ANNUAL REPORT 2012

April 1, 2011 - March 31, 2012

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, 2012 and 2011, and the related consolidated statements of income, 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 auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit 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 the Company at March 31, 2012 and 2011, 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
June 29, 2012

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

CONSOLIDATED BALANCE SHEETS

MARCH 31, 2012 AND 2011

	March 31, 2012	March 31, 2011
	(In Thousands)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 182,763	$ 182,194
Accounts and notes receivables:		
Customers (Note 7)	1,110,788	977,706
Parent and affiliated companies (Notes 7 and 16)	449,396	559,632
Allowance for doubtful receivables (Note 7)	(13,105)	(12,985)
Inventories (Note 2)	1,123,971	1,140,309
Deferred income taxes (Note 11)	31,739	36,816
Other current assets (Notes 13 and 16)	278,007	396,564
Assets of discontinued operations (Note 5)	40,361	60,867
Total current assets	3,203,920	3,341,103
INVESTMENTS:		
Investments in and advances to associated companies (Notes 4, 6 and 7)	800,573	775,878
Financing leases (Notes 7 and 12)	338,515	361,050
Other investments (Note 6)	135,412	96,759
Total investments	1,274,500	1,233,687
PROPERTY AND EQUIPMENT—NET (Notes 8 and 12)	815,343	714,281
GOODWILL (Note 9)	88,814	73,874
INTANGIBLE ASSETS—NET (Note 9)	110,998	72,378
NONCURRENT ADVANCES, RECEIVABLES AND OTHER—NET (Notes 7, 14 and 16)	156,724	185,921
Total assets	$5,650,299	$5,621,244

See Notes to Consolidated Financial Statements.

(continued)

	March 31,	
	2012	2011
	(In Thousands)	
LIABILITIES AND SHAREHOLDER'S EQUITY		
CURRENT LIABILITIES:		
Notes, acceptances and accounts payable:		
Trade creditors	$ 658,245	$ 757,122
Parent and affiliated companies (Note 16)	639,263	701,632
Notes and loans payable (Note 10)	670,105	660,698
Current maturities of long-term debt (Note 10)	515,286	512,592
Accrued expenses and other (Notes 13 and 16)	244,217	267,441
Liabilities of discontinued operations (Note 5)	12,406	19,253
Total current liabilities	2,739,522	2,918,738
LONG-TERM DEBT, LESS CURRENT MATURITIES (Note 10)	1,096,090	1,142,523
CAPITAL LEASE OBLIGATIONS (Note 12)	93,408	88,633
DEFERRED INCOME TAXES (Note 11)	257,304	224,017
OTHER LIABILITIES (Notes 11, 13 and 16)	115,388	121,895
CONTINGENT LIABILITIES (Notes 14 and 15)		
Total liabilities	4,301,712	4,495,806
SHAREHOLDER'S EQUITY:		
Mitsui & Co. (U.S.A.), Inc. shareholder's equity:		
Capital stock, no par value—authorized 2,000 shares; issued 1,050 shares	350,000	350,000
Additional paid-in capital	117,153	117,153
Retained earnings	628,828	442,275
Accumulated other comprehensive (loss) income:		
Foreign currency translation adjustments	(5,708)	(3,619)
Unrealized loss on derivatives used as cash flow hedges, net of taxes (Note 16)	(1,752)	(1,719)
Unrealized gain on marketable securities, net of taxes (Note 6)	17,529	4,989
Defined benefit plans, net of taxes (Note 13)	(29,693)	(23,088)
Total accumulated other comprehensive loss	(19,624)	(23,437)
Total Mitsui & Co. (U.S.A.), Inc. shareholder's equity	1,076,357	885,991
Noncontrolling interests	272,230	239,447
Total shareholder's equity	1,348,587	1,125,438
Total liabilities and shareholder's equity	$5,650,299	$5,621,244

See Notes to Consolidated Financial Statements. (concluded)

CONSOLIDATED STATEMENTS OF INCOME

MARCH 31, 2012 AND 2011

	March 31, 2012	March 31, 2011
	(In Thousands)	
REVENUES:		
SALES OF PRODUCTS	$12,980,382	$8,145,319
SALES OF SERVICES	105,498	76,379
OTHER SALES	162,250	167,630
TOTAL REVENUES	13,248,130	8,389,328
COST OF REVENUES:		
COST OF PRODUCTS SOLD (Notes 2 and 16)	12,380,027	7,544,770
COST OF SERVICES SOLD	34,437	15,315
COST OF OTHER SALES	100,769	97,100
TOTAL COST OF REVENUES	12,515,233	7,657,185
GROSS PROFIT	732,897	732,143
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 8)	(505,188)	(469,113)
IMPAIRMENT LOSS ON GOODWILL AND INTANGIBLE ASSETS (Note 9)	(7,769)	(4,708)
INTEREST EXPENSE (NET OF INTEREST INCOME OF $30,709 IN 2012 AND $28,348 IN 2011)	(5,061)	(8,302)
OTHER INCOME—NET (Notes 4, 6, 16 and 18)	63,854	96,906
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND EQUITY IN EARNINGS OF ASSOCIATED COMPANIES	278,733	346,926
PROVISION FOR INCOME TAXES (Note 11)	129,541	174,529
INCOME FROM CONTINUING OPERATIONS BEFORE EQUITY IN EARNINGS OF ASSOCIATED COMPANIES	149,192	172,397
EQUITY IN EARNINGS OF ASSOCIATED COMPANIES—NET (Note 6)	87,590	84,493
INCOME FROM CONTINUING OPERATIONS	236,782	256,890
LOSS FROM DISCONTINUED OPERATIONS—NET OF TAXES (Notes 5 and 11)	(2,085)	(12,453)
NET INCOME	234,697	244,437
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(48,144)	(62,510)
NET INCOME ATTRIBUTABLE TO MITSUI & CO. (U.S.A.), INC.	$ 186,553	$ 181,927

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDER'S EQUITY

MARCH 31, 2012 AND 2011

(In Thousands)

	Capital Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total Mitsui & Co. (U.S.A.), Inc. Shareholder's Equity	Noncontrolling Interests	Total Shareholder's Equity
Balance, April 1, 2010	$350,000	$117,153	$253,877	$(38,471)	$ 682,559	$199,904	$ 882,463
Comprehensive income (loss):							
Net income			181,927		181,927	62,510	244,437
Other comprehensive income (loss):							
Foreign currency translation adjustments				1,744	1,744	296	2,040
Reclassification adjustment for foreign currency translation, net of taxes of $4,538				13,836	13,836	—	13,836
Unrealized loss on derivatives used as cash flow hedges, net of taxes of $2,547				(3,969)	(3,969)	(2,138)	(6,107)
Reclassification adjustments on cash flow hedges, net of taxes of $755				911	911	491	1,402
Unrealized gain on marketable securities, net of taxes of $1,118				1,661	1,661	4	1,665
Defined benefit plans, net of taxes of $46				851	851	56	907
Total other comprehensive income (loss)					15,034	(1,291)	13,743
Total comprehensive income					196,961	61,219	258,180
Distributions to noncontrolling interests						(37,212)	(37,212)
Capital contributions by noncontrolling interests						10,891	10,891
Acquisitions of majority-owned subsidiaries						4,663	4,663
Reorganization of subsidiaries and affiliates			6,471		6,471	(18)	6,453
Balance, March 31, 2011	350,000	117,153	442,275	(23,437)	885,991	239,447	1,125,438
Comprehensive income (loss):							
Net income			186,553		186,553	48,144	234,697
Other comprehensive (loss) income:							
Foreign currency translation adjustments				(2,089)	(2,089)	(998)	(3,087)
Unrealized (loss) gain on derivatives used as cash flow hedges, net of taxes of $528				(105)	(105)	17	(88)
Reclassification adjustments on cash flow hedges, net of taxes of $59				72	72	38	110
Unrealized gain (loss) on marketable securities, net of taxes of $7,531				11,261	11,261	(5)	11,256
Reclassification adjustments on marketable securities, net of taxes of $852				1,279	1,279	—	1,279
Defined benefit plans, net of taxes of $4,506				(6,605)	(6,605)	(1,003)	(7,608)
Total other comprehensive income (loss)					3,813	(1,951)	1,862
Total comprehensive income					190,366	46,193	236,559
Distributions to noncontrolling interests						(39,816)	(39,816)
Capital contributions by noncontrolling interests						15,917	15,917
Liquidation of majority-owned subsidiaries						10,489	10,489
Balance, March 31, 2012	$350,000	$117,153	$628,828	$(19,624)	$1,076,357	$272,230	$1,348,587

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

MARCH 31, 2012 AND 2011

	March 31, 2012	March 31, 2011
	(In Thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 234,697	$ 244,437
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	63,506	56,568
Provision for losses on receivables	3,170	4,932
Gain on disposal and sales of property and equipment—net	(16,646)	(8,140)
Impairment loss	19,770	18,904
Gain from investments in associated companies and other investments—net	(6,137)	(36,929)
Financing leases	(23,321)	(16,836)
Equity in earnings of associated companies—net, less dividends received	(15,125)	(25,315)
Deferred income taxes	33,797	80,610
Changes in operating assets and liabilities:		
Accounts and notes receivables	(25,598)	(164,385)
Inventories	16,481	(80,784)
Other current assets	119,725	(79,295)
Noncurrent advances, receivables and other	29,006	29,602
Notes, acceptances and accounts payable	(168,227)	(142,315)
Accrued expenses and other	(10,928)	15,324
Other liabilities	(14,287)	(4,151)
Net cash provided by (used in) operating activities	239,883	(107,773)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of marketable securities and other investments	(5,747)	(30,699)
Proceeds from sales and maturities of investments in associated companies and other investments	9,212	270,576
Repayments on loans from associated companies	—	42,885
Contributions and advances to associated companies	(30,017)	(60,128)
Acquisitions of businesses	(38,448)	(43,030)
Proceeds from financing leases	44,794	43,557
Proceeds from sales of property and equipment	39,831	26,923
Capital expenditures	(166,884)	(134,661)
Net cash (used in) provided by investing activities	(147,259)	115,423
CASH FLOWS FROM FINANCING ACTIVITIES:		
Short-term borrowings of three months or less—net	256,753	4,760
Issuance of debt	1,012,145	942,860
Payments on debt	(1,348,261)	(944,556)
Proceeds from capital lease financing transactions	3,000	18,370
Distributions to noncontrolling interests	(39,816)	(37,212)
Other financing activities	15,472	11,828
Net cash used in financing activities	(100,707)	(3,950)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	588	(112)
NET DECREASE (INCREASE) IN CASH AND CASH EQUIVALENTS OF DISCONTINUED OPERATIONS	8,064	(2,666)
NET INCREASE IN CASH AND CASH EQUIVALENTS	569	922
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	182,194	181,272
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 182,763	$ 182,194
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	$ 39,257	$ 36,345
Income taxes paid, net	$ 71,394	$ 75,949
Capital expenditures included in accounts payable and accrued expenses	$ 6,411	$ 11,077
Effect of foreclosure on property leased to others	$ —	$ 10,508
Effect of extinguishment of debt	$ —	$ (11,192)

See Notes to Consolidated Financial Statements.

1. Nature of Operations

Mitsui & Co. (U.S.A.), Inc. (''Mitsui USA'') is a wholly-owned subsidiary of Mitsui & Co., Ltd. (''Mitsui Japan'') (a Japanese corporation). Mitsui USA and all of its significant subsidiaries (collectively, the ''Company''), as Sogo Shosha or general trading companies, are engaged in business activities such as trading in various commodities, financing for customers and suppliers relating to such trading activities, and organizing and coordinating industrial projects through their business networks. The Company conducts sales, export, import, offshore trades and product manufacturing in the areas of ''Iron & Steel Products,'' ''Mineral & Metal Resources,'' ''Infrastructure Business,'' ''Motor Vehicles & Construction Machinery,'' ''Chemicals,'' ''Energy,'' ''Food & Retail,'' ''Consumer Service,'' and others, each having a diverse customer base, while providing general services for retailing, information and communications, technical support, transportation and logistics, and financing. The Company has significant transactions with Mitsui Japan and its subsidiaries and affiliates.

2. Summary of Significant Accounting Policies

BASIS OF PRESENTATION

The accompanying consolidated financial statements include the accounts of Mitsui USA and all of its significant subsidiaries and are prepared in accordance with accounting principles generally accepted in the United States of America (''U.S. GAAP''). Significant intercompany items have been eliminated in consolidation.

USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. GAAP 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 into cash and have no significant risk of change in value. Such cash equivalents include time deposits and commercial papers with original maturities of three months or less.

ALLOWANCE FOR CREDIT LOSSES

To assess the adequacy of the allowance, the Company performs a quarterly analysis of all receivables, including loans, lease receivables, and accounts and notes receivables.

Loans, which are included in accounts and notes receivables, investments in and advances to associated companies, and noncurrent advances, receivables and other—net, are primarily provided to affiliated companies and recorded at cost. Lease receivables are accounted for in accordance with lease accounting standards as stated below. Loans and lease receivables are individually evaluated for allowance for credit losses. The Company's evaluation of loans and lease receivables primarily consists of an analysis based on payment history, guarantor support, current information available for the borrowers and lessees, such as credit ratings and financial statements, and potential recoveries from repossessing leased equipment, as well as current economic environment. An allowance for credit losses is measured based on the present value of expected future cash flows discounted with the original effective interest rate of the loans and leases, or the fair value of the collateral if the receivable is collateral dependent.

Allowance for doubtful receivables for other receivables is measured collectively based primarily upon the Company's credit loss experiences and an evaluation of potential losses in the receivables.

Other credit related policies are provided below:

Impaired loans—The Company identifies loans and lease receivables as impaired when it will be unable to collect all amounts due according to original contractual terms of the loan and lease agreements.

Non-accrual—The Company may place impaired loans and lease receivables on non-accrual status. Interest earnings of impaired loans and lease receivables are recognized on a cash-basis when appropriate. The

Company may resume the accrual of interest earnings, if appropriate, based upon changes in borrower circumstances.

Write-off—Receivable losses are charged against the allowance when management believes the uncollectibility of the receivables is confirmed.

INVENTORIES

Commodities, except for grains, and materials for resale are stated at the lower of cost or market. Cost is determined using the specific identification method or average cost. The Company recorded inventory lower of cost or market charges totaling approximately $18.7 million and $25.3 million for the years ended March 31, 2012 and 2011, respectively, in cost of products sold in the accompanying consolidated statements of income. Grain inventories are valued on the basis of current market price with provisions for direct merchandising costs.

Inventories include real estate under development and held for sale which is carried at cost and consists of land, buildings and related improvements, and preacquisition costs. Costs, including interest, incurred during the development stage for projects under development, if any, are capitalized until the related projects are substantially complete and ready for their intended use. Preacquisition costs are capitalized to the related project upon the acquisition of the property or charged to expense once it is probable the property will not be acquired. Real estate under development and held for sale is not depreciated but reviewed for impairment in accordance with Accounting Standards Codification (''ASC'') 360, ''Property, Plant, and Equipment.'' The Company recorded impairment charges of approximately $8.3 million for the year ended March 31, 2011. These charges were included in cost of products sold in the accompanying consolidated statement of income.

DEBT AND MARKETABLE EQUITY SECURITIES

The Company classifies debt and marketable equity securities, at acquisition, into one of three categories: held-to-maturity, available-for-sale or trading.

Securities are classified as trading securities and carried at fair value only if the Company possesses those securities for the purpose of purchase and sale. Unrealized holding gains and losses are included in earnings.

Debt securities are classified as held-to-maturity and measured at amortized cost only if the Company has the positive intent and ability to hold those securities to maturity. Premiums and discounts amortized in the period are included in interest income.

Debt and marketable equity securities other than those classified as trading or held-to-maturity securities are classified as available-for-sale securities and carried at fair value with related unrealized holding gains and losses reported in accumulated other comprehensive income (loss) on a net-of-tax basis.

For other than a temporary decline in the value of debt and marketable equity securities below their cost or amortized cost, the investment is reduced to its fair value, which becomes the new cost basis of the investment. The amount of the reduction is reported as a loss for the period in which such determination is made.

The cost of debt and marketable equity securities sold is determined based on the moving-average method.

NON-MARKETABLE EQUITY SECURITIES

Non-marketable equity securities are carried at cost. When other than a temporary decline in the value of such securities below their cost occurs, the investment is reduced to its fair value and an impairment loss is recognized.

The cost of non-marketable equity securities sold is determined based on the moving-average method.

INVESTMENTS IN ASSOCIATED COMPANIES

Investments in associated companies over which the Company has the ability to exercise significant influence and noncontrolling investments in general partnerships, limited partnerships and limited liability companies

are accounted for under the equity method, after appropriate adjustments for intercompany profits and dividends.

For other than a temporary decline in the value of investments in associated companies below the carrying amount, the investment is reduced to its fair value and an impairment loss is recognized.

DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

In accordance with ASC 815, ''Derivatives and Hedging,'' all derivative instruments are recognized and measured at fair value as either assets or liabilities in the consolidated balance sheets. The accounting for changes in the fair value depends on the intended use of the derivative instruments and their resulting hedge designation.

The Company enters into interest rate and foreign exchange contracts, such as interest rate swap contracts and foreign currency forward, option and swap contracts, as a means of hedging its interest and foreign currency exchange rate exposures. The Company also enters into commodity contracts, such as commodity futures, forward, option and swap contracts, to hedge the commodity price exposures as a part of trading activities principally for petroleum and agricultural products that are traded on a futures market.

If a derivative instrument is designated as a fair value hedge, changes in the fair value of the derivative instrument and of the hedged item attributable to the hedged risk are recognized in earnings in the consolidated statements of income. If a derivative instrument is designated as a cash flow hedge, the effective portions of changes in the fair value of the derivative instrument are initially recorded in other comprehensive income (loss) and are reclassified into earnings when the hedged item affects earnings. Ineffective portions of changes in the fair value of cash flow hedges are recognized immediately in earnings. Changes in the fair value of derivative instruments for which hedge requirements are not met under ASC 815 are recognized currently in earnings.

LEASING

The Company is engaged in lease financing consisting of direct financing and leveraged leases, and in operating leases of properties. For direct financing leases, unearned income is amortized into income over the lease term at a constant periodic rate of return on the net investment. Income on leveraged leases is recognized over the life of the lease at a constant rate of return on the positive net investment. Initial direct costs are deferred and amortized using the interest method over the lease period. Lease financing income, net of direct costs amortization, is mainly included in interest income. Operating lease income is recognized as other sales over the term of underlying leases on a straight-line basis.

Property leased to others under operating leases is carried at cost, less accumulated depreciation, and is depreciated on a straight-line basis to estimated residual value over the estimated useful life of the asset.

The Company is also a lessee of various assets. Rental expenses on operating leases are recognized over the respective lease terms using the straight-line method.

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost. Depreciation of property and equipment is provided over the estimated useful lives (ranging from 3 to 40 years) of the property and equipment using primarily the straight-line method. Leasehold improvements are amortized using the straight-line method over the lesser of the useful life of the improvement or the remaining term of the underlying lease. Significant renewals and additions are capitalized at cost. Expenditures for improvements and betterments of operating rental properties are capitalized. Maintenance, repairs, and minor renewals and betterments are charged to expense as incurred.

GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets arise principally from business acquisitions. Goodwill represents the excess of the purchase price over the fair value of identifiable net assets acquired. Intangible assets include primarily customer relationships, trademarks, non-compete agreements, sales/supply agreements, patents, unpatented technologies, software, and in-place lease values. In accordance with ASC 350, ''Intangibles—Goodwill and Others,'' goodwill is not amortized, but tested for impairment annually or more frequently if impairment

indicators arise. Identifiable intangible assets with a finite useful life are amortized on a straight-line basis over their estimated useful lives (ranging from 3 to 30 years) and reviewed for impairment in accordance with ASC 360.

RECOVERABILITY OF LONG-LIVED ASSETS

In accordance with ASC 360, 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 estimated useful lives. In evaluating the estimated useful lives and carrying values of long-lived assets, the Company reviews certain indicators for potential impairment, such as future undiscounted cash flows, profitability and other factors, such as business plans. If the sum of the undiscounted expected future cash flows is less than the carrying amount of the asset, an impairment loss is recognized. Such impairment loss is measured as the amount by which the carrying amount of the asset exceeds its fair value. Long-lived assets to be disposed of by sale are reported at the lower of carrying amount or fair value less cost to sell.

FOREIGN CURRENCY TRANSLATION

Foreign currency financial statements have been translated in accordance with ASC 830, ''Foreign Currency Matters.'' Pursuant to this standard, the assets and liabilities of foreign subsidiaries and associated companies are translated into U.S. dollars at the respective year-end exchange rates. All income and expense accounts are translated at average rates of exchange during the year. The resulting foreign currency translation adjustments are included in accumulated other comprehensive income (loss).

Monetary assets and liabilities denominated in foreign currencies are translated into U.S. dollars at year-end exchange rates with the resulting gains and losses recognized in earnings, which are included in other income—net in the consolidated statements of income.

CONCENTRATION OF CREDIT RISK

The Company's operations include a variety of businesses with diverse customers and suppliers, which reduces concentration of credit risks. The Company mainly deals with selective international financial institutions to minimize the credit risk exposure of financial instruments. Credit risk represents the likelihood that the counterparties may be unable to meet the terms of agreements. Management does not expect any significant losses as a result of counterparty default on financial instruments. Credit risk is managed with approvals of credit line by management and monitoring counterparty's operations continuously.

REVENUES

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 collectability 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 is transferred.

Sales of services

Sales of services include 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 logistics and warehouse services, information services and technical support. For certain back-to-back sales and purchase transactions of products, the Company acts as an agent and records the net amount of sales and purchase prices as revenues. The Company also facilitates

conclusion of contracts between manufacturers and customers and deliveries for products between suppliers and customers. The Company recognizes revenues from services-related businesses when the contracted services are rendered to third-party customers pursuant to the agreements.

INCOME TAXES

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

Mitsui USA files its Federal income tax return on a consolidated basis. Novus International, Inc. (''Novus''), a 65% owned subsidiary of the Company, and its subsidiaries file a separate Federal income tax return. Provision for income taxes on undistributed earnings of associated companies accounted for under the equity method has been made on the assumption that the earnings were distributed on a current basis as dividends. The Company has not recognized a deferred tax liability for undistributed earnings of certain foreign subsidiaries at March 31, 2012 and 2011 since it does not expect these unremitted earnings to be repatriated in the foreseeable future. If these earnings are repatriated in the future, such repatriations will be done in the most effective tax manner.

The Company recognizes the financial statement effect of a tax position only when management believes that it is more likely than not that, based on the technical merits, the position will be sustained upon examination. The Company classifies interest and penalties associated with uncertain tax positions as provision for income taxes.

COMPREHENSIVE INCOME (LOSS)

In accordance with ASC 220, ''Comprehensive Income,'' the Company has included amounts for comprehensive income (loss) (which consists of net income (loss) and other comprehensive income (loss)) in the accompanying consolidated statements of shareholder's equity. Other comprehensive income (loss) consists of all changes to shareholder's equity other than those resulting from net income (loss) or shareholder transactions. For the Company, other comprehensive income (loss) consists of foreign currency translation adjustments, unrealized gain (loss) on derivatives accounted for as cash flow hedges, unrealized gain (loss) on marketable securities and defined benefit plans, on a net-of-tax basis where applicable. Accumulated other comprehensive income (loss), which is the cumulative amount of other comprehensive income (loss), is a separate component of the consolidated shareholder's equity.

GUARANTEES

It is a customary practice of the Company to guarantee, severally or jointly with Mitsui Japan, indebtedness of mainly associated companies of Mitsui USA which are consolidated subsidiaries of Mitsui Japan to facilitate the trading activities of the associated companies. The Company recognizes liabilities for such contingencies and commitments in accordance with ASC 460, ''Guarantees.''

RECLASSIFICATIONS AND FINANCIAL STATEMENT PRESENTATION

Certain reclassifications have been made to the 2011 consolidated financial statements to conform to the current year presentation.

NEW ACCOUNTING STANDARDS

Disclosures about the credit quality of financing receivables and the allowance for credit losses

In July 2010, the Financial Accounting Standards Board (''FASB'') issued amendments to the disclosure requirements about the credit quality of financing receivables and the allowance for credit losses (Accounting Standards Update (''ASU'') 2010-20, ''Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses''). ASU 2010-20 requires enhanced disclosures regarding the nature of the credit risk inherent in the entity's financing receivables, how that credit risk is analyzed and assessed in calculating the allowance for credit losses, and the reasons for changes in such allowance. It also requires disclosures relating to the accounting policies for financing receivables and allowance for credit losses. On March 31, 2011, the Company adopted the guidance except for the disclosures about activity occurred during the year, which the Company subsequently adopted on April 1, 2011. The required disclosures are presented earlier in this section and in Note 7.

Impairment test on goodwill

In December 2010, the FASB issued ASU 2010-28, "When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts," which amends ASC 350. The amendment modifies step 1 of the goodwill impairment test for reporting unit with zero or negative carrying amounts. For those reporting units, an entity is required to perform step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In making that determination, an entity should consider whether there are any adverse qualitative factors indicating that an impairment may exist. Effective April 1, 2011, the Company adopted this guidance. The adoption had no impact on the Company's financial position, results of operations or cash flows.

Additionally, in September 2011, the FASB issued ASU 2011-08, "Testing Goodwill for Impairment," which provides entities an option to first assess qualitative factors to determine whether it is necessary to perform the current two-step test. If an entity believes, as a result of its qualitative assessment, that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, the quantitative impairment test is required. Otherwise, no further testing is required. This standard is effective for the Company for fiscal years beginning April 1, 2012 and is not expected to have a material impact on the Company's financial positions, results of operations or cash flows.

Business combinations

In December 2010, the FASB issued ASU 2010-29, "Disclosure of Supplementary Pro Forma Information for Business Combinations," which amends ASC 805, "Business Combinations." This update clarifies the acquisition date that should be used for disclosing pro-forma financial information for business combinations. If comparative financial statements are presented, the pro-forma revenue and earnings of the combined entity for the comparable prior reporting period should be reported as though the acquisition date for all business combinations that occurred during the current year had been as of the beginning of the comparable prior annual report period. The amendment also expands the supplemental pro-forma disclosures to include a description of the nature and amount of material, nonrecurring pro-forma adjustments directly attributable to the business combination. Effective April 1, 2011, the Company adopted this guidance. See Note 3 for additional information.

Fair value measurement and disclosure requirement in U.S. GAAP and IFRS

In May 2011, the FASB issued ASU 2011-04, "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards." This amendment intends to improve the comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with U.S. GAAP and International Financial Reporting Standards ("IFRS"). The most significant change in disclosures is an expansion of the information required for Level 3 measurements based on unobservable inputs. The amendment is effective for the Company for the fiscal years beginning April 1, 2012. It requires new disclosures only and will have no impact on the Company's financial position, results of operations or cash flows.

Presentation of comprehensive income

In June 2011, the FASB issued ASU 2011-05, "Presentation of Comprehensive Income," which eliminates the option to present components of other comprehensive income as part of the statement of changes in stockholder's equity and requires it to be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. There will be no impact in the consolidated financial results as the amendments related only to changes in financial statement presentation. This disclosure standard is effective for the Company for the fiscal years beginning April 1, 2012 except for the requirements superseded by ASU 2011-12, "Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05."

In December 2011, the FASB issued ASU 2011-12, which indefinitely defers the requirement in ASU 2011-05 to present reclassification adjustments out of accumulated other comprehensive income by component in both the statement in which net income is presented and the statement in which other comprehensive income is presented.

Disclosures about offsetting assets and liabilities

In December 2011, the FASB issued ASU 2011-11, "Disclosures about Offsetting Assets and Liabilities," which requires an entity to disclose both gross information and net information about both instruments and transactions eligible for offset in the financial position and instruments and transactions subject to an agreement similar to a master netting arrangement. This guidance is effective for the Company for the fiscal years beginning April 1, 2013. It requires new disclosures only and will have no impact on the Company's financial position, results of operations or cash flows.

3. Acquisitions

On May 6, 2011, MBK Real Estate, LLC, in which the Company holds an 80% indirect ownership interest through MBK Real Estate Holdings Inc., a wholly-owned subsidiary of the Company, acquired four senior living facilities located in Utah (the "Facilities").

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

	(In Thousands)
Property and equipment	$ 54,661
Goodwill	20,745
Intangibles—in-place lease values	2,900
Total assets acquired	78,306
Current maturities of long-term debt	(373)
Long-term debt	(54,192)
Total liabilities assumed	(54,565)
Net cash used in acquisitions	$ 23,741

The fair values of the assets acquired and liabilities assumed are primarily determined using a combination of the income approach, the cost approach and the market approach. The primary factors that contributed to the recognition of goodwill include synergies that might be achieved by integrating with existing line of business. The goodwill is deductible for tax purposes.

The operating results of the Facilities were included in the Company's consolidated financial statements from their respective acquisition date. Pro-forma results of operations have not been presented because the effects of these business combinations, individually and in the aggregate, were not material to the Company's consolidated results of operations.

4. Deconsolidation of Subsidiary

On April 6, 2010, the Company deconsolidated Steel Technologies Inc. ("Steel Tech") by contributing its 100% interest in Steel Tech to NuMit LLC ("NuMit"), a newly formed wholly-owned subsidiary, and subsequently sold a 50% interest in NuMit to Nucor Corporation for the selling price of approximately $221.3 million. Through this transaction, the Company recognized a pre-tax gain of approximately $8.3 million, which was included in other income—net in the accompanying consolidated statement of income for the year ended March 2011. Included in approximately $8.3 million was a gain of approximately $4.1 million which was a result of the remeasurement of retained investment in the former subsidiary to its fair value using primarily the discounted cash flow method under the income approach. The retained investment is accounted for under the equity method. The Company has also extended an approximately $130.0 million line of credit (of which approximately $92.5 million and $42.5 million was outstanding at March 31, 2012 and 2011, respectively) to Steel Tech, which will expire on April 1, 2013.

5. Discontinued Operations

During the year ended March 31, 2012, Tri-Net Logistics Management, Inc. ("Tri-Net"), an 80% owned subsidiary of the Company, ceased its business operations of freight-forwarding services. In April 2012, the Company completed the sale of Cornerstone Research & Development, Inc. ("CRD"), a wholly-owned subsidiary of the Company, to a third party for the price of approximately $27.7 million. CRD was engaged in

the business of developing and manufacturing nutritional supplements and vitamins. The Company recorded an impairment loss of $8.5 million during the year ended March 31, 2012 to record CRD's assets at the lower of carrying amount or estimated fair value less costs to sell.

During the year ended March 31, 2011, AFC HoldCo, LLC. ("AFC"), an 87.5% owned subsidiary of the Company, ceased its business operations of purchasing, selling, securitizing and servicing retail automobile installment contracts.

The Company has presented operations of Tri-Net, CRD, and AFC as discontinued operations in the consolidated balance sheets and statements of income for all periods presented.

The results from discontinued operations for the years ended March 31, 2012 and 2011 are summarized as follows:

	March 31,	
	2012	2011
	(In Thousands)	
Revenues	$ 89,586	$ 97,975
Cost of revenues	(79,564)	(93,055)
Gross profit	10,022	4,920
Expenses	(10,703)	(19,943)
Impairment loss on property and equipment	(3,499)	—
Impairment loss on goodwill and intangible assets	(4,981)	(4,941)
Loss from discontinued operations before income tax benefits	(9,161)	(19,964)
Income tax benefits	(7,076)	(7,511)
Loss from discontinued operations—net of taxes	$ (2,085)	$(12,453)
Loss from discontinued operations—net of taxes attributable to Mitsui USA	$ (1,767)	$(12,269)

The assets and liabilities from discontinued operations at March 31, 2012 and 2011 are summarized as follows:

	March 31,	
	2012	2011
	(In Thousands)	
ASSETS:		
Cash and cash equivalents	$ 2,605	$10,669
Accounts and notes receivable—net	11,936	12,714
Inventories	16,481	16,624
Property and equipment—net	8,759	13,501
Intangible assets—net and other	580	7,359
Total assets	$40,361	$60,867
LIABILITIES—Accounts payable—trade and other	$12,406	$19,253

6. Investments

Investments in and advances to associated companies at March 31, 2012 and 2011 consist of the following:

	March 31, 2012	March 31, 2011
	(In Thousands)	
Equity method investments	$752,967	$726,330
Advances	47,606	49,548
Total	$800,573	$775,878

Investments in associated companies (investees over which the Company has the ability to exercise significant influence) are accounted for under the equity method. In addition, noncontrolling investments in general partnerships, limited partnerships and limited liability companies are also accounted for under the equity method. Such investments include, but are not limited to, the Company's investments in NuMit (50%), MED3000 Group, Inc. (46.1%), Brazos Wind Ventures, LLC (50%), and Wilsey Foods Inc. (20%). Associated companies are engaged primarily in the investment in steel-related business, healthcare management, the development of natural resources, and the manufacturing and distribution of various products.

Investments in associated companies include marketable equity securities carried at approximately $40.7 million and $35.7 million at March 31, 2012 and 2011, respectively. Corresponding aggregate quoted market values were approximately $76.6 million and $62.3 million, respectively.

United Harvest, which was a joint venture between United Grain Corporation of Oregon, an 80% owned subsidiary, and a third party, ceased operations as of March 31, 2011. United Harvest engaged in grain merchandising for international export and its total members' equity as of March 31, 2011 was approximately $77.7 million before dividends payable. During the year ended March 31, 2012, United Harvest has completed liquidation of its net assets and each joint venture shared 50% of United Harvest's assets and liabilities.

In October 2010, the Company sold all of 25% ownership in TAMCO to a third party for the selling price of approximately $34.8 million. The Company recorded a pre-tax gain of approximately $21.4 million, which was included in other income—net in the accompanying consolidated statements of income.

Summarized financial information for significant associated companies at March 31, 2012 and for the year then ended is as follows:

	(In Thousands)
Total assets	$8,434,020
Total liabilities	$5,872,253
Shareholders' equity	2,561,767
Total liabilities and shareholders' equity	$8,434,020
The Company's equity in the net assets of associated companies	$ 678,743

	(In Thousands)
Revenues	$16,534,907
Net income	490,282

The carrying value of the investments in associated companies exceeded the Company's equity in underlying net assets of such associated companies by approximately $74.2 million at March 31, 2012. 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 intellectual property and trademarks amortized over their respective estimated useful lives (ranging from 5 to 25 years) using the straight-line method, and franchise rights which are not amortized because of their indefinite useful lives.

Other investments at March 31, 2012 and 2011 consist of the following:

	March 31, 2012	March 31, 2011
	(In Thousands)	
Time deposits with original maturities over three months	$ 39,602	$39,215
Available-for-sale securities	53,589	15,733
Other investments	42,221	41,811
Total	$135,412	$96,759

Time deposits are restricted under certain lease agreements.

At March 31, 2012 and 2011, the cost, fair value and gross unrealized gains on available-for-sale securities are as follows:

	(In Thousands)		
	Cost	Fair Value	Unrealized Gains
March 31, 2012:			
Marketable equity securities	$24,372	$53,589	$29,217
March 31, 2011:			
Marketable equity securities	$ 7,434	$15,733	$ 8,299

The proceeds from sales of available-for-sale securities and the gross realized gains and losses on those sales, which are recorded in other income—net in the accompanying consolidated statements of income, for the years ended March 31, 2012 and 2011 are shown below:

	March 31, 2012	March 31, 2011
	(In Thousands)	
Proceeds from sales	$4,744	$8,285
Gross realized gains	$2,986	$ —
Gross realized losses	—	(345)
Net realized gains (losses)	$2,986	$ (345)

Other investments include industrial development revenue bonds of approximately $26.4 million and $23.4 million at March 31, 2012 and 2011, respectively. The Company purchased industrial development revenue bonds in conjunction with the construction of a new manufacturing facility under a capital lease financing arrangement. The revenue bonds have a 20 years term and are accounted for as held-to-maturity securities. The fair value of these revenue bonds is $28.8 million and $21.4 million at March 31, 2012 and 2011, respectively.

The rest of other investments consisted primarily of non-marketable investments that are carried at cost. The Company recorded net gains on sales of other investments of approximately $4.9 million for the year ended March 31, 2011, which are included in other income—net in the accompanying consolidated statement of income.

The Company recorded an impairment loss on other investments of approximately $2.3 million and $0.9 million for the years ended March 31, 2012 and 2011, respectively, which is included in other income—net in the accompanying consolidated statements of income.

7. Financing Receivables and Allowance for Credit Losses

Financing receivables defined in ASU 2010-20 include loans and lease receivables portfolios. Loans and lease receivables are individually reviewed as each recorded investment is large and with a corporate customer. The following table represents loans and lease receivables on a gross basis, excluding the allowance for credit losses and residual value, and related allowance for credit losses at March 31, 2012 and 2011:

	Loans from Affiliated Companies	Lease Receivables	Total
		(In Thousands)	
March 31, 2012:			
Financing receivables, individually evaluated	$156,480	$222,979	$379,459
March 31, 2011:			
Financing receivables, individually evaluated	$149,681	$236,981	$386,662
Allowance for credit losses:			
Balance at April 1, 2011	$ —	$ (9,083)	$ (9,083)
Changes in provision	—	7,707	7,707
Balance at March 31, 2012	$ —	$ (1,376)	$ (1,376)

Loans are primarily provided to affiliated companies and included in accounts and notes receivables, investments in and advances to associated companies, and noncurrent advances, receivables and other—net.

To assess the adequacy of the allowance, the Company performs a quarterly analysis of the loans and lease receivables using credit quality indicators: performing financial receivables and nonperforming financial receivables. Receivables that meet one of the following conditions are classified as nonperforming financial receivables:

- Counterparties who have filed a petition for liquidation, adjustments, rehabilitation or reorganization under bankruptcy codes
- Counterparties whose debts have not been collected for more than one year since the original due date
- Counterparties experiencing suspension or discontinuance of business, as well as those whose ability to fulfill their obligations is doubtful based on the internal review of their financial conditions

All of the loans and lease receivables are classified as performing and there were no impaired loans at March 31, 2012 and 2011. In addition, there were no past due or non-accrual loans and lease receivables at March 31, 2012 and 2011.

8. Property and Equipment

Property and equipment, including those under capital leases and property leased to others under operating leases (see Note 12), at March 31, 2012 and 2011 consist of the following:

	March 31, 2012	March 31, 2011
	(In Thousands)	
Land and land improvements	$ 46,746	$ 46,135
Buildings, structures and improvements	987,647	861,191
Equipment and fixtures, including leasehold improvements	365,159	361,955
Total—at cost	1,399,552	1,269,281
Less—accumulated depreciation and amortization	(584,209)	(555,000)
Property and equipment—net	$ 815,343	$ 714,281

In accordance with ASC 360, the Company evaluated the carrying amounts of its long-lived assets to determine if any changes have occurred which would require an adjustment to the carrying amounts. Based on this evaluation, the Company recorded an impairment loss on property and equipment of approximately $1.3 million for the year ended March 31, 2012, which is included in selling, general and administrative expenses in the accompanying consolidated statement of income.

Depreciation and amortization expense from continuing operations on the Company's property and equipment for the years ended March 31, 2012 and 2011 was approximately $49.9 million and $44.1 million, respectively.

9. Goodwill and Intangible Assets

The changes in carrying value of goodwill by the related operating segments for the year ended March 31, 2012 are as follows:

(In Thousands)	Iron & Steel Products	Chemicals	Food & Retail	Consumer Service	Total
Balance at beginning of year:					
Goodwill	$3,952	$ 91,370	$ 4,934	$34,522	$134,778
Accumulated impairment losses	—	(51,649)	(4,934)	(4,321)	(60,904)
	3,952	39,721	—	30,201	73,874
Goodwill acquired during the year	—	—	—	20,745	20,745
Impairment losses recognized during the year	—	(5,769)	—	—	(5,769)
Foreign currency translation adjustment for the year	(36)	—	—	—	(36)
Balance at end of year:					
Goodwill	3,916	91,370	4,934	55,267	155,487
Accumulated impairment losses	—	(57,418)	(4,934)	(4,321)	(66,673)
	$3,916	$ 33,952	$ —	$50,946	$ 88,814

For the year ended March 31, 2012, based on its annual impairment test, the Company recorded an impairment loss on goodwill of approximately $5.8 million related to SunWize Technologies Inc.

Intangible assets subject to amortization at March 31, 2012 consist of the following:

	Gross Carrying Amount	Accumulated Amortization	Net
		(In Thousands)	
Customer relationships	$ 55,433	$ 19,833	$ 35,600
Trademarks	12,419	6,008	6,411
Non-compete agreements	20,583	10,917	9,666
Sales/supply agreements	43,184	43,159	25
Patents	81,982	78,629	3,353
Software	70,805	22,542	48,263
Unpatented technologies	12,250	7,425	4,825
In-place lease values	5,876	3,254	2,622
Other	761	528	233
Total	$303,293	$192,295	$110,998

In accordance with ASC 360, the Company evaluated the carrying amounts of its intangible assets subject to amortization to determine if any changes have occurred, which would require an adjustment to the carrying

amounts. Based on the Company's evaluations, the Company recorded an impairment loss of $2.0 million on certain intangible assets for the year ended March 31, 2012.

Total amortization expense from continuing operations on the Company's intangible assets for the year ended March 31, 2012 was approximately $9.2 million.

Estimated amortization expense for the future years ending March 31 is as follows:

	(In Thousands)
2013	$ 14,094
2014	12,539
2015	12,245
2016	11,219
2017	9,951
Thereafter	50,950
Total	$110,998

10. DEBT

Notes and loans payable at March 31, 2012 and 2011 are comprised of the following:

	March 31,	
	2012	2011
	(In Thousands)	
Short-term debt from financial institutions	$ 43,059	$ 25,664
Commercial paper	627,046	635,034
Total	$670,105	$660,698

The weighted-average interest rates on short-term debt from financial institutions at March 31, 2012 and 2011 were 1.04% and 0.93%, respectively.

Commercial paper is issued at a discount or on an interest-bearing basis in denominations of not less than $100,000, with maturities of not more than 270 days. Interest rates on commercial paper ranged from 0.20% to 0.30% at March 31, 2012 and 0.24% to 0.32% at March 31, 2011, respectively.

Long-term debt at March 31, 2012 and 2011 is comprised of the following:

	March 31,	
	2012	2011
	(In Thousands)	
Parent and affiliated companies—maturing through the year ending March 31, 2015, at rates of 1.04% to 5.27%	$ 501,020	$ 176,807
Other:		
Financial institutions—maturing primarily through the year ending March 31, 2025, at rates of 0.37% to 7.43%	1,004,292	1,230,495
Medium-term notes—maturing through the year ending March 31, 2015, at rates of 0.83% to 1.95%	104,601	242,610
	1,609,913	1,649,912
Adjustments related to fair value hedges	1,463	5,203
	1,611,376	1,655,115
Less—current maturities (including adjustments related to fair value hedges)	(515,286)	(512,592)
Long-term debt, less current maturities	$1,096,090	$1,142,523

Above long-term debt includes debt denominated in Japanese Yen, amounting to U.S. dollar equivalents of approximately $216.4 million and $359.4 million at March 31, 2012 and 2011, respectively.

Maturities of long-term debt for the future years ending March 31, excluding fair value adjustments, are as follows:

	(In Thousands)
2013	$ 515,767
2014	386,943
2015	493,615
2016	22,912
2017	27,976
Thereafter	162,700
Total	$1,609,913

11. Income Taxes

The components of the provision for income taxes for the years ended March 31, 2012 and 2011 are as follows:

	March 31, 2012	March 31, 2011
	(In Thousands)	
Continuing operations:		
Current:		
Federal	$ 72,830	$ 39,540
State	6,835	5,867
Foreign	9,027	28,442
Total current	88,692	73,849
Deferred	40,849	100,680
Total income tax expenses from continuing operations	$129,541	$174,529
Discontinued operations:		
Current:		
Federal	$ —	$ 12,532
State	(24)	27
Total current	(24)	12,559
Deferred	(7,052)	(20,070)
Total income tax benefit from discontinued operations	$ (7,076)	$ (7,511)

A reconciliation of the statutory U.S. Federal income tax rate to the Company's continuing operations effective tax rate for the years ended March 31, 2012 and 2011 are as follows:

	March 31,	
	2012	2011
Statutory U.S. Federal tax rate	35.0%	35.0%
Change in tax rate resulting from:		
State income taxes—net of Federal benefit	1.5	1.0
Foreign income taxes—net	0.1	1.0
Non-deductible expenses	0.9	0.4
Non-taxable income	(1.8)	(1.2)
Prior year permanent difference true-up	(1.9)	0.1
U.S. business credits	(3.6)	(0.1)
Valuation allowance	3.6	1.6
Reserves for tax contingencies	1.4	(0.8)
Additional tax effect on current year's undistributed earnings	1.8	1.9
Sale of interest in NuMit	—	2.7
Others—net	(1.7)	(1.1)
Effective tax rate	35.3%	40.5%

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at March 31, 2012 and 2011 are as follows:

	March 31,	
	2012	2011
	(In Thousands)	
Deferred tax assets:		
Allowance for doubtful receivables	$ 6,010	$ 9,251
Inventories	10,827	12,940
Derivative instruments	5,935	3,179
Impairment loss on long-lived assets	40,237	43,106
Net operating loss and credit carryforwards	94,692	54,664
Accrued expenses	12,556	16,818
Liabilities for defined benefit plans	19,414	16,073
Others	18,150	1,523
Total gross deferred tax assets	207,821	157,554
Valuation allowances	(64,096)	(43,146)
Net deferred tax assets	143,725	114,408
Deferred tax liabilities:		
Depreciation and amortization	(290,806)	(272,387)
Undistributed earnings of foreign subsidiaries	(21,955)	(19,217)
Investments	(56,529)	(10,005)
Total gross deferred tax liabilities	(369,290)	(301,609)
Net deferred tax liabilities	$(225,565)	$(187,201)

At March 31, 2012, the Company has Federal net operating loss carryforwards of approximately $8.3 million which will expire after the year ending March 31, 2029. The Company has state net operating loss carryforwards of approximately $375.1 million which will expire primarily between the years ending March 31, 2016 and March 31, 2033. The Company has foreign net operating loss carryforwards of approximately $49.5 million which have no expiration. At March 31, 2012, the Company also has tax credit carryforwards of approximately $65.5 million. If not used, these credits will expire between the years ending March 31, 2015 and March 31, 2033.

At March 31, 2012 and 2011, valuation allowances are provided against deferred tax assets because it is more likely than not that certain state net operating loss carryforwards and foreign tax credit carryforwards will not be realized. The net changes in the valuation allowances for the years ended March 31, 2012 and 2011 were increases of approximately $21.0 million and $6.0 million, respectively.

Certain foreign subsidiaries had undistributed earnings amounting to approximately $106.5 million and $98.6 million at March 31, 2012 and 2011, respectively. These amounts are considered to be permanently reinvested and, accordingly, no provision for income taxes has been provided. It is not practicable to determine the deferred tax liabilities for temporary differences related to these undistributed earnings.

A reconciliation of the beginning and ending balances of unrecognized tax benefits for the years ended March 31, 2012 and 2011 is as follows:

	(In Thousands)
Balance at April 1, 2010	43,458
Additions for tax positions of prior years	1,091
Reductions for tax positions of prior years	(4,040)
Additions based on tax positions related to the year ended March 31, 2011	2,814
Lapse of statute of limitations during the year ended March 31, 2011	(237)
Settlements with tax authorities	(4,264)
Balance at March 31, 2011	38,822
Additions for tax positions of prior years	1,455
Reductions for tax positions of prior years	(18)
Additions based on tax positions related to the year ended March 31, 2012	2,994
Settlements with tax authorities	(194)
Balance at March 31, 2012	$43,059

The total amounts of unrecognized tax benefits that, if recognized, would affect the effective tax rate were approximately $40.2 million and $36.2 million at March 31, 2012 and 2011, respectively.

For the years ended March 31, 2012 and 2011, the Company recorded interest and penalties related to unrecognized tax benefits of approximately $1.1 million in the provision for income taxes. Included in other liabilities in the consolidated balance sheets were accrued interest and penalties of approximately $6.5 million and $5.4 million at March 31, 2012 and 2011, respectively.

Due to the potential for resolution of examinations and the expiration of various statutes of limitations, it is reasonably possible that the Company's unrecognized tax benefits balance may decrease within the next twelve months by approximately $11.0 million.

The Company is subject to income taxes in the U.S. and various foreign jurisdictions. With a few exceptions, the Company is no longer subject to U.S. Federal, state, local and foreign income tax examinations for the years before March 31, 2007. The Internal Revenue Service is currently auditing the Company's tax returns for the years ended March 31, 2007 through 2010.

12. Leases

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

	March 31, 2012	March 31, 2011
	(In Thousands)	
Direct financing leases:		
Minimum lease payments	$301,452	$ 345,766
Estimated unguaranteed residual value of leased assets	88,390	103,087
Unearned income	(98,546)	(127,961)
Allowance for credit losses	(1,376)	(9,083)
Net investment in direct financing leases	289,920	311,809
Current portion	(20,374)	(18,025)
Long-term portion of direct financing leases	$269,546	$ 293,784
Leveraged leases:		
Minimum lease payments—(net of principal and interest on third-party nonrecourse debt)	$ 39,287	$ 39,288
Estimated unguaranteed residual value of leased assets	47,195	47,195
Unearned income	(19,214)	(20,112)
Investment in leveraged leases	67,268	66,371
Current portion	1,701	895
Long-term portion of leveraged leases	68,969	67,266
Deferred tax liabilities arising from leveraged leases	(55,469)	(60,850)
Net investment in leveraged leases	$ 13,500	$ 6,416

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

	Direct Financing Leases	Leveraged Leases
	(In Thousands)	
2013	$ 40,167	$ 1
2014	46,345	680
2015	35,074	4,514
2016	35,074	10,106
2017	35,074	15,310
Thereafter	109,718	8,676
Total minimum payments	$301,452	$39,287

The Company's property leased to others under operating leases, by asset class, at March 31, 2012 and 2011 are as follows:

	Cost	Accumulated Depreciation	Net
		(In Thousands)	
March 31, 2012			
Tanks and pipelines	$344,997	$(149,150)	$195,847
Real estate properties	190,377	(16,968)	173,409
Total	$535,374	$(166,118)	$369,256
March 31, 2011			
Tanks and pipelines	$307,598	$(141,535)	$166,063
Real estate properties	150,985	(15,957)	135,028
Terminal elevator facilities	81,215	(48,053)	33,162
Total	$539,798	$(205,545)	$334,253

Terminal elevator facilities were leased to United Harvest before its dissolution (see Note 6). On April 1, 2011, the Company began utilizing terminal elevator facilities for its own operations.

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

	(In Thousands)
2013	$ 78,050
2014	51,365
2015	33,653
2016	21,583
2017	15,440
Thereafter	51,310
Total minimum payments to be received	$251,401

Certain assets are leased to tenants generally for a period of one year and may be canceled at any time with a 30-day written notice.

The Company is a lessee in certain capital and operating leases involving primarily equipment, shipping vessels, storage tanks, and office space. The following is a summary of property and equipment held under capital leases at March 31, 2012 and 2011:

	March 31,	
	2012	2011
	(In Thousands)	
Equipment and fixtures	$ 71,902	$ 73,250
Less—accumulated amortization	(38,101)	(35,639)
Net	$ 33,801	$ 37,611

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

	Capital Leases	Operating Leases
	(In Thousands)	
2013	$ 3,446	$ 55,166
2014	41,600	36,818
2015	1,810	27,137
2016	1,794	18,881
2017	1,782	14,952
Thereafter	71,930	28,616
Total minimum payments required*	122,362	$181,570
Less—amount representing interest	(28,609)	
	93,753	
Less—current portion	(345)	
Long-term obligations	$ 93,408	

* Minimum payments have not been reduced by aggregate minimum sublease rentals of approximately $30.0 million under operating leases due in the future under noncancelable subleases.

Rental expense relating to operating leases from continuing operations was approximately $104.6 million and $119.5 million for the years ended March 31, 2012 and 2011, respectively. Sublease rental income from continuing operations was approximately $25.5 million and $33.4 million for the years ended March 31, 2012 and 2011, respectively.

13. Benefit Plans

Mitsui USA sponsors a defined benefit pension plan covering substantially all employees (except Japanese nationals assigned in the United States by Mitsui Japan) of Mitsui USA and certain subsidiaries and affiliated companies. Mitsui USA amended the pension plan, effective January 1, 2007, to freeze participation in the plan.

Novus provides noncontributory defined benefit pension plans covering most of its employees in the United States. Novus also had provided a nonqualified supplemental executive defined benefit pension plan to provide supplementary retirement benefits primarily to higher-level, longer service United States employees. The nonqualified supplemental executive defined benefit pension plan was terminated effective March 30, 2010 and the benefits due participants under this plan were paid during the year ended March 31, 2011.

In addition to providing pension benefits, Mitsui USA and Novus provide certain healthcare benefits for retired employees.

Changes in benefit obligations, plan assets and funded status are comprised of the following for the years ended March 31, 2012 and 2011:

	Pension Benefits March 31,		Postretirement Benefits March 31,	
	2012	2011	2012	2011
	(In Thousands)		(In Thousands)	
Changes in benefit obligations:				
Benefit obligations at beginning of year	$107,757	$112,875	$ 9,560	$ 9,339
Service cost	3,247	3,019	292	509
Interest cost	6,203	6,453	484	624
Plan participants' contributions	—	—	244	259
Benefits paid	(3,493)	(20,011)	(481)	(769)
Change in plan provisions	—	—	—	(1,107)
Actuarial loss	12,978	5,421	1,131	705
Benefit obligations at end of year	126,692	107,757	11,230	9,560
Changes in plan assets:				
Fair value of plan assets at beginning of year	82,828	70,246	—	—
Actual return on plan assets	5,254	8,399	—	—
Employer contributions	7,938	24,194	237	510
Plan participants' contributions	—	—	244	259
Benefits paid	(3,493)	(20,011)	(481)	(769)
Fair value of plan assets at end of year	92,527	82,828	—	—
Funded status at end of year	$ (34,165)	$ (24,929)	$(11,230)	$(9,560)
Amounts recognized in the consolidated balance sheets at March 31:				
Noncurrent advances, receivables and others—net	$ 2,019	$ 6,352	$ —	$ —
Accrued expenses and other	—	—	359	401
Other liabilities	36,184	31,281	10,871	9,159
Amounts recognized in accumulated other comprehensive (loss) income at March 31:				
Net transition obligation	$ —	$ —	$ (477)	$ (681)
Prior service cost	(67)	(79)	479	506
Net actuarial loss	(49,913)	(38,781)	(1,883)	(712)
Balance prior to income taxes and noncontrolling interests	$ (49,980)	$ (38,860)	$ (1,881)	$ (887)

The accumulated benefit obligations for the pension plans were approximately $116.6 million and $100.0 million at March 31, 2012 and 2011, respectively.

Net periodic benefit cost is comprised of the following for the years ended March 31, 2012 and 2011:

	Pension Benefits March 31,		Postretirement Benefits March 31,	
	2012	2011	2012	2011
	(In Thousands)		(In Thousands)	
Service cost	$ 3,247	$ 3,019	$292	$ 509
Interest cost	6,203	6,453	484	624
Expected return on plan assets	(6,225)	(5,303)	—	—
Amortization of transition obligation	—	—	204	204
Amortization of prior service cost	12	97	(27)	44
Recognized actuarial loss (gain)	2,818	2,460	(40)	71
Net periodic benefit cost	$ 6,055	$ 6,726	$913	$1,452

The amounts recognized in other comprehensive loss (income) before income tax and noncontrolling interests during the years ended March 31, 2012 and 2011 were as follows:

	Pension Benefits March 31,		Postretirement Benefits March 31,	
	2012	2011	2012	2011
	(In Thousands)		(In Thousands)	
Prior service cost	$ —	$ —	$ —	$(1,107)
Net actuarial loss incurred during the year	13,950	2,325	1,131	705
Amortization of transition obligation	—	—	(204)	(204)
Amortization of prior service cost	(12)	(97)	27	(44)
Recognized actuarial (gain) loss	(2,818)	(2,460)	40	(71)
	$11,120	$ (232)	$ 994	$ (721)

The amounts in accumulated other comprehensive loss (income) expected to be recognized as components of net periodic benefit cost over the next fiscal year are as follows:

	Pension Benefits	Postretirement Benefits
	(In Thousands)	
Net actuarial loss	$3,781	$ 74
Transition obligation	—	204
Prior service cost	12	(27)
	$3,793	$251

Significant assumptions for the Company's pension and other postretirement benefit plans for the years ended March 31, 2012 and 2011 are as follows:

	Pension Benefits		Postretirement Benefits	
	2012	2011	2012	2011
Weighted average assumptions at year end:				
Discount rate	4.41% to 5.14%	5.65% to 5.90%	4.00% to 4.54%	5.40% to 5.69%
Rate of compensation increase	3.00%	3.00%	—	—
Weighted average assumptions used to determine net periodic benefit cost:				
Discount rate	5.65% to 5.90%	6.00% to 6.10%	5.40% to 5.69%	5.40% to 6.00%
Expected long-term rate of return on plan assets	7.25 to 7.50%	7.25 to 7.50%	—	—
Rate of compensation increase	3.00%	3.00%	—	—

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

Assumed health care cost trend rates have been used in the valuation of postretirement health care benefits. During the year ended March 31, 2012, the medical health care cost trend rate was 10.0%, decreasing to 4.0% to 4.65% through 2018, and the dental health care cost trend rate was 4.5%. Increasing the health care cost trend rate by 1.0% would increase the accumulated benefit obligations to $13.4 million or by 18.9%, and the aggregate of the service and interest cost components of the net periodic benefit cost would increase from $0.8 million to $0.9 million or by 15.2%, including life insurance. Decreasing the health care cost trend rate by 1.0% would decrease the accumulated benefit obligations to $9.7 million or by 13.8%, and the aggregate of the service and interest cost components of the net periodic benefit cost would decrease from $0.8 million to $0.7 million or by 11.9%, including life insurance. During the year ended March 31, 2011, the medical health care cost trend rate was 8.0% to 10.0% and the dental health care cost trend rate was 4.5%.

The Company invests primarily in a diversified portfolio of equity and fixed income securities that provide for long-term growth within reasonable and prudent levels of risk. The asset allocation targets established by the Company are strategic and intended to reduce exposure to risk assets in favor of long duration fixed income securities as the funded status of the plan improves. The portfolio is maintained to provide adequate liquidity to meet associated liabilities and minimize long-term expense and provide prudent diversification among asset classes. The plans employ a diversified mix of actively managed investments around a core of passively managed exposures in each asset class. Assets are rebalanced periodically to their strategic targets to maintain the plans' strategic risk/reward characteristics.

The target allocations for the plan assets for the pension plans at March 31, 2012 and 2011, by asset class, are as follows:

	March 31, 2012		March 31, 2011	
	Percentage of plan assets	Target allocation	Percentage of plan assets	Target allocation
Equity securities	59%	50%-70%	59%	50%-70%
Debt securities	31	30%-50%	29	30%-50%
Insurance contract—fixed income	8	0%-14%	10	0%-14%
Other	2	0%-20%	2	0%-20%
Total	100%		100%	

The following table presents the Company's pension plan assets using the fair value hierarchy as of March 31, 2012 and 2011. The fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value. Level 1 refers to fair values determined based on quoted prices in active markets for

identical assets. Level 2 refers to fair values estimated using significant other observable inputs, and Level 3 includes fair values estimated using significant non-observable inputs.

	Fair Value Measurements at March 31, 2012 Using			
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total
	(In Thousands)			
Collective trust funds:				
U.S. equity	$—	$25,557	$ —	$25,557
Non-U.S. equity	—	12,217	—	12,217
Government, corporate and other non-government debt	—	19,307	—	19,307
Pooled separate accounts:				
U.S. equity	—	14,125	—	14,125
Non-U.S. equity	—	2,586	—	2,586
Government and corporate debt	—	9,437	—	9,437
Insurance contract	—	—	7,679	7,679
Other	30	1,589	—	1,619
Total plan assets	$30	$84,818	$7,679	$92,527

	Fair Value Measurements at March 31, 2011 Using			
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total
	(In Thousands)			
Collective trust funds:				
U.S. equity	$—	$19,471	$ —	$19,471
Non-U.S. equity	—	14,474	—	14,474
Government, corporate and other non-government debt	—	15,697	—	15,697
Pooled separate accounts:				
U.S. equity	—	12,711	—	12,711
Non-U.S. equity	—	2,496	—	2,496
Government and corporate debt	—	8,442	—	8,442
Insurance contract	—	—	7,881	7,881
Other	27	1,629	—	1,656
Total plan assets	$27	$74,920	$7,881	$82,828

Collective trust funds are stated at the aggregate market value of units of participation. Such value reflects accumulated contributions, dividends and realized and unrealized investment gains or losses apportioned to such contributions. Pooled separate accounts are stated at estimated fair value which is based on the proportionate share of the pooled separate accounts' fair value as recorded in their financial statements. The insurance contract is primarily valued at the present value of the future benefit payments owed by the insurance company to the plans' participants.

A reconciliation of the fair value measurements of pension plan assets using significant unobservable inputs (Level 3) from the beginning of the years to the end of the years is as follows:

	Insurance Contract
	(In Thousands)
Balance, April 1, 2010	$8,077
Actual return on plan assets	433
Benefit payments	(629)
Balance, March 31, 2011	7,881
Actual return on plan assets	377
Benefit payments	(579)
Balance, March 31, 2012	$7,679

The expected long-term rate of return of the pension plan assets invested in collective trust funds and pooled separate accounts is based on the expected return of each asset category, weighted based on the median of the target allocation for each class. The expected return for the pension plan assets invested in an insurance contract equals the weighted average credited rate determined by the insurance company.

The Company expects to contribute approximately $10.0 million and $0.4 million to the pension and other postretirement benefit plans, respectively, for the year ending March 31, 2013.

Anticipated pension benefit payments for the future years ending March 31 are as follows:

	Pension Benefits
	(In Thousands)
2013	$ 4,160
2014	4,435
2015	4,732
2016	5,073
2017	5,283
2018-2022	31,815

Anticipated other postretirement benefit payments for the future years ending March 31 are as follows:

	Estimated Gross Benefit Payments	Estimated Retiree Contributions	Estimated Net Benefit Payments
		(In Thousands)	
2013	$ 741	$ (321)	$ 420
2014	793	(342)	451
2015	838	(364)	474
2016	901	(387)	514
2017	955	(407)	548
2018-2022	5,643	(2,314)	3,329

In addition to the above defined pension and other postretirement benefit plans, Mitsui USA and certain subsidiaries have defined contribution plans. The defined contribution plan expense was approximately $7.1 million and $4.9 million for the years ended March 31, 2012 and 2011, respectively.

14. Commitments and Contingencies

At March 31, 2012 and 2011, the Company had commercial letters of credit outstanding of approximately $67.4 million and $251.7 million, respectively.

It is a customary practice of the Company to guarantee, severally or jointly with Mitsui Japan, indebtedness of mainly associated companies of Mitsui USA which are consolidated subsidiaries of Mitsui Japan to facilitate

the trading activities of the associated companies. In addition, the Company entered into agreements with certain associated companies of Mitsui USA which are consolidated subsidiaries of Mitsui Japan to guarantee and indemnify each third party for any liabilities arising from certain trading transactions. At March 31, 2012 and 2011, the aggregate amount of outstanding guarantees was approximately $327.0 million and $360.7 million, respectively, with a maximum potential guarantee amount of approximately $3,029.2 million (through 2029) and $2,807.2 million, respectively. The maximum potential guarantee amount represents the amounts, without consideration of possible recoveries under recourse provisions or from collateral held or pledged, that the Company could be obliged to pay if there were defaults by guaranteed parties or there were changes in an underlying collateral which would cause triggering events under market value guarantees and indemnification contracts. Currently, the Company does not anticipate any losses related to such guarantees.

The Company customarily enters into long-term purchase contracts (usually with related sales contacts) for certain inventories. At March 31, 2012 and 2011, long-term purchase contracts at fixed or basic purchase prices amounted to approximately $1,404.1 million (through 2021) and $1,608.1 million (through 2021), respectively. For the years ended March 31, 2012 and 2011, approximately 7.4% and 9.8% of the Company's total revenues, respectively, were derived from one key raw material that was purchased from a sole supplier. This situation represents a significant operational risk if the supplier of this key raw material was interrupted. To secure a supply of certain inventories through 2021, the Company has prepaid for a portion of the cost of such inventories in the amount of approximately $104.7 million and $107.5 million at March 31, 2012 and 2011, respectively, which are recorded in noncurrent advances, receivables and other—net in the accompanying consolidated balance sheets.

15. Legal Matters

The Company is a defendant in various claims and legal actions arising in the ordinary course of its business. 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 will not have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

Mitsui USA was named as one of the defendants in various legal actions concerning the oil spill incident that occurred in the Gulf of Mexico on April 20, 2010. All such legal actions against Mitsui USA have been dismissed as Mitsui USA had no interest in the oil exploration project involved in the April 2010 incident.

16. Derivatives Instruments and Hedging Activities

The Company is exposed to market risks related to interest rates, foreign currency exchange rates, and commodity prices in the ordinary course of business. In order to offset or reduce these risks, the Company uses derivative instruments, such as interest rate swap contracts, foreign currency forward, option and swap contracts, and commodity futures, forward, options and swap contracts to hedge the exposures to changes in the fair value or expected future cash flows of recognized assets and liabilities, unrecognized firm commitments and forecasted transactions. Since most of the Company's derivative transactions are entered into hedge the underlying business exposures, market risks in those derivative instruments are basically offset by equal and opposite movements in the underlying exposures. The Company has a 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 risks 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 Company designates certain interest rate and foreign currency swap contracts and petroleum-related futures and forward physical contracts as fair value hedges when the hedging instrument is highly effective in offsetting the risk of changes in the fair value of hedged item. The hedging strategies represent fair value hedges of interest rate and foreign currency exchange rate exposures related to long-term debt, and the variable price risk associated with exposure to fluctuations in the prices of petroleum-related products (inventories). For all derivative instruments designated as fair value hedges, the Company documents the relationship between the hedging instrument and the hedged item, as well as the risk management objective and strategy for using the hedging instrument. The Company assesses whether a change in the value of the designated derivative instrument is highly effective in achieving offsetting changes in fair value of hedged item both at the inception of the hedge and on an ongoing basis. The Company utilizes regression analysis

and pricing models to determine hedge effectiveness. Changes in the fair value of such derivative instruments and changes in the fair value of hedged assets and liabilities attributable to the hedged risk, which are determined to be effective, are recorded currently in earnings. No fair value hedges were discontinued during the years ended March 31, 2012 and 2011.

The Company designates certain foreign currency forward and option contracts as cash flow hedges when the hedging instrument is highly effective in offsetting the exposure of fluctuations in future cash flows from the forecasted sales transactions and payments denominated in foreign currencies. Anticipated transactions must be probable of occurrence, and their significant terms and characteristics must be identified. For all hedging instruments used in cash flow hedges, the Company documents the relationship between the hedging instrument and the hedged item as well as the risk management objective and strategy for using the hedging instrument. The Company assesses whether a change in the value of the designated derivative instrument is highly effective in achieving offsetting cash flows attributing to the hedged item, both at the inception of the hedge and on an ongoing basis. Any changes in fair value of derivative instruments that are considered highly effective are reported in accumulated other comprehensive (loss) income, while changes in fair value of derivative instruments that are not effective are recognized currently in earnings as other income—net in the accompanying consolidated statements of income. The majority of the unrealized gain (loss) included in accumulated other comprehensive loss at March 31, 2012 is expected to be recognized in earnings during the next fiscal year. Most of the designated hedging instruments at March 31, 2012 have terms of less than twelve months. No cash flow hedges were discontinued during the years ended March 31, 2012 and 2011.

The following table represents the fair value of the Company's derivative instruments recorded in the consolidated balance sheets at March 31, 2012 and 2011:

Gross Derivative Assets

Balance Sheet Location	Fair Value at March 31, 2012	Fair Value at March 31, 2011
	(In Thousands)	
Derivatives designated as hedging instruments:		
Interest rate contracts—	$ —	$ —
Foreign exchange contracts:		
Other current assets	8,149	39,860
Noncurrent advances, receivables and other—net	49,132	60,977
Commodity contracts—		
Other current assets	295	—
Total	$ 57,576	$100,837
Derivatives not designated as hedging instruments:		
Interest rate contracts—		
Other current assets	$ 4,162	$ —
Foreign exchange contracts:		
Other current assets	2,139	2,133
Noncurrent advances, receivables and other—net	—	492
Commodity contracts:		
Other current assets	214,429	73,547
Accrued expenses and other	1,740	228,367
Accounts and noted receivables—Parent and affiliated companies	3,564	17,068
Noncurrent advances, receivables and other—net	398	60
Total	$226,432	$321,667

Gross Derivative Liabilities

Balance Sheet Location	Fair Value at March 31, 2012	Fair Value at March 31, 2011
	(In Thousands)	
Derivatives designated as hedging instruments:		
Interest rate contracts:		
Accrued expenses and other	$ 944	$ 671
Other liabilities	2,933	756
Foreign exchange contracts—		
Accrued expenses and other	478	2,347
Commodity contracts:		
Other current assets.	101	—
Accrued expenses and other	164	4,347
Total	$ 4,620	$ 8,121
Derivatives not designated as hedging instruments:		
Interest rate contracts—		
Accrued expenses and other	$ 9,114	$ 8,616
Foreign exchange contracts:		
Other current assets	28	—
Accrued expenses and other	345	2,876
Commodity contracts:		
Other current assets	152,470	8,757
Accrued expenses and other	75,564	331,441
Note, acceptances and accounts payable—Parent and affiliated companies	11,654	39,696
Other liabilities	656	41
Total	$249,831	$391,427

The following table represents the effects of fair value hedges on the Company's consolidated statements of income for the years ended March 31, 2012 and 2011:

	Location of (Loss) Gain Recognized in Earnings	Amount of (Loss) Gain Recognized in Earnings 2012 Derivatives	2012 Hedged Items	2012 Hedge Ineffective-ness	2011 Derivatives	2011 Hedged Items	2011 Hedge Ineffective-ness
		(In Thousands)			(In Thousands)		
Interest rate contracts	Other income—net	$ —	$ —	$ —	$ (168)	$ 168	$ —
Foreign exchange contracts	Other income—net	(43,787)	44,669	882	28,415	(32,450)	(4,035)
Commodity contracts	Cost of products sold	2,652	(2,673)	(21)	(33,364)	33,207	(157)
Total		$(41,135)	$41,996	$861	$ (5,117)	$ 925	$(4,192)

The following table represents the effects of derivative instruments not designated as hedging instruments on the Company's consolidated statements of income for the years ended March 31, 2012 and 2011:

	Location of Gain (Loss) Recognized in Earnings	Amount of Gain (Loss) Recognized in Earnings 2012	2011
		(In Thousands)	
Interest rate contracts	Other income—net	$ 3,663	$ 2,503
Foreign exchange contracts	Other income—net	(144)	7,334
Commodity contracts	Cost of products sold	(112,322)	(60,698)
Commodity contracts	Other income—net	1,035	—
Total		$(107,768)	$(50,861)

The following table represents the effects of cash flow hedges on the Company's other comprehensive (loss) income and consolidated statements of income for the years ended March 31, 2012 and 2011:

	Amount of (Loss) Gain Recognized in Other Comprehensive (Loss) Income (Effective Portion) 2012	2011	Location of Gain Reclassified from Accumulated Other Comprehensive (Loss) Income into Earnings	Amount of Gain Reclassified from Accumulated Other Comprehensive (Loss) Income into Earnings (Effective Portion) 2012	2011	Location of Loss Recognized in Earnings (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Loss Recognized in Earnings (Ineffective Portion and Amount Excluded from Effectiveness Testing) 2012	2011
	(In Thousands)			(In Thousands)			(In Thousands)	
Interest rate contracts	$(2,550)	$(1,404)	Other income—net	$ —	$ —	Other income—net	$(18)	$(23)
Foreign exchange contracts	1,934	(7,270)	Other income—net	169	2,157	Other income—net	—	—
Total	$ (616)	$(8,674)		$169	$2,157		$(18)	$(23)

The Company had the following outstanding derivative instruments at March 31, 2012 and 2011:

	Notional Amount or Number of Units 2012	2011
Derivative instruments designated as hedging instruments:		
Interest rate swaps	$ 23 million	$ 24 million
Foreign currency swaps	$ 207 million	$ 343 million
Foreign currency forward contracts	$ 66 million	$ 74 million
Petroleum forward contracts—sales	156,000 bbl	385,000 bbl
Petroleum futures—short	10,000 bbl	637,000 bbl
Derivative instruments not designated as hedging instruments:		
Interest rate swaps	$ 161 million	$ 110 million
Foreign currency forward contracts	$ 105 million	$ 108 million
Oil swaps—short	—	32,000 bbl
Petroleum forward contracts—purchases	3,694,000 bbl	3,699,000 bbl
Petroleum forward contracts—sales	3,918,000 bbl	2,296,000 bbl
Petroleum futures—long	20,896,000 bbl	30,647,000 bbl
Petroleum futures—short	22,902,000 bbl	32,806,000 bbl
Agricultural commodity forward contracts—purchases	2,104,000 MT	760,000 MT
Agricultural commodity forward contracts—sales	2,162,000 MT	762,000 MT
Agricultural commodity futures—long	494,000 MT	667,000 MT
Agricultural commodity futures—short	852,000 MT	579,000 MT

The Company maintains margin accounts for the purpose of entering into futures contracts. Long and short positions are valued based on their respective contractual margins to determine net exposure, the total value of which is the required margin deposits with various broker accounts. At March 31, 2012 and 2011, cash in broker accounts, included in other current assets in the accompanying consolidated balance sheets, amounted to approximately $59.0 million and $108.1 million, respectively.

17. Risk Management and Fair Value of Financial Instruments

ASC 820 requires enhanced disclosures about assets and liabilities carried at fair value. The ASC 820 framework requires fair value to be determined based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. ASC 820 also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include:

Level 1—Values based on unadjusted quoted prices for identical assets and liabilities in active markets that are accessible at the measurement date.

Level 2—Values based on quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3—Values generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions would reflect management's estimates of assumptions that market participants would use in pricing the asset or liability.

The following table sets forth, by level within the fair value hierarchy, the Company's assets and liabilities that were accounted for at fair value on a recurring basis at March 31, 2012 and 2011. As required by ASC 820, assets and liabilities are classified based on the lowest level of input that is a significant component of the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the classification of assets and liabilities within fair value hierarchy levels.

	Fair Value Measurements at March 31, 2012 Using:			
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total
	(In Thousands)			
Assets:				
Grain inventories	$ —	$ 71,465	$ —	$ 71,465
Marketable securities	53,589	—	—	53,589
Derivative assets:				
Foreign exchange contracts	—	59,420	—	59,420
Interest rate contracts	—	4,162	—	4,162
Commodity contracts	47,459	162,227	10,740	220,426*
Total assets	$101,048	$297,274	$10,740	$409,062
Liabilities:				
Derivative liabilities:				
Foreign exchange contracts	$ —	$ 851	$ —	$ 851
Interest rate contracts	—	12,991	—	12,991
Commodity contracts	65,621	166,956	8,032	240,609*
Total liabilities	$ 65,621	$180,798	$ 8,032	$254,451

* See following page

	Fair Value Measurements at March 31, 2011 Using:			
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total
	(In Thousands)			
Assets:				
Marketable securities and other investments	$ 30,671	$ 24	$ —	$ 30,695
Derivative assets:				
Foreign exchange contracts	—	103,462	—	103,462
Commodity contracts	70,041	232,782	16,219	319,042*
Total assets	$100,712	$336,268	$16,219	$453,199
Liabilities:				
Derivative liabilities:				
Foreign exchange contracts	$ —	$ 5,223	$ —	$ 5,223
Interest rate contracts	—	10,043	—	10,043
Commodity contracts	99,672	268,261	16,349	384,282*
Total liabilities	$ 99,672	$283,527	$16,349	$399,548

* Certain commodity contracts contain master netting agreements that allow the Company to settle positive and negative positions and also cash collateral held or placed with the same counterparties. The reported amounts on the consolidated balance sheets are reduced by such netting adjustments of approximately $154.3 million and $237.1 million at March 31, 2012 and 2011, respectively.

The following methods and assumptions were used to estimate the fair values of the assets and liabilities in the table above.

Grain inventories: The Company's grain inventories are valued using a quoted market price of an identical commodity on a national exchange, plus a basis amount to more closely reflect pricing in the principal market.

Marketable securities and other investments: The Company classifies marketable securities and certain other investments carried at fair value within Level 1 of the valuation hierarchy where quoted prices are available in an active market. When quoted market prices are not available, the Company generally classifies securities within Level 2 of the valuation hierarchy in which the Company determines the fair values using pricing models, quoted prices of similar securities or a discounted cash flow model. When there is limited activity or minimal observable inputs to the valuation model, the Company classifies securities within Level 3 of the valuation hierarchy in which inputs consider various assumptions, including time value, yield curve, default rates, current market, loss severity, and contractual prices for underlying financial instruments as well as any other relevant economic measures available.

Derivative instruments: The Company classifies exchange-traded commodity derivatives as Level 1 of the valuation hierarchy. The Level 2 derivative instruments consist of interest rate swaps, cross currency swaps, and foreign currency derivatives, and commodity derivative instruments. Fair value for these derivative instruments are determined using internal models with market observable inputs including interest rate curves and both forward and spot prices for currencies and commodities. Derivative instruments classified within Level 3 mainly consist of commodity derivatives that are valued based upon internal models utilizing significantly unobservable market inputs. The Company considers credit risk related to the counterparty when estimating the fair value of these derivative instruments.

The following table sets forth a reconciliation of changes in Level 3 fair value measurements for assets and liabilities recorded at fair value on a recurring basis:

(In Thousands)	Balance at April 1, 2011	Total Realized/ Unrealized Gains Included in Earnings	Purchases, Issuances, and Settlements	Transfers into Level 3	Balance at March 31, 2012	Total Change in Unrealized Gains Relating to Assets Still Held at March 31, 2012
Derivative (liabilities) assets—net commodity contracts	$(130)	$16,970	$(14,165)	$33	$2,708	$12,216

(In Thousands)	Balance at April 1, 2010	Total Realized/ Unrealized Losses Included in Earnings	Purchases, Issuances, and Settlements	Transfers in/out of Level 3	Balance at March 31, 2011	Total Change in Unrealized Losses Relating to Assets Still Held at March 31, 2011
Derivative (liabilities) assets—net commodity contracts	$(12,737)	$(20,537)	$33,144	$—	$(130)	$(15,561)

The following table sets forth the Company's assets and liabilities that were accounted for at fair value on a non-recurring basis during the years ended March 31, 2012 and 2011:

	Fair Value Measurements during the Year Ended March 31, 2012 Using				Total Losses for the Year Ended March 31, 2012
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total	
			(In Thousands)		
Property and equipment	$—	$—	$ 9,228*	$ 9,228	$ (4,770)*
Goodwill and intangible assets	—	—	4,409	4,409	(12,750)*
Other non-marketable investments	—	—	—	—	(2,250)
Total	$—	$—	$ 13,637	$ 13,637	$ (19,770)

	Fair Value Measurements during the Year Ended March 31, 2011 Using				Total (Losses) Gains for the Year Ended March 31, 2011
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total	
			(In Thousands)		
Real estate included in inventories	$—	$—	$ 48,345	$ 48,345	$ (8,334)
Goodwill and intangible assets	—	—	400	400	(9,649)*
Other non-marketable investments	—	—	490	490	(921)
Investments in associated companies	—	—	221,304	221,304	4,143
Total	$—	$—	$270,539	$270,539	$ (14,761)

* Includes amounts related to discontinued operations as discussed in Note 5.

Real estate and property leased to others: The carrying value of projects is reviewed for impairment whenever events or changes in circumstances indicate that the carrying values of the projects may not be recoverable. The fair value of projects is primarily determined based on the discounted future cash flows.

Property and equipment, goodwill and intangible assets: The assets are primarily valued based on independent appraisal or discounted future cash flows whichever management considers most appropriate.

Investment in associated companies: The carrying value of the investment in associated companies is reviewed when certain events indicate the fair value of the investments should be remeasured. The fair value of the investment was remeasured using primarily the discounted cash flow method under the income approach.

The estimated fair value of other financial instruments has been determined by the Company using appropriate market information and valuation methods.

Current financial assets and current financial liabilities: The fair values approximate the carrying amounts reported in the consolidated financial statements because of their short-term maturities.

Noncurrent advances, receivables and other, and advances to associated companies and long-term debt: The carrying amounts of noncurrent trade receivables, including long-term loans receivable, approximate fair value as the interest rates of these assets are based on current rates. For long-term debt, the fair values are based on current rates at which the Company could borrow funds with similar remaining maturities. The carrying value of long-term debt approximates fair value due to the variable rates of these liabilities.

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. Pursuant to the requirements of ASC 460, 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. At March 31, 2012 and 2011, the fair value of guarantees issued by the Company was not material.

18. Business Segments and Related Party Transactions Information

Effective April 1, 2011, the Company partially changed the structure of internal organization. The related operating segment information for the year ended March 31, 2011 has been changed to conform to the current year presentation.

The Company's principal business activities are classified into the following operating segments: "Iron & Steel Products," "Mineral & Metal Resources," "Infrastructure Business," "Motor Vehicles & Construction Machinery," "Chemicals," "Energy," "Food & Retail," "Consumer Service," and others. Business segments are based on products and services for sale. The following are the 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, 2012 and 2011:

(In Thousands)	Iron & Steel Products	Mineral & Metal Resources	Infrastructure Business	Motor Vehicles & Construction Machinery	Chemicals	Energy	Food & Retail	Consumer Service	Others	Corporate, Adjustments & Eliminations	Total
March 31, 2012:											
Total revenues	$1,256,905	$99,109	$ 33,474	$ 35,641	$2,256,963	$7,190,613	$2,158,689	$ 177,421	$ 30,614	$ 8,701	$13,248,130
Gross profit (loss)	102,986	2,574	8,046	1,434	533,953[1]	(30,413)[1]	59,623[1]	41,599	5,249	7,846	732,897
Net income (loss) attributable to Mitsui USA	38,964	11,787	10,634	17,124	103,333[2]	(24,987)	14,024[2]	1,045[2,3]	11,826[3]	2,803	186,553
Total assets	941,711	56,879	253,290	106,481	1,765,879	698,505	704,314	530,788[3]	539,078[3]	53,374	5,650,299
March 31, 2011:											
Total revenues	$ 918,502	$77,246	$ 41,703	$ 21,163	$2,006,734	$4,847,598	$ 260,306	$ 188,393	$ 18,580	$ 9,103	$ 8,389,328
Gross profit	79,671[1]	3,330	12,417	1,165	538,443[1]	14,671[1]	27,797[1]	40,479[1]	8,243	5,927	732,143
Net income (loss) attributable to Mitsui USA	33,725[2]	18,658	2,498	1,405	114,135[2]	(2,332)	27,399[2]	(8,327)[2,3]	4,656[3]	(9,890)	181,927
Total assets	891,203	53,272	249,011	83,576	1,801,984	833,213	688,495	422,524[3]	557,879[3]	40,087	5,621,244

[1]Includes inventory lower of cost or market change and impairment loss on real estate development projects as discussed in Note 2.

[2]Includes impairment loss on goodwill and intangible assets as discussed in Notes 5 and 9.

[3]Includes discontinued operations as discussed in Note 5.

For the years ended March 31, 2012 and 2011, total revenues with Mitsui Japan and its affiliates were approximately $780.2 million and $143.2 million, respectively. In addition, other income—net includes service fee from Mitsui Japan of approximately $39.2 million and $41.5 million for the years ended March 31, 2012 and 2011, respectively.

The following table provides geographic information for total revenues, which is based on the location of customers, for the years ended March 31, 2012 and 2011:

	March 31, 2012	March 31, 2011
	(In Thousands)	
United States	$ 6,849,823	$5,371,038
Singapore	1,442,933	1,069,804
Japan	836,215	134,143
Other foreign countries	4,119,159	1,814,343
Total	$13,248,130	$8,389,328

19. SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 29, 2012, which is the date that the consolidated financial statements were available to be issued. As a result of this evaluation, the Company noted subsequent events that require disclosure in the consolidated financial statements.

In May 2012, Westport Petroleum, Inc. (''Westport''), an 80% owned subsidiary of the Company, initiated a restructuring of its operations. Westport is primarily engaged in trading, wholesaling, blending, and transporting petroleum products and components domestically and in major international energy markets. The restructuring plan includes closure of one of two major operating divisions, which represented approximately 14.0% and 19.8% of the Company's total revenues for the years ended March 31, 2012 and 2011, respectively. Westport expects to complete the restructuring activities during the year ending March 31, 2013.

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