minimum payments to be received	$12,579

The Company is a lessee in certain capital and operating leases involving primarily equipment and office space. The following is a summary of property and equipment held under capital leases:

	March 31,	
	2005	2004
	(In Thousands)	
Equipment and fixtures, including leasehold improvements	$ 43,576	$ 43,576
Less—Accumulated amortization	(25,429)	(24,265)
Net	$ 18,147	$ 19,311

Future minimum payments, by year and in the aggregate, under capital leases and operating leases, in which the Company is a lessee, with initial or remaining terms of one year or more during the following years ending March 31 are as follows:

	Capital Leases	Operating Leases
	(In Thousands)	
2006	$ 2,686	$ 68,191
2007	2,596	28,629
2008	2,536	15,270
2009	2,481	9,910
2010	2,253	9,095
Thereafter	82,008	41,073
Total minimum payments required*	94,560	$172,168
Less. Amount representing interest	(20,255)	
Long-term obligations	$ 74,305	

* Minimum payments have not been reduced by minimum sublease rentals of $13,989,000 under operating leases due in the future under noncancelable subleases.

Rental expenses relating to operating leases were $85,246,000 and $48,361,000 for the years ended March 31, 2005 and 2004, respectively. Sublease rental income was $41,037,000 and $9,236,000 for the years ended March 31, 2005 and 2004, respectively.

8. Pension Plan and Other Postretirement Benefits

Net periodic pension and other postretirement benefit costs are comprised of the following for the years ended March 31, 2005 and 2004:

	Pension Benefits March 31,		Other Postretirement Benefits March 31,	
	2005	2004	2005	2004
	(In Thousands)		(In Thousands)	
Service cost	$ 1,787	$ 1,644	$255	$205
Interest cost	3,430	3,250	375	449
Expected return on assets	(3,358)	(2,726)	—	—
Amortization of unrecognized amounts:				
Transition obligation	—	13	187	187
Prior service cost	197	197	(73)	—
Recognized net actuarial loss	1,349	1,141	17	3
Net periodic cost	$ 3,405	$ 3,519	$761	$844

The Company measures the obligations and related asset values for its pension and other postretirement benefit plans as of March 31st of each year.

Changes in the projected benefit obligation, plan assets and funded status are comprised of the following for the years ended March 31, 2005 and 2004, respectively:

	Pension Benefits March 31,		Other Postretirement Benefits March 31,	
	2005	2004	2005	2004
	(In Thousands)		(In Thousands)	
Changes in projected benefit obligation:				
Benefit obligation at beginning of year	$ 57,145	$ 52,304	$ 7,652	$ 9,091
Service cost	1,787	1,644	255	205
Interest cost	3,430	3,250	375	449
Benefits paid	(2,160)	(2,004)	(476)	(685)
Change in plan provisions	—	—	(923)	—
Actuarial loss (gain)	3,055	1,951	(638)	(1,408)
Benefit obligation at end of year	$ 63,257	$ 57,145	$ 6,245	$ 7,652
Changes in plan assets:				
Fair value of plan assets at beginning of year	$ 38,412	$ 30,304	$ —	$ —
Actual return on plan assets	1,950	5,452	—	—
Employer contributions	3,919	4,660	—	—
Benefits paid	(2,160)	(2,004)	—	—
Fair value of plan assets at end of year	$ 42,121	$ 38,412	$ —	$ —
Funded status:				
Funded status at end of year	$(21,136)	$(18,733)	$(6,245)	$(7,652)
Unrecognized net loss	22,071	18,957	858	1,513
Unrecognized prior service cost	631	828	(850)	—
Unrecognized transition obligation	—	—	1,500	1,687
Net amount recognized	$ 1,566	$ 1,052	$(4,737)	$(4,452)
Amounts recognized in the consolidated balance sheets consist of:				
Noncurrent advances, receivables and other—net	$ 631	$ 828	$ —	$ —
Other liabilities	(15,559)	(13,715)	(4,737)	(4,452)
Accumulated other comprehensive income	16,494	13,939	—	—
Total amount recognized	$ 1,566	$ 1,052	$(4,737)	$(4,452)
Assumptions used in the computations are as follows:				
Discount rate	5.75%	6.00%	5.75%	6.00%
Expected long-term rate of return on plan assets	8.50%	8.50%	—	—
Rate of increase in future compensation levels	3.00%	3.00%	—	—

Assumed health care cost trend rates have been used in the valuation of postretirement health insurance benefits. During the year ended March 31, 2005, the medical health care cost trend rate was 10.0%, decreasing to 4.5% by the year 2008, and the dental health care cost trend rate was 4.5%. Increasing the health care cost trend rate by 1.0% would increase the total benefit obligation to $7,350,000 or by 17.7%, and the aggregate of the service and interest cost components of the net periodic other postretirement benefit cost would increase from $630,000 to $770,000 or by 22.2%, including life insurance. Decreasing the health care cost trend rate by 1.0% would decrease the total accumulated postretirement benefit obligation to $5,380,000 or by 13.9%, and the aggregate of the service and interest cost components of the net periodic postretirement benefit cost would decrease from $630,000 to $524,000 or by 16.8%, including life insurance.

The Company's pension plan weighted-average asset allocations based on the fair value of such assets as of March 31, 2005 and 2004 are as follows:

	March 31,		
	2005	2004	Target Allocation
Equity Securities:			
Large Capitalization	70.5%	71.8%	55%-85%
Small to Mid-Capitalization	5.1%	10.7%	0%-20%
Debt Securities	15.6%	17.5%	0%-30%
Cash	8.8%	0.0%	0%-30%
Total	100.0%	100.0%	

The expected long-term rate of return is based on the expected return for each of the above categories, weighted based on the median of the target allocation for each asset category. Based on the respective market indices, equity securities are expected to return 8% to 10% over the long-term while cash and fixed income is expected to return between 4% and 6%. The Company expects that the pension plan's asset manager will provide a modest premium to the respective market benchmark indices.

The Company expects to make payments to its pension and other postretirement benefit plans during the years ending March 31 as follows:

	Pension Benefits	Other Postretirement Benefits
	(In Thousands)	
2006	$ 2,429	$ 265
2007	2,663	282
2008	2,805	282
2009	2,895	297
2010	2,977	307
2011-2015	18,015	1,710

The Company also has defined contribution retirement plans covering most employees in the United States. The defined contribution plan expense was $3,002,000 and $2,876,000 for the years ended March 31, 2005 and 2004, respectively.

9. Commitments and Contingencies

At March 31, 2005 and 2004, unused letters of credit amounted to approximately $11 million and $29 million, respectively.

At March 31, 2005 and 2004, commitments to extend additional credit to or invest in various entities aggregated approximately $23 million (through 2027) and $34 million (through 2021), respectively.

The Company customarily enters into long-term purchase contracts (usually with related sales contracts) for certain inventories. At March 31, 2005 and 2004, long-term purchase contracts at fixed or basic purchase prices amounted to approximately $242 million (through 2008) and $112 million (through 2007), respectively.

It is a customary practice of the Company to guarantee, severally or jointly with others, indebtedness of certain of its customers, suppliers and affiliated companies to facilitate its trading activities. At March 31, 2005 and 2004, the aggregate amount of liabilities related to such guarantees was approximately $45 million and $87 million, respectively, with a maximum potential amount due under these guarantees of $52 million and $117 million, respectively. The maximum potential amount due represents the amounts without consideration of possible recoveries under recourse provisions or from collateral held or pledged that the companies could be obliged to pay if there were defaults by guaranteed parties or there were changes in an underlying which would cause triggering events under market value guarantees and indemnification contracts. Such amounts bear no relationship to the anticipated losses on these guarantees and indemnifications, and they greatly exceed anticipated losses. Additionally, at March 31, 2005 and 2004, as is customary, the Company had performance bond guarantees and stand-by letters of credit outstanding which aggregated approximately $258 million and $272 million, respectively.

10. Legal Matters

Mitsui USA's 80-percent owned subsidiary Bioproducts Inc. (''Bioproducts''), which had been producing and selling choline chloride, an ingredient used in animal feed and pet foods, was named as a defendant in lawsuits together with other third-party choline chloride manufacturers. In these cases, manufacturers of choline chloride allegedly violated United States antitrust laws.

Although Mitsui USA and Mitsui Japan were neither manufacturers nor sellers of choline chloride in the United States, they were also named as defendants in a class action lawsuit, based on the plaintiffs' allegation that Mitsui USA and Mitsui Japan were also involved in the violation of the United States antitrust laws. During the course of legal proceedings, Mitsui USA and Mitsui Japan consistently denied any wrongdoing. However, in a trial before the Federal District Court for the District of Columbia in June 2003, the jury rendered a verdict stating that the defendants participated in the violation of antitrust laws. Mitsui USA and Mitsui Japan considered undertaking legal proceedings necessary to overrule the verdict, but given the circumstances, it was determined that a settlement with the class plaintiffs would be in the best interest of the companies and their shareholders. Mitsui USA, Mitsui Japan and Bioproducts entered into an agreement for settlement with the class plaintiffs by paying $53 million as a settlement amount. The settlement was subject to court approval, which was obtained on April 27, 2005. A provision for the settlement amount was recorded by Bioproducts during the year ended March 31, 2004 and is included in other income (loss)—net in the accompanying consolidated statement of operations.

Mitsui USA, Mitsui Japan and Bioproducts were also named as defendants in other lawsuits filed by plaintiffs who opted out of that class action, but entered into an agreement for settlement with most of the plaintiffs in February 2004. Under this settlement, Mitsui USA, Mitsui Japan and Bioproducts were released from the legal proceedings and were required to pay these opt-out plaintiffs $73.5 million as a settlement amount. This amount was paid by Bioproducts in February 2004 and is included in other income (loss)—net in the accompanying consolidated statement of operations for the year ended March 31, 2004.

For other related lawsuits that are still pending, although there can be no assurance of the ultimate results, management believes that there is less than a reasonable possibility that losses in addition to amounts that have been reserved for possible litigation losses will occur, and that the amount of any such additional losses, would not have a material impact on the consolidated financial position, results of operations or cash flows of the Company.

The Company is also a defendant in various other claims and legal actions arising out of the conduct of the Company's businesses. Although some claims and actions are in a preliminary stage and definitive conclusions cannot be made as to those claims and actions, the Company is of the opinion that, based on the information presently available, such claims and legal actions, including those referred to above, will not have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows of the Company.

11. Risk Management and Fair Value of Financial Instruments

As explained in Note 1, the Company enters into derivative financial instruments to reduce the exposures to fluctuations in interest rates and foreign exchange rates. The primary categories of derivatives used are foreign exchange forward contracts, interest rate swaps, currency swaps, and options. Since most of the Company's derivative transactions are related to qualified hedges of underlying business exposures, market risk in those derivative instruments is basically offset by equal and opposite movements in the underlying exposure. The Company has a Market Risk Management Department which independently monitors and analyzes the positions of derivative transactions and reports the analysis to management, strengthening the Company's ability to manage derivative risk comprehensively. In addition, the Company sets position limits based on accumulated notional amounts with each counterparty, and changes these limits based on the counterparty's current rating by independent institutions.

The following methods and assumptions are used in estimating the fair market value of derivatives and financial instruments:

Current Financial Assets (Other Than Marketable Securities) and Current Financial Liabilities: The fair market values approximate the carrying amounts reported in the consolidated financial statements because of their short-term maturities.

Marketable Securities and Other Investments: The fair market values of marketable securities and other investments are based on quoted market prices or, if quoted prices are unavailable, cash flow analyses.

Noncurrent Advances, Receivables and Other, and Advances to Associated Companies: The fair market values of noncurrent trade receivables, including long-term loans receivable, except for loans with floating rates, are estimated by discounted cash flow analysis, using interest rates currently being offered for loans or accounts receivable with similar terms to borrowers or customers of similar credit quality and maturities. The carrying amounts of loans with floating rates approximate fair value.

Long-Term Debt: The fair market values of long-term debt, except for debt with floating rates, is estimated by discounted cash flow analysis, using interest rates currently available for similar types of borrowings with similar terms and maturities. Carrying amounts of borrowings with floating rates approximate fair value.

Financial Commitments: The Company provides various guarantees and financial commitments for its customers and associated companies in the ordinary course of business, which include letters of credit and financial guarantees, among others. For financial guarantees of indebtedness and financial commitments issued on or prior to December 31, 2002, liabilities are recorded when, and if, payments become probable and estimable. Pursuant to the requirements of FIN No. 45, certain guarantees and financial commitments that are issued or modified after December 31, 2002 are to be initially recorded on the balance sheet at fair value on a prospective basis. During the years ended March 31, 2005 and 2004, the fair value of guarantees issued by the Company was not material.

Derivative Financial Instruments: The fair market value of the Company's derivative financial instruments (i.e., interest rate swaps, currency swaps, options and foreign exchange forward contracts) is generally valued based on quoted market prices of comparable contracts, current termination values or discounted cash flow analyses using rates currently available for similar types of contracts at the reporting date. To some extent, judgment is required to interpret certain market data to estimate fair market values for particular financial instruments.

The Company's exposure to credit risks in the event of non-performance by counterparties to the financial instruments is considered to be minimal as the Company deals only with highly-rated counterparties

The following schedules summarize the carrying amount and fair market values of financial instruments as of March 31, 2005 and 2004:

	March 31, 2005	
	Carrying Amount	Estimated Fair Value
	Assets (Liabilities) (In Thousands)	
Assets:		
Marketable securities and other investments	$ 30,983	$ 30,983
Noncurrent advances, receivables and other	41,288	41,288
Liabilities:		
Debt	(2,424,076)	(2,424,076)
Derivative financial instruments:		
Assets	119,468	119,468
Liabilities	(49,544)	(49,544)

	March 31, 2004	
	Carrying Amount	Estimated Fair Value
	Assets (Liabilities) (In Thousands)	
Assets:		
Marketable securities and other investments	$ 120,937	$ 120,937
Noncurrent advances, receivables and other	14,115	14,115
Liabilities:		
Debt	(2,308,704)	(2,308,704)
Derivative financial instruments:		
Assets	126,067	126,067
Liabilities	(30,876)	(30,876)

12. Business Segments

The Company's principal business activities have been classified into the following operating segments: Steel Products, Iron & Raw Materials and Non-Ferrous Metals, Machinery & Information, Chemicals, Foods, Energy, Life Commerce & Other and Corporate Adjustments & Eliminations. Business segments are based on products and services for sale. The following are those amounts which are based on products and services for sale and are used by the Company in managing its business for the years ended March 31, 2005 and 2004 (as restated):

	Steel Products	Iron & Raw Materials and Non-Ferrous Metals	Machinery & Information	Chemicals	Foods	Energy	Life Commerce & Other	Corporate Adjustments & Eliminations	Total
March 31, 2005 (In Thousands)									
Total Trading Transactions	$2,357,816	$803,243	$797,401	$2,433,600	$1,555,324	$4,285,109	$388,366	$ (152,800)	$12,468,059
Gross Profit	132,856	25,087	32,230	99,472	32,202	33,390	36,352	6,485	398,074
Net Income	30,797	9,722	12,988	5,502	4,574	4,627	26,030	6,899	101,139
Total Assets	342,880	88,772	971,169	710,889	284,889	389,143	281,429	1,098,897	4,168,068

	Steel Products	Iron & Raw Materials and Non-Ferrous Metals	Machinery & Information	Chemicals	Foods	Energy	Life Commerce & Other	Corporate Adjustments & Eliminations	Total
March 31, 2004 (In Thousands)									
Total Trading Transactions	$1,110,026	$986,648	$ 809,966	$1,941,346	$1,312,058	$3,280,666	$384,761	$ (56,460)	$9,769,011
Gross Profit	58,350	18,890	30,054	89,272	29,111	27,516	28,288	964	282,445
Net Income (Loss)	8,584	9,770	10,100	(64,777)	8,701	8,106	7,642	746	(11,128)
Total Assets	304,613	190,031	1,107,644	544,367	298,923	234,114	288,724	684,645	3,653,061

All of the Company's segments derive a significant portion of trade transactions from Mitsui Japan and its affiliates. For the years ended March 31, 2005 and 2004, total trading transactions with Mitsui Japan and its affiliates represent approximately 27 percent and 28 percent, respectively, of total trading transactions. Other than Mitsui Japan and its affiliates, no other single customer represents a significant portion of the Company's total trading transactions.

The following table provides geographic information for total trading transactions, which is based on the location of customers for the years ended March 31, 2005 and 2004:

	March 31, 2005	March 31, 2004
	(In Thousands)	
United States	$ 7,604,428	$5,447,472
Japan	2,090,742	1,927,037
Other foreign countries	2,772,889	2,394,502
Total	$12,468,059	$9,769,011

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