

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

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

OR

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended March 31, 2007

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ **to** _____

OR

☐ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of event requiring this shell company report

Commission file number 0-9929

mitsui bussan kabushiki kaisha

(Exact name of Registrant as specified in its charter)

MITSUI & CO., LTD.

(Translation of Registrant's name into English)

JAPAN

(Jurisdiction of incorporation or organization)

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

(Address of principal executive offices)

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

Title of Each Class

Name of Each Exchange On Which Registered

Common Stock

Nasdaq Stock Market

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

None

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

None

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

As of March 31, 2007, 1,784,627,061 shares of common stock were outstanding including 11,393,180 shares represented by an aggregate of 569,659 American Depositary Shares.

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

Yes ☒ No ☐

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

Yes ☐ No ☒

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

Yes ☒ No ☐

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

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐

Indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 ☐ Item 18 ☒

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

Yes ☐ No ☒

Certain References and Information

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

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

A Cautionary Note on Forward-Looking Statements

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

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

- changes in economic conditions that may lead to unforeseen developments in markets for products handled by us;
- fluctuations in currency exchange rates that may cause unexpected deterioration in the value of transactions;
- adverse political developments in the various jurisdictions where we operate, which among things, may create delays or postponements of transactions and projects;
- changes in laws, regulations or policies in any of the countries where we conduct our operations; and
- significant changes in the competitive environment.

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

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PART I

Item 1. Identity of Directors, Senior Management and Advisers.

Not applicable.

Item 2. Offer Statistics and Expected Timetable.

Not applicable.

Item 3. Key Information.

A. Selected Financial Data.

The selected consolidated income statement data and the selected consolidated cash flow statement data for the years ended March 31, 2007, 2006 and 2005 and the selected consolidated balance sheet data as of March 31, 2007 and 2006 below are derived from our audited consolidated financial statements prepared in accordance with U.S. GAAP, which are included elsewhere in this annual report. The selected consolidated income statement data and the selected consolidated cash flow statement data for the years ended March 31, 2004 and 2003 and the selected consolidated balance sheet data as of March 31, 2005, 2004 and 2003 are derived from our previously published audited consolidated financial statements prepared in accordance with U.S. GAAP, which are not included in this annual report. The consolidated financial statements as of March 31, 2007 and 2006 and for the years ended March 31, 2007, 2006 and 2005 have been audited by Deloitte Touche Tohmatsu, independent auditors, whose report is filed as part of this annual report.

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

	In Billions of Yen, Except Amounts per Share and Common Stock Data				
	As of or for the Years Ended March 31,				
	2007	2006	2005	2004	2003
Consolidated Income Statement Data:					
Results of Operations:					
Revenues ⁽¹⁾	¥ 4,881	¥ 4,115	¥3,495	¥2,971	¥2,776
Gross Profit ⁽¹⁾	904	818	708	611	567
Equity in Earnings of Associated Companies ⁽¹⁾	153	94	64	40	15
Income from Continuing Operations ⁽¹⁾ . .	298	216	118	80	40
Net Income	302	202	121	68	31
Income from Continuing Operations per Share ⁽¹⁾ :					
Basic	172.37	134.75	74.69	50.68	25.28
Diluted	163.53	126.82	70.38	47.86	23.88
Net Income per Share:					
Basic	174.26	126.26	76.55	43.25	19.68
Diluted	165.32	118.85	72.12	40.89	18.69
Cash Dividends Declared per Share	31	20	9	8	8
Cash Dividends Declared per Share in U.S. Dollars ⁽²⁾	\$ 0.27	\$ 0.17	\$ 0.09	\$ 0.07	\$ 0.07

In Billions of Yen, Except Amounts per Share and Common Stock Data					
As of or for the Years Ended March 31,					
	2007	2006	2005	2004	2003
Consolidated Balance Sheet Data:					
Financial Position at Year-End:					
Total Assets	¥ 9,813	¥ 8,574	¥ 7,593	¥ 6,716	¥ 6,541
Total Shareholders' Equity	2,110	1,678	1,123	963	862
Long-term Debt, less Current					
Maturities	2,888	2,659	2,710	2,391	2,344
Return on Equity ⁽³⁾	15.9%	14.5%	11.6%	7.5%	3.5%
Common Stock	323	296	192	192	192
Other Information at Year-End:					
Common Stock:					
Number of Shares Outstanding					
(in Thousands)	1,784,627	1,722,954	1,582,211	1,581,013	1,581,377
Number of Shareholders	102,324	121,503	107,034	109,722	115,267

In Billions of Yen					
For the Years Ended March 31,					
	2007	2006	2005	2004	2003
Consolidated Cash Flow Statement Data:					
Cash Flows:					
Net Cash Provided by Operating					
Activities	¥ 239	¥ 146	¥ 200	¥ 100	¥ 52
Net Cash Used in Investing					
Activities	(418)	(347)	(224)	(134)	(4)

- (1) In accordance with Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," the prior year figures relating to discontinued operations have been reclassified.
- (2) The U.S. dollar amounts represent translations of the Japanese yen amounts at the rates in effect on the respective dividend payment dates.
- (3) Return on Equity is calculated as annual consolidated net income divided by average balance of shareholders' equity between beginning date and ending date of each fiscal year.

Exchange Rate Information

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

The official exchange rate on September 19, 2007 was ¥116.21 = U.S.\$1.00. The following table sets forth the high and low official noon buying rates for Japanese yen of the Federal Reserve Bank of New York in each month of the previous six months.

	Yen per U.S. Dollar	
	High	Low
August 2007	¥119.76	¥113.81
July 2007	123.34	118.41
June 2007	124.09	121.08
May 2007	121.79	119.77
April 2007	119.84	117.69
March 2007	118.15	116.01

The following table sets forth the average exchange rate for each of the last five fiscal years. We have calculated these average rates by using the rate on the official noon buying rates for Japanese yen of the Federal Reserve Bank of New York on the last business day of each month during the relevant fiscal year.

<u>Year Ended March 31,</u>	<u>Yen per U.S. Dollar</u> <u>Average Rate</u>
2007	¥116.55
2006	113.67
2005	107.28
2004	112.75
2003	121.10

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

B. Capitalization and Indebtedness.

Not required.

C. Reasons for the Offer and Use of Proceeds.

Not applicable.

D. Risk Factors.

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

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

Our global business activities are affected by economic conditions both globally and regionally. Among other locations, we are particularly vulnerable to downward economic trends in Japan, China and the United States. An economic downturn may cause a reduction in the flow of goods and materials, a decline in private consumption and fixed investment, and subsequently a decrease in demand from our customers for our products and services, which may have an adverse impact on our business, results of operations and financial condition.

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

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

For further information about the impact by commodity price fluctuations on our business and results of operations for the year ended March 31, 2007 and in the future, see "Item 5.A. Operating Results."

Exchange rate fluctuations may adversely affect our operating results, especially because a major part of our operating results consists of those at our overseas subsidiaries and associated companies.

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

See “Item 3.A. Selected Financial Data—Exchange Rate Information”, “Item 5.A. Operating Results—Impact of Foreign Currency Exchange Fluctuation on Operating Results” and “Item 5. B. Liquidity and Capital Resources.”

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

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

- Many of our customers purchase products and services from us on credit. At March 31, 2007, current trade receivable (less unearned interest and allowance for doubtful receivables—current) was ¥2,886.0 billion, representing 29.4% of our total assets and recognized losses for doubtful receivables—current for the year ended March 31, 2007 and balance of the allowance for doubtful receivables—current were ¥7.9 billion and ¥29.8 billion, respectively;
- We engage in significant project financing activities as a lender or guarantor whereby we assume repayment risk; and
- We have counterparty payment risk from various derivative transactions we enter into as part of our hedging activities.

Diverse types of credit losses may adversely affect our operating results and business.

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

We are exposed to risks associated with interest rate fluctuations, which may affect our overall operational costs and the value of our financial assets and liabilities, particularly our significant debt obligations, including ¥658.7 billion short-term debt and ¥2,887.5 billion long-term debt, less current maturities. An increase in interest rates, especially in Japan and the United States, may adversely affect our results of operations.

See “Item 5.B. Liquidity and Capital Resources—Funding Sources.”

If the value of assets for which we act as lessor, such as real property and equipment, aircraft, ocean transport vessels and rolling stock decline, we may record a significant impairment loss.

Assets for which we act as lessor, such as real property, aircraft, ocean transport vessels, rolling stock and equipment, are exposed to potential significant impairment losses due to the decline in the value of these assets. As of March 31, 2007, the value of these assets in which we act as lessor, presented on our Consolidated Balance Sheets as “Property leased to others—at cost, less accumulated depreciation,” was ¥259.2 billion. The carrying

amounts of these assets in which we act as lessor are affected by certain factors which are beyond our control such as their global supply and demand, prevailing interest rates, prices of relevant products and services and regional and/or global cyclical trends. There can be no assurance that adjustments for impairment losses with respect to such assets will not be made. Any adjustments may have an adverse effect on our financial condition and results of operations.

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

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

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

See “Item 5.A. Operating Results” and Note 14, “PENSION COSTS AND SEVERANCE INDEMNITIES,” to our consolidated financial statements.

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

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

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

Due to our significant investments in marketable equity securities of Japanese issuers, a substantial decline in the Japanese stock market, as experienced in the past, could negatively affect our investment portfolio.

A significant portion of our investment portfolio consists of marketable equity securities of Japanese issuers. At March 31, 2007, our marketable equity securities were carried at a fair value of ¥861.5 billion. Among others, Mitsui’s marketable equity securities of Japanese issuers amounted to ¥571.5 billion, representing 62.6% of the fair value of our total available-for-sale securities and 5.8% of our total assets. Volatility and decline in the Japanese equity securities market could negatively impact the value of our investment portfolio and our results of operations and financial condition.

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

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

We are engaged in various types of businesses worldwide which expose us to risks associated with fluctuations in commodity prices, the supply and demand of commodities, foreign exchange rates and interest rates, in addition to risks associated with regional political and economic instabilities. Furthermore, some of our business activities may be exposed to concentration risk in particular industries located in specific regions or countries. For example:

- In Russia and Brazil, we have significant size of interests in the exploration, development and production of mineral resources and energy.
- In Indonesia, we actively participate in infrastructure projects, including the operation of power plants, and maintain a nationwide motorcycle retail finance business.

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

For more information, see “Energy Segment”, “Iron & Steel Raw Materials and Non-Ferrous Metals Segment” and “Machinery & Infrastructure Projects Segment” of “Item 4.B. Business Overview.”

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

As of March 31, 2007, we had 373 consolidated subsidiaries and 192 associated companies. We have been continuously restructuring underperforming businesses of our consolidated subsidiaries and associated companies from the viewpoint of operational efficiency as well as profitability. If we fail to successfully eliminate or restructure our underperforming subsidiaries and associated companies in a timely manner or if these efforts fail to improve our business operations as contemplated, our business operations may become less efficient and our results of operations may be adversely affected.

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

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

- the operational success is critically dependent on factors that are beyond our control such as the financial condition and performance of the partner companies or the strategic investees; or
- with respect to certain associated companies, we may fail to exercise adequate control over the management, operations and assets of the companies in which we invested or may fail to make major decisions without the consent of other shareholders or participants due to lack of common business goals and strategic objectives with our alliance partners.

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

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

Reflecting rising prices of mineral resources and oil and gas in recent years, exploration, development and production of mineral resources and oil and gas are gaining in importance to our operating results. Mining and oil and gas projects involve risks, for example:

- development of projects may face schedule delays or cost overruns due to difficulties in technical conditions, procurement of materials, financial conditions and government regulations;
- reserves are estimated based on available geological, technical, contractual and economic information, therefore actual development and production may significantly differ from originally estimated reserves; and
- reserve replacement, on which future production will depend, may not be successfully implemented due to uncertainties such as failures in exploration or negotiations for acquisitions of known reserves with their owners.

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

For more information, see "Iron & Steel Raw Materials and Non-Ferrous Metals Segment" and "Energy Segment" of "Item 4.B. Business Overview."

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

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

- stronger business associations and relationships with our customers, suppliers and business partners in both domestic and global markets; or
- stronger global network and regional expertise, diversified global customer bases, greater financial engineering skills and market insights.

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

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

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

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

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

- require us to perform site clean-ups;
- require us to curtail or cease certain operations;
- impose fines and payments for significant environmental damage;
- require us to install costly pollution control equipment; and
- require us to modify our operations.

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

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

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

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

- tariffs for products and services that we provide;
- technical specifications with respect to environmental regulations;
- income tax and duty rates; and
- foreign exchange controls with respect to repatriation of investments and dividends.

Furthermore, while we are involved in the exploration, development and production activities through various contractual arrangements, there is no assurance that the contracts will be upheld or extended when they expire. Moreover, there can be no assurance that the regulatory bodies of these areas will not unilaterally interfere and alter the contractual terms of our oil and gas operations involving production rates, pricing formulas, royalties, environmental protection cost, land tenure or otherwise. If these regulatory bodies unilaterally alter such contractual terms or if we are unable to comply with any new laws and regulations, our business, operating results and financial condition could be adversely affected. Furthermore, we could incur substantial additional costs to comply with any new laws and regulations.

See “Item 4.B. Business Overview—Government Regulations.”

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

Due to our size, as well as the operational and geographic breadth of our activities, our day-to-day operations are necessarily de-centralized. As a result, we cannot fully ensure that our employees comply with all applicable laws and regulations as well as our internal policies. For example, our employees may engage in unauthorized trading activities and exceed the allotted market risk exposure for various commodities or extend an unauthorized amount of credit to a client, which, in either case, may result in unknown losses or unmanageable risks. Moreover, our employees could engage in various unauthorized activities prohibited under the laws of Japan or other jurisdictions to which we are subject, including export regulations, anticorruption laws, antitrust laws and tax regulations. There can be no assurance that the efforts we undertake to ensure employees’ compliance with applicable laws and regulations as well as our internal policies will succeed in preventing misconduct by our employees. Depending on its nature, employees’ misconduct could have negative effects on our results of operations and reputation.

See “Compensation and Other Charges Related to DPF Incident” of “Item 5.A. Operating Results.” And also see “Item 15. Controls and Procedures” for the details of naphtha trading losses at Mitsui Oil (Asia) Pte. Ltd. in Singapore during the year ended March 31, 2007.

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

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

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

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

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

Item 4. Information on the Company.

A. History and Development of the Company.

History

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

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

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

During the 1960s, the Japanese government promoted trade with foreign countries and deregulated Japanese capital markets, which led to high growth of the Japanese economy. We played a pivotal role in promoting the growth of certain basic industries by supplying foods, industrial raw material and energy such as oil and coal from abroad. This included the development of mineral resources overseas, nurturing markets for Japanese exports and introducing various new technologies. We established Mitsui & Co. (U.S.A.), Inc. in April 1966, and Mitsui Knowledge Industry Co., Ltd. in October 1967. In May 1963, we issued American Depositary Shares which were subsequently listed on The NASDAQ National Market in February 1971.

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

During this period, we suffered losses with respect to a joint venture project we entered into in connection with Iranian petrochemicals. These losses were a result of the petrochemical manufacturing complex being damaged by military attacks, causing the project to finally be dissolved in 1991.

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

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

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

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

Medium-Term Strategic and Financial Plan to March 2006

In May 2004, Mitsui formulated and announced the Medium-Term Strategic and Financial Plan for the two years to March 31, 2006, aiming at a solid foundation for sustainable longer-term growth. The plan called for investments in the amount of ¥500 billion (including ¥100 billion in property and equipment) over the two year period to March 2006, mainly in our core areas of strength, namely mineral resources, including expansion of iron ore and coal mines in Australia, and energy, including the Sakhalin II LNG and oil development project in Russia and the Enfield oil project in Western Australia, and infrastructure project businesses, including our power producing business. It also called for developing other key areas, such as consumer products and services businesses. The investing activities resulted in net cash outflows of ¥347.3 billion and ¥224.0 billion for the years ended March 31, 2006 and 2005, respectively.

Medium-Term Management Outlook Announced in May 2006

Following the completion of the period covered by the Medium-Term Strategic and Financial Plan to March, 2006, Mitsui established and announced a new Medium-term Management Outlook in May 2006, based on a company-wide consideration of the business activities that we should develop over the next three-to-five years as below:

Development of Strategic Business Portfolio

We developed key policies based on dividing our business into the four areas outlined below. In working toward our vision for the next three to five years, we intended to make investments of approximately ¥800 billion over two years ending March 2008.

- In mineral resources and energy, we intend to complete the development of large-scale projects such as Sakhalin II, and to expand existing projects such as our LNG project in Western Australia and iron ore and coal production in Australia, while investing selectively in high-quality new projects.
- In the area of global marketing networks, particularly in steel products, chemical products and machinery, we provide and refine supply chain management (“SCM”) and other sophisticated functions. We will focus on the automobile, IT and energy businesses, and focus on developing areas through collaboration among operating segments outside Japan, particularly Asia.
- In the consumer service area, we plan to create closer collaboration by bringing together the Lifestyle, Consumer Services and Information, Electronics & Telecommunication business units, and to focus on developing businesses that have the potential to become future earnings sources.
- In the infrastructure area, we plan to invest selectively in high-quality projects, mainly in power generation, water supply, energy and transportation.

For further information, including the development of investing activities as of March 31, 2007, also see “Item 5.B. Liquidity and Capital Resources.”

Evolution of business models leveraging business engineering capabilities

We seek to leverage our strengths in marketing, finance and logistics, and actively promote joint operations between business units. Furthermore, we continue to make efforts to develop new business opportunities, for example:

- We plan to focus on consumer-oriented services in Japan that show great potential for growth, including: media and information, health, medical and senior care, retail support and outsourcing.
- We plan to pursue business development in environment-related businesses, such as emission rights trading and recycling, along with new energy businesses, such as biomass ethanol and solar power.

Implementation of global strategies

We will focus the allocation of human resources on growth sectors in Asia, and align our strategy with our customers. We will employ and foster the development of a diverse group of personnel at overseas trading and other subsidiaries and associated companies around the world.

Capital Expenditures

See “Item 5.B. Liquidity and Capital Resources—Cash Flows” for further information. Our capital expenditures, including investments in debt securities, property and equipment and leased assets, amounted to ¥798 billion, ¥613 billion and ¥526 billion for the years ended March 31, 2007, 2006 and 2005, respectively. A breakdown is provided below.

	Billions of Yen		
	Years Ended March 31,		
	2007	2006	2005
Investments in and advances to associated companies	¥222	¥176	¥190
Acquisitions of available-for-sale securities	135	121	91
Acquisitions of held-to-maturity debt securities	0	2	2
Acquisitions of other investments	102	67	68
Additions to property leased to others and property and equipment	327	247	170
Acquisitions of subsidiaries, net of cash acquired	12	—	5
Total	<u>¥798</u>	<u>¥613</u>	<u>¥526</u>

Of additions to property leased to others and property and equipment, the following were our most significant expenditures with respect to property and equipment:

- for the year ended March 31, 2007, ¥54 billion for the acquisition of the oil and gas project in the offshore Gulf of Mexico and ¥37 billion for other oil and gas projects of the Enfield and Vincent oil field in Australia, Tui oil field in New Zealand and oil and gas project in Oman; and for the years ended March 31, 2006 and 2005, development of the Enfield crude oil project in Western Australia in the Energy Segment for ¥22 billion and ¥64 billion, respectively; and
- expansion of our iron ore and coal mines in Australia in the Iron & Steel Raw Materials and Non-Ferrous Metals Segment for ¥58 billion, ¥36 billion and ¥17 billion for the years ended March 31, 2007, 2006 and 2005, respectively.

See “Energy Segment” and “Iron & Steel Raw Materials and Non-Ferrous Metals Segment” of “Item 4.B. Business Overview.”

Additions to property leased to others included rolling stock leased to railway companies mainly in the United States and European countries, aircraft leased to global carriers and ocean vessels chartered to global shipping companies as follows:

- ¥71 billion of rolling stock for the year ended March 31, 2007;
- ¥54 billion of rolling stock and ¥8 billion of aircraft for the year ended March 31, 2006; and
- ¥9 billion of rolling stock and ¥7 billion of ocean vessels for the year ended March 31, 2005.

Investments in and advances to associated companies, and acquisitions of subsidiaries include the following capital expenditures:

Years Ended March 31,	Investee	Country	Investment Amount (Billions of Yen)
2007	Sakhalin Energy Investment Company Ltd.	Associated company Bermuda (United Kingdom)	108
	Greenfield Energy Center LP	Associated company Canada	11
	Asahi Tec Corporation	Associated company Japan	12
	Toyo Engineering Corporation	Associated company Japan	10
	Gas distribution operations in Brazil	Associated company Brazil	10
2006	Sakhalin Energy Investment Company Ltd.	Associated company Bermuda (United Kingdom)	84
	IPM Eagle LLP	Associated company United Kingdom	13
	Thai Tap Water Supply Co. Ltd.	Associated company Thailand	11
2005	Sakhalin Energy Investment Company Ltd.	Associated company Bermuda (United Kingdom)	81
	IPM Eagle LLP	Associated company United Kingdom	62
	Quintiles Transnational Japan K.K.	Associated company Japan	9
	CornerStone Research & Development, Inc.	Subsidiary United States	9

Also see “Item 4.B. Business Overview” of “Energy Segment” and “Machinery & Infrastructure Projects Segment”.

Acquisitions of available-for-sale securities included the followings:

- the acquisition of shares in Recruit Co., Ltd. for ¥27 billion for the year ended March 31, 2007. See “Item 4.B. Business Overview—Lifestyle, Consumer Service and Information, Electronics & Telecommunication Segment.”
- the acquisition of shares in Seven & i Holdings Co., Ltd in the amount of ¥50 billion for the year ended March 31, 2006. See “Item 4.B. Business Overview—Foods & Retail Segment.”

Capital expenditures are usually financed by external sources, such as commercial banking institutions.

Divestitures including those of matured debt securities amounted to ¥315 billion, ¥251 billion and ¥287 billion for the years ended March 31, 2007, 2006 and 2005, respectively. A breakdown of our divestitures is provided below.

	Billions of Yen		
	Years Ended March 31,		
	2007	2006	2005
Sales of investments in and collection of advances to associated companies	¥ 34	¥ 38	¥ 53
Proceeds from sales of available-for-sale securities	61	37	22
Proceeds from maturities of available-for-sale securities	107	52	57
Proceeds from maturities of held-to-maturity debt securities	1	2	3
Proceeds from sales of other investments	59	48	73
Proceeds from sales of property leased to others and property and equipment . . .	53	74	79
Total	<u>¥315</u>	<u>¥251</u>	<u>¥287</u>

The sales of available-for-sale securities for the years ended March 31, 2007, 2006 and 2005 mostly consisted of those of Japanese listed companies. They included the following:

- ¥15 billion from the sale of shares in Vodafone K.K., a Japanese cell-phone carrier, in response to a tender offer for the year ended March 31, 2005; and
- ¥3 billion from the sale of shares in KDDI CORPORATION, a Japanese telecommunication carrier for the year ended March 31, 2006.

Sales of property leased to others and property and equipment included the sales of rolling stock leased to railway companies mainly in the United States, aircraft leased to global airline carriers and ocean vessels chartered to worldwide shipping companies as follows:

- ¥19 billion of rolling stock for the year ended March 31, 2007;
- ¥26 billion of aircraft and ¥18 billion of rolling stock for the year ended March 31, 2006; and
- aggregately ¥17 billion of aircraft, ocean vessels and rolling stock for the year ended March 31, 2005.

Furthermore, proceeds from sales of property and equipment included:

- ¥4.1 billion from the sale of warehouses and land at Tri-Net Logistics Management, Inc. (United States) for the year ended March 31, 2007;
- ¥6 billion from the sale of Mitsui's corporate welfare facilities for the year ended March 31, 2006; and
- ¥11 billion from the sale of our office building in the United Kingdom; and ¥13 billion from the sale of Mitsui's corporate residences and dormitories in Japan for the year ended March 31, 2005.

Proceeds from maturities of available-for-sale securities and held-to-maturity debt securities were used for general corporate purposes. See "Item 5.B. Liquidity and Capital Resources—Finance and Liquidity Management."

B. Business Overview.

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

Nature of Our Operations and Principal Activities

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

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

In addition to our Head Office, Mitsui had 16 branches and offices located in Japan and 145 branches, offices and overseas trading subsidiaries⁽¹⁾ located in other parts of the world as of April 1, 2007. They provide market information to each other and cooperate in developing various business opportunities.

The U.S. Department of State designates Iran, Sudan, Syria, Cuba and North Korea as state sponsors of terrorism and subjects them to export controls. As a globally operating organization, we conduct business with customers in various countries including Iran, Sudan, Cuba and Syria. Our activities with customers in these states are insignificant when compared to our entire business (less than 1% of our consolidated revenues, gross profit and assets for the years ended March 31, 2007, 2006 and 2005) and do not, in our view, represent either individually or in aggregate, a material investment risk.

Our Iran-related operations primarily consist of business activities in which we have acted as an agent for Japanese companies such as Japanese engineering and heavy machinery companies, and assist them with various aspects of entering into and completing industrial projects in Iran. In addition, we have arranged financings provided by export credit agencies for the principals of industrial projects in Iran. Furthermore, under limited circumstances, we engaged in Iran-related business activities as a principal, where we purchased crude oil, oil products and petrochemical products from Iranian entities and sold them in Japan and elsewhere. Mitsui has only one asset located in Iran, a subsidiary which renders services to support Mitsui’s implementing the above-mentioned activities.

Our Sudan-related operations consist of sales of chemical raw materials for consumer products in which we act as an agent, where our counterparties are neither Sudanese governmental bodies nor entities engaged in oil exploration and production in the country. In the past there were insignificant amount of sales of steel pipes and purchase of sesame seeds. We have no business assets located in Sudan.

(1) In this annual report, “overseas trading subsidiary” means subsidiaries such as Mitsui & Co. (U.S.A.), Inc., which represent major portion of geographic operating segments of Americas, Europe, Asia and Other Overseas Areas. See “Products and Services and Principal Activities by Reportable Operating Segments” for further details.

Seasonality of Our Business Activities

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

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

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

Marketing Channels

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

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

Competitive Position

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

Government Regulations

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

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

We are involved in various projects involving exploration for and production of crude oil, natural gas, iron raw material and non-ferrous metals in many different countries in which we participate as a minority stakeholder and non-operator. These exploration and production activities are subject to a broad range of local

laws and regulations, which affect virtually all aspects of these activities. Contractual arrangements in connection with our oil, gas and mining activities, such as leases, licenses and production agreements are generally entered into with a government entity or a government owned company. See “Iron & Steel Raw Materials and Non-Ferrous Metals Segment” and “Energy Segment” of “Products and Services and Principal Activities by Reportable Operating Segments” below.

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

Governmental Regulations with Respect to Infrastructure Projects

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

Governmental Regulations with Respect to Human Health and Environment

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

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

Products and Services and Principal Activities by Reportable Operating Segments

For the year ended March 31, 2007, we had twelve reportable operating segments which consisted of eight products and services focused reportable operating segments and four region-focused reportable operating segments listed as below:

Our eight products and services focused operating segments were:

- Iron & Steel Products
- Iron & Steel Raw Materials and Non-Ferrous Metals

- Machinery & Infrastructure Projects
- Chemical
- Energy
- Foods & Retail
- Lifestyle, Consumer Service and Information, Electronics & Telecommunication
- Logistics & Financial Markets

Our four region-focused operating segments were:

- Americas
- Europe
- Asia
- Other Overseas Areas

For information on the composition of our products and services focused reportable segments and region-focused reportable operating segments, also see “Item 5.A. Operating Results—Operating Results by Operating Segment.”

Gross Profit, Operating Income (Loss) and Net Income (Loss) by reportable operating segment for the years ended March 31, 2007, 2006 and 2005 were as follows⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾:

Gross Profit:

	In Billions, Except Percentages					
	Years Ended March 31,					
	2007		2006		2005	
Iron & Steel Products	¥ 57.8	6.4%	¥ 54.4	6.6%	¥ 47.3	6.7%
Iron & Steel Raw Materials and Non-Ferrous						
Metals	122.3	13.5	110.8	13.5	74.2	10.5
Machinery & Infrastructure Projects	108.0	12.0	90.6	11.1	82.9	11.7
Chemical	103.1	11.4	97.8	12.0	87.1	12.3
Energy	112.5	12.4	84.7	10.4	72.6	10.3
Foods & Retail	81.3	9.0	79.9	9.8	85.3	12.0
Lifestyle, Consumer Service and Information,						
Electronics & Telecommunication	130.0	14.4	128.4	15.7	121.7	17.2
Logistics & Financial Markets	60.5	6.7	51.4	6.3	46.7	6.6
Americas	64.7	7.2	61.6	7.5	49.9	7.0
Europe	23.3	2.6	22.4	2.7	20.6	2.9
Asia	27.6	3.1	27.4	3.3	21.8	3.1
Other Overseas Areas.	5.3	0.6	4.9	0.6	4.0	0.6
Total	<u>896.4</u>	<u>99.3</u>	<u>814.3</u>	<u>99.5</u>	<u>714.1</u>	<u>100.9</u>
All Other	4.4	0.5	7.1	0.9	12.4	1.8
Adjustments and Eliminations	2.9	0.2	(3.1)	(0.4)	(18.3)	(2.7)
Consolidated Total	<u>¥903.7</u>	<u>100.0%</u>	<u>¥818.3</u>	<u>100.0%</u>	<u>¥708.2</u>	<u>100.0%</u>

Operating Income (Loss)*:

	In Billions, Except Percentages					
	Years Ended March 31,					
	2007		2006		2005	
Iron & Steel Products	¥ 25.6	8.3%	¥ 26.5	9.9%	¥ 16.3	8.6%
Iron & Steel Raw Materials and Non-Ferrous Metals	98.7	32.0	87.2	32.5	51.9	27.3
Machinery & Infrastructure Projects	20.9	6.8	21.7	8.1	21.6	11.3
Chemical	35.3	11.4	34.0	12.7	24.5	12.9
Energy	73.9	23.9	52.0	19.4	35.4	18.6
Foods & Retail	10.9	3.5	9.1	3.4	17.8	9.3
Lifestyle, Consumer Service and Information, Electronics & Telecommunication	20.3	6.6	25.0	9.3	24.0	12.6
Logistics & Financial Markets	24.2	7.8	17.6	6.6	18.5	9.7
Americas	21.3	6.9	21.7	8.1	14.7	7.7
Europe	3.1	1.0	4.3	1.6	2.6	1.4
Asia	9.6	3.1	10.7	4.0	7.8	4.1
Other Overseas Areas	(0.2)	(0.1)	1.0	0.4	0.4	0.2
Total	343.6	111.2	310.8	116.0	235.5	123.7
All Other	(4.3)	(1.4)	(3.2)	(1.2)	(0.6)	(0.3)
Adjustments and Eliminations	(30.4)	(9.8)	(39.4)	(14.8)	(44.5)	(23.4)
Consolidated Total	¥308.9	100.0%	¥268.2	100.0%	¥190.4	100.0%

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

Net Income (Loss):

	In Billions, Except Percentages					
	Years Ended March 31,					
	2007		2006		2005	
Iron & Steel Products	¥ 20.6	6.8%	¥ 19.4	9.6%	¥ 11.6	9.6%
Iron & Steel Raw Materials and Non-Ferrous Metals	103.8	34.4	54.7	27.0	35.4	29.2
Machinery & Infrastructure Projects	33.6	11.1	30.6	15.1	20.9	17.3
Chemical	19.3	6.4	12.1	6.0	(6.9)	(5.7)
Energy	70.2	23.3	40.9	20.2	42.8	35.3
Foods & Retail	(12.3)	(4.1)	(3.2)	(1.6)	10.6	8.8
Lifestyle, Consumer Service and Information, Electronics & Telecommunication	16.6	5.5	17.5	8.6	11.8	9.7
Logistics & Financial Markets	14.6	4.8	13.4	6.6	11.8	9.7
Americas	16.9	5.6	12.6	6.2	12.3	10.2
Europe	3.8	1.3	4.2	2.1	2.7	2.2
Asia	7.9	2.6	9.3	4.6	8.0	6.6
Other Overseas Areas	14.4	4.8	14.3	7.1	5.8	4.8
Total	309.4	102.5	225.8	111.5	166.8	137.7
All Other	5.9	2.0	11.8	5.8	4.7	3.9
Adjustments and Eliminations	(13.8)	(4.5)	(35.2)	(17.3)	(50.4)	(41.6)
Consolidated Total	¥301.5	100.0%	¥202.4	100.0%	¥121.1	100.0%

Notes:

- (1) The figures for “Consolidated Total” for the years ended March 31, 2006 and 2005 have been reclassified to conform to the change in current year presentation for discontinued operations, in accordance with Statement of Financial Accounting Standards (“SFAS”) No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets.”

- (2) “All Other” includes business activities which primarily provide services, such as financing services, and operations services to external customers, and/or to us and associated companies.
- (3) Net loss of “Adjustments and Eliminations” includes income and expense items that are not allocated to specific reportable operating segments, such as certain expenses of corporate departments, and eliminations of intersegment transactions.
- (4) Transfers between operating segments are made at cost plus a markup.

Iron & Steel Products Segment

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

- 19 subsidiaries including Mitsui Bussan Construction Materials Co., Ltd. (Japan), SINTSUDA CORPORATION (Japan) and Regency Steel Asia Pte Ltd. (Singapore); and
- 16 associated companies including Nippon Steel Trading Co., Ltd. (Japan) and Shanghai Bao-Mit Steel Distribution Co., Ltd. (China).

Gross profit and net income for this segment for the year ended March 31, 2007 were ¥57.8 billion or 6.4% and ¥20.6 billion or 6.8% of our consolidated total, respectively.

Iron and steel products are used in a wide range of industries including the automobile, electronics, transportation, construction and energy sectors. We have served our customers in these industries worldwide and provided support services for Japanese steel makers. The Iron & Steel Products Business Unit conducts manufacturing, trading, marketing, processing and distribution of:

- steel sheet for automobile and electric appliances, steel plates for shipbuilding and heavy electric machinery, galvanized steel products and tin material and products;
- steel products for oil and gas projects including oil well tube and line pipe;
- wire rod, specialty steel and bearing;
- steel bars and other steel construction materials; and
- semi-finished items including steel slabs to be processed into steel plates and steel billets to be processed into steel bars and wire rods.

This business unit has made investments in subsidiaries and associated companies including coil centers as bases for processing and distribution; steel makers as manufacturing bases; and steel product specialized trading companies. For example:

- This business unit owns Regency Steel Asia Pte Ltd. (Singapore), a steel products wholesaler. The acquisition was made in the year ended March 31, 2004, with the aim to expand wholesale operations in the rapidly growing steel products markets in Asia.
- This business unit also focuses on business opportunities in Russia and in India among others, by setting up joint ventures with local business entities and creating our service networks such as coil centers.

In the steel products business, both manufacturers and users are large-scale and sophisticated organizations. As low value added intermediation between these entities is no longer sufficient to serve their needs, the business unit has developed its services based on the proprietary SCM network by making use of accumulated IT and logistics expertise. By working closely with manufacturers and users, we optimize distribution and inventory control, thus sharing with customers and suppliers the benefit of associated cost reductions. For example:

- We have established steel service centers, galvanized steel plants and tin-plating facilities at our subsidiaries and/or joint ventures with Japanese and overseas steel makers and other local partners in

order to meet the rising demand from manufacturers of automobiles, electric appliances and heavy electric machinery that have transplanted their production centers to the United States, Southeast Asia and China. The most representative case is Shanghai Bao-Mit Steel Distribution Co., Ltd. (China), a joint venture established in 2002 with Shanghai Baosteel Group Corporation, a Chinese integrated steel manufacturer, in order to build a network of steel products service centers in China. Through this joint venture, we have been setting up SCM network by integrating service centers within China improving operational efficiency; and have been actively pursuing additional investments.

- We frequently draw upon the unit's logistics expertise in delivering a wide range of materials and products in large volume under optimized schedule along with expertise in project financing. We also take advantage of the business relationships and marketing channels of other business units in the fields of energy, industrial plants, shipping and machinery. This enabled us to be involved in various industrial projects including the construction of oil and gas pipeline projects such as the Sakhalin project where we supplied steel structure; and Yemen LNG project operated by TOTAL (46km transfer line) where we supplied high grade steel pipe.

Some competitors of this business unit, other Japanese trading companies, have reorganized their businesses and established new joint ventures, such as Marubeni-Itochu Steel Inc. and Metal One Corporation in their efforts to achieve low-cost operations through economy of scale. In contrast, this business unit puts priority in efficiently leveraging business resources of other operating segments through groupwide collaborations. In order to increase competitiveness as well as pursuing strategic business opportunities, the Iron & Steel Products Business Promotion Division within this business unit, specializes in investments in steel-related enterprises, particularly joint investments in response to the needs from steel users and steel manufacturers in Japan and overseas, strengthening ties with Japanese steel makers and wholesalers through collaboration in sales of products, procurement of raw materials and equity investments. Furthermore, this business unit concentrates on achieving low-cost operations in the domestic market which has been already mature, through spin-off and other business reorganizations.

In July 2006, Mittal Steel Company N.V. and Arcelor S.A., both of which were one of the world largest integrated steel manufacturers, agreed to merge. We have been carefully watching reorganizations in the global steel industry. We have observed that operational optimization through reorganization of integrated steel manufacturers tends to contribute to the stabilization of steel prices. In newly developing countries such as China and India, an increase in local steel demand and an increase in local steel production are ongoing in tandem, providing a definite forecast on the global supply-demand balance in the future becomes extremely difficult. Continuously offering efficient SCM services is still a key for this business unit to survive in such worldwide reorganization of steel industry.

Iron & Steel Raw Materials and Non-Ferrous Metals Segment

The Iron & Steel Raw Materials and Non-Ferrous Metals Segment consists of one business unit, the Iron & Steel Raw Materials and Non-Ferrous Metals Business Unit. This segment has:

- 17 subsidiaries, including Mitsui Iron Ore Development Pty. Ltd. (Australia), Sesa Goa Limited (India), Mitsui Itochu Iron Pty. Ltd. (Australia), Mitsui Coal Holdings Pty. Ltd. (Australia), Japan Collahuasi Resources B.V. (Netherlands), Raw Materials Development Co. (United States), Mitsui Bussan Raw Materials Development Corp. (Japan) and MITSUI BUSSAN METALS SALES CO., LTD. (Japan); and
- 12 associated companies, including Valepar S.A. (Brazil), BHP Mitsui Coal Pty., Ltd. (Australia), NIPPON AMAZON ALUMINUM CO., LTD. (Japan) and SUMIC Nickel Netherlands B.V. (Netherlands).

Gross profit and net income for this segment for the year ended March 31, 2007 were ¥122.3 billion or 13.5% and ¥103.8 billion or 34.4% of our consolidated totals, respectively.

Effective April 1, 2007, the former Iron & Steel Raw Materials and Non-Ferrous Metals Segment was renamed as Mineral & Metal Resources Segment, by transferring businesses of coal, nuclear fuels, carbon credits, and hydrogen and fuel cell to the Energy Segment.

This business unit is engaged in various business activities including:

- trading, investment, logistics management and transportation services related to iron and steel raw materials, such as iron ore, coal, steel scrap, ferro-alloys and other minerals; and
- trading, investment, transportation and processing of non-ferrous metal ores and ingots such as copper, lead, zinc, tin, nickel, aluminum, magnesium, cobalt, titanium, other non-ferrous metals; sales and marketing of semi-fabricated non-ferrous products such as construction materials; and agent activities in the nuclear fuel import business.

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

The following tables provide information on our investments in iron ore and coal resource projects. For more information on our mining activities including production and reserves, See “Item 4.D. Property, Plants and Equipment—Mining Activities.”ⁱ⁾

IRON ORE

Joint Venture or Investee ⁽¹⁾	Mitsui's Subsidiary or Associated Company ⁽²⁾	Name of Mines ⁽³⁾	Location	Mitsui's Percentage of Ownership	Other Major Participants and Their Percentages of Ownership	
Robe River Iron Associates	Mitsui Iron Ore Development Pty. Ltd.	Pannawonica West Angelas	Pilbara Region, Western Australia	33.00%	Rio Tinto	53.00%
					Nippon Steel	10.50%
					Sumitomo Metal Industries	3.50%
Mount Newman Joint Venture	Mitsui Itochu Iron Pty. Ltd.	Mount Whaleback	Pilbara Region, Western Australia	7.00%	BHP Billiton Itochu	85.00% 8.00%
Yandi Joint Venture	Mitsui Iron Ore Development Pty. Ltd.	Marillana Creek	Pilbara Region, Western Australia	7.00%	BHP Billiton Itochu	85.00% 8.00%
Mount Goldsworthy Joint Venture	Mitsui Iron Ore Development Pty. Ltd.	North Area (Yarrie) (Nimingarra) Area C	Pilbara Region, Western Australia	7.00%	BHP Billiton Itochu	85.00% 8.00%
Sesa Goa Limited	Sesa Goa Limited	Codli Sonshi Chitrandurga Hospet	Goa, India Karnataka India	51.00%	(publicly listed company)	

- i) In April 2007, this business unit sold its entire stake in Sesa Goa Limited. Iron ore mining businesses remains our core business, and we will continue to engage in acquisition of promising iron ore mine interests and enhancement of existing mining operations in production capacity and operational efficiency.

COAL

Joint Venture or Investee ⁽¹⁾	Mitsui's Subsidiary or Associated Company ⁽²⁾	Name of Mines ⁽³⁾	Location	Mitsui's Percentage of Ownership	Other Major Participants and Their Percentages of Ownership	
BHP Mitsui Coal Pty. Ltd.	BHP Mitsui Coal Pty. Ltd.	Poitrel South Walker Creek	Queensland, Australia	20.00%	BHP Billiton	80.00%
Bengalla Joint Venture	Mitsui Coal Holdings Pty. Ltd.	Bengalla	New South Wales, Australia	10.00%	Rio Tinto Wesfarmers Taiwan Power	40.00% 40.00% 10.00%
Kestrel Joint Venture	Mitsui Coal Holdings Pty. Ltd.	Kestrel	Queensland, Australia	20.00%	Rio Tinto	80.00%
Dawson Joint Venture	Mitsui Coal Holdings Pty. Ltd.	Dawson	Queensland, Australia	49.00%	Anglo American	51.00%
German Creek Joint Venture	Mitsui Coal Holdings Pty. Ltd.	German Creek	Queensland, Australia	30.00%	Anglo American	70.00%

(1) The term "Investee" refers only to Sesa Goa Limited and BHP Mitsui Coal Pty. Ltd.

(2) "Mitsui's Subsidiary or Associated Company" indicates names of the companies through which we own our interests in the joint ventures or the investee. Sesa Goa Limited is a Mitsui's subsidiary in which we own a 51% voting share. BHP Mitsui Coal Pty. Ltd. is a Mitsui's associated company in which it directly owns a 20% voting share.

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

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

In addition to the above-mentioned mining interests, we have a 15% ownership interest (or 18.24% in terms of voting shares as of March 31, 2007), of Valepar S.A. (Brazil), the controlling shareholder of Companhia Vale do Rio Doce ("CVRD") in Brazil. CVRD is a mining enterprise with operations that include mining of iron ore and other raw non-ferrous metals. We purchased the ownership interest in Valepar S.A. in September 2003.

Revenues from mineral producing activities accounts for a significant portion of this business unit. The table below sets forth the break down of revenues of the Iron & Steel Raw Materials and Non-Ferrous Metals Business Unit.

Years Ended March 31,	Revenues			
	Billions of Yen			
	Revenues from Sales of Products		Revenues from Sales of Services	Total Revenues
	Revenues from Mineral Producing Activities	Revenues from Sales of Other Products(*)	Commissions and Trading Margins on Intermediary Services	
2007	¥172.3	¥148.7	¥26.7	¥347.7
2006	141.3	142.0	22.0	305.3
2005	88.0	134.3	18.5	240.8

(*) Revenues from sales of other products mainly consist of sales of scrap metals and non-ferrous metals such as copper and aluminum.

We are also engaged in steel scrap stock inventory operations by Pacific Coast Recycling, LLC in the West Coast of the United States. Reflecting the demand growth, especially from Asia, this steel scrap export terminal has been an increasingly important facility. Pacific Coast Recycling, LLC is wholly owned by our subsidiary, Raw Materials Development Co. (United States) ⁱⁱ⁾.

We participate in a joint venture which produces Silico-Manganese in the Inner Mongolia Autonomous Region, China, together with Erdos Electrical Power and Metallurgical Co., Ltd. (“Erdos EPM”) and JFE Steel Corporation, a major Japanese integrated steel manufacturer. This project started production of Silico-Manganese in July 2006 with an annual production capacity of 75,000 tons at its initial stage. Erdos EPM operates four major businesses in the Inner Mongolia Autonomous Region: power generation, coal mining, ferrous alloy production and water pumping from the Yellow River. In September 2006, this business unit reached a basic agreement with Erdos EPM to acquire 25% of its share ownership ⁱⁱⁱ⁾.

We have been operating joint venture projects to meet the increasing demand for iron and steel raw materials in Japan and abroad. POSCO Terminal Co., Ltd. is the representative case which we established in January 2003 as a joint venture with POSCO, an integrated steel manufacturer in Republic of Korea. It provides logistics services including bulk material transportation, storage and transshipment involving iron and steel raw materials for various customers in Asia.

As one of new business areas, we have been developing carbon credits business based on the framework of Kyoto Protocol and implementing Clean Development Mechanism (“CDM”) projects. CDM is an arrangement under the Kyoto Protocol allowing industrialized countries with a greenhouse gas reduction commitment to invest in emission reducing projects in developing countries as an alternative to what is considered more costly emission reductions in their own countries.

In non-ferrous metals field, we have been engaging in trading of copper, nickel, cobalt, aluminum ingots and other non-ferrous metal materials. We are also expanding our investments and participation in various non-ferrous metals mining and smelting projects to secure stable sources of supply. For example:

- We participate in Compania Minera Dona Ines de Collahuasi SCM (Chile), a copper mine development project, in which we hold a 7.43% interest. The project, which commenced commercial production in 1998, has been developed jointly with Anglo American Plc and Falconbridge Ltd. and has an annual production capacity of about 500,000 tons of copper. In addition, we have a 1.25% interest in Minera Los Pelambres in Chile whose production capacity is about 360,000 tons of copper per annum.
- We participate in a nickel-cobalt smelting project at Rio Tuba area in the Republic of Philippines which has been developed jointly with Sumitomo Metal Mining Co., Ltd., Sojitz Corporation and a local partner. This project started commercial production of nickel-cobalt mixed sulfide in April 2005 using a high-pressure acid leaching process, an advanced processing technology for nickel production, and has reached its design capacity (10,000 ton Nickel content and 700 ton cobalt content per annum) in March 2006. In February 2007, we decided to participate in the expansion plan for the second production line to double the production capacity. In April 2005, we, jointly with Sumitomo Metal Mining Co., Ltd., concluded an agreement for participation in the Goro Nickel Development Project in New Caledonia, which has been developed by former Inco Limited, currently CVRD Inco Ltd. The plant construction of this project is expected to be completed by the end of 2008 and to produce in total about 60,000 tons of nickel and about 5,000 tons of cobalt per annum.

ii) In addition, this business unit acquired approximately 19.9999% of the issued ordinary shares of Sims Group Limited (Australia), a scrap metal recycler with worldwide operating bases in Europe and the United States as well as in Australia, its main operating zone, for ¥61.2 billion.

iii) In April 2007, this business unit completed the acquisition of 25% share ownership in Erdos EPM.

- We have a 15.04% interest in Nippon Amazon Aluminum Co., Ltd.(Japan) which has invested in aluminum smelting and alumina refining business in Brazil. On June 30, 2006, our subsidiary Mitalco Inc. (United States) reached an agreement to sell its 32 percent stakes in Intalco and Eastalco aluminum smelters to Alcoa Inc. However, this business unit continues to pursue new investment opportunities as well as investments for expansions of existing production bases in aluminum as one of its core business.

Machinery & Infrastructure Projects Segment

The Machinery & Infrastructure Projects Segment consists of the Infrastructure Projects Business Unit and the Machinery Business Unit.

Gross profit and net income for this segment for the year ended March 31, 2007 were ¥108.0 billion or 12.0% and ¥33.6 billion or 11.1% of our consolidated totals, respectively.

The Machinery & Infrastructure Projects Segment holds 73 subsidiaries, including:

- MBK Project Holdings Ltd. (Japan), Mitsui & Co. Project Corp. (Japan), Mitsui Power Ventures Limited (United Kingdom), Mitsui Rail Capital Holdings, Inc. (United States), Mitsui Rail Capital Participacoes Ltda. (Brazil) and Mitsui Gas e Energia do Brasil Ltda. (Brazil) in the Infrastructure Projects Business Unit; and
- Toyota Chile S.A. (Chile), PT. Bussan Auto Finance (Indonesia), Mitsui Automotive Europe B.V. (Netherlands) and Lepta Shipping Co., Ltd. (Liberia) in the Machinery Business Unit.

Additionally it has 58 associated companies such as:

- IPM Eagle LLP (United Kingdom), P.T. Paiton Energy (Indonesia) and, Toyo Engineering Corporation (Japan) in the Infrastructure Projects Business Unit; and
- Toyota Canada Inc. (Canada), United Auto Group, Inc. (United States), PT. Yamaha Indonesia Motor Manufacturing (Indonesia), ASahi TEC CORPORATION (Japan) and Komatsu Australia Pty. Ltd. (Australia) in the Machinery Business Unit.

Infrastructure Projects Business Unit

The business activities of the Infrastructure Projects Business Unit (formerly the Power, Transportation & Plant Projects Business Unit) together with 30 subsidiaries and 17 associated companies cover a wide range of involvement in project implementation and related services, including:

- electric power projects such as power plants, power transmission and substation facilities;
- energy related projects such as oil and gas development projects, oil refineries, LNG manufacturing facilities and pipelines;
- water supply projects such as desalination plants, wastewater processing facilities and water supply and sewerage facilities;
- railway transportation-related business such as rolling stock and railway facilities and systems;
- social infrastructure projects such as construction of airport, port facilities, road and other public facilities;
- basic industry projects such as iron, non-ferrous metals, chemical plants; and.
- environment-related projects such as waste disposal and recycling plants.

We are undertaking various projects that may stimulate economic growth in developing countries and countries rich in natural resources. In response to their needs, we apply our project engineering capabilities and expert knowledge in financing, logistics, taxation and legal affairs. This business unit often arranges financing for projects by international financial institutions and export credit agencies worldwide. Moreover, it from time to time provides loans or issues guarantees on behalf of the project owners.

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

- In the Commonwealth of Independent States (“CIS”), the Middle East, Brazil and Indonesia, we have been engaged in the structuring and the arrangement of debt and equity project financing for various natural gas and/or oil projects. Together with export credit agencies and commercial banks, we also extended loans to project participants.
- We have acted as the Engineering, Procurement and Construction (“EPC”) contractor for various oil and gas production projects and for the construction of infrastructure facilities including power plants and petrochemical plants in which we procured manufacturing equipment from Japanese and overseas subcontractors.
- For the Taiwan High Speed Rail project, we are the commercial leader of a consortium consisting of Japanese railway car manufacturers and general trading companies, which supplied rolling stock and transportation facilities.

This business unit is increasing activities which facilitate the implementation of projects. These activities go beyond the conventional EPC approach of acting as an intermediary between project owners and sub-contractors. Instead, these activities often involve arrangement of sophisticated financing schemes, risk sharing through equity participation and operation and maintenance of plant and facilities after their construction completion. Based on this concept, the unit has been proactively investing in certain related infrastructure projects including the acquisition of independent power producer (“IPP”) overseas. For example:

- IPM Eagle LLP (United Kingdom), which we established jointly with International Power plc, is the core operation of our overseas power producing businesses. In December 2004, we, together with International Power plc, purchased the international power generation portfolio (nine power plants in total 4,514 megawatt as of March 2005) of Edison Mission Energy. Since then, IPM Eagle LLP has held and managed these power generation businesses. In July 2005, IPM Eagle LLP acquired the Saltend 1,200 megawatt combined cycle power plant in the United Kingdom ⁱ⁾.
- We have formed a joint venture with Calpine Corporation to construct, own and operate the 1,005 megawatt combined cycle power plants called Greenfield Energy Center LP (Canada). The joint venture will start commercial operation from 2008 and has already secured a 20 year Clean Energy Supply contract with Ontario Power Authority, Canada.
- We own a 36.3% voting interest in P.T. Paiton Energy (Indonesia), an Indonesian power producer, which owns a 1,230 megawatt coal fired power plant in East Java, Indonesia. P.T. Paiton Energy sells electricity to P.T. Perusahaan Listrik Negara, an electric utility company owned by the Indonesian government, under a power purchase agreement. P.T. Paiton Energy was originally established in 1994 by Mitsui and other partners including Edison Mission Energy. The original power purchase agreement was amended in December 2002.

i) In June 2007, International Power plc and Mitsui completed combination of the ownership of power generating assets in the United Kingdom. 3 power generating assets formerly owned by International Power plc and 2 power generating assets formerly owned by IPM Eagle LLP were transferred to a newly established joint venture (ownership: International Power plc 75% and Mitsui 25%).

Reflecting these developments, the combined power generation capacities for the unit's equity share in various power projects as of the end of March 2007 in operation and under construction were 2,766 megawatt and 749 megawatt, respectively. As well as the above-mentioned projects, these power generation capacities included those of Umm Al Nar in the United Arab Emirates, Tarong North Power Station in Australia and Valladolid III in Mexico.

This business unit is also engaged in the following projects:

- In January 2005, Mitsui acquired a 25% interest in the LNG terminal in Altamira, Mexico which had been owned by Royal Dutch Shell (75%) and Total (25%). The facility started operations in September 2006, providing services of receiving and regasification of LNG under a supply plan up to 5 billion cubic meters per annum of natural gas for 25 years to Comisión Federal de Electricidad, a state power company.
- In March 2006, Mitsui acquired a 35% interest in Thai Tap Water Supply Company Limited, to supply tap water to the provincial authorities near Bangkok, Thailand under 30-year water supply agreement.
- In April 2006, Mitsui acquired 100% share of Gás Participações Ltda., currently named as Mitsui Gas e Energia do Brasil Ltda. (Brazil), which participates in seven local gas distribution companies with a 24.5% interest in each, with other shareholders, Petrobras Gas S.A., and the respective state governments in Brazil.

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

- In North America, Mitsui Rail Capital Holdings, Inc. (United States) engages in freight car leasing for railway companies; and management and maintenance service of freight car and locomotive for coal transportation to power companies.
- In Brazil, Mitsui Rail Capital Participacoes Ltda. engages in finance lease of freight car for major grain firms.
- In Europe, we have two rolling stock leasing subsidiaries, Dispolok GmbH (Germany) which we acquired from Siemens Aktiengesellschaft in October 2006; and Mitsui Rail Capital Europe B.V. (Netherlands) which was established in 2004, covering locomotives leasing in whole Europe.

Environmental issues are a worldwide concern. Our initiatives in this field include creating and implementing recycling systems for automobiles, electric appliances and plastic bottles made from polyethylene terephthalate. Also, we are engaged in the construction of wind power facilities and other environment-related projects such as greenhouse gas emission reduction.

Our major competitors include other Japanese general trading companies, international financial institutions, global engineering companies, construction companies and multi-national IPP's.

Machinery Business Unit

The Machinery Business Unit, together with 43 subsidiaries and 41 associated companies, is engaged in the following business activities:

- import and export, assembly and manufacturing, distribution and dealership of motor vehicles, motor cycles and their parts; retail finance; and automobile auction business;
- sales and trading of tankers, LNG carriers, container vessels, cargo vessels, Floating Storage and Offloading ("FSO") and Floating Production Storage and Offloading ("FPSO") facilities; operation of own vessels; chartering vessels; and ocean vessel related finance;
- marketing and sales of passenger aircraft and cargo aircraft, helicopters, aircraft engine, defense-related equipment and aerospace system; leasing of passenger aircraft and cargo aircraft and aircraft engine; and

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

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

In recent years, the relocation of Japan's automobile production sites from domestic locations to overseas has been accelerating, and we have diversified our activities to cope with such trend by allocating our financial and human resources strategically to prioritized areas of our motor vehicles business worldwide, such as logistics services for manufacturing components, retail operations, retail finance and auction businesses. For example:

- We have operated a subsidiary PT. Bussan Auto Finance (Indonesia), a retail finance company for Yamaha motorcycles since 1997;
- We have ownership in Penske Automotive Group, Inc., previously named as United Auto Group, Inc., an automobile dealership group in the United States, with 16.4% voting share. By combining what we learned from our involvement in Penske Automotive Group, Inc. with our knowledge of the global market, we continue to explore other opportunities to expand into retail dealership operations in developing markets such as Russia, China and India;
- We have been handling the logistics operations of automobile parts for some of Toyota's manufacturing operations in North America, Europe, India and China; and
- We acquired 20% share ownership in ASAHI TEC CORPORATION (Japan), a manufacturer of ductile iron cast parts and aluminum forged parts for major automakers in January 2007.

Our vessel and marine project related activities include marketing newly built commercial vessels to ship owners and operators in Japan and overseas, operating vessels, acting as broker for the sale and purchase of second hand vessels and for chartering vessels, and marketing equipment for vessels to shipbuilding companies.

Apart from these operations, we are engaged in energy-related marine projects, including the joint ownership and operation of FSO and FPSO facilities, and LNG vessels. In addition, we arrange various types of financing for our customers, such as syndicated loans involving international financial institutions and export credit agencies for large scale transactions. We also provide direct loans to some of our clients. In connection with our other business activities, we own and operate commercial vessels.

In our aerospace systems related activities, we provide and arrange operating leases and finance leases of passenger aircraft and cargo aircraft and aircraft engine to various airlines. We are also engaged in import and sale of helicopters and defense-related equipment.

In our construction machinery and industrial system businesses, we have been acquiring and establishing distributors and dealers in major overseas markets, in order to respond growing worldwide demand to these products. In Australia, through Komatsu Australia Pty Ltd. (Australia), an associated company, we have engaged in distribution and leasing of construction machinery and mining equipment such as dump trucks and hydraulic shovel since 2001. We have also extended these businesses in other regions, through Road Machinery, LLC (United States) acquired in 2005 and KOMEK Machinery LLC (Russia) acquired in 2006. We are also engaged in trading and distribution of high-precision machine tools, manufacturing equipment and control systems supplied by Japanese manufacturers. Jointly with FANUC LTD, we established Fanuc Roboshot Europe GmbH (Germany) in 2005, and jointly with Mori Seiki Co., Ltd, we acquired Ellison Technologies, Inc. (United States).

Above business sectors are highly competitive. Competitors include, but are not limited to, other Japanese general trading companies, international financial institutions and manufacturers of construction machinery, industrial systems and other machinery.

Chemical Segment

The Chemical Segment consists of the First Chemicals Business Unit (formerly the Organic Chemicals Business Unit) and the Second Chemicals Business Unit (formerly the Plastics & Inorganic Chemicals Business Unit).

Gross profit and net income for this segment for the year ended March 31, 2007 were ¥103.1 billion or 11.4% and ¥19.3 billion or 6.4% of our consolidated totals, respectively.

The Chemical Segment has 36 subsidiaries, including:

- P.T. Kaltim Pasifik Amoniak (Indonesia), Japan-Arabia Methanol Company Ltd. (Japan), Mitsui Bussan Solvent & Coating Co., Ltd. (Japan), Novus International, Inc. (United States) and Mitsui AgriScience International S.A./N.V. (Belgium) in the First Chemicals Business Unit; and
- Daito Chemical Co., Ltd. (Japan), Mitsui Bussan Plastics Co., Ltd. (Japan), Nippon Trading Co., Ltd. (Japan) and SALT ASIA HOLDINGS PTY. LTD. (Australia) in the Second Chemicals Business Unit.

It has 27 associated companies, including:

- Agro Kanesho Co., Ltd. (Japan) in the First Chemicals Business Unit; and
- TG Missouri Corporation (United States) and Advanced Composites Inc. (United States) in the Second Chemicals Business Unit.

First Chemicals Business Unit

Together with 17 subsidiaries and 12 associated companies, the First Chemicals Business Unit is engaged in trade, sales, distribution and production of the following commodities and related activities:

- Petrochemical businesses
 - Natural gas chemicals: methanol, ammonia
 - Basic petrochemicals: olefins, aromatics, Ethylene Dichloride (“EDC”), Vinyl Chloride Monomer (“VCM”), caustic soda
 - Petrochemicals & fiber intermediates: Para-Xylene (“PX”), Purified Terephthalic Acid (“PTA”), Monoethylene Glycol (“MEG”), Acrylonitrile (“AN”), Acetyls, Styrene Monomer (“SM”).
 - Industrial chemicals: phenol, acetone, bisphenol A, Methyl Methacrylate (“MMA”), nylon, acrylates intermediates
- Specialty chemical businesses
 - Detergent intermediates and oleochemicals, polyurethanes, colors & functional chemicals, rosin, aroma chemicals
- Life science businesses
 - Pharmaceutical, medical, animal health and nutrition, food science, bio-business
- Agri science businesses
 - Crop protection chemicals (herbicide, insecticide, fungicide, intermediates for these chemicals)

- Fertilizer businesses
 - Urea, ammonium sulfate, phosphate rock, diammonium phosphate, fused magnesium phosphate, potash

In petrochemical products areas, the unit's main activities is trading of the above-mentioned products in Japan and worldwide through extensive business relationships with customers and suppliers such as Mitsui Chemicals, Inc., Toray Industries, Inc., Tosoh Corporation, Dow Chemical Company, BP p.l.c., and Bayer Aktiengesellschaft.

We have invested in manufacturing operations and logistic facilities. For example, we have:

- a 19.25% equity share in a joint venture, International Methanol Company (Saudi Arabia), which commenced commercial operation with a production capacity of 1 million ton per annum of methanol at the end of 2004;
- an ammonia producing subsidiary, P.T. Kaltim Pasifik Amoniak (Indonesia), which has a production capacity of 0.7 million ton per annum of ammonia;
- tank terminals in Houston, the United States; Ningbo, China; Bangkok, Thailand; Johor, Malaysia; and Merak, Indonesia; and
- a subsidiary and parcel chemical tanker operator Daiichi Tanker Co., Ltd. (Japan), which runs a fleet consisting of 33 own and chartered ships serving its customers.

This business unit has been successful in earning revenues by increasing market share in certain products such as olefins, aromatics and other plastic monomers. Moreover, the steady growth of demand for petrochemicals in the world, particularly in China and other Asian countries, is driving earnings for this unit.

During the past several years, most worldwide petrochemical companies have been struggling to survive through drastic restructurings which include the reorganization of their sales structures and mergers and acquisitions. However, under the difficult environment for participants in the petrochemical market, we believe that we remain competitive with other Japanese general trading companies and plan to strengthen our market position by expanding our trade volume and market share. Our sales channels to various customers in diverse geographic areas enable us to make geographical and/or time swap arrangements. Our global logistics services network functions as a competitive advantage over other Japanese general trading companies in gaining more business transactions.

In the field of life science, this business unit handles pharmaceutical products, pharmaceutical intermediate and raw materials, food and feed additives such as amino acids and enzymes. Novus International, Inc. (United States), a feed additive manufacturing subsidiary, produces and sells amino acids. In addition, we focus on pharmaceutical manufacturing processes through Beta-Chem, Inc. (Japan), as well as on research, development and marketing in the field of biotechnology and agricultural chemicals.

In agri science business, we have extended the distribution of agricultural chemical products worldwide through subsidiaries such as Mitsui Agri Science International sa/nv (Belgium) and Mitsui Agri Science International, Inc. (United States).

In fertilizer business, we are engaged in import, export and offshore transactions involving various types of fertilizers, fertilizer raw materials and phosphoric acid derivatives. In addition, this business unit runs a fertilizer manufacturing subsidiary, Fertilizantes Mitsui S.A. Industria e Comercio (Brazil).

Second Chemicals Business Unit

The Second Chemicals Business Unit has 19 subsidiaries and 15 associated companies and is engaged in sales, trade, distribution and production of the following commodities and related activities:

- Inorganic chemical business
 - basic inorganic materials such as sulfur, sulfuric acid, salt, titanium ore and iodine
 - inorganic products such as soda ash, caustic soda, catalyst, industrial gas and titanium oxide
- Plastics business
 - electronics materials such as electrolytic copper foil, optical fiber, and high-purity chemicals employed in semiconductor production
 - plastic materials and products such as polyvinyl chloride, elastomers, polyolefin, ABS resin, engineering plastics, polystyrene, plastic food containers, wrapping materials, industrial films and carbon fiber
 - additives of plastic such as elasticizer, stabilizer and pigment
 - SCM related businesses for production and distribution of office automation equipment, cell phone and electric appliances

In the inorganic raw materials field, this business unit operates logistics systems for various industries in Japan and overseas. For example, we export sulfur, a byproduct of petroleum refining, to Asian countries, by operating specialized tankers.

In order to overcome various unfavorable economic conditions such as depletion in the supply of mineral resources or an increase in acquisition cost of raw materials from our existing suppliers, we have been seeking opportunities to participate in new supply sources. We reallocated resources by restructuring logistics operations, and built up our capabilities in sulfur, soda ash, and fiberglass materials in Asia, primarily in China.

While we have been expanding the logistics network of our salt business in China which complements our existing sea salt joint venture business in Shark Bay, Australia, Mitsui acquired a major share in the Onslow salt field in Australia in August 2006. As a result, our annual salt production capacity increased to 3.8 million tons, which enable us to secure a stable supply for the chlor-alkali industry in Japan and other Asian countries.

This business unit produced and sold proprietary diesel particulate filters (“DPF”s) for buses and trucks, which were later found out to be non-conforming to the regulatory standards of the Tokyo Metropolitan Government and seven other municipal governments. With regard to DPF data falsification discovered during the year ended March 31, 2005 and Mitsui’s responsive measures, see “Item 5.A. Operating Results—Compensation and other charges related to DPF incident.”

In the plastics field, this business unit has traditionally handled various kinds of raw plastic materials and plastic products in domestic and overseas markets. This business unit has also handled newly developed electronic materials and products as well as SCM services. We expanded SCM services for printers and liquid crystal display panels as well as reinforced our resin compound operations in China, Southeast Asia, the United States and Europe.

With the focus of economic activity shifting to Asia, this business unit enhanced its business in China. Mitsui Plastics Trading (Shanghai) Co., Ltd., an engineering plastics and related manufacturing materials sales company established in 2003, is a representative case.

This business unit has been making efforts in research and development activities. For example, with respect to development and commercialization of carbon nanotube and zeolite membranes, see “Item 5.C. Research & Development.”

In the plastic materials and products market where the scope of their usage is expanding, other Japanese general trading companies are our competitors. To maintain our competitiveness, specialized knowledge for each market and the capability to find the best technological and logistical solutions is essential.

Energy Segment

The Energy Segment consists of one business unit, the Energy Business Unit. Effective from April 2007, the Energy Business Unit was divided into Energy Business Units I and II, to build structure for comprehensive strategy based on the view for worldwide energy resources, combined with the transfer of businesses of coal, nuclear energy, carbon credits, and hydrogen and fuel cell from the former Iron & Steel Raw Materials and Non-Ferrous Metals Segment.

Gross profit and net income for this segment for the year ended March 31, 2007 were ¥112.5 billion or 12.4% and ¥70.2 billion or 23.3% of our consolidated totals, respectively.

This segment has:

- 28 subsidiaries, including Mitsui E&P Australia Pty Limited (Australia), Mittwell Energy Resources Pty., Ltd (Australia), Mitsui E&P Middle East B.V. (Netherlands), Wandoo Petroleum Pty. Ltd. (Australia), Mitsui Oil Exploration Co., Ltd. (Japan), Mitsui Gas Development Qatar B.V. (Netherlands), Mitsui LNG Nederland B.V. (Netherlands), MitEnergy Upstream LLC (United States), Mitsui E&P (USA) LLC (United States), Mitsui Sakhalin Holdings B.V. (Netherlands), Mitsui Oil Co., Ltd. (Japan), Mitsui Liquefied Gas Co., Ltd. (Japan) and Kokusai Oil & Chemical Co., Ltd. (Japan); and,
- 7 associated companies, including Japan Australia LNG (MIMI) PTY. Ltd. (Australia), Sakhalin Energy Investment Company Ltd. (Bermuda), United Petroleum Development Co., Ltd. (Japan) and Kyokuto Petroleum Industries, Ltd. (Japan).

The Energy Segment is engaged in the trading, manufacturing, development and distribution of various energy-related products including: crude oil and petroleum products such as gasoline, naphtha, jet fuel, kerosene, diesel oil, fuel oil, asphalt, petroleum coke, lubricants and liquefied petroleum gas ("LPG"), as well as natural gas and LNG.

The Energy Business Unit is engaged in numerous LNG, natural gas and oil development projects which require long lead-times for their development and implementation. We are involved in the following five LNG projects currently in operation:

- Abu Dhabi Gas Liquefaction Limited, in which we hold a 15% interest in natural gas liquefaction and LNG exporting activities, and which has some 5 million tonnes per annum LNG production capacity;
- Northwest Shelf JV ("NWS JV") in Australia, in which we hold an 8.33% interest in natural gas production and liquefaction; and LNG exporting activities, and which has some 11.7 million tonnes per annum production capacity;
- Qatar Liquefied Gas Company Ltd., in which we hold a 7.5% interest in natural gas liquefaction and LNG exporting activities, and which has some 9.6 million tonnes per annum production capacity. We also hold a 1.5% interest in Qatar Liquefied Gas Company Ltd. 3, which is expected to start production in mid 2009 with some 7.8 million tonnes per annum production capacity;
- Oman LNG L.L.C., in which we hold a 2.77% interest in natural gas liquefaction and LNG exporting activities, and which has some 6.6 million tonnes per annum production capacity; and
- Equatorial Guinea LNG Company, S.A., in which we hold a 8.5% interest in natural gas liquefaction and LNG exporting activities, and which has some 3.4 million tonnes per annum production capacity and started commercial production in May 2007.

In May 2006, the NWS JV delivered its first cargo to the LNG terminal in Guangdong, China. Also with respect to NWS JV, we made a final investment decision for the fifth train in June 2005 following the successful production start-up of the fourth LNG producing train in 2004. The capacity of this fifth train is planned to be 4.2 million tonnes per annum and is scheduled to begin in the latter half of 2008. As of March 2007, construction of the fifth-train project is progressing as scheduled. In Qatar, the debottlenecking work on the existing LNG facilities was completed in May 2005 and production capacity has increased to 9.6 million tonnes per annum in 2006. These new LNG producing capacities have been supplied to both existing and new customers. An “LNG producing train” is a set of facilities in a liquefaction plant to produce LNG from natural gas. “Debottlenecking” refers to additional investment and modification work on the existing LNG producing plants or trains to increase their production capacity by eliminating the bottleneck in existing plants or trains that restrict production capacity.

In the Sakhalin II project, we held a 25% interest in Sakhalin Energy Investment Company Ltd. (Bermuda) as of March 31, 2007⁽ⁱ⁾. Since 1999, seasonal oil production continued from the Molikpaq facility on the Astokhskoye field, offshore Sakhalin Island. In addition, Sakhalin Energy Investment Co., Ltd. announced on May 15, 2003, that it would begin the Phase II development of the Sakhalin II Project. This announcement marked the beginning of the full-scale development of the Piltun-Astokhskoye oil field aimed at year-round crude oil production, and the Lunskeye gas field, including construction of a two-train LNG plant in the south of Sakhalin Island for export to the Asia Pacific LNG markets based on long-term contracts. At its peak, the facility is expected to produce 60 million barrels per annum of crude oil and 9.6 million tonnes per annum of LNG.

The total required funds for the Phase II development of the Sakhalin II Project was revised to be US\$20 billion, double the original budget of US\$10 billion, due to increased expenses related to changes in facility design and construction delays, as well as the rising procurement costs of labor and materials. Sakhalin Energy Investment Company has been making every effort to achieve the earliest possible start of LNG shipments, which is now scheduled in the second half of 2008, and to contain costs. As of March 2007, total LNG purchase commitments from customers reached to virtually full designed production capacity of the project.

This business unit holds interests in other LNG projects which are under construction. Through our subsidiary, Overseas Petroleum Corporation (Japan), we own a 1% interest in the Tangguh LNG project in Indonesia, which is expected to start production in 2008 with production capacity being 7.6 million tonnes per annum.

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

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- (i) In April 2007, the Sakhalin II Amended Development Budget for the phase II of the project was approved by the Supervisory Board, a special committee which consists of the representatives of Russian Federation, Sakhalin Oblast, Sakhalin Energy Investment Company. And the Ministry of Natural Resources of the Russian Federation had approved the revised Environmental Action Plan (EAP) prepared by Sakhalin Energy Investment Company Ltd.

In addition, in April 2007, Mitsui, Royal Dutch Shell plc (“Shell”) and Mitsubishi Corporation (“Mitsubishi”) signed a Sale and Purchase Agreement with OAO Gazprom (“Gazprom”) to transfer the shares in Sakhalin Energy Investment Company Ltd. This transaction implements a protocol signed on December 21, 2006 in Moscow. Under its terms, the shareholders of Sakhalin Energy Investment Company Ltd. consist of Gazprom (50% plus one share), Shell (25% minus 1 share), Mitsui (12.5%) and Mitsubishi (10%). The whole purchase price was US\$7.45 billion, and Mitsui’s proportionate share was US\$1.8625 billion. Under the new combination, the four shareholders agreed to make every effort for completion of Sakhalin II project aiming at timely start-up of LNG delivery to customers in Japan, Korea, and North American West Coast who have already committed to purchase. In addition the four shareholders entered into agreement which covers future Sakhalin oil and gas exploration and production opportunities; and the building of Sakhalin II into a regional oil and LNG hub.

Oceania

The development and production projects of offshore oil fields of the Enfield and the Vincent, in which Mitsui E&P Australia Pty Limited (Australia) has participating interests, are the core projects of this business unit in terms of large scale capital expenditures next to the Sakhalin II project.

In March 2004, Mitsui E&P Australia Pty Limited (Australia) acquired a 40% interest in each of WA-28-L and exploration block WA-271-P located in the North West Shelf area in Australia, which together contained three undeveloped oil fields, Enfield, Vincent, and Laverda. The development of the Enfield Oil Field progressed according to schedule and budget and commercial production started in July 2006 with designed capacity of 100,000 barrels per day. After achieving production of 74,000 barrels per day in October 2006, one of the major production wells was shut-in due to unexpected sand production and early water breakthrough. Consequently, gross oil production remains lower than original forecast. With Woodside Energy Ltd., an operator of the project, Mitsui E&P Australia Pty Limited restudied the geological oil reservoir model and verified the plan to improve productivity, and the both parties approved the additional expenditure of approximately US\$390 million in total (our share: US\$150 million) for drilling of additional wells and work-over of existing well. Following the completion of the work-over, the average production rate during 2007 is expected to be 45,000 to 55,000 barrels per day.

Following the final investment decision in March 2006 with total development cost of approximately US\$720 million, the Vincent oil field is under development and is expected to start production in 2008.

Commercial production started at the Casino gas & condensate field offshore South Australia during February 2006 in which Mittwell Energy Resources Pty. Ltd. (Australia) participates. The final investment decision to develop the Tui area oil fields offshore North Island of New Zealand by Mitsui E&P New Zealand Limited (New Zealand) was made in November 2005. Mitsui E&P New Zealand Limited subsequently increased its participating interest in the joint venture from 12.5% to 35%⁽ⁱⁱ⁾. Participating interest to Casino gas & condensate field was transferred to Mitsui E&P Australia Pty Limited during the year ended March 31, 2007 and that of Tui area oil fields will be transferred to the same in the middle of the year ending March 31, 2008.

In May 2006, commercial production started at the Cliff Head oil field offshore Western Australia, and commissioning work started at the BassGas project (Yolla gas & Condensate field, offshore Victoria) both by Wandoo Petroleum Pty. Ltd. (Australia)⁽ⁱⁱⁱ⁾.

Southeast Asia

Mitsui Oil Exploration Co., Ltd. (Japan) has been actively engaged in oil and natural gas exploration, development and production projects in Thailand and neighboring Southeast Asian countries as well as in the Middle East. In June 2005, Mitsui Oil Exploration Co., Ltd. acquired assets of Pogo Producing Company ("Pogo") located in Thailand, a 46.34% interest in the B8/32 Concession and the adjacent Block 9A Concession located in the Gulf of Thailand, jointly with a partner in Thailand. The purchase price was US\$820 million, and it has approximately 40% share.

Together with Mitsui Oil Exploration Co., Ltd. (Japan), this business unit continues putting a high priority on expanding our oil and gas equity reserves. In March 2006, Mitsui agreed with Mitsui Engineering & Shipping Co., Ltd. to purchase 6% of the total issued shares of Mitsui Oil Exploration Co., Ltd. of which Mitsui held a 44.35% share prior to concluding the agreement. Mitsui purchased a 3% share at that time, and the remaining 3% share in March 2007, making Mitsui Oil Exploration Co., Ltd. a subsidiary of Mitsui with 50.34% voting share.

(ii) Commercial production of the Tui area oil project started with a designed production capacity of 50,000 barrels per day in July 2007.

(iii) In April 2007, Wandoo Petroleum Pty. Ltd. entered into sales agreements with ARC Energy Limited of Australia, pursuant to which Wandoo Petroleum Pty. Ltd. divested its entire Australian upstream oil and gas producing interests.

Middle East

In Oman, Mitsui E&P Middle East B.V. (Netherlands) has 35% participating interests in the Block 27 oil fields which started commercial production in June 2006 and the Block 9 oil fields in production.

North America

In April 2006, MitEnergy Upstream LLC (United States) was established by Mitsui, Mitsui & Co. (U.S.A.) Inc. and Mitsui Oil Exploration Co., Ltd., to acquire 50% share of an undivided interest in oil and gas leasehold assets of Pogo located offshore in the Gulf of Mexico. The purchase price amounted to ¥53.8 billion. More than half of total 85 blocks are currently producing oil and gas, with an approximate daily production capacity of up to 12,000 barrels of oil equivalent, thus we expect a relatively short payback period.

Reflecting the above-mentioned developing activities, our oil and gas reserves increased to 724 million barrels of oil equivalent (“BOE”) at the end of March 2007, after offsetting the decrease through production of 52 million BOE during the year ended March 31, 2007. As of March 31, 2007, the proportion of proved developed reserves to proved developed and undeveloped reserves is approximately 34%, a relatively low level. See “Item 4.D. Property, Plants and Equipment—Oil and Gas Producing Activities” and “Supplemental Information on Oil and Gas Producing Activities” to the consolidated financial statements included elsewhere in this annual report on Form 20-F.

We participate in oil and gas related joint venture activities, typically as a “non-operator” equity holder, relying on our project partner as an operator which is responsible for managing operation including the exploration, development and production of oil and gas resources. In these projects, we collaborate with partners with sufficient technical knowledge and expertise, to reduce operational risks, and have controls over focused criteria including the timing and scheduling of the development, capital expenditures, production of the reserves, and the safety and environmental standards used in connection with these joint ventures, as a non-operator. Also see the discussion on our exploration, development and production of mineral resources and oil and gas in “Item 3.D. Risk Factors.”

With respect to oil and gas exploration and production (“E&P”) business, in our view, the key to success is to constantly increase, or at a minimum maintain, certain volumes of oil and gas reserve prospects as is the common practice for international oil and gas companies. However, despite our management’s intensive focus on expanding our E&P business activities, our oil and gas reserves are still far less than that of the national oil companies of oil producing countries and major oil and gas companies. Other Japanese companies that participate in E&P activities do not commonly disclose their proved oil and gas reserves. Based on the limited proved oil and gas reserves information of other Japanese E&P companies that are publicly available, we believe that we generally have higher amounts of proved oil and gas reserves as compared to most Japanese E&P companies. Accordingly, we believe that we are competitive with other Japanese E&P companies.

We are also exploring various new business opportunities in the emerging new energy area. Mitsui expects bio-ethanol to be a crucial renewable fuel in the future, and world demand to rise significantly. In April 2006, Mitsui reached an agreement with Petróleo Brasileiro SA (“Petrobras”) to jointly carry out a feasibility study for production of bio-ethanol and related products in Brazil and for the marketing of such products in the international market. As of the date of this annual report, both parties are studying on integrated supply chain within Brazil.

The international markets for crude oil and petroleum products are highly competitive and volatile. In maintaining our competitive edge under these circumstances, it is critical for us to maintain good relationships with customers and suppliers as well as to mitigate price risks by utilizing hedging tools such as the futures markets. We are active in seeking to secure long-term offtake contracts of petroleum products such as fuel oil and condensate to be sold to worldwide companies including Japanese utility and refining companies. Long-term offtake contracts are sales and purchase contracts for various commodities, such as crude oil and petroleum products, entered into by suppliers and buyers, or “offtakers”, of such commodities for more than one year.

Concurrent with the offtake contracts, the sellers of such commodities usually enter into financing arrangements whereby the sales proceeds from such commodities are used for repayment. For example, on February, 2004, the Energy Business Unit entered into an offtake contract with PERUSAHAAN PERTAMBANGAN MINYAK DAN GAS BUMINEGRA (“PERTAMINA”), the national oil and gas company of Indonesia, and committed itself to take low sulfur waxy residue produced from PERTAMINA for a period of time, and arranged debt financing for a construction of condensate refinery and petrochemical plant totaling approximately US\$400 million, supporting the completion of the construction work and start-up of commercial production which had been suspended due to economic crisis of Indonesia. PERTAMINA has supplied us with the low sulfur waxy residue from its existing refineries and the proceeds from the sales of these products will be used as the source of debt service for the US\$400 million loan.

The Energy Business Unit is engaged in oil trading operations conducted by Mitsui and Mitsui Oil (Asia) Hong Kong Ltd. (Hong Kong, China). In February 2007, it decided to wind down Mitsui Oil (Asia) Pte. Ltd. (Singapore) and liquidate it by March 31, 2008, following a discovery of concealed significant losses on naphtha trading.

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

In the domestic refining and marketing business for oil and gas related products, we have faced severe competition from domestic oil refining and distributing companies due to the structural surplus situation for refining capacity in Japan. Kyokuto Petroleum Industries, Ltd. (Japan), Mitsui Oil Co., Ltd. (Japan) and Mitsui Liquefied Gas Co., Ltd. (Japan), our core associated company and subsidiaries for domestic oil and gas refining and marketing business activities are in relatively sound financial situations owing to the extensive restructuring of inefficient assets and work force, and are pursuing efficient and competitive operations.

Japanese Government environmental regulations stipulate that sulfur content must be reduced to 10 parts per million (“ppm”) beginning in 2007 for diesel oil and in 2008 for gasoline. Major Japanese oil refineries and distributors voluntarily started to supply 10 ppm standard products beginning in January 2005, before the restriction came into effect. To maintain a competitive position in the market, Kyokuto Petroleum Industries, Ltd. has invested in new equipment to strengthen its sulfur removal capabilities. Transformation of its diesel oil equipment was completed in April 2005 and so was gasoline equipment in February 2007.

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

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

and LNG vessels allowing them to benefit from economies of scale. These technological developments allow LNG to be more competitive with other types of energy sources.

- In response to the needs of LNG buyers, the LNG spot market has been expanding, whereby the percentage of spot trades in worldwide LNG contracts rose to 16% in 2006 from 1.3% in 1992.
- In addition to the traditional core LNG markets in Japan, the Republic of Korea and Taiwan, the market is rapidly expanding in Europe and the United States. At the same time, new markets have been emerging in countries such as China and India due to an increasing demand for electricity. Considering the sizable economies of these countries and the increasing popularity of LNG as a “clean energy” source, the LNG market has been developing rapidly worldwide.

The recent structural changes in the LNG industry, including those mentioned above, continue to have a mixed effect on our business operations. For example, due to the reduction in capital costs from technological innovations, the emergence of the spot LNG market and other factors, not only has the LNG industry become more competitive among existing energy-related companies, but it has also seen an increase of new entrants.

Foods & Retail Segment

The Foods & Retail Segment consists of one business unit, the Foods & Retail Business Unit, which has 28 subsidiaries including Wilsey Foods Inc. (United States), MITSUI FOODS CO., LTD. (Japan), Mitsui Norin Co., Ltd. (Japan), DAI-ICHI BROILER CO., LTD. (Japan), Hokushuren Company Limited (Japan) and VENDOR SERVICE CO., LTD. (Japan); and 12 associated companies including Mikuni Coca-Cola Bottling Co., Ltd. (Japan), Mitsui Sugar Co., Ltd. (Japan) and SAN-EI Sucrochemical Co., Ltd. (Japan).

Gross profit for this segment for the year ended March 31, 2007 was ¥81.3 billion or 9.0% of our consolidated totals. This segment recorded a net loss of ¥12.3 billion or minus 4.1% of our consolidated total.

The Foods & Retail Business Unit engages in:

- Import and domestic/offshore trade of wheat, barley, soybeans, corn, fats and oils, raw sugar, and rice;
- Import and domestic/offshore trade of processed foods such as canned products, frozen foods and condiments, liquor, beverages such as coffee, tea and juice, dairy products, and foodstuffs such as marine products, animal products and vegetables;
- Import and domestic trade of packaging, wrapping materials, and miscellaneous daily goods;
- Manufacturer of beverages, beverage ingredients, broiler chicken raising;
- Domestic distribution and sales through the nationwide wholesaler subsidiary MITSUI FOODS CO., LTD. (Japan); and
- Support services, such as supply chain management including logistics management, and product planning and development for retailers.

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

To secure a stable supply source, we purchase grain, oilseeds, and raw sugar from the United States, Canada, Brazil, and Australia and sell them in Japan and other Asian countries. We sell coffee to Japan and United States from our production bases primarily in Brazil. We purchase raw materials for beverages, such as tea leaves and juice, marine products, animal products, and dairy products from major supply sources around the world and deliver them primarily to Japan. We are also engaged in domestic broiler chicken raising, processing, and sales through a subsidiary DAI-ICHI BROILER CO., LTD. (Japan).

We have positioned the United States as our main base of operations and the core of our global food supply strategy. In collaboration with Mitsui & Co. (U.S.A.), Inc., this business unit has developed and maintained the following businesses:

- In the cereals and grains area, we have formed a joint venture, United Harvest, LLC, with CHS Inc., an agricultural cooperative-based company in the United States. Our exports of wheat from the United States are among the best, amounting to approximately four million tons per annum.
- Ventura Foods, LLC, another joint venture formed with CHS Inc., is one of the largest suppliers of cooking oils for the institutional market in the United States. We invest in this company through WILSEY FOODS, INC. (United States).

In food-manufacturing operations, Mitsui Norin Co., Ltd. (Japan), which became our subsidiary during the year ended March 31, 2004, is engaged in beverage business as one of the major manufacturers of tea leaves in Japan.

Competition varies depending on products in the upstream areas of grain, feed, sugar and food materials, but is primarily based on price and quality of products. Many Japanese general trading companies, international producers, and traders are competitors to varying degrees with respect to most of the food products we handle.

MITSUI FOODS CO., LTD. (Japan) plays a vital role in this unit's wholesale operations. Its wide-range business activities and customers include general merchandise stores, supermarkets, convenience stores, and catering and restaurant chains throughout Japan, focusing on processed food and liquor transactions. The Foods & Retail Business Unit is developing and strengthening its nationwide distribution chain focused on MITSUI FOODS CO., LTD., including investments and business tie-ups from Mitsui with regional wholesalers.

In the foodstuffs distribution field, the needs for reduced distribution costs, secure temperature-controlled supply, and faster delivery are becoming more sophisticated and diverse. To meet these challenges, this business unit is engaging in wholesale transactions with and providing support services to retailers. These include:

- inventory management and procurement of foodstuffs, processed foods, and packaging based on sales information obtained from retailers; and
- proposals for developing new products and services, and support in the form of traceability for securing food safety.

In April 2006, MITSUI FOODS CO., LTD. and Mitsui agreed with KOKUBU & CO., LTD., a major Japanese food wholesaler, to form a business alliance, which includes support by KOKUBU & CO., LTD. for improvement of management and operations of MITSUI FOODS CO., LTD. and cooperation in product categories to be reinforced by both companies. ¹⁾

Mitsui maintains a comprehensive alliance with Seven & i Holdings Co., Ltd., Japan's nationwide diversified retailer, which mainly engages in convenience stores, general merchandise stores, department stores, restaurant chains, retail banking service. Seven & i Holdings Co., Ltd. maintains operation in China such as SEVEN-ELEVEN (BEIJING) established in April 2004.

i) In April 2007, Mitsui agreed with Kokubu & Co., Ltd. to enter into an equity alliance in wholesale businesses of foods and liquor in Hokkaido area, Japan. The agreement includes a capital restructuring of Hokushuren Co., Ltd. (Japan), a foods and liquor wholesale subsidiary, by capital reduction and allocation of new shares to Mitsui; transfer of MITSUI FOODS CO., LTD.'s business in Hokkaido area (excluding Seven & i Holdings Co., Ltd.-related businesses) to Hokushuren Co., Ltd.; and Kokubu's purchase of 70% share in Hokushuren Co., Ltd. in October 2007.

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

- supply sundry goods and consumables, such as processed food, liquor, fast food, toys, and games, to more than eleven thousand 7-Eleven stores in Japan;
- supply food materials, containers, and packaging materials to vendors who supply boxed lunches, pre-cooked meals, and processed food to 7-Eleven stores in Japan;
- supply various temperature-controlled products to 7-Eleven stores in Japan; and
- supply cold products through the affiliate company Beijing Sanxin Refrigeration Logistics Co., Ltd. to 7-Eleven stores in Beijing.

This business unit owns 1.67% of Seven & i Holdings Co., Ltd.'s outstanding shares as of end of February 2007. This business unit purchased shares totaling ¥50 billion in Ito-Yokado Co., Ltd. and Seven-Eleven Japan Co., Ltd. in 2005 seeking to strengthen our business ties with them. Later on, in September 2005, Seven & i Holdings Co., Ltd. was established as a holding company of the Ito-Yokado Group.

Our competitors in the wholesale and retail businesses are mainly general trading companies in Japan. In the traffic area, our competitors are also traffic companies that operate third-party logistics providing customized and integrated warehousing and transportation services. In domestic wholesaling, there is fierce competition among suppliers, and we are making efforts to increase revenues and reduce logistics costs by achieving better economies of scale through mergers and acquisitions from time to time.

Lifestyle, Consumer Service and Information, Electronics & Telecommunication Segment

This segment is comprised of the Lifestyle Business Unit; the Consumer Service Business Unit; and the Information, Electronics and Telecommunication Business Unit.

Gross profit and net income for this segment for the year ended March 31, 2007 were ¥130.0 billion or 14.4% and ¥16.6 billion or 5.5% of our consolidated total, respectively.

This segment owns 41 subsidiaries including:

- Mitsui Bussan Inter-Fashion Ltd. (Japan) in the Lifestyle Business Unit;
- BUSSAN REAL ESTATE CO., LTD. (Japan) and MBK Real Estate Ltd. (United States) in the Consumer Service Business Unit; and
- Telepark Corp. (Japan), NextCom K.K. (Japan), Mitsui Knowledge Industry Co., Ltd. (Japan), TOYO Officemation, Inc. (Japan) and Mitsui Electronics Inc. (Japan) in the Information, Electronics and Telecommunication Business Unit.

And it has 39 associated companies including:

- ALCANTARA S.p.A. (Italy) in the Lifestyle Business Unit;
- QVC Japan Inc. (Japan), AIM Services Co., Ltd. (Japan) and Sumisho & Mitsuibussan Kenzai Co., Ltd. (Japan) in the Consumer Service Business Unit; and
- Nihon Unisys, Ltd. (Japan), Moshi Moshi Hotline, Inc. (Japan) in the Information, Electronics and Telecommunication Business Unit.

Lifestyle Business Unit

Together with 11 subsidiaries and 13 associated companies, the Lifestyle Business Unit is engaged in domestic, import, export and offshore trading and manufacturing of the following materials and products, as well as related services and investments:

- apparel products, including development and manufacturing of those products; and brand merchandize-related businesses including equity participation in joint ventures with brand owners and brand licensing;
- textile raw materials and fabrics; and technical collaboration in these products field;
- consumer goods including beauty and health products; and interior and living items; and
- industrial materials such as pulp and paper.

In the apparel products and textile field, we provide services to accommodate developments in the fashion and apparel markets. Our main business activities are divided into two categories:

- original equipment manufacturing (“OEM”) business for domestic and overseas apparel manufacturers; and
- business transactions involving branded luxury and accessible luxury products from Europe and the United States for the Japanese market as well as brand licensing businesses in Japan.

In the field of apparel and OEM, we play roles at various stages in the value chain, including design, planning and procurement of materials as well as sewing and processing. To minimize costs and enhance quality, we work with apparel makers and their affiliated companies to select the optimal materials and processing sites from a variety of measures available in Japan, Europe, the Americas, Asia and other areas.

We regard China as an important manufacturing base and also a significant consumer market as well. To further strengthen our OEM business capabilities, Mitsui Bussan Inter-Fashion Ltd. (Japan) and Alta Moda International Ltd. (Hong Kong, China) offer well-organized manufacturing process management led by experts hired specially for that role.

With respect to brand businesses in Japan, we are engaged in both license and import business transactions involving internationally well-known branded merchandise from Europe and the United States such as Burberry, Paul Stuart, Trussardi, Valentino, Max Mara, Etro and Juicy Couture. With the European and American licensors we enter into license agreements, to retain our exclusive marketing rights; or to sublicense certain rights including marketing and manufacturing rights to apparel makers and wholesalers while we retain our right to use trademark in certain markets. We, if necessary, establish joint ventures with such brand owners, which control license arrangements or distribute imported products in order to establish nationwide sales network consisting of wholesalers, department stores, specialty-stores or retail outlets.

In brand businesses, our competitors are other general trading companies and apparel specialty traders including Itochu Corporation and Mitsubishi Corporation. The keys to maintain our competitiveness are to raise the value of the brand which we promote in the market and to increase the number of valuable brands we deal with.

In the business area of consumer goods, responding to the changes in lifestyles, we seek new materials and new suppliers, arrange effective distribution methods and develop attractive brands. High-quality consumer goods imported from around the world include Sonicare ultrasonic toothbrushes, Brunswick bowling equipment and systems, Maglite handy flashlights, and top-of-the-line Lladro porcelain

In the business of industrial materials, we trade woodchip and pulp, furthermore, develop several afforestation projects in Australia, some of which are jointly developed with several Japanese partners including paper manufacturing companies. As for paper and ceramic products, we have established and operated joint ventures in China with Japanese manufacturers, as well as handling those products for domestic and export market in Japan.

Consumer Service Business Unit

Major business areas of this business unit, including 17 subsidiaries and 18 associated companies, consist of the following:

- real estate development including construction, sale and leasing of houses, condominiums, commercial facilities, senior housing and office buildings and related construction material businesses;
- media-related service business including broadcasting, content service, television shopping channels, software service, amusement business and Internet-based marketing service;
- outsourcing services including catering, uniform rental, building maintenance, and temporary personnel service, child care service;
- medical service and health care related businesses such as nursing care-related services, clinic facilities and medical-related information service.

Real estate development businesses include the following activities:

- Mitsui engages in development of condominium and commercial property in the Tokyo metropolitan area. Mitsui Bussan House-Techno, Inc. (Japan) had engaged in high-end home units business, however, due to shrinking market in Japan, it decided to withdraw from the business in August 2006.
- MBK Real Estate Ltd. (United States) handles the development and sale of unit houses and senior housing properties in the California market, as well as commercial properties on the West Coast of the United States.
- An associated company Sumisho & Mitsubussan Kenzai Co., Ltd. (Japan) supplies construction materials in the domestic market.
- Mall & SC Development, Inc. (Japan) which was jointly established with Ito-Yokado Co., Ltd. in March 2005 is engaged in development and management of shopping malls and shopping centers.

In the media-related service business, as a consumer service and content provider, we provide television shopping services operated by an associated company, QVC Japan, Inc. (Japan), which was established jointly with QVC Inc. of the United States; and an entertainment and educational channel for children and parents operated by Kids Station Inc. (Japan), our subsidiary, both of which are delivered over cable or digital satellite broadcast networks.

In the outsourcing businesses, AIM Services Co., Ltd. (Japan), an associated company jointly established with ARAMARK Corporation in the United States, has provided a variety of services in Japan since 1976. Its major businesses are contract food service and related support services for companies, schools, hospitals and social welfare facilities. In December 2005 it acquired MEFOS Ltd, a provider of hospital food service, at 100% share ownership. Domestic food service market has been stagnated and mergers and acquisitions by leading companies are ongoing. It is also engaged in refreshment services for offices; design, cleaning and facilities management; linen supply and uniform rental; and contract staffing to dining facilities, coping with diversified needs for outsourcing services in Japan.

We are in the process of cultivating new opportunities in medical services such as a joint venture with Recruit Co., Ltd., which provides a healthcare information service on the Internet. This business unit also made 5% equity participation in and formed an alliance with Duskin Co., Ltd., which is engaged in cleaning services, food services and nursing care services throughout Japan.

Mitsui acquired 5% outstanding shares in Recruit Co., Ltd. for ¥27 billion in February 2007. At the same time, Mitsui and Recruit Co., Ltd. entered into business collaboration agreement in order to explore new business opportunities in areas including medical and senior-care businesses.

Information, Electronics and Telecommunication Business Unit

The Information, Electronics and Telecommunication Business Unit is involved in information technology services and solutions. These are delivered through the unit's 13 subsidiaries and 8 associated companies established in the following five major fields:

- network and systems integration ("NI/ SI") businesses;
- mobile communication businesses including sales agency of mobile handset and telecommunications lines; and development and sales of mobile content;
- business process outsourcing services including enterprise information management and call-center services;
- semiconductors related businesses including sales agency for semiconductor chips, semiconductor manufacturing equipments and semiconductor inspection equipments; and
- display related businesses including export and trading of flat-panel displays and parts.

In the field of NI/SI businesses, NextCom K.K. (Japan), a subsidiary and Nihon Unisys, Ltd. (Japan), an associated company both listed on the Tokyo Stock Exchange, provide integrated solutions to a wide range of customers.

- NextCom K.K. provides services, such as consultation, designing, building and operation of network systems to a wide range of customers including telecommunications carriers, government offices, local municipalities and healthcare and education related public bodies. It is also engaged in planning and development of network systems which are equipped with voice recognition technology and typically used by call centers; and in high-security systems such as automatic billing systems used by pay-TV broadcasters. In December 2004, NextCom K.K. was merged with other two subsidiaries in software development and data telecommunications equipment marketing businesses. Furthermore, in December 2006, NextCom K.K. agreed on a merger with Mitsui Knowledge Industry Co., Ltd., another subsidiary in the system integration business, to seek expanding business opportunities ⁱ⁾.
- Nihon Unisys, Ltd. is engaged in designing and building of computer systems, business process outsourcing services, support services and other peripheral services as well as sales of computer systems. These services are provided to business enterprises in the financial, manufacturing and distribution and public sectors. Mitsui owns a 32.4% voting interest in Nihon Unisys, Ltd. as of March 2006. Unisys Corporation in the United States, which formerly held the same equity stake as Mitsui, sold its entire shareholding in Nihon Unisys, Ltd. in March 2006, and Mitsui has since been its single largest shareholder.

We are engaged in various mobile communication businesses through alliances with domestic cell phone service providers and manufacturers. Telepark Corp. (Japan), one of major agencies for cell phone subscription as well as a retailer and distributor of cell phone handsets in Japan, is a core subsidiary in this field. It sold 3.6 million cell phones for the year ended March 31, 2007. It has also acted as agent for subscription of fixed telecommunications lines, including broadband connections. Telepark Corp. was established in 2001 by a merger of three Mitsui subsidiaries that had engaged in sales agency of telecommunications lines and related businesses since 1990s. Today, Telepark Corp. is listed on the Tokyo Stock Exchange.

The market for business process outsourcing services has been expanding in Japan. We have developed those businesses through a subsidiary, TOYO Officemation, Inc. (Japan), and an associated company, Moshi Moshi Hotline, Inc. (Japan). TOYO Officemation, Inc. (Japan), which has been engaged in distribution of

- i) NextCom K.K. and Mitsui Knowledge Industry Co., Ltd. merged in April 2007. The new company has been operating under corporate name of Mitsui Knowledge Industry Co., Ltd.

information processing devices such as optical character readers (“OCR”) and information input devices, has recently focused on enterprise information management such as customer information input, management and operation. Moshi Moshi Hotline, Inc. (Japan) is one of the Japan’s major providers of call centers and related outsourcing services. Originally in 1987, it was established by Mitsui and eleven minor shareholders. Moshi Moshi Hotline, Inc. later went public on the over-the-counter market and is now listed on the Tokyo Stock Exchange, with our current voting interest at 34.3%.

In the field of electronics products, Mitsui Electronics Inc. (Japan) acts as a sales agent for semiconductor related devices, manufacturing equipment and inspection equipment. In recent years, Mitsui Electronics Inc. (Japan) has focused on providing semiconductor related products and services to Japanese customers who are shifting their production bases to China. This business unit also engages in export and offshore trading of flat-panel displays and related parts.

This business unit is dependent on the business of our subsidiaries and associated companies, most of which are located in Japan, where technological development is rapid and competition is fierce. Our important function involves business incubation of IT related products and services, as seen in the case with Telepark Corp. and Moshi Moshi Hotline, Inc.

Logistics & Financial Markets Segment

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

Gross profit and net income for this segment for the year ended March 31, 2007 were ¥60.5 billion or 6.7% and ¥14.6 billion or 4.8% of our consolidated totals, respectively.

This segment is composed of the Financial Markets Business Unit and the Transportation Logistics Business Unit, and has 36 subsidiaries including:

- in the Financial Markets Business Unit, Mitsui & Co. Energy Risk Management Ltd. (United Kingdom), Mitsui & Co. Precious Metals, Inc. (United States) and Mitsui Bussan Precious Metals HK Ltd. (Hong Kong, China); and
- in the Transportation Logistics Business Unit, Mitsui Bussan Logistics Holdings Ltd. (Japan), Mitsuibussan Insurance and Consulting Co., Ltd. (Japan) and TRI-NET (JAPAN) INC. (Japan).

This segment has 6 associated companies including Mitsui Leasing & Development, Ltd. (Japan) and Quintiles Transnational Japan K.K. (Japan) in the Financial Markets Business Unit and Mitsui Direct General Insurance Company, Limited (Japan) and BALtrans Holdings Limited (Hong Kong, China) in the Transportation Logistics Business Unit.

Financial Markets Business Unit

This business unit has 23 subsidiaries and 2 associated companies and is engaged in the following business activities:

- dealing in derivative financial instruments such as foreign exchange and financial futures, and trading of and investment in debt and equity securities;
- trading in precious metals, non-ferrous metals listed on the London Metal Exchange and derivative commodity instruments for energy, agricultural foods and other commodities;
- financial equity investments including principal investment and venture capital operation;
- real estate investment trust (“REIT”) related businesses;

- development, origination and sales of financial products, investment in and portfolio management of financial products; and
- leasing businesses

Mitsui and its subsidiaries such as Mitsui & Co. Precious Metals, Inc. (United States) and Mitsui Bussan Precious Metals HK Ltd. (Hong Kong, China) are engaged in trading and brokerage in precious metals, non-ferrous metals listed on the London Metal Exchange and derivative commodity instruments for energy, agricultural foods and other commodities. We are also engaged in sales and marketing of various derivative and financial instruments of our own development to investors and market participants. Mitsui & Co., Energy Risk Management Ltd. (United Kingdom), which we established in March 2002, enjoyed growth in derivative trading operations, mainly of crude oil and natural gas related commodities. Japan Alternative Investment Co., Ltd. (Japan) began operations in April 2002, acting as placement agent for alternative investment products, such as hedge funds, private equity funds and commodity funds.

In the financial equity investments field, subsidiaries such as MVC Corporation (Japan) have made investments in ventures mainly in IT and medical care businesses. In August 2006, this business unit invested in a limited partnership which was established for investment in Skylark Co., Ltd., a Japanese restaurant chain, at 9.3% stake of the fund as a limited partner ⁱ⁾.

In July 2004, this business unit formed Mitsui & Co., Logistics Partners Ltd. (Japan), as an asset management company for REITs that specialize in the management of investments in warehouses and distribution centers. In May 2005, Japan Logistics Fund Inc. to which Mitsui & Co., Logistics Partners Ltd. renders asset management service was listed at the Tokyo Stock Exchange as the Japan's first logistics facilities related REIT. Later on, the REIT increased capital by public offering in February 2006 reflecting growing asset size.

We have a 40.7% voting interest in Mitsui Leasing & Development, Ltd. (Japan), a leasing company with its strengths in leasing of information-processing equipments and large scale equipment, as well as industrial machinery, aircrafts and ocean vessels.

Transportation Logistics Business Unit

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

Together with 13 subsidiaries and 4 associated companies, this business unit is engaged in the following business activities:

- international and domestic transportation services including transportation of plants and other special cargos, tramper shipping, and airfreight;
- warehousing and port services; operation, construction and management of warehouses and harbor facilities;
- insurance agency and insurance consultation;
- solutions services for logistics, including SCM; and
- establishment and operation of REITs which invest in logistics facilities.

i) In April 2007, Mitsui agreed to enter into a strategic alliance in consumer finance business with Central Finance Co., Ltd., Sumitomo Mitsui Financial Group, Sumitomo Mitsui Card Co., Ltd. and Quoq, Inc., and acquired approximately 10% share ownership of Central Finance Co., Ltd. through an allocation of new shares. With other parties, Mitsui is studying expansion to overseas credit card business operation and development of new businesses.

In the international and domestic transport services field, we have established 5 core subsidiaries including Tri-Net (Japan) Inc., which cover our operations in Japan, the Americas, Europe, South East Asia, and China, respectively. Each of those subsidiaries collaborates with the Head Office and overseas trading subsidiaries worldwide, and provides international transportation services mainly using marine containers. They also provide international combined transportation services by integrating land, sea and air transportation. In the tramper business, they provide transportation services for power and chemical plant projects and bulky cargoes such as coal, grain and fertilizers.

We have been making investments to expand our logistics businesses in the BRICs countries, the Middle East and other emerging markets. For example, in January 2006 we acquired a 25% equity stake in BALtrans Holdings, Ltd. (Hong Kong, China) which is listed on the Hong Kong Stock Exchange and maintains 14 distribution bases in mainland China. In Russia, we have organized large scale distribution operations outside Moscow that provide services to local bases of Japanese electronics, construction machinery and automotive companies. In India, we plan joint development projects with Indian partners in a free trade warehouse zone near Delhi.

In the field of warehousing, distribution and port service related business within Japan, we have put high priority in management integration of three domestic subsidiaries, KYOGI WAREHOUSE CO., LTD. (Japan), Nitto Logistics Co., Ltd. (Japan) and TOSHIN SOKO KAISHA, LTD. (Japan) seeking for operational efficiency. Participants in this business is required to provide sophisticated and integrated logistics service, for example, Nitto Logistics Co., Ltd. conducts joint operations with a domestic specialty store retailer of private label apparel for outsourced production and inventory management. It provides information processing functions so that its customers optimize their logistics transactions.

This business unit has a subsidiary, Mitsui Insurance and Consulting Co., Ltd. (Japan), as an insurance agency. In addition, the business unit has acquired insurance companies for captive insurance and operates subsidiaries which are engaged in this business field, including Insurance Company of Trinet (USA), Inc. This business unit also maintains certain direct insurance businesses, by taking advantage of the experience and know-how in risk management of this business unit.

In collaboration with the Financial Markets Business Unit, this business unit has developed logistics-related real estate property REITs. This unit intends to increase the assets for such REIT programs, seeking opportunities for the development of facilities, brokerage in properties and tenants.

Americas Segment

The Americas Segment trades in various commodities and conducts related business led by overseas trading subsidiaries in North, Central and South America. Mitsui & Co. (U.S.A.), Inc., or Mitsui U.S.A., manages the business of the segment as the center of the regional strategy. Effective April 2006, following the introduction of our regional business unit system, the Americas Business Unit was formed, encompassing all trading subsidiaries operating in this region. The Chief Operating Officer of this business unit has been delegated authority of operations within the region.

Gross profit and net income for this segment for the year ended March 31, 2007 were ¥64.7 billion or 7.2% and ¥16.9 billion or 5.6% of our consolidated totals, respectively.

This segment consists of 9 trading subsidiaries including Mitsui U.S.A., Mitsui & Co. (Canada) Ltd. and Mitsui Brasileira Importacao e Exportacao S.A., 26 other subsidiaries owned mainly by Mitsui U.S.A. including Mitsui Steel Holdings, Inc., Westport Petroleum Inc., Mitsui Steel, Inc., Channel Terminal Company LLC and Portac, Inc. and 2 associated companies.

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

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

- The Iron & Steel Products Division maintains alliances with steel makers, steel processors, and customers in the U.S. and other countries. Working closely with solution providers, it specializes in SCM of steel products, manages inventory and process arrangements. This division has two major subsidiaries of Mitsui Steel, Inc. for steel product sales and demand chain management services; and Mitsui Steel Holdings, Inc. which owns Mi-Tech Steel Inc., a steel service center, PK U.S.A., Inc., an automotive steel stamping, Hannibal Industries, Inc., a steel tube and pallet rack manufacturing operator, Champions Pipe & Supply, a pipe distributor, and MTP LLC, a pipe sales entityⁱ⁾.
- The Iron & Steel Raw Materials and Non-Ferrous Metals Division engages in iron and steel raw materials, non-ferrous metal resources, steel and metal recycling, non-ferrous metal products and petroleum coke. The division has 50% equity share of Raw Materials Development Co., Ltd..
- The Infrastructure Projects Division engages in the projects in the Americas. This division has subsidiaries such as Hydro Capital Corp. for water treatment projects in Mexico and MIT Wind Power, Inc. for wind power generation in Texas.
- Through close coordination with the Head Office, the Machinery Division engages in the businesses of motor vehicles, ship and marine projects, aircraft and construction and industrial machinery. It focuses on automobile, construction machinery, outdoor power equipment, newly built vessels to oil major and shipping companies, and aircraft leasing for regional airlinesⁱⁱ⁾.
- The Organic Chemicals Division and the Plastics & Inorganic Chemicals Division are engaged in the domestic and international trade of various chemical products. In addition, International Terminal Company is engaged in the chemical tank leasing business and CornerStone Research & Development Inc. focuses on processing and packaging of healthcare foods and supplements.
- The Energy Division specializes in the global trading of petroleum products, crude oil, petroleum coke and LNG. Westport Petroleum, Inc. is engaged in sales, trading and commercial and operational services to the energy industry with respect to pipeline and cargo trading of petroleum products throughout major international energy markets. These transactions by Westport Petroleum, Inc. account for a significant portion of our revenues from sales of products groupwide.
- The Foods and Retail Division deals in grain, coffee, foods materials and other foods products. This division has a subsidiary, United Grain Corp, which invests in United Harvest, LLC, a joint venture with CHS Inc. for export facility operations for wheat and barley, and also has 20% minority interest in WILSEY FOODS INC. See also "Foods & Retail Business Unit" for business collaboration with CHS Inc. Additionally, Mitsui Foods Inc. is specialized in the import food distribution business.
- The Consumer Service Business Division and other remaining division focus on consumer-oriented business development. This division has MBK Real Estate Ltd., a real estate subsidiary jointly owned by the Head Office and engaged in development and homebuilding services. In November 2006, Mitsui U.S.A. acquired SunWize Technologies, Inc, which engages in design, manufacture and distribution of integrated solar power system.

Europe Segment

The Europe Segment trades in various commodities and conducts related businesses led by overseas trading subsidiaries in Europe and Africa. Mitsui & Co. Europe PLC ("Mitsui Europe") is authorized to manage the

- i) Furthermore, Mitsui U.S.A. completed an acquisition of Steel Technologies Inc., a steel processor which operates 24 steel processing facilities in North America, in June 2007.
- ii) In addition, in May 2007, Mitsui U.S.A. entered into an agreement to acquire 87.5% of the shares of Affiliated Financial Corporation and BayQuest Capital Corporation, which provide automotive related financing service throughout the United States.

business of this segment as the center of its regional strategy. In addition, this segment carries out diversified business activities in collaboration with the operating segments of the Head Office. Effective April 2006, following the introduction of our regional business unit system, the Europe Business Unit was formed consisting of those trading subsidiaries in this region. The Chief Operating Officer of this business unit has been delegated authority of operations within the region.

Gross profit and net income for this segment for the year ended March 31, 2007 were ¥23.3 billion or 2.6% and ¥3.8 billion or 1.3% of our consolidated totals, respectively.

As of March 31, 2007, this segment consisted of 10 trading subsidiaries, including Mitsui Europe, Mitsui & Co. UK PLC and Mitsui & Co. Deutschland GmbH, 4 subsidiaries and 5 associated companies.

Mitsui Europe, our wholly-owned subsidiary with its head office in London, manages the overall business activities in Western Europe, Africa, Central, Eastern Europe and Turkey through its 9 operating subsidiaries, 13 branch offices and liaison offices. Mitsui Europe collaborates with our subsidiaries and associated companies of other operating segments.

In April 2005, this segment reorganized its internal structure. Before the change, each of those operating subsidiaries independently reported to the Managing Director of Mitsui Europe, with the result that their business plans and operations tended to be limited to specific countries. In order to accelerate business development based on a product strategy that encompasses the whole of Europe, this segment introduced a Business Division System within Europe, in which Divisional Operating Officers oversee operations by products and services in the region and directly report to Managing Director of Mitsui Europe.

Recently, the major parts of business in this segment have been sales and trading in steel products, chemicals and machinery. For example, this segment provided assistance services for SCM of steel products procured by Norsk Hydro ASA. In the chemical business, this segment has been engaged in sales and trade in various chemical products and materials supported by our global network and relationship with large scale manufactures including Bayer Aktiengesellschaft. In machinery business, for Mitsui's worldwide power plant and industrial plant and transportation projects, this segment has provided assistance service in collaboration with European manufacturers such as Siemens Aktiengesellschaft.

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

Asia Segment

In order to develop new business opportunities emerging with the development of network economies based around China, the ASEAN countries and India, we introduced an Asian Regional Managing Directorship system. Broad authority and responsibility to manage our businesses throughout non-Japan Asia is delegated to the Regional Managing Director, Asia starting in the year ended March 31, 2006. Effective April 2006, following the introduction of our regional business unit system, the Asia Business Unit was formed and consists of the trading subsidiaries, branches and liaison offices in this region. The Chief Operating Officer of this business unit has been delegated authority of operation within this region.

Gross profit and net income for this segment for the year ended March 31, 2007 were ¥27.6 billion or 3.1% and ¥7.9 billion or 2.6% of our consolidated totals, respectively.

China

China has been a focus of recent global attention, with 10.7% and 9.9% growth in gross domestic product in 2006 and 2005, respectively, as a result of its accession to the WTO and a growing reputation as an efficient and cost effective manufacturer of goods. We have been increasing our operations in, and shifting management resources to, Greater China, which includes mainland China, Hong Kong and Taiwan, in order to expand and strengthen our business operations involving products such as automobiles, consumer products, IT, electronics, energy and metals, while reinforcing our transportation and logistics services.

Our presence in China is comprised of ten local trading subsidiaries, including Mitsui & Co., (China) Ltd., an investing company in Beijing, Mitsui & Co. (Hong Kong) Ltd. and six trading subsidiaries in China's bonded areas including Mitsui & Co. (Shanghai) Ltd. In addition, we have established representative offices in 12 cities in China as of March 2007.

In September 2005, Mitsui received approval from the Chinese Ministry of Commerce to establish three wholly owned trading companies, permitting us to conduct import and export and wholesale trade domestically within China, which would enable us to trade in a broader range of products, including value added services in finance and logistics. Thus, Mitsui & Co. (China) Trading Ltd. and Mitsui & Co. (Guangdong) Ltd. were established in 2005 and started operations.

Mitsui & Co., (China) Ltd. has made investments jointly with the business units of the Head Office in critical joint ventures in China. Among others, we place a high priority on establishment of logistics network within China. For example:

- In March 2003, we entered into a comprehensive strategic alliance with China Postal Logistics Co., Ltd. Through this alliance, we are in a position to utilize the facilities and distribution networks of China's postal service, the China State Post Bureau.
- Mitsui International Logistics and Trade (Suzhou) Co., Ltd., in which Mitsui & Co., (China) Ltd. has minority share, has the right to conduct import and export under our own name outside a bonded area.

ASEAN Region

In the ASEAN region, overseas offices including the Singapore, Kuala Lumpur and Manila branches, trading subsidiaries including Mitsui & Co., (Thailand) Ltd., Mitsiam International Ltd. (Thailand), PT Mitsui Indonesia (Indonesia) and associated companies jointly collaborate with the Head Office and engage in various business activities involving, among other things, chemical and metal products and industrial type projects. With the Head Office, these branches and trading subsidiaries jointly establish various subsidiaries and participate in joint ventures formed with the third parties.

In December 2006, we obtained a special approval from the Vietnamese government to establish trading subsidiaries, and Mitsui & Co. Vietnam Ltd. started operations in April 2007.

Southwest Asia

Our operations in India were traditionally handled by branch offices in New Delhi, Calcutta, Madras and Bombay and were concentrated primarily in exporting commodities, such as iron ore, finished iron and steel products, textiles, and marine products, to Japan and other areas of the world. However, with the increasing deregulation of the Indian economy, in March 2003 we established Mitsui & Co., India Pvt. Ltd. Through Mitsui & Co., India Pvt. Ltd, we expect not only to engage in import and export-related transactions but also to pursue investment opportunities in domestic distribution channels.

Other Overseas Areas Segment

This segment includes all of our region-based subsidiaries, liaison offices and affiliated companies excluding those in our Americas, Europe and Asia Segments. The subsidiaries, liaison offices and associated companies in this segment are located primarily in Oceania, the Middle East, and CIS. The Overseas Areas Segment is engaged in business activities that are essentially similar to that of Mitsui. We conduct business activities in all industry sectors based on our specialized knowledge particular to that region.

Gross profit and net income for this segment for the year ended March 31, 2007 were ¥5.3 billion or 0.6% and ¥14.4 billion or 4.8% of consolidated totals, respectively.

Oceania

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

The Middle East

In the Middle East we have established trading subsidiaries Mitsui & Co., Middle East Ltd. (United Arab Emirates), Mitsui and Co. (Middle East) B.S.C.(c) (Bahrain), Mitsui and Co., Iran Ltd. (Iran) and Mitsui and Co. Kuwait W.L.L. (Kuwait). Mitsui & Co., Middle East Ltd. owns offices in United Arab Emirates, Qatar and Oman. Mitsui has 10 representative offices in the Middle East countries including Saudi Arabia. These trading subsidiaries and offices in the Middle East collaborate with the Head Office primarily in the field energy development and production and projects of petrochemical plants and power plants.

All Other Segment

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

Gross profit and net income for this segment for the year ended March 31, 2007 were ¥4.4 billion or 0.5% and ¥5.9 billion or 2.0% of our consolidated totals, respectively.

The All Other Segment has 14 subsidiaries and 2 associated companies. The activities of major subsidiaries in this segment are as follows:

- Mitsui & Co. Financial Services Ltd. is engaged in financial services such as commercial loan and cash management services, mainly provided to domestic subsidiaries and associated companies.
- Mitsui & Co., Asia Investment Ltd. (Singapore) is engaged in-house financial services in the South East Asian region.

Principal Markets

We are involved in the worldwide trading of various commodities. The following table provides a breakdown of our revenues by commodity type for the years ended March 31, 2007, 2006 and 2005.

	In Billions of Yen		
	Years Ended March 31,		
	2007	2006	2005
Revenues ⁽¹⁾			
Distribution by Commodity:			
Iron and Steel	¥ 624.0	¥ 523.7	¥ 406.7
Non-Ferrous Metals	99.9	102.2	161.8
Machinery	430.9	368.0	264.9
Electronics & Information	182.7	164.9	144.7
Chemicals	1,146.6	886.7	729.1
Energy	1,637.6	1,360.5	1,035.1
Foods	467.0	424.6	473.6
Textiles	45.6	42.4	43.0
General Merchandise	63.4	78.8	96.1
Property and Service Business	183.0	163.7	139.6
Consolidated Total	<u>¥4,880.7</u>	<u>¥4,115.5</u>	<u>¥3,494.6</u>

Notes:

- (1) In accordance with SFAS No. 144, revenues from discontinued operations are eliminated from each product amount and "Consolidated Total." The figures for the years ended March 31, 2006 and 2005 have been reclassified to conform to the current year presentation.

The following table shows our total trading transactions in each of our major markets for the years ended March 31, 2007, 2006 and 2005.⁽¹⁾⁽²⁾⁽³⁾

	In Billions of Yen		
	Years Ended March 31,		
	2007	2006	2005
Japan	¥ 8,932.8	¥ 8,554.6	¥ 7,719.4
United States	1,160.7	1,265.0	1,091.3
China	900.2	879.0	738.7
All Other	4,364.0	4,187.2	4,034.5
Consolidated Total	<u>¥15,357.7</u>	<u>¥14,885.8</u>	<u>¥13,583.9</u>

Notes:

- (1) Total trading transactions is a voluntary disclosure as permitted by Financial Accounting Standards Board Emerging Issues Task Force Issue No. 99-19, "Reporting Revenue Gross as a Principal versus Net as an Agent," and represents the gross transaction volume or the nominal aggregate value of the sales contracts in which we act as principal and transactions in which we serve as agent. Total trading transactions is not meant to represent sales or revenues in accordance with U.S. GAAP. Total trading transactions should not be construed as equivalent to, or a substitute or proxy for, revenues, or as an indicator of our operating performance, liquidity or cash flows generated by operating, investing or financing activities. A substantial part of total trading transactions represents transactions in which title to and payment for the goods pass through us without physical acquisition and delivery through our inventories. We have included the information concerning total trading transactions because it is used by similar Japanese trading companies as an industry benchmark, and we believe it is a useful supplement to results of operations data as a measure of our performance compared to other similar Japanese trading companies. Total trading transactions is

included in the measure of segment profit and loss reviewed by the chief operating decision maker. See Notes 2, “BASIS OF FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES” and 17, “SEGMENT INFORMATION” accompanying the consolidated financial statements for further discussion.

- (2) Total trading transactions are attributed to countries based on the location of customers.
- (3) In accordance with SFAS No. 144, total trading transactions to external customers from discontinued operations are eliminated from each geographic area amount and “Consolidated Total.” The figures for the years ended March 31, 2006 and 2005 have been reclassified to conform to the current year presentation.

C. Organizational Structure.

We are a global general trading company and we conduct our business with our subsidiaries and associated companies. As of March 31, 2007, we had 373 subsidiaries and 192 associated companies that are accounted for by the equity method.

The table below provides information on our significant subsidiaries as of March 31, 2007. We have supplementarily provided voting power where it differs from ownership interest.

Operating Segment	Company	Country of Incorporation	Principal Business	Ownership Interest (%)	Voting Power (%)
Iron & Steel Products	Mitsui Bussan Construction Materials Co., Ltd.	Japan	Sales of construction materials and semi-assembled steel products	100.0	
	SINTSUDA CORPORATION	Japan	Wholesale of steel products	100.0	
	Regency Steel Asia Pte Ltd.	Singapore	Wholesale and retail of steel products	85.0	
	Seikei Steel Tube Corp.	Japan	Manufacture and sales of steel tube	70.0	
Iron & Steel Raw Materials and Non-Ferrous Metals	Mitsui Iron Ore Development Pty. Ltd.	Australia	Mining and sales of Australian iron ore	100.0	
	Sesa Goa Limited	India	Mining and sales of Indian iron ore and processing and sales of coke	51.0	
	Mitsui-Itochu Iron Pty. Ltd.	Australia	Mining and sales of Australian iron ore	70.0	
	Mitsui Coal Holdings Pty. Ltd.	Australia	Investments in Australian coal business	100.0	
	Japan Collahuasi Resources B.V.	Netherlands	Investments in a copper mine in Chile	61.9	
	Raw Materials Development Co., Ltd.	United States	Investments in ferrous raw materials business	100.0	
	Mitsui Bussan Raw Materials Development Corp.	Japan	Wholesale of ferrous and non-ferrous scrap and ferroalloys	100.0	
	mitsui bussan metals sales co., ltd. ⁽¹⁾	Japan	Sales of non-ferrous material products and metals	100.0	

Operating Segment	Company	Country of Incorporation	Principal Business	Ownership Interest (%)	Voting Power (%)
Machinery & Infrastructure Projects	MBK Project Holdings Ltd.	Japan	Investments in manufacturers of plant-related materials and equipment	100.0	
	Mitsui & Co. Project Corp. ⁽²⁾	Japan	Management support for plant projects	100.0	
	Mitsui Power Ventures Limited	United Kingdom	Investments in power generation business	100.0	
	Mitsui Rail Capital Holdings, Inc.	United States	Freightcar leasing and management in North America	100.0	
	Mitsui Rail Capital Participacoes Ltda.	Brazil	Freightcar leasing and management in Brazil	100.0	
	MITSUI GAS E ENERGIA DO BRASIL LTDA. ⁽³⁾	Brazil	Investments in gas distribution companies	100.0	
	MIT POWER CANADA LP INC.	Canada	Investment in Greenfield Power Generation Project in Ontario	100.0	
	Mitsui Rail Capital Europe B.V.	Netherlands	Locomotive leasing and management in Europe	100.0	
	Toyota Chile S.A.	Chile	Import and sales of automobiles and auto parts in Chile	100.0	
	P.T. Bussan Auto Finance	Indonesia	Motorcycle retail finance	90.0	
	Mitsui Automotive Europe B.V.	Netherlands	Investments in automotive-related companies and trading of automobiles	100.0	
	Lepta Shipping Co., Ltd.	Liberia	Shipping business	100.0	
	Clio Marine Inc.	Liberia	Shipping business	100.0	
	CM Pacific Maritime Corporation	Liberia	Shipping business	100.0	
	MMK CO., LTD.	Japan	Sales of machine tools and injection molding machine	100.0	
	Mitsui Bussan Aerospace Co., Ltd.	Japan	Import and sales of helicopters and defense and aerospace products	100.0	
Chemical	P.T. Kaltim Pasifik Amoniak	Indonesia	Production and sales of anhydrous ammonia	55.0	
	Japan-Arabia Methanol Company Ltd.	Japan	Investments in methanol producing business in Saudi Arabia and sales of products	55.0	
	MITSUI BUSSAN SOLVENT & COATING CO., LTD.	Japan	Sales and trading of solvents and coating materials	100.0	
	Novus International, Inc.	United States	Manufacturing and sales of feed additives	65.0	
	Mitsui AgriScience International SA/NV	Belgium	Investments in crop protection businesses in Europe	100.0	
	Mitsui Bussan Agro Business Co., Ltd.	Japan	Development and sales of fertilizers and agricultural products	100.0	
	Daito Chemical Co., Ltd.	Japan	Production and sales of industrial chemicals	70.0	
	Mitsui Bussan Plastics Co., Ltd.	Japan	Wholesale of plastic raw materials and products	100.0	
	Nippon Trading Co., Ltd.	Japan	Sales of plastics and chemicals	62.9	63.4
	SALT ASIA HOLDINGS PTY. LTD	Australia	Holdings company of Onslow Salt Pty. Ltd.	94.2	
	Mitsui Electronics Asia Pte. Ltd.	Singapore	Electronics manufacturing service for liquid crystal parts	100.0	

Operating Segment	Company	Country of Incorporation	Principal Business	Ownership Interest (%)	Voting Power (%)
Energy	Mitsui E&P Australia Pty Limited	Australia	Exploration, development and production of oil and natural gas	100.0	
	Mittwell Energy Resources Pty., Ltd.	Australia	Sales of crude oil and condensate, development of Casino gas field in Australia	100.0	
	Mitsui E&P Middle East B.V.	Netherlands	Exploration, development and production of oil and natural gas in Oman	80.3	100.0
	Wandoo Petroleum Pty Ltd	Australia	Exploration, development and production of oil and natural gas	71.7	100.0
	Mitsui Oil Exploration Co., Ltd.	Japan	Exploration, development and sales of crude oil and natural gas	50.7	50.3
	Mitsui Gas Development Qatar B.V.	Netherlands	Development and production of natural gas and condensate	100.0	
	Mitsui LNG Nederland B.V.	Netherlands	Investments in Qatar LNG project	100.0	
	Mitsui & Co. (E&P) B.V.	Netherlands	Exploration, production and investments in oil and natural gas	100.0	
	MitEnergy Upstream LLC	United States	Exploration, development and production of oil and natural gas	85.2	100.0
	Mitsui E&P (USA) LLC	United States	Investment in MitEnergy Upstream LLC	100.0	
	Endeavour Resources Limited	United Kingdom	Investments in Japan Australia LNG (MIMI) Pty. Ltd.	100.0	
	Mitsui Sakhalin Holdings B.V.	Netherlands	Investments in Sakhalin Energy Investment Company Ltd.	100.0	
	Mitsui E&P New Zealand Limited	New Zealand	Exploration, production and investments in oil and natural gas	100.0	
	Mitsui Oil Co., Ltd.	Japan	Sales of petroleum products in Japan	89.9	
	Mitsui Liquefied Gas Co., Ltd.	Japan	Sales of liquefied petroleum gas in Japan	89.9	
	Kokusai Oil & Chemical Co., Ltd.	Japan	Sales of petroleum products in Japan	100.0	
Foods & Retail	WILSEY FOODS, INC.	United States	Investments in processed oil food company	90.0	
	MITSUMI FOODS CO., LTD.	Japan	Wholesale of foods and beverages	99.9	
	Mitsui Norin Co., Ltd.	Japan	Manufacture and sales of food products	51.9	87.6
	DAI-ICHI BROILER CO., LTD.	Japan	Production, processing and sales of broilers	72.3	
	Hokushuren Company Limited	Japan	Wholesale of liquor and foods	72.0	73.7
	VENDOR SERVICE CO., LTD.	Japan	Procurement and demand chain planning and management of food materials	100.0	
	MCM FOODS B.V.	Netherlands	Import and sales of canned food products and groceries	100.0	

Operating Segment	Company	Country of Incorporation	Principal Business	Ownership Interest (%)	Voting Power (%)
Lifestyle, Consumer Service and Information, Electronics & Telecommunication	Mitsui Bussan Inter-Fashion Ltd.	Japan	Planning and management of production and distribution of apparel	100.0	
	BUSSAN REAL ESTATE CO., LTD. ⁽⁴⁾	Japan	Real estate sales, leasing and management	100.0	
	MBK Real Estate Ltd.	United States	Real estate-related business	100.0	
	CABLENET SAITAMA CO., LTD.	Japan	Cable TV business in urban area	50.8	
	Kids Station Inc.	Japan	Broadcasting of TV programs for children	67.0	
	Telepark Corp.	Japan	Sales and distribution of mobile phones and agency for telecommunication services	50.8	
	NextCom K.K. ⁽⁵⁾	Japan	Network integration focused on multi-vendor and in-house developed solutions	49.0	
	Mitsui Knowledge Industry Co., Ltd. ⁽⁵⁾	Japan	Planning, development, maintenance and operation of computer systems	67.4	
	TOYO Officemation Inc.	Japan	Design, operation and maintenance of information systems	100.0	
	Mitsui Electronics Inc.	Japan	Investments in semiconductor device sales companies	100.0	
Logistics & Financial Markets	Mitsui & Co. Energy Risk Management Ltd.	United Kingdom	Trading of energy derivatives	100.0	
	Mitsui & Co. Precious Metals, Inc.	United States	Trading of precious metals	100.0	
	Mitsui Bussan Precious Metals (Hong Kong) Limited	Hong Kong, China	Trading of precious metals	100.0	
	Mitsui Bussan Logistics Holdings Ltd. ⁽⁶⁾	Japan	Investments in domestic warehousing businesses	99.8	
	Mitsuibussan Insurance and Consulting Co., Ltd.	Japan	Property and casualty insurance consignment and agency services	100.0	
	TRI-NET (JAPAN) INC.	Japan	International integrated transportation services	100.0	
	Tri-Net Logistics (Asia) Pte. Ltd.	Singapore	International integrated transportation services	100.0	
Americas	Mitsui & Co. (U.S.A.), Inc.	United States	Trading	100.0	
	Mitsui & Co. (Canada) Ltd.	Canada	Trading	100.0	
	Mitsui Brasileira Importacao e Exportacao S.A.	Brazil	Trading	100.0	
	Mitsui Steel Holdings, Inc.	United States	Investments in iron and steel products-related businesses	100.0	
	Westport Petroleum, Inc.	United States	International trading of petroleum products and crude oil	100.0	
	Mitsui Steel, Inc.	United States	Wholesale and SCM services for steel products	100.0	
	Channel Terminal Company LLC	United States	Investments in tank leasing business	100.0	
	Portac, Inc.	United States	Manufacture of lumber and lumber products	100.0	

Operating Segment	Company	Country of Incorporation	Principal Business	Ownership Interest (%)	Voting Power (%)
Europe	Mitsui & Co. Europe PLC ⁽⁷⁾	United Kingdom	Management of business in Europe and Africa	100.0	
	Mitsui & Co. UK PLC ⁽⁸⁾	United Kingdom	Trading	100.0	
	Mitsui & Co. Deutschland GmbH	Germany	Trading	100.0	
	Mitsui & Co. Benelux S.A./N.V.	Belgium	Trading	100.0	
	Mitsui & Co. France S.A.S.	France	Trading	100.0	
	Mitsui & Co. Italia S.p.A.	Italy	Trading	100.0	
Asia	Mitsui & Co. (Hong Kong) Ltd.	Hong Kong, China	Trading	100.0	
	Mitsui & Co. (China) Ltd.	China	Management of business in China	100.0	
	Mitsui & Co. (China) Trading Ltd.	China	Trading	100.0	
	Mitsui & Co. (Shanghai) Ltd.	China	Trading	100.0	
	Mitsui & Co. (Taiwan) Ltd.	Taiwan	Trading	100.0	
	Mitsui & Co. Korea Ltd.	Republic of Korea	Trading	100.0	
	Mitsui & Co. (Thailand) Ltd.	Thailand	Trading	100.0	
	Mitsiam International Ltd.	Thailand	Trading	51.2	55.0
Other Overseas Areas	Mitsui & Co. (Australia) Ltd.	Australia	Trading	100.0	
	Mitsui & Co., Middle East Ltd.	United Arab Emirates	Trading	100.0	
All Other	Mitsui & Co. Financial Services Ltd.	Japan	Financial services	100.0	
	Mitsui & Co. Financial Services (Europe) B.V. ⁽⁹⁾	Netherlands	Financial services	100.0	
	Mitsui & Co. Financial Services (Asia) Ltd. ⁽¹⁰⁾	Singapore	Financial services	100.0	

(1) MITSUI BUSSAN METALS SALES CO., LTD. merged Mitsui & Co. Metals Ltd. in February 2007.

(2) Mitsui & Co. Project Corp. became a parent company holding 100% stakes in Mitsui Bussan Plant & Project Corp., Mitsui & Co. Power Systems Corporation and Mitsui Bussan Transportation System Co., Ltd. through an exchange of shares with Mitsui in May 2006. Furthermore, Mitsui & Co. Project Corp. was merged with those three companies and the merging company Mitsui Bussan Transportation System Co., Ltd. changed its name to Mitsui & Co. Plant Systems, Ltd in April 2007.

(3) MITSUI GAS E ENERGIA DO BRASIL LTDA. changed its name from Gas Participacoes Ltda. in October 2006.

(4) BUSSAN REAL ESTATE CO., LTD. changed its name from Bussan Real Estate Development Co., Ltd. in June 2006.

(5) NextCom K.K. merged Mitsui Knowledge Industry Co., Ltd. and changed its name to Mitsui Knowledge Industry Co., Ltd. in April 2007.

(6) Mitsui Bussan Logistics Holdings Ltd. was established as a parent company holding 100% stakes in Nitto Logistics Co., Ltd., KYOGI WAREHOUSE CO., LTD. and TOSHIN SOKO KAISHA, LTD. through a share transfer in May 2006.

(7) Mitsui & Co. Europe PLC changed its name to Mitsui & Co. Europe Holdings PLC in May 2007.

(8) Mitsui & Co. UK PLC changed its name to Mitsui & Co. Europe PLC in May 2007.

(9) Mitsui & Co. Financial Services (Europe) B.V. changed its name from Mitsui & Co. International (Europe) B.V. in August 2006.

(10) Mitsui & Co. Financial Services (Asia) Ltd. changed its name from Mitsui & Co., Asia Investment Ltd. in July 2006.

D. Property, Plant and Equipment.

The following table provides a list of our principal property, plant and equipment as of March 31, 2007.

(Sft: Square feet, MT: Metric Ton)

Property, Plant and Equipment Description (Holder or Lessee Other than Mitsui)	Location	Size or Annual Production Capacity		Use of property
In Japan:				
Mitsuibussan Building	Tokyo	1,321,572	Sft	Office use (Corporate Headquarters)
Osaka Mitsuibussan Building	Osaka	450,306	Sft	Office use
Nagoya Mitsuibussan Building	Nagoya	152,067	Sft	Office use
Hibiya Central Building	Tokyo	504,419	Sft	Office building for lease
Bussan Building Annex	Tokyo	204,275	Sft	Office building for lease
Company Housing & Dormitory	Chiba	130,010	Sft	Employees' residential facility
Human Resource Development Center	Shizuoka	83,863	Sft	Training facility
Land and equipment (Sintsuda Corporation) ...	Yokohama	197,324	Sft	Coil center
Land and equipment (Mitsui Liquefied Gas Co., Ltd.)	Ishikawa	852,072	Sft	Liquefied petroleum gas terminal
Land (MITSUI FOODS CO., LTD.)	Saitama	71,171	Sft	Distribution center
Land and equipment (DAI-ICHI BROILER CO., LTD.)	Aomori	46,102	Sft	Broiler processing factory
Land and equipment (Mitsui Norin Co., Ltd.) ...	Yamanashi	339,871	Sft	Tea leaf processing factory
Land (Hokushuren Company Limited)	Sapporo	286,751	Sft	Distribution center
Wakamatsu Building & Shinsuna Bayside Building (Bussan Real Estate Development Co., Ltd.)	Tokyo	172,406	Sft	Office building for lease
Land (KYOGI WAREHOUSE CO., LTD.)	Tokyo	649,753	Sft	Logistics center
Sun East Shinonome Building & Sun East Tatsumi Building (Nitto Logistics Co., Ltd.) ..	Tokyo	129,221	Sft	Office use and office building for lease
Tojin Building (TOSHIN SOKO KAISHA, LTD.)	Tokyo	26,759	Sft	Office use and office building for lease

(Sft: Square feet, MT: Metric Ton)

Property, Plant and Equipment Description (Holder or Lessee Other than Mitsui)	Location	Size or Annual Production Capacity		Use of property
Overseas:				
Office space (Mitsui & Co. (U.S.A.), Inc.)	United States	185,324	Sft	Office space leased from others
Office building (Mitsui & Co. UK PLC)	United Kingdom	64,369	Sft	Office use
Equipment (Mitsui Coal Holdings Pty. Ltd.)	Australia ⁽¹⁾	6,011,000	Mt	Mining equipment for coal
Equipment (Mitsui Iron Ore Development Pty. Ltd.)	Australia ⁽¹⁾	22,539,000	Mt	Mining equipment for iron ore
Equipment (Mitsui-Itochu Iron Pty. Ltd.)	Australia ⁽¹⁾	2,788,000	Mt	Mining equipment for iron ore
Equipment (Sesa Goa Limited)	India	2,840,000	Mt	Mining equipment for iron ore
Land and plants (P.T. Kaltim Pasifik Amoniak)	Indonesia	579,397	Sft	Ammonia manufacturing plant
Land and plants (Novus International, Inc.)	United States	658,187	Sft	Methionine production facility
Office building (MBK Real Estate Europe Limited) ..	United Kingdom	189,663	Sft	Office building for lease
Senior service apartment (MBK Real Estate, Ltd.)	United States	146,628	Sft	Leasing asset
Chemical tank yard (Mitsui & Co. (U.S.A.), Inc.)	United States	11,495,355	Sft	Chemical tank

- (1) Information on our mining activities related to Mitsui Coal Holdings Pty. Ltd., Mitsui Iron Ore Development Pty. Ltd., and Mitsui-Itochu Iron Pty. Ltd. that are located in Australia and Sesa God Limited that is located in India is shown in "Iron & Steel Raw Materials and Non-Ferrous Metals Business Unit" of "B. Business Overview" in this Item and "Mining Activities" below.

In addition to the above, our major assets leased to others as of March 31, 2007 were as below:

- Clio Marine Inc. (Liberia), Lepta Shipping Co., Ltd. (Liberia) and LPG Transport Service Ltd. (Bermuda) own ocean vessels leased to foreign and domestic shipping companies whose combined book value amounting to ¥35 billion; and
- Mitsui Rail Capital Holdings Inc. (United States) and Mitsui Rail Capital Europe B.V. (Netherlands) own rolling stock mainly leased to railway companies in the United States and European countries amounting to ¥69 billion as book value.

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

A portion of the land, buildings and equipment owned by us is subject to mortgages or other liens. As of March 31, 2007, the aggregate amount of such mortgages or other liens was ¥57 billion. We know of no material defect in our title to neither of any of the properties nor of any material adverse claim with respect to them, either pending or contemplated.

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

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

Mining Activities

Information regarding our mining activities is provided below.

IRON ORE

Name of Joint Venture or Investee⁽¹⁾

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

Area of Mining Operation (Region, State, Country)

Name of Mines ⁽²⁾	Location	Type of Mineral Resources ⁽³⁾	Fe Basis (%)	Means of Access to the Property	Title/Lease	Type of Mine	Power Source
<i>Robe River Iron Associates</i> <i>Mitsui Iron Ore Development Pty. Ltd. (33%)</i> <i>Pilbara Region, Western Australia, Australia</i>							
Mesa J⁽⁴⁾	Robe Valley, north of the town of Pannawonica	Pisolite	57.2	Railway and port (owned by Robe River Iron Associates and operated by Pilbara Iron Pty Ltd.)	Agreements for life of mine with Government of Western Australia	Open pit	Supplied through the integrated Hamersley and Robe power network operated by Pilbara Iron
West Angelas⁽⁴⁾	Approximately 100km west of the town of Newman	Marra Mamba	61.9	Same as above	Same as above	Open pit	Same as above

Name of Mines ⁽²⁾	Location	Type of Mineral Resources ⁽³⁾	Fe Basis (%)	Means of Access to the Property	Title/Lease	Type of Mine	Power Source
<i>Mount Newman Joint Venture</i>							
<i>Mitsui Itochu Iron Pty. Ltd. (10%) (Mitsui share of Mitsui Itochu Iron Pty. Ltd. is 70%)</i>							
<i>Pilbara Region, Western Australia, Australia</i>							
Mt. Whaleback	Near the town of Newman, 426 km south of Port Headland	Brockman Marra Mamba	62.9 62.2	Railway (owned and operated by Mount Newman Joint Venture) and port in Port Headland (owned and operated by Mount Newman Joint Venture)	Mineral lease granted in 1967 under the Iron Ore (Mount Newman) Agreement Act 1964 scheduled to expire in 2009 with rights for successive renewals for 21 years	Open pit	Sourced from Alinta Dewap
<i>Yandi Joint Venture</i>							
<i>Mitsui Iron Ore Development Pty. Ltd. (7%)</i>							
<i>Pilbara Region, Western Australia, Australia</i>							
Marillana Creek	92 km north of Newman, 310 km south of Port Headland	Channel Iron Deposit	57.5	Rail spur (owned by Yandi Joint Venture) connected to the main Newman/Hedland line (owned and operated by Mount Newman Joint Venture) and port in Port Hedland (owned and operated by Mount Newman Joint Venture)	Mining lease granted in 1991 under the Iron Ore (Marillana Creek) Agreement Act 1991 scheduled to expire in 2012 with the right to extend for additional 42 years	Open pit	Sourced from Alinta Dewap
<i>Mount Goldsworthy Joint Venture</i>							
<i>Mitsui Iron Ore Development Pty. Ltd. (7%)</i>							
<i>Pilbara Region, Western Australia, Australia</i>							
North Area (Yarrie) (Nimingarra)	210 km east of Port Headland	Nimingarra	60.2	Railway (owned and operated by Mount Goldsworthy Joint Venture) and port in Port Headland (owned and operated by Mount Goldsworthy Joint Venture)	Four mineral leases under the Iron Ore (Mount Goldsworthy) Agreement Act 1964 and the Iron Ore (Goldsworthy—Nimingarra) Agreement Act 1972, which have expiry dates between 2007 and 2014 with rights to successive renewals of 21 years.	Open pit	Sourced from Alinta Dewap

Name of Mines ⁽²⁾	Location	Type of Mineral Resources ⁽³⁾	Fe Basis (%)	Means of Access to the Property	Title/Lease	Type of Mine	Power Source
Area C	120 km northwest of Newman, 37 km southwest of Yandi	Marra Mamba	62.1	Rail spur (owned by Goldsworthy Joint Venture) connecting to the Yandi spur line (owned by Yandi Joint Venture) and then onto the main Newman/ Hedland line (owned and operated by Mount Newman Joint Venture) and port in Port Hedland (owned and operated by Goldsworthy Joint Venture)	Same as above	Open pit	Sourced from Alinta Dewap

Sesa Goa Limited

Sesa Goa Limited⁽⁵⁾ (51%)

Goa and Karnataka, India

Codli	Goa, India	Fines/Lumps	58.0 to 62.0	Barge and port in Mormugao	Combination of own lease and sub lease	Open pit	Supplied by state
Sonshi	Goa, India	Fines/Lumps	58.0 to 62.0	Barge and port in Mormugao	Combination of own lease and sub lease	Open pit	Supplied by state
Chitradurga	Karnataka, India	Fines/Lumps	63.5 to 64.0	Railway, truck and shipping facility at Mormugao and Chennai	Combination of own lease and sub lease	Open pit	Supplied by state
Hospet	Karnataka, India	Fines/Lumps	63.5 to 64.0	Railway, truck and shipping facility at Mormugao and Chennai	Combination of own lease and sub lease	Open pit	Supplied by state

(1) The term “Investee” refers only to Sesa Goa Limited.

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

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

(4) The percentage figures of “Fe Basis” of Mesa J and West Angelas represent the figures corresponding to mines, excluding the figures corresponding to stockpile components.

(5) We sold our whole stake in Sesa Goa Limited in April 2007.

COAL

Name of Joint Venture or Investee

Entity by which Mitsui Participates in the Mining Activity and its Ownership Interest⁽²⁾

Area of Mining Operation (Region, State, Country)

Name of Mines ⁽³⁾	Location	Type of Resources	Means of Access to the Property	Title/Lease	Type of Mine	Power Source
<i>BHP Mitsui Coal Pty. Ltd.</i>						
<i>BHP Mitsui Coal Pty. Ltd.⁽¹⁾ (20%)</i>						
<i>Queensland, Australia</i>						
South Walker Creek	In the Bowen Basin, 100 km south-west of Mackay	Metallurgical coal and thermal coal	Railway (Queensland Rail) and port in Mackay	Leases granted by State and renewable subject to State's discretion	Open pit	State owned grid
Poitrel	Same as above	Same as above	Same as above	Same as above	Same as above	Same as above
<i>Bengalla Joint Venture</i>						
<i>Mitsui Coal Holdings Pty. Ltd. (10%)</i>						
<i>New South Wales, Australia</i>						
Bengalla	4 km west of Muswellbrook in the Upper Hunter Valley	Thermal coal	Railway and port at Newcastle	Leases granted by State	Open pit	State owned grid
<i>Kestrel Joint Venture</i>						
<i>Mitsui Coal Holdings Pty. Ltd. (20%)</i>						
<i>Queensland, Australia</i>						
Kestrel	In the Bowen Basin, 200 km west of Rockhampton	Metallurgical coal and thermal coal	Railway and port at Gladstone	Leases granted by State	Underground	State owned grid
<i>Dawson Joint Venture</i>						
<i>Mitsui Coal Holdings Pty. Ltd. (49%)</i>						
<i>Queensland, Australia</i>						
Dawson (formerly "Moura")	In the Bowen Basin 184 km south-west of Gladstone	Metallurgical coal and thermal coal	Railway and port at Gladstone	Leases granted by State	Open pit	State owned grid
<i>German Creek Joint Venture</i>						
<i>Mitsui Coal Holdings Pty. Ltd. (30%)</i>						
<i>Queensland, Australia</i>						
German Creek	In the Bowen Basin, 200 km south-west of Mackay	Metallurgical coal	Railway and port at Gladstone	Leases granted by State	Underground	State owned grid

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

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

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

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

IRON ORE

Name of Joint Venture or Investee

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

Area of Mining Operation (Region, State, Country)

Robe River Iron Associates

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

Pilbara Region, Western Australia, Australia

Mesa J

The development of the Robe River project began in 1962(*) near Pannawonica. The Robe River project was commissioned and the first shipment was made in 1972. Iron ore reserves at the Mesa J production Base provide the cornerstone of Pannawonica's sinter fines and lump output. Development of Mesa J began in 1992, and all mine administration, workshops, warehousing and other support facilities were integrated there in 1994. The mine produces Robe River fines and lump, which are pisolitic iron ore products. Process Plant 1 was commissioned in 1999 and Process Plant 2 in 2001. The plant processes clay-contaminated pisolite, sub-grade material which was once discarded, to reduce contaminants and retain on-specification ore.

West Angelas

The development of West Angelas began in 1998. Mining of ore commenced in March 2002. The West Angelas deposits contain Marra Mamba type iron ore with higher iron content than Robe River's Mesa J mine. The West Angelas operation is comprised of an open pit mine, a crushing and screening ore processing plant producing lump and sinter fines iron ore, as well as stockpiling, reclaiming and train-loading facilities. Further expansion of the West Angelas mine was completed ahead of schedule in October 2005. This US\$105 million project took the mine's production capacity to 25 million tonnes per year. Robe River Iron Associates uses a dedicated rail system, operated by Pilbara Iron, to transport ore from its mines to the company's deepwater port facilities at Cape Lambert. Also, a US\$200 million rail expansion project to duplicate almost 100 kilometers of track and associated interconnection and infrastructure to increase the capacity of the Pilbara Iron main line completed in the first quarter of 2006. In January 2007, a further expansion plan was decided to increase port capacity at Cape Lambert from nameplate capacity of 55 to 80 million tonnes per year by the end of 2008. Completion of the expansion is scheduled for the fourth quarter of 2008 and the total cost of the capital is estimated approximately US\$860 million.

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

Mount Newman Joint Venture

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

Pilbara Region, Western Australia, Australia

Mount Whaleback

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

The facilities at Mount Whaleback include primary and secondary crushing plants with a nominal capacity of 35 million tonnes of product per year, a heavy media beneficiation plant with an annual capacity of 8 million tonnes and a train-loading facility. An additional primary and secondary crushing plant is present at Orebody 25 with a nominal capacity of eight million tonnes of product per year.

Yandi Joint Venture

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

Pilbara Region, Western Australia, Australia

Marillana Creek

Development of the ore body began in 1991 with a capacity of 10 million tonnes per annum and the project's first shipment of iron ore was in March 1992. Capacity was progressively expanded between 1994 and 2003 and the current capacity is 42 million tonnes per annum. Two processing plants and a primary crusher and overland conveyor are used to crush and screen the Yandi ore and deliver it to one of two train loading facilities.

Mount Goldsworthy Joint Venture

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

Pilbara Region, Western Australia, Australia

**North Area
(Yarrie)
(Nimingarra)**

Mount Goldsworthy was commissioned in 1966 in the North Area. The original Goldsworthy mine was closed in 1982 and mining operations ceased at Shay Gap mine in 1993. Since then, mining has continued from the adjacent Nimingarra mine and Yarrie mine, 30 kilometers to the south-east. Two primary crushers exist, one at Yarrie and the other at Nimingarra. The ore is crushed and then railed to Port Hedland.

Area C

In October 2003, the joint venture opened the new Area C mine located 120 kilometers north-west of Newman, which produces a Marra Mamba ore deposit, which is sold under the trademark MAC.

All production from the Mount Goldsworthy North (Yarrie and Nimingarra deposits) is transported on a separate railway to Port Hedland. Ore from Area C is transported via a 39 kilometer new section of railway to the Yandi mine which then connects to the Newman main line to Port Hedland. From there, the venture ships the ore through the Nelson Point and Finucane Island facilities.

The ore currently being produced at Area C is from C Deposit, which is an open-pit mine. The ore processing plant at Area C has a nominal capacity of 23 million tonnes of product per year.

Development projects at joint ventures with BHP Billiton Ltd.

The three joint ventures, namely, Mt. Newman joint venture, Yandi joint venture and Mt. Goldsworthy joint venture have been planning for staged expansions of supply capacity. As a step, in October 2005 they approved an expansion plan to add 20 million tonnes per annum to their capacity, upgrading combined capacity to 129 million tonnes per annum by 2007. The capital expenditure for the expansion work will total A\$2.2 billion. Mitsui will bear approximately A\$150 million. The expansion has been focusing mainly on Area C mine and encompass expansions of rail systems and the loading port. In addition, in March 2007, the joint ventures approved to increase annual production capacity to 155 million tonnes per annum by 2010. The capital expenditure for the expansion will total approximately A\$2.7 billion. The expansion includes development of a new crushing and screening plant, as well as additional stockyard, car dumping and train loading facilities at Mt. Whaleback.

Sesa Goa Limited

Sesa Goa Limited() (51%)*

Goa and Karnataka, India

Codli Sonshi

Sesa Goa Limited commenced operations in 1954 in North Goa, India. Sesa Goa's main mining operations are at the Codli and Sonshi mines. Goan ore tends to be relatively high in alumina content, and most Goan ore is beneficiated to raise the iron content. We acquired a 51% interest in Sesa Goa in 1996.

Chitradurga Hospet

The main operation in Karnataka is at Chitradurga mine. A second mine is located at Hospet. These mines are equidistant from the port of Mormugao and Chennai and ore can be shipped from either port.

(*) We sold our whole stake in Sesa Goa Limited in April 2007.

COAL

Name of Joint Venture or Investee

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

Area of Mining Operation (Region, State, Country)

BHP Mitsui Coal Pty. Ltd.

BHP Mitsui Coal Pty. Ltd. (20%)

Queensland, Australia

South Walker Creek

The joint venture commissioned Riverside in 1983, and its reserves were depleted in March 2005. South Walker Creek became operational in 1998. It produces pulverized coal injection fuel and minor quantities of by-product energy coal. South Walker Creek has a production capacity of four million tonnes per year. Exploration has increased the reserve base in the past year. BHP Mitsui Coal holds undeveloped leases in the Bowen Basin (specifically, the areas of Wards Well, Lancewood and Nebo West).

Poitrel

The mine was commissioned during the December 2006 quarter.

Bengalla Joint Venture

Mitsui Coal Holdings Pty. Ltd. (10%)

New South Wales, Australia

Bengalla

Development consent was granted in 1996 and production commenced in 1999. Coal & Allied, Rio Tinto's subsidiary in Australia, acquired its interest in Bengalla in 2001. Its coal preparation plant has been designed to allow the mine to produce low ash thermal coal for export. Production in 2006 was 5.5 million tonnes of thermal coal.

Kestrel Joint Venture

Mitsui Coal Holdings Pty. Ltd. (20%)

Queensland, Australia

Kestrel

The Kestrel Coal mine, previously known as Gordonstone Mine commenced operation in 1992. Coal is extracted by underground mining. The mine has two longwall units that are operated alternately to minimize downtime and ensure seamless production and reliability. The Kestrel Preparation Plant has been designed to allow the mine to produce low ash coking coal and high energy thermal coal. Production in 2006 was 3.6 million tonnes saleable high quality coking coal and export thermal coal.

Dawson Joint Venture

Mitsui Coal Holdings Pty. Ltd. (49%)

Queensland, Australia

Dawson (formerly "Moura")

Dawson Joint Venture was originally called as Moura Joint Venture. The Moura Mine commenced operation in 1961. Since 1994, all production at Moura has been from its surface operation. Production tonnage has been increasing steadily throughout the years. After a few changes of ownership, Anglo Coal acquired a 51% share in 2002. In September 2003, the adjacent Theodore deposit was developed which further expanded its capacity. Anglo Coal Australia and Mitsui Coal Holdings intend to recapitalize their existing operations at the Moura mine and to establish two additional operations on adjacent tenures. The new and expanded operations will be known as the Dawson Complex. Moura Joint Venture has already changed its name to Dawson Joint Venture. The joint venture's capital expenditure is estimated in excess of Australian dollar 1 billion and will include a new coal preparation plant, additional mining equipment, a coal conveying system for transporting coal, rail load out facilities and administration buildings. The additional coal will be fully available for the market in late 2007, and, annual production capacity will increase from an existing 7 million tonnes to 12.7 million tonnes of metallurgical and thermal coals.

German Creek Joint Venture

Mitsui Coal Holdings Pty. Ltd. (30%)

Queensland, Australia

German Creek

Open pit mining commenced in 1981. Underground mining in the Central Colliery area started in 1984, while underground mining in the Southern Colliery area began in 1988. Grasstree is a new underground mine which commenced production in 2006 and produces hard coking coal for our export markets. In addition, the joint venture has started the development of Lake Lindsay mine, a new open cut mine adjacent to German Creek mine, with estimated ultimate completion during 2008 to increase the aggregate annual production from 6 to 10 million tonnes per annum and to extend the total joint venture's mine life by about 11 years.

Production Tonnage

IRON ORE

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

Joint Venture or Investee and Name of Mines	Mitsui's Subsidiary or Associated Company	Location	In Thousands of Tonnes					
			Year Ended March 31,					
			2007	2006	2005			
			Total Production	Mitsui's Share	Total Production	Mitsui's Share	Total Production	Mitsui's Share
<i>Robe River Iron Associates</i>	Mitsui Iron Ore Development Pty. Ltd.	Pilbara Region, Western Australia						
Pannawonica			28,960	9,557	30,129	9,943	31,023	10,238
West Angelas			24,866	8,206	21,149	6,979	19,561	6,455
<i>Mount Newman Joint Venture</i>	Mitsui Itochu Iron Pty. Ltd.	Pilbara Region, Western Australia						
Mt. Whaleback⁽¹⁾			39,828	2,788	36,021	2,521	34,992	2,449
<i>Yandi Joint Venture</i>	Mitsui Iron Ore Development Pty. Ltd.	Pilbara Region, Western Australia						
Marillana Creek			40,872	2,861	40,335	2,823	40,899	2,863
<i>Mount Goldsworthy Joint Venture</i>	Mitsui Iron Ore Development Pty. Ltd.	Pilbara Region, Western Australia						
North Area			3,341	234	7,089	496	5,268	369
(Yarrie) (Nimigarra)								
Area C			24,011	1,681	20,471	1,433	16,845	1,179
<i>Sesa Goa Limited⁽²⁾</i>	Sesa Goa Limited	India						
Codli, Sonshi		Goa	4,125	2,104	3,998	2,039	2,983	1,521
Chitradurga, Hospet		Karnataka	1,443	736	1,578	805	2,063	1,052
TOTAL			<u>167,446</u>	<u>28,167</u>	<u>160,770</u>	<u>27,039</u>	<u>153,634</u>	<u>26,126</u>

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

(2) We sold our whole stake in Sesa Goa Limited in April 2007.

COAL

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

Joint Venture or Investee and Name of Mines	Mitsui's Subsidiary or Associated Company	Location	In Thousands of Tonnes					
			Year Ended March 31,					
			2007	2006	2005	2004	2003	2002
			Total Production	Mitsui's Share	Total Production	Mitsui's Share	Total Production	Mitsui's Share
BHP Mitsui Coal Pty. Ltd.	BHP Mitsui Coal Pty. Ltd.	Queensland, Australia						
Riverside			—	—	2,384	477	3,323	665
South Walker Creek			3,049	610	3,273	655	3,658	732
Bengalla Joint Venture	Mitsui Coal Holdings Pty. Ltd.	New South Wales, Australia	5,544	554	5,965	596	5,312	531
Kestrel Joint Venture	Mitsui Coal Holdings Pty. Ltd.	Queensland, Australia	3,592	718	3,720	744	3,282	656
Dawson Joint Venture (formerly "Moura Joint Venture")	Mitsui Coal Holdings Pty. Ltd.	Queensland, Australia	6,903	3,382	6,200	3,038	7,023	3,441
German Creek Joint Venture	Mitsui Coal Holdings Pty. Ltd.	Queensland, Australia	4,522	1,357	5,086	1,526	5,782	1,735
		TOTAL	23,610	6,621	26,628	7,036	28,380	7,760

Reserve Tonnage

IRON ORE

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

Operator: Rio Tinto Ltd.⁽¹⁾⁽²⁾

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

Joint Venture or Investee and Name of Mines	Mitsui's Subsidiary or Associated Company	Location	In Millions of Tonnes					
			Year Ended December 31,					
			2006	2005	2004	2003	2002	2001
			Total Reserve	Mitsui's Share	Total Reserve	Mitsui's Share	Total Reserve	Mitsui's Share
Robe River Iron Associates	Mitsui Iron Ore Development Pty. Ltd.	Pilbara Region, Western Australia						
Pannawonica ⁽³⁾⁽⁴⁾			344	114	303	100	172	57
West Angelas ⁽³⁾			409	135	394	130	418	138

- (1) Iron ore reserves are shown as recoverable reserves of saleable product after accounting for all mining and processing losses. Mill recoveries are not available.
- (2) Reserves of Robe River Iron Associates indicate reserves as of the end of December 2006, 2005 and 2004.
- (3) Stockpile components of reserves are included.
- (4) Pannawonica reserves significantly increased for the year ended December 31, 2005, following revision and updating of geological models and mine designs, leading to the inclusion of reserves for the Mesa A deposit.

Operator: BHP Billiton Ltd.⁽¹⁾⁽²⁾⁽³⁾

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

			In Millions of Tonnes					
			Year Ended June 30,					
			2006	2005	2006	2005	2004	
Joint Venture or Investee and Name of Mines	Mitsui's Subsidiary or Associated Company	Location	Total Reserve	Mitsui's Share	Total Reserve	Mitsui's Share	Total Reserve	Mitsui's Share
<i>Mount Newman Joint Venture</i>	Mitsui Itochu Iron Pty. Ltd.	Pilbara Region, Western Australia						
Mt. Whaleback ⁽⁴⁾			799	56	836	59	955	67
<i>Yandi Joint Venture</i>	Mitsui Iron Ore Development Pty. Ltd.	Pilbara Region, Western Australia						
Marillana Creek			848	59	860	60	901	63
<i>Mount Goldsworthy Joint Venture</i>	Mitsui Iron Ore Development Pty. Ltd.	Pilbara Region, Western Australia						
North Area (Yarrie) (Nimingarra) Area C			7	0	14	1	13	1
			442	31	474	33	499	35

- (1) Mining dilution and mining recovery (in general around 95%) has been taken into account in the estimation of reserves.
(2) Metallurgical recoveries for the operations are 100% except for Mt Newman Joint Venture of which metallurgical recovery is 63 to 100%.
(3) Reserves provided in the table above indicate reserves as of the end of June 2006, 2005 and 2004.
(4) "Name of Mines" indicates the names of principal producing mines.

Operator: Sesa Goa Ltd.⁽¹⁾⁽²⁾⁽³⁾

Reserve amounts of Sesa Goa consist of proved and probable recoverable reserves.

			In Millions of Tonnes					
			Year Ended March 31,					
			2007	2006	2007	2006	2005	
Joint Venture or Investee and Name of Mines	Mitsui's Subsidiary or Associated Company	Location	Total recoverable Reserve	Mitsui's Share	Total recoverable Reserve	Mitsui's Share	Total recoverable Reserve	Mitsui's Share
<i>Sesa Goa Limited</i>	Sesa Goa Limited	India						
Codli, Sonshi		Goa	51	26	57	29	55	28
Chitradurga, Hospet ...		Karnataka	29	15	28	14	30	15

- (1) Iron ore reserves are shown as recoverable reserves before accounting for all mining and processing losses. For the year ended March 31, 2007, average rates of mill recovery for marketable products for Codli and Sonshi, and for Chitradurga and Hospet were 71% and 100%, respectively.
(2) Reserves of Sesa Goa Ltd. indicate reserves as of the end of March 2007, 2006 and 2005.
(3) We sold our whole stake in Sesa Goa Limited in April 2007.

COAL

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

Joint Venture or Investee and Name of Mines	Operator	Mitsui's Subsidiary or Associated Company	Location	In Millions of Tonnes					
				Year Ended March 31,					
				2007	2006	2005	2007	2006	2005
				Total Reserve	Mitsui's Share	Total Reserve	Mitsui's Share	Total Reserve	Mitsui's Share
BHP Mitsui Coal Pty. Ltd.⁽¹⁾	BHP Billiton Ltd.	BHP Mitsui Coal Pty. Ltd.	Queensland, Australia						
Riverside ⁽²⁾				—	—	—	—	3	1
South Walker Creek ...				34	7	45	9	92	18
Bengalla Joint Venture⁽³⁾	Rio Tinto Ltd.	Mitsui Coal Holdings Pty. Ltd.	New South Wales, Australia	150	15	155	16	161	16
Kestrel Joint Venture⁽³⁾	Rio Tinto Ltd.	Mitsui Coal Holdings Pty. Ltd.	Queensland, Australia	112	22	116	23	120	24
Dawson Joint Venture⁽³⁾	Anglo American	Mitsui Coal Holdings Pty. Ltd.	Queensland, Australia	288	141	298	146	208	102
(formerly Moura Joint Venture)									
German Creek Joint Venture⁽³⁾	Anglo American	Mitsui Coal Holdings Pty. Ltd.	Queensland, Australia	168	50	177	53	78	23
(including Lake Lindsay Mine)									
			TOTAL	<u>752</u>	<u>235</u>	<u>791</u>	<u>247</u>	<u>662</u>	<u>184</u>

(1) Reserves of BHP Mitsui Coal Pty. Ltd. indicates reserves as of the end of June 2006, 2005 and 2004, respectively. 2007 reserves means reserves as of the end of June 2006. Poitrel mine was commissioned in the December 2006 quarter. In addition to the reserves of South Walker Creek, there were the reserves of Poitrel mine which were estimated as 45 million ton (Mitsui's share 9 million ton) as of end of June 2006.

(2) Reserves from Riverside were depleted in March 2005.

(3) Reserves of Bengalla Joint Venture, Kestrel Joint Venture, Dawson Joint Venture and German Creek Joint Venture indicate reserves as of the end of December 2006, 2005 and 2004, respectively. 2007 reserves mean reserves as of the end of December 2006.

We hold a 15% profit share in Valepar S.A., which held a 32.5% profit share of the common stock and preferred stock of Companhia Vale do Rio Doce ("CVRD") as of December 31, 2006. Accordingly, 4.9% (32.5% x 15%) of CVRD's production and reserve amounts are indirectly attributable to us. The following table provides iron ore production and reserve amounts for CVRD, and Mitsui's share of the production and reserve amounts of CVRD.

Production Tonnage (for the year ended December 31)

Millions of Tonnes					
2006		2005		2004	
Total Production	Mitsui's Share	Total Production	Mitsui's Share	Total Production	Mitsui's Share
264.2	12.9	233.9	11.9	211.3	10.8

Proven and Probable Reserves (as of December 31)

Millions of Tonnes					
2006		2005		2004	
Total Reserve	Mitsui's Share	Total Reserve	Mitsui's Share	Total Reserve	Mitsui's Share
7,619.3	371.0	7,981.8	407.7	6,869.1	350.3

Oil and Gas Producing Activities

The following table shows crude oil, condensate, natural gas liquids and natural gas production from our reserves for the three fiscal years indicated:

Production Information

Year Ended March 31,	Millions of Barrels						Billions of Cubic Feet					
	Crude Oil, Condensate and Natural Gas Liquids ⁽¹⁾						Natural Gas ⁽¹⁾⁽³⁾					
	Consolidated Companies			Associated Companies			Consolidated Companies			Associated Companies		
	Oceania and Asia	Middle East	Others	Oceania	Others	Worldwide	Oceania and Asia	Middle East	Others	Oceania	Others	Worldwide
2007	11	3	1	6	4	25	96	6	3	45	6	156
2006	1	3	—	5	5	14	2	6	—	57	39	104
2005	1	3	—	5	5	14	—	9	—	49	34	92

The following tables show proved reserves and proved developed reserves of crude oil, condensate, natural gas liquids and natural gas as of the ending date of three fiscal years indicated:

Proved Reserve Information:

Proved Reserves

As of March 31,	Millions of Barrels						Billions of Cubic Feet					
	Crude Oil, Condensate and Natural Gas Liquids ⁽¹⁾						Natural Gas ⁽¹⁾⁽³⁾					
	Consolidated Companies			Associated Companies			Consolidated Companies			Associated Companies		
	Oceania and Asia	Middle East	Others	Oceania	Others	Worldwide	Oceania and Asia	Middle East	Others	Oceania	Others	Worldwide
2007	72 ⁽⁴⁾	23	15	37	91	238	344	31	38	740	1,668	2,821
2006	55	23	—	39	104	221	80	40	—	801	1,789	2,710
2005	50	24	—	28	92	194	69	75	—	771	1,393	2,308

Proved Developed Reserves⁽²⁾

As of March 31,	Millions of Barrels						Billions of Cubic Feet					
	Crude Oil, Condensate and Natural Gas Liquids ⁽¹⁾						Natural Gas ⁽¹⁾⁽³⁾					
	Consolidated Companies			Associated Companies			Consolidated Companies			Associated Companies		
	Oceania and Asia	Middle East	Others	Oceania	Others	Worldwide	Oceania and Asia	Middle East	Others	Oceania	Others	Worldwide
2007.	46 ⁽⁴⁾	18	11	21	24	120	299	19	24	385	11	738
2006.	7	18	—	13	25	63	56	39	—	263	67	425
2005.	6	24	—	14	18	62	—	75	—	356	82	513

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

(2) The proportion of Proved Developed Reserves to Proved Developed and Undeveloped Reserves is approximately 34% as of March 31, 2007 and relatively low. The expected costs to develop these undeveloped reserves are estimated to be ¥502 billion in total as of March 31, 2007. Undeveloped reserves are largely attributable to an associated company in Russia and an associated company in Australia.

Production of crude oil in 2007 and LNG in 2008 are expected, for the associated company in Russia. Production of crude oil and LNG has already commenced at the existing facilities at the Australian company. The drilling of additional development wells will be performed over the project life according to the project drilling program.

- (3) The proved gas reserves are restricted to those volumes that are related to firm sales commitments.
- (4) Proved reserves attributable to Mitsui Oil Exploration Co., Ltd., which became our consolidated subsidiary in the year ended March 31, 2007, are included in the figures as of March 31, 2007. The included figures are proved reserves of 19 million barrels of crude oil, condensate and natural gas liquids and 265 billion cubic feet of natural gas, as well as proved developed reserves of 18 million barrels of crude oil, condensate and natural gas liquids and 227 billion cubic feet of natural gas. These figures represent reserves on a 100% basis while our interest in Mitsui Oil Exploration Co., Ltd. was 50.3% as of March 31, 2007.

Information on our oil and gas producing activities is shown in the “Supplemental Information on Oil and Gas Producing Activities (Unaudited)” to the consolidated financial statements included elsewhere in this annual report. And also see “Operating and Financial Review and Prospects—Operating Results by Operating Segment—Energy Segment.”

Item 4A. Unresolved Staff Comments

We are a large accelerated filer as defined in Rule 12b-2 under the Securities Exchange Act of 1934. There are no written comments which have been provided by the staff of the Securities and Exchange Commission regarding our periodic reports under that Act not less than 180 days before the end of the fiscal year ended March 31, 2007 and which remain unresolved as of the date of the filing of this Form 20-F with the Commission and which we believe are material.

Item 5. Operating and Financial Review and Prospects

A. Operating Results

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

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

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

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

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

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

Key Performance Measures under Management's Discussion

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

Gross profit, operating income and equity in earnings of associated companies*

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

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

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

Investment plans and financial leverage

According to our Medium-term Management Outlook announced in May 2006, we intended to invest a total of ¥800 billion during the two fiscal years ending March 2007 and 2008, in order to build strategic business portfolios in the four business areas of Mineral Resources and Energy Area; Global Marketing Networks Area, including steel products and chemicals; Infrastructure Area, including power generation; and Consumer Services Area, including outsourcing services and content businesses. As of the date of this annual report, we have observed a more rapid progress on investment plans than we had expected, and concurrently we have proactively implemented the divestiture of existing securities and fixed assets for portfolio restructuring. Mitsui is monitoring and managing group-wide financial leverage with a view of securing an efficient return on equity as well as maintaining and improving credit ratings and financial soundness in order to secure the capital resources required for these investments and to refinance our interest bearing debt. For further discussion on these investments and related financial policies, refer to "B. Liquidity and Capital Resources" in this Operating and Financial Review and Prospects.

*** Operating Income**

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

Results of Operations

Summary of Operations for the Years Ended March 31, 2007 and 2006

Principal developments in the economic environment that influenced our results of operations during the years ended March 31, 2007 and 2006 included the following:

Operating Environment for the Year Ended March 31, 2007

- During the year ended March 31, 2007, the global economy overall continued its steady expansion. In the United States, corporate profits remained robust and consumer spending continued to increase due to favorable employment and wage conditions, and despite an easing in housing investment, which had been overheating, the economy performed steadily overall. In Asia, sustained high growth in China has continued driven by further increases in capital investments and exports to other regions. In Europe, the economy demonstrated a clear recovery trend, as illustrated by the growth of exports in Germany and other factors.
- This broad-based expansion of the global economy underpinned strong international commodities markets. Prices of crude oil, mineral resources, non-ferrous metals and other commodities reached record-high levels in the summer, and despite falling thereafter, remain at high levels.
- The global trend towards steadily higher interest rates continued. In the United States, the Federal Reserve Board ("FRB"), which had continued to raise interest rates progressively since June 2004, kept the rate constant since June 2006. In Europe, the European Central Bank continued to raise interest rates since 2005.
- The Japanese economy continued its solid recovery. Exports continued to increase, bolstered by global economic expansion and the weakening yen. Strong corporate sector results led to high growth in capital investment, while improvements in employment and wages led to firmer consumer spending. The Bank of Japan decided to terminate its zero interest rate policy in July 2006, and raised the policy interest rate in February 2007, based on the robust recovery of the economy and consumer prices turning positive. In foreign exchange rates, the yen continued to weaken, particularly against the Euro, against which the yen recorded its lowest ever level since the introduction of the Euro in 1999.

Operating Environment for the Year Ended March 31, 2006

- The global economy continued its steady expansion driven by the growth in the United States, as well as emerging countries, particularly China. The expansion again brought higher consumption, housing investment and capital investment. Emerging countries especially continued strong economic growth led by increasing personal consumption from a growing middle-income class and by robust infrastructure demand.
- These factors contributed to a substantial increase in global trade and spurred the rising trend in commodity prices such as crude oil, iron ore, coal and non-ferrous metals.
- The Japanese economy entered a period of self-sustaining growth. Capital investment increased reflecting expansion of corporate earnings while improved employment and wages supported a favorable trend in personal consumption. In addition, export volume increased supported by an expansion of the global economy and the weak yen.
- In the United States, the FRB continued its policy of raising interest rates, which resulted in a gradual rise in interest rates worldwide. In March 2006, the Bank of Japan terminated its quantitative easing policy, which it had followed for the prior five years.

Overview of the Financial Results for the Year Ended March 31, 2007

- Operating results
 - For the year ended March 31, 2007, we recorded consolidated net income of ¥301.5 billion, an increase of ¥99.1 billion, or 49.0%, from ¥202.4 billion for the year ended March 31, 2006. Most operating segments except for the Foods & Retail Segment recorded improved operating results, benefiting from a favorable economic environment.
 - Gross profit and equity in earnings of associated companies increased by ¥85.4 billion, or 10.4%; and ¥58.8 billion, or 62.4%, respectively, reflecting favorable commodity prices including mineral resources and energy. On the other hand, Mitsui Norin Co., Ltd. (Japan) recorded impairment losses on goodwill and intangible assets. In addition, interest expenses increased from increasing interest bearing debt mainly associated with the investment in the Sakhalin II project as well as a rising U.S. dollar interest rate.
- Financial condition

Total assets as of March 31, 2007 increased to ¥9.8 trillion, an increase of ¥1.2 trillion over March 31, 2006 due mainly to investments in energy, mineral resources and infrastructure businesses as well as an increase in trade receivables. Shareholders' equity as of March 31, 2007 was ¥2.1 trillion as a result of increased retained earnings.
- Cash flows

Net cash provided by operating activities for the year ended March 31, 2007 was ¥239.3 billion, an increase of ¥92.9 billion from the year ended March 31, 2006 reflecting the steady growth of the operating income. Net cash used in investing activities was ¥418.0 billion, attributable to investments mainly in the energy; machinery and infrastructure projects; and mineral resources businesses.

Overview of the Financial Results for the Year Ended March 31, 2006

- Operating results
 - For the year ended March 31, 2006, we recorded consolidated net income of ¥202.4 billion, an increase of ¥81.3 billion, or 67.1%, from ¥121.1 billion for the year ended March 31, 2005. Most operating segments except for the Foods & Retail Segment recorded improved operating results, benefiting from a favorable economic environment.
 - Gross profit and equity in earnings of associated companies increased by ¥110.1 billion, or 15.5%; and ¥30.0 billion, or 46.7%, respectively, reflecting favorable commodity prices including mineral resources and energy. On the other hand, Mitalco Inc. (United States) and MITSUI FOODS CO., LTD. (Japan) recorded significant one-time impairment losses on long-lived assets. In addition, interest expenses increased principally from the investment in the Sakhalin II project.
- Financial condition

Total assets as of March 31, 2006 reached ¥8.6 trillion mainly due to investments in the energy and mineral resources businesses, the infrastructure businesses and the foods and retail businesses; increases in trade receivables and inventories; and the increases in unrealized holding gains on available-for-sale securities. As a result of a public offering and increased retained earnings, our shareholders' equity as of March 31, 2006 reached ¥1.7 trillion.
- Cash flows

Net cash provided by operating activities for the year ended March 31, 2006 was ¥146.4 billion. Net cash used in investing activities was ¥347.3 billion, resulting primarily from investments in energy and mineral resources businesses as well as infrastructure businesses.

Impact of Foreign Currency Exchange Fluctuation on Operating Results

Due to the increase in gross profit and equity in earnings of associated companies discussed above, net income for the year ended March 31, 2007 reported by overseas subsidiaries and associated companies reached ¥252.4 billion, significantly higher than ¥174.8 billion for the year ended March 31, 2006. The impact of any appreciation of the yen against the currencies used by these companies as functional currency in their reporting—principally U.S. dollars, Australian dollars and Euros—is becoming even more significant.

The average U.S. dollar—yen exchange rate during the year ended March 31, 2007 was ¥116.96 = U.S.\$1, representing yen depreciation of ¥3.03, or 2.7%, compared to the average rate during the year ended March 31, 2006 of ¥113.93 = U.S.\$1. As of March 30, 2007, the U.S. dollar—yen exchange rate was ¥118.05 = U.S.\$1.

The impact of foreign currency exchange fluctuations on net income for the year ending March 2008 will largely depend on the net income denominated in local currencies of overseas subsidiaries and associated companies. Based on net income in the business plans of these companies covering the year ending March 2008, we estimate that yen appreciation by ¥1 against U.S.\$1 would have the net effect of reducing net income by approximately ¥2.2 billion.

Discussion and Analysis of Operating Results for the Years Ended March 31, 2007 and 2006

Revenues

In accordance with U.S. GAAP, revenues are reported based on the gross amount billed to a customer or on the net amount retained (that is, the amount billed to a customer less the amount paid to a supplier) in the following manner.

- Revenues are reported based on gross amounts for transactions where we have the related risks and rewards of ownership such as transactions mainly where we are a primary obligor in the arrangement and/or assume general inventory risk without any significant mitigation of our risk level.
- Revenues are reported based on net amounts where we assume a low degree of related risks and rewards, effectively acting as an agent for the applicable products or services. A typical example of reporting revenues based on net amounts is a transaction where we receive a commission or fee at a fixed rate based on transaction volume or amount.

We classified our revenues into sales of products, sales of services and other sales with the corresponding costs of revenues.

The table below provides these three categories of revenues by products in “PRODUCT INFORMATION” in Note 17, “SEGMENT INFORMATION.” (*)

Billions of Yen												
Years Ended March 31,												
	2007				2006				Change			
	Sales of Products	Sales of Services	Other Sales	Total	Sales of Products	Sales of Services	Other Sales	Total	Sales of Products	Sales of Services	Other Sales	Total
<i>Iron and Steel</i>	¥ 552.3	¥ 71.5	¥ 0.2	¥ 624.0	¥ 454.7	¥ 68.8	¥ 0.2	¥ 523.7	¥ 97.6	¥ 2.7	¥ 0.0	¥100.3
<i>Non-Ferrous Metals</i>	71.2	9.0	19.7	99.9	77.7	9.2	15.3	102.2	(6.5)	(0.2)	4.4	(2.3)
<i>Machinery</i>	253.1	106.2	71.6	430.9	219.1	97.6	51.3	368.0	34.0	8.6	20.3	62.9
<i>Electronics & Information</i>	77.8	104.9	0.0	182.7	77.5	87.3	0.1	164.9	0.3	17.6	(0.1)	17.8
<i>Chemicals</i>	1,038.9	98.4	9.3	1,146.6	785.9	93.3	7.5	886.7	253.0	5.1	1.8	259.9
<i>Energy</i>	1,622.0	7.1	8.5	1,637.6	1,331.8	7.7	21.0	1,360.5	290.2	(0.6)	(12.5)	277.1
<i>Foods</i>	417.2	49.3	0.5	467.0	377.8	47.2	(0.4)	424.6	39.4	2.1	0.9	42.4
<i>Textiles</i>	22.9	21.2	1.5	45.6	24.5	16.8	1.1	42.4	(1.6)	4.4	0.4	3.2
<i>General Merchandise</i>	55.3	8.1	0.0	63.4	69.8	9.0	0.0	78.8	(14.5)	(0.9)	0.0	(15.4)
<i>Property and Service Business</i>	63.3	81.7	38.0	183.0	60.9	75.3	27.5	163.7	2.4	6.4	10.5	19.3
<i>Consolidated Total</i>	¥4,174.0	¥557.4	¥149.3	¥4,880.7	¥3,479.7	¥512.2	¥123.6	¥4,115.5	¥694.3	¥45.2	¥ 25.7	¥765.2

Billions of Yen												
Years Ended March 31,												
	2006				2005				Change			
	Sales of Products	Sales of Services	Other Sales	Total	Sales of Products	Sales of Services	Other Sales	Total	Sales of Products	Sales of Services	Other Sales	Total
<i>Iron and Steel</i>	¥ 454.7	¥ 68.8	¥ 0.2	¥ 523.7	¥ 350.7	¥ 55.7	¥ 0.3	¥ 406.7	¥104.0	¥13.1	¥(0.1)	¥117.0
<i>Non-Ferrous Metals</i>	77.7	9.2	15.3	102.2	137.5	8.4	15.9	161.8	(59.8)	0.8	(0.6)	(59.6)
<i>Machinery</i>	219.1	97.6	51.3	368.0	163.4	63.3	38.2	264.9	55.7	34.3	13.1	103.1
<i>Electronics & Information</i>	77.5	87.3	0.1	164.9	74.9	69.8	0.0	144.7	2.6	17.5	0.1	20.2
<i>Chemicals</i>	785.9	93.3	7.5	886.7	642.7	79.8	6.6	729.1	143.2	13.5	0.9	157.6
<i>Energy</i>	1,331.8	7.7	21.0	1,360.5	1,009.3	14.0	11.8	1,035.1	322.5	(6.3)	9.2	325.4
<i>Foods</i>	377.8	47.2	(0.4)	424.6	423.7	50.1	(0.2)	473.6	(45.9)	(2.9)	(0.2)	(49.0)
<i>Textiles</i>	24.5	16.8	1.1	42.4	22.1	19.8	1.1	43.0	2.4	(3.0)	0.0	(0.6)
<i>General Merchandise</i>	69.8	9.0	0.0	78.8	86.0	10.2	(0.1)	96.1	(16.2)	(1.2)	0.1	(17.3)
<i>Property and Service Business</i>	60.9	75.3	27.5	163.7	53.7	63.0	22.9	139.6	7.2	12.3	4.6	24.1
<i>Consolidated Total</i>	¥3,479.7	¥512.2	¥123.6	¥4,115.5	¥2,964.0	¥434.1	¥96.5	¥3,494.6	¥515.7	¥78.1	¥27.1	¥620.9

Sales of Products

Sales of products include the following four types of transactions:

- the sale of products as a principal in the transactions, such as crude oil and petroleum products; petrochemical products as well as steel products;
- the sale of manufacturer products at our manufacturing subsidiaries such as feed additive by Novus International, Inc. (United States) and tea leaves by Mitsui Norin Co., Ltd. (Japan);
- the sale of natural resources from iron ore and coal mining activities and oil and gas producing activities; and
- the development and sale of real estate.

(*) Revenues reported in “PRODUCT INFORMATION” are classified by similarity of products as required by U.S. GAAP, and are not intended to represent classification by operating segment. As an example, revenues of “Chemicals” in “PRODUCT INFORMATION” include not only those reported in the Chemical Segment but also those reported in other operating segments such as the Americas Segment for sales of chemical-related products or services. To differentiate between classification by product and classification by operating segment, classification by product is italicized in this “Revenues” and “Gross profit classified by category of revenues” in the next “Gross Profit.”

Comparison between the years ended March 31, 2007 and 2006

For the year ended March 31, 2007, revenues from the sales of products were ¥4,174.0 billion, an increase of ¥694.3 billion, or 20.0%, from ¥3,479.7 billion for the year ended March 31, 2006. Major factors by product were as follows:

- Revenues from *Energy* were ¥1,622.0 billion, an increase of ¥290.2 billion from ¥1,331.8 billion for the year ended March 31, 2006. Crude oil and petroleum products sales in international markets and domestic petroleum products and liquefied petroleum gas sales comprised the major part of the revenues from *Energy*. Crude oil and petroleum products sales increased by ¥98.6 billion and ¥53.7 billion at Mitsui Oil (Asia) Hong Kong, Ltd. (Hong Kong, China) and Westport Petroleum, Inc. (United States), respectively. Domestic petroleum products and liquefied petroleum gas sales also increased by a combined sum of ¥109.4 billion at Mitsui Oil Co., Ltd. (Japan) and Mitsui Liquefied Gas Co., Ltd. (Japan).
- Revenues from *Chemicals* were ¥1,038.9 billion, an increase of ¥253.0 billion from ¥785.9 billion for the year ended March 31, 2006, primarily reflecting increases in Mitsui's sales of basic petrochemicals and synthetic fiber intermediates due to higher prices for these petrochemical products reflecting higher crude oil prices.
- Revenues from *Iron and Steel* were ¥552.3 billion, an increase of ¥97.6 billion from ¥454.7 billion for the year ended March 31, 2006. Revenues increased at Mitsui and Mitsui Steel Holdings Inc. (United States) reflecting favorable steel products market circumstances. Mitsui Iron Ore Development Pty. Ltd. (Australia) and Sesa Goa Limited (India) recorded higher revenues reflecting the rise in iron ore prices. Regarding price trends of iron ore and coal for the year ended March 31, 2007, please refer to the discussion under "Iron & Steel Raw Materials and Non-Ferrous Metals Segment" of "Operating Results by Operating Segment."

Comparison between the years ended March 31, 2006 and 2005

For the year ended March 31, 2006, revenues from the sales of products were ¥3,479.7 billion, an increase of ¥515.7 billion, or 17.4%, from ¥2,964.0 billion for the year ended March 31, 2005. Major factors by product were as follows:

- Revenues from *Energy* were ¥1,331.8 billion, an increase of ¥322.5 billion from ¥1,009.3 billion for the year ended March 31, 2005. Revenues from sales of petroleum products increased at Westport Petroleum, Inc. (United States) by ¥137.9 billion. Revenues from domestic sale of petroleum products also increased at Mitsui Oil Co., Ltd. (Japan) and Mitsui Liquefied Gas Co., Ltd. (Japan) by a combined sum of ¥79.6 billion.
- Revenues from *Chemicals* were ¥785.9 billion, an increase of ¥143.2 billion from ¥642.7 billion for the year ended March 31, 2005. The principal reasons include increases in Mitsui's sales of synthetic fiber intermediates, methanol, ammonia and basic petrochemicals.
- Revenues from *Iron and Steel* were ¥454.7 billion, an increase of ¥104.0 billion from ¥350.7 billion for the year ended March 31, 2005. Mitsui Iron Ore Development Pty. Ltd. (Australia) and Sesa Goa Limited (India) recorded an increase of ¥27.6 billion and ¥10.0 billion, respectively, due to the rise in iron ore prices. Champions Pipe & Supply, Inc. (United States) recorded an increase of ¥14.5 billion, reflecting a favorable steel tubular products market.

Sales of Services

Sales of services include the revenues from trading margins (for our intermediary service) and commissions. For example:

- As the most typical case of our services, for back-to-back sales and purchase transactions of products, we record the net amount of sale and purchase prices (namely, trading margin for our intermediary service) as revenues.

- We provide various services of logistics and warehouse services, information and communication services and technical support. We also facilitate arrangement of the contracts between manufacturers and customers and deliveries of the products between suppliers and customers. In these cases, the billed amounts for these services are recognized as revenues.

Comparison between the years ended March 31, 2007 and 2006

For the year ended March 31, 2007, revenues from the sales of services were ¥557.4 billion, an increase of ¥45.2 billion from ¥512.2 billion for the year ended March 31, 2006. *Electronics & Information* increased by ¥17.6 billion to ¥104.9 billion from ¥87.3 billion for the year ended March 31, 2006. *Machinery* increased by ¥8.6 billion to ¥106.2 billion from ¥97.6 billion for the year ended March 31, 2006.

Comparison between the years ended March 31, 2006 and 2005

For the year ended March 31, 2006, revenues from the sales of services were ¥512.2 billion, an increase of ¥78.1 billion from ¥434.1 billion for the year ended March 31, 2005. The major factors were as below:

- Revenues from *Iron and Steel* and *Chemicals* increased by ¥13.1 billion and ¥13.5 billion, respectively. Favorable market conditions and increases in transaction volume resulted in the overall increase both at Mitsui and subsidiaries.
- Revenues from *Machinery* increased by ¥34.3 billion, primarily attributable to the increases at overseas automobile-related subsidiaries through their logistics and distributorship services.
- Revenues from *Electronics & Information* increased by ¥17.5 billion, attributable to the increases in the sales of information and communication services at NextCom K.K. (Japan) and Telepark Corp. (Japan).

Other Sales

Other sales principally include the revenues from derivative commodity instruments and derivative financial instruments held for trading purposes, the revenues from leasing activities of real estate, rolling stock, ocean transport vessels, aircraft and machinery equipment and the revenues from external consumer financing.

Comparison between the years ended March 31, 2007 and 2006

For the year ended March 31, 2007, revenues from other sales were ¥149.3 billion, an increase of ¥25.7 billion from ¥123.6 billion for the year ended March 31, 2006, which was primarily attributable to the following factors:

- Leasing revenues were ¥85.0 billion, an increase of ¥19.7 billion from ¥65.3 billion for the year ended March 31, 2006, which was attributable to the expanded rolling stock leasing businesses at Mitsui Rail Capital Participacoes Ltda. (Brazil) and Mitsui Rail Capital Holdings, Inc. (United States) as well as the acquisition of Dispolok GmbH (Germany) and increases in the real estate leasing businesses in Japan and abroad.
- Derivative trading revenues were ¥33.1 billion, a decrease of ¥6.6 billion from ¥39.7 billion for the year ended March 31, 2006. The principal reason for this decrease was naphtha trading losses at Mitsui Oil (Asia) Pte. Ltd. (Singapore) for the year ended March 31, 2007.
- P.T. Bussan Auto Finance (Indonesia) increased its revenue from other sales by ¥8.3 billion over the year ended March 31, 2006, reflecting its expansion of motorcycle retail finance in Indonesia.

Comparison between the years ended March 31, 2006 and 2005

For the year ended March 31, 2006, revenues from other sales were ¥123.6 billion, an increase of ¥27.1 billion from ¥96.5 billion for the year ended March 31, 2005, which was primarily attributable to the following factors:

- Leasing revenues were ¥65.3 billion, an increase of ¥9.9 billion from the ¥55.4 billion for the year ended March 31, 2005 due to the contribution of KYOGI WAREHOUSE CO., LTD. (Japan) which was acquired during the year ended March 31, 2006 and Mitsui Rail Capital Holdings, Inc. (United States), a leasing company of rolling stock.

- Derivative trading revenues were ¥39.7 billion, an increase of ¥7.7 billion from the ¥32.0 billion for the year ended March 31, 2005, reflecting strong energy derivatives trading at Mitsui & Co. Energy Risk Management Ltd. (United Kingdom), Mitsui Oil (Asia) Pte. Ltd. (Singapore) and Mitsui Oil (Asia) Hong Kong Ltd. (Hong Kong, China).
- P.T. Bussan Auto Finance (Indonesia) increased its revenue from other sales by ¥4.0 billion over the year ended March 31, 2005, reflecting its strong business performance in the motorcycle retail finance in Indonesia.

Gross Profit

Gross Profit Classified by Category of Revenues

	Billions of Yen									
	Years Ended March 31,						Change between 2007 and 2006		Change between 2006 and 2005	
	2007		2006		2005					
	Gross Profit	GP Ratio	Gross Profit	GP Ratio	Gross Profit	GP Ratio	Gross Profit	GP Ratio	Gross Profit	GP Ratio
Gross Profit from Sales of Products	¥430.8	10.3%	¥370.1	10.6%	¥293.3	9.9%	¥60.7	(0.3)%	¥ 76.8	0.7%
Gross Profit from Sales of Services	398.3	71.5%	381.8	74.5%	365.3	84.2%	16.5	(3.0)%	16.5	(9.7)%
Gross Profit from Other Sales	74.6	50.0%	66.4	53.7%	49.6	51.4%	8.2	(3.7)%	16.8	2.3%
Total	¥903.7	18.5%	¥818.3	19.9%	¥708.2	20.3%	¥85.4	(1.4)%	¥110.1	(0.4)%

Comparison between the years ended March 31, 2007 and 2006

For the year ended March 31, 2007, gross profit was ¥903.7 billion, an increase of ¥85.4 billion, or 10.4%, from ¥818.3 billion for the year ended March 31, 2006. The Gross Profit ratio (“GP ratio”), or ratio of gross profit divided by revenues, for the year ended March 31, 2007 was 18.5%, a decrease of 1.4 percentage points compared to the year ended March 31, 2006. Changes in gross profit and GP ratio classified by category of revenues are set forth below:

For the year ended March 31, 2007, gross profit from sales of products was ¥430.8 billion, an increase of ¥60.7 billion from ¥370.1 billion for the year ended March 31, 2006. The major factors in this category are as follows:

- Gross profit from *Energy* was ¥133.0 billion, an increase of ¥43.0 billion from ¥90.0 billion for the year ended March 31, 2006. As a result of acquisition of Mitsui Oil Exploration Co., Ltd. (Japan), a former associated company, in the fourth quarter of the fiscal year under review, it newly reported a ¥15.0 billion gross profit and Mitsui E&P Australia Pty Limited (Australia) also reported gross profit of ¥13.9 billion following the start up of commercial production at the Enfield oil project. Mitsui E&P Middle East B.V. (Netherlands), which is engaged in production of crude oil in Oman, recorded an increase reflecting higher oil prices. Westport Petroleum, Inc. (United States) recorded a ¥4.9 billion increase in gross profit from sales of petroleum products.
- Gross profit from *Iron and Steel* was ¥125.1 billion, an increase of ¥11.1 billion from ¥114.0 billion for the year ended March 31, 2006. Mitsui Iron Ore Development Pty. Ltd. (Australia), Mitsui Itochu Iron Pty. Ltd. (Australia) and Sesa Goa Limited (India) recorded increases in gross profit by ¥13.6 billion, ¥3.6 billion and ¥3.4 billion, respectively, due to rising iron ore prices. However, Mitsui Coal Holdings Pty. Ltd. (Australia) recorded a ¥10.7 billion decrease reflecting a decline in coal prices.

The GP ratio from sales of products for the year ended March 31, 2007 was 10.3%, a decline of 0.3 percentage points compared to the year ended March 31, 2006, reflecting relatively lower growth of gross profit (16.4% increase) than that of revenues (20.0% increase). A major part of the growth in revenues was comprised of sales of products in *Energy* and *Chemicals*, typically seen as petroleum products at Westport Petroleum, Inc. and petrochemical products at Mitsui, where higher revenues do not necessarily result in increases in gross profit.

For the year ended March 31, 2007, gross profit from sales of services was ¥398.3 billion, an increase of ¥16.5 billion from ¥381.8 billion for the year ended March 31, 2006. A ¥6.7 billion increase was seen primarily in *Chemicals*. Increased revenues from sales of services of *Electronics & Information* were largely offset by increases in the related costs of those revenues. The typical case was TOYO Officemation, Inc., which provides services of design, operation and maintenance of information systems.

The GP ratio from sales of services for the year ended March 31, 2007 was 71.5%, a decrease of 3.0 percentage points compared to the year ended March 31, 2006. This percentage decrease was mainly because operations such as logistics services and information system services, which reported the gross billed amounts as revenues, and therefore, their GP ratios were less than 100% (because of the accompanying cost of revenues), recorded relatively higher increases in revenues, compared to operations such as intermediary services where the net amount of sales and purchase prices in back-to-back transactions were reported as revenues with GP ratios of 100%.

For the year ended March 31, 2007, gross profit from other sales was ¥74.6 billion, an increase of ¥8.2 billion from the ¥66.4 billion for the year ended March 31, 2006. The major reasons were the same as described in “Revenues—Other Sales” above.

Comparison between the years ended March 31, 2006 and 2005

For the year ended March 31, 2006, gross profit from sales of products was ¥370.1 billion, an increase of ¥76.8 billion from ¥293.3 billion for the year ended March 31, 2005. The major factors in this category are as follows:

- Gross profit from *Energy* was ¥90.0 billion, an increase of ¥38.0 billion from the ¥52.0 billion for the year ended March 31, 2005. Mitsui E&P Middle East B.V. (Netherlands) and Mittwell Energy Resources Pty. Ltd. (Australia) recorded increases reflecting higher oil prices. Westport Petroleum, Inc. (United States) also recorded an increase.
- Gross profit from *Iron and Steel* was ¥114.0 billion, an increase of ¥35.5 billion from the ¥78.5 billion for the year ended March 31, 2005. Mitsui Iron Ore Development Pty. Ltd. (Australia), Sesa Goa Limited (India) and Mitsui Coal Holdings Pty. Ltd. (Australia) recorded increases in gross profit due to rising iron ore and coal prices.

The GP ratio from sales of products for the year ended March 31, 2006 was 10.6%, an improvement of 0.7 percentage points compared to the year ended March 31, 2005. This 0.7 percentage point improvement was because the growth in revenues at our mineral resources and energy development and production subsidiaries reflecting the surge in sales prices outpaced the increase in their costs of revenues.

For the year ended March 31, 2006, gross profit from sales of services was ¥381.8 billion, an increase of ¥16.5 billion from ¥365.3 billion for the year ended March 31, 2005. The major factors in this category classified by product were as follows:

- Gross profit from *Iron and Steel* and *Chemicals* increased by ¥13.0 billion and ¥9.7 billion, respectively, reflecting increases in revenues from sales of services.
- Increases in revenues from sales of services of *Machinery and Electronics & Information* were largely offset by increases in the related costs of those revenues.

The GP ratio from sales of services for the year ended March 31, 2006 was 74.5%, a decrease of 9.7 percentage points compared to the year ended March 31, 2005. As with the trend seen in the comparison between the years ended March 31, 2007 and 2006, logistics services and information system services recorded relatively higher increases in revenues, compared to operations such as intermediary services.

For the year ended March 31, 2006, gross profit from other sales was ¥66.4 billion, an increase of ¥16.8 billion from ¥49.6 billion for the year ended March 31, 2005. The major reasons were the same as described in “Revenues—Other Sales” above.

Gross Profit Classified by Operating Segment

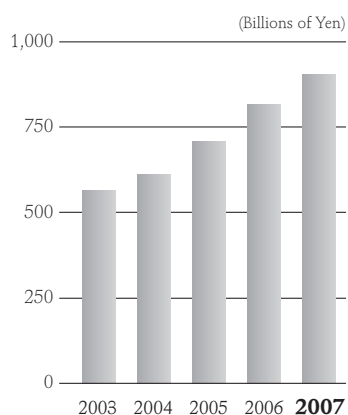
For detailed discussion, see “Operating Results by Operating Segment.” A summary of the increase in gross profit classified by operating segment is provided as below.

Comparison between the years ended March 31, 2007 and 2006

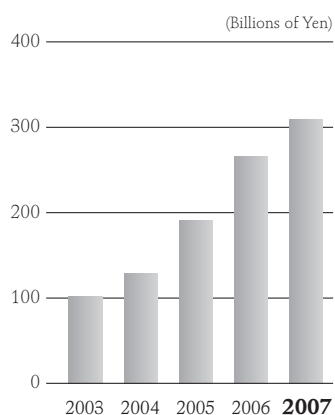
For the year ended March 31, 2007, all the operating segments except for All Other recorded increases in gross profit.

- The Energy Segment and the Iron & Steel Raw Materials and Non-Ferrous Metals Segment recorded ¥27.8 billion and ¥11.5 billion increases, respectively. The Energy Segment’s increase was primarily attributable to the expanded contribution from oil and gas producing activities, namely Mitsui E&P Australia Pty Limited (Australia) due to the start-up of commercial production at the Enfield oil project; and Mitsui Oil Exploration Co., Ltd. (Japan) as a result of its acquisition. Furthermore, Mitsui E&P Middle East B.V. (Netherlands) and Mitsui Iron Ore Development Pty. Ltd. (Australia) reported increases reflecting higher prices of crude oil and iron ore, respectively.
- The Machinery & Infrastructure Projects Segment recorded an increase, primarily reflecting expansion of operations of overseas automotive-related subsidiaries. Business transactions at the Iron & Steel Products Segment and the Chemical Segment continued to show good performance in general.
- The Logistics & Financial Markets Segment and the Americas Segment recorded strong results in trading operations in various commodities such as petroleum products trading at Westport Petroleum, Inc. (United States).
- In the Foods & Retail Segment and the Lifestyle, Consumer Service and Information, Electronics & Telecommunication Segment, performance varied by products and services. Domestic apparel businesses and Mitsui Norin Co., Ltd. showed disappointing performance, while real estate businesses performed strongly especially overseas.

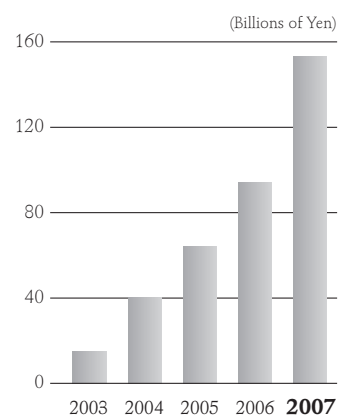
Gross Profit



Operating Income



Equity in Earnings of Associated Companies



Comparison between the years ended March 31, 2006 and 2005

Major factors for a ¥110.1 billion increase in gross profit for the year ended March 31, 2006 are discussed below:

- The Iron & Steel Raw Materials & Non-Ferrous Metals Segment reported a significant increase of ¥36.6 billion from the year ended March 31, 2005. Mitsui Iron Ore Development Pty. Ltd. (Australia) and Sesa Goa Limited (India) recorded increases, reflecting a 71.5% iron ore price increase on a pure ore content basis. Mitsui Coal Holdings Pty. Ltd. (Australia) also recorded a significant increase, reflecting price increases in representative Australian metallurgical coal, which rose by approximately 120%.
- In the Chemical Segment, overall market prices of petrochemical products stayed high, reflecting the high crude oil prices, and Mitsui's petrochemicals trading continuously benefited from favorable market conditions following the previous year. Due to higher ammonia prices, PT Kaltim Pasifik Amoniak (Indonesia) reported an increase in gross profit.
- The Energy Segment reported an increase, as oil and gas producing subsidiaries including Mitsui E&P Middle East B.V. (Netherlands) and Mittwell Energy Resources Pty. Ltd. (Australia) benefited from higher crude oil prices.

Selling, General and Administrative Expenses

Selling, General and Administrative Expenses Classified by Category of Expenses

Comparison between the years ended March 31, 2007 and 2006

Selling, general and administrative expenses for the year ended March 31, 2007 were ¥581.5 billion, an increase of ¥31.4 billion, or 5.7%, from ¥550.1 billion for the year ended March 31, 2006.

The table below provides breakdown of selling, general and administrative expenses used for our internal review showing the change from 2006 to 2007.

	Billions of Yen		
	Years ended March 31,		
	2007	2006	Change
Personnel	¥287.5	¥275.8	¥11.7
Welfare	10.5	9.6	0.9
Travel	32.3	28.8	3.5
Entertainment	10.5	9.9	0.6
Communication	44.2	42.2	2.0
Others	196.5	183.8	12.7
Total	<u>¥581.5</u>	<u>¥550.1</u>	<u>¥31.4</u>

- Personnel expenses were ¥287.5 billion for the year ended March 31, 2007, an increase of ¥11.7 billion from the year ended March 31, 2006, primarily reflecting expanded operations of subsidiaries. Those operations include the automotive related businesses such as P.T. Bussan Auto Finance (Indonesia) and construction machinery related businesses such as Road Machinery, LLC (United States) in the Machinery & Infrastructure Projects Segment; and the domestic information and telecommunication businesses such as TOYO Officemation, Inc. (Japan) and Telepark Corp. (Japan) in the Lifestyle, Consumer Service and Information, Electronics & Telecommunication Segment. Also, performance linked bonuses to traders increased at Westport Petroleum, Inc. (United States).
- Other remaining items in selling, general and administrative expenses increased showing similar patterns as personnel expenses.

Comparison between the years ended March 31, 2006 and 2005

Selling, general and administrative expenses for the year ended March 31, 2006 were ¥550.1 billion, an increase of ¥41.0 billion, or 8.1%, from ¥509.1 billion for the year ended March 31, 2005.

- Personnel expenses were ¥275.8 billion for the year ended March 31, 2006, an increase of ¥25.1 billion from ¥250.7 billion for the year ended March 31, 2005. Mitsui & Co. Energy Risk Management Ltd. (United Kingdom) and Westport Petroleum, Inc. (United States) reported increases of ¥3.6 billion and ¥3.0 billion, respectively, because of increases in performance linked bonuses to traders. MITSUI FOODS CO., LTD. (Japan) recorded an increase of ¥1.9 billion in connection with the establishment of new distribution bases. There were also increases from newly acquired domestic subsidiaries such as NextCom K.K. (Japan). Mitsui reported an increase of ¥4.5 billion principally due to increases in bonuses to employees.
- Communication and information expenses were ¥42.2 billion for the year ended March 31, 2006, an increase of ¥4.1 billion from ¥38.1 billion for the year ended March 31, 2005. This increase resulted from the introduction of a new enterprise resource planning system in November 2004.

Selling, General and Administrative Expenses Classified by Operating Segment

The table below provides selling, general and administrative expenses for the years ended March 31, 2007, 2006 and 2005 by operating segment.

	Billions of Yen				
	Years Ended March 31,			Change (2007–2006)	Change (2006–2005)
	2007	2006	2005		
Iron & Steel Products	¥ 33.1	¥ 30.4	¥ 29.0	¥ 2.7	¥ 1.4
Iron & Steel Raw Materials and Non-Ferrous Metals	23.7	25.0	23.1	(1.3)	1.9
Machinery & Infrastructure Projects	79.9	66.9	59.3	13.0	7.6
Chemical	65.3	64.8	61.7	0.5	3.1
Energy	34.4	34.3	36.9	0.1	(2.6)
Foods & Retail	69.6	70.1	66.7	(0.5)	3.4
Lifestyle, Consumer Service and Information, Electronics & Telecommunication	109.4	102.7	99.2	6.7	3.5
Logistics & Financial Markets	35.9	33.3	26.3	2.6	7.0
Americas	43.2	40.6	34.5	2.6	6.1
Europe	20.1	18.2	18.0	1.9	0.2
Asia	18.2	15.1	13.6	3.1	1.5
Other Overseas Areas	5.4	4.1	3.6	1.3	0.5
Total	538.2	505.5	471.9	32.7	33.6
All Other	8.5	11.0	15.5	(2.5)	(4.5)
Adjustments and Eliminations	34.8	33.6	21.7	1.2	11.9
Consolidated Total	¥581.5	¥550.1	¥509.1	¥31.4	¥41.0

Comparison between the years ended March 31, 2007 and 2006

Selling, general and administrative expenses for the year ended March 31, 2007 increased in the Machinery & Infrastructure Projects Segment and the Lifestyle, Consumer Service and Information, Electronics & Telecommunication Segment by ¥13.0 billion and ¥6.7 billion, respectively. On the other hand, the Energy Segment and the Iron & Steel Raw Materials and Non-Ferrous Metals Segment which reported major increases in gross profit for the year ended March 31, 2007, recorded a ¥0.1 billion increase and a ¥1.3 billion decrease, respectively.

In regards to the Energy Segment and the Iron & Steel Raw Materials and Non-Ferrous Metals Segment, major portion of gross profit is generated through oil and gas producing or mining activities where selling, general and administrative expenses have quite marginal significance compared to revenues and cost of revenues. Accordingly there is a little correlation between gross profit and selling, general and administrative expenses at these two operating segments.

The Energy Segment and the Iron & Steel Raw Materials and Non-Ferrous Metals Segment have relatively small number of employees compared to other operating segments as seen in “Item 6.D. Employees.” Personnel expenses have had around 50% of total selling, general and administrative expenses.

Comparison between the years ended March 31, 2006 and 2005

By operating segment, major increases between the years ended March 31, 2006 and 2005 were:

- a ¥7.6 billion increase in the Machinery & Infrastructure Projects Segment mainly attributable to the acquisition of NextCom K.K.; and
- a ¥7.0 billion and a ¥6.1 billion increase in the Logistics & Financial Markets Segment and the Americas Segment, mainly attributable to the performance linked bonuses at Mitsui & Co. Energy Risk Management Ltd. (United Kingdom) and Westport Petroleum, Inc. (United States).

Provision for Doubtful Receivables

Comparison between the years ended March 31, 2007 and 2006

Provision for doubtful receivables for the year ended March 31, 2007 was ¥13.3 billion, an increase of ¥13.3 billion, from less than ¥0.1 billion for the year ended March 31, 2006. Major factors were a new provision for an overseas oil exploration company; an increase in the provision for motorcycle retail finance at P.T. Bussan Auto Finance (Indonesia) reflecting its expanding operations; and an increase in the provision at Fertilizantes Mitsui S.A. Industria e comercio (Brazil). A less than ¥0.1 billion provision for the year ended March 31, 2006 was partly attributable to the collection of debts which had been written off as uncollectible in the past.

Comparison between the years ended March 31, 2006 and 2005

Provision for doubtful receivables for the year ended March 31, 2006 was minimal, less than ¥0.1 billion, an improvement from ¥8.8 billion for the year ended March 31, 2005. The major provisions for doubtful receivables in the year ended March 31, 2005 included a provision for a machinery-related domestic customer.

Interest Income and Interest Expense

Comparison between the years ended March 31, 2007 and 2006

Interest income for the year ended March 31, 2007 was ¥50.7 billion, an increase of ¥12.4 billion, or 32.4%, from ¥38.3 billion for the year ended March 31, 2006. Interest expense was ¥92.5 billion, an increase of ¥33.1 billion, or 55.7%, from ¥59.4 billion for the year ended March 31, 2006. As a result, interest expense, net of interest income, was ¥41.8 billion, an increase of ¥20.7 billion, or 98.1%, from ¥21.1 billion for the year ended March 31, 2006. A breakdown of the principal changes for the year ended March 31, 2007 is as follows:

- Interest expense incurred for the Sakhalin II project increased by ¥9.0 billion due to increased interest bearing debt to fund the investments in Sakhalin Energy Investment Company Ltd. (Bermuda) and higher U.S. dollar interest rates.
- Other than the Sakhalin II project related interest expense, Mitsui recorded an increase of ¥3.5 billion in interest expense, reflecting increases in interest bearing debt associated with various investments.
- Reflecting higher U.S. dollar interest rates, interest expense at overseas subsidiaries increased by ¥8.3 billion. Especially, the Americas Segment recorded a ¥4.8 billion increase, which was mainly attributable to Mitsui & Co. (U.S.A.), Inc. and Westport Petroleum, Inc. (United States).

- In general, interest income tends to show the similar patterns of fluctuations as interest expense. We provide loans and deferred payment facility, which generate interest income, by funding our borrowings from financial institutions. Usually, both interest expense and interest income have same interest rate type, floating or fixed. Accordingly, most of fluctuations in interest income are offset by corresponding fluctuations in interest expense.

Interest rate trends for the year ended March 31, 2007 regarding Japanese yen and the U.S. dollar, the major currencies in which we have borrowings, were as follows:

- The Bank of Japan decided to terminate its zero interest rate policy in July 2006, and raised the policy interest rate in February 2007. Reflecting this policy change, the average of the month-end Japanese yen three-month London Interbank Offered Rate (“LIBOR”) for the year ended March 31, 2007 rose to 0.45% from 0.07% for the year ended March 31, 2006. The average yield rate on 10-year Japanese Government Bonds was 1.75% for the year ended March 31, 2007, up from 1.44% during the year ended March 31, 2006.
- The average of the month-end U.S. dollar three-month LIBOR during the year ended March 31, 2007 was 5.35%, up from the average of 4.12% during the year ended March 31, 2006, reflecting the FRB’s policy of raising the Federal Funds target rate from 4.75% as of March 2006 to 5.25% as of June 2006 and keeping the rate level thereafter.

Regarding development of our investment plans and financial policies, refer to “B. Liquidity and Capital Resources.”

Comparison between the years ended March 31, 2006 and 2005

Interest income for the year ended March 31, 2006 was ¥38.3 billion, an increase of ¥2.8 billion, or 7.9%, from ¥35.5 billion for the year ended March 31, 2005. Interest expense was ¥59.4 billion, an increase of ¥16.3 billion, or 37.8%, from ¥43.1 billion for the year ended March 31, 2005. As a result, interest expense, net of interest income was ¥21.1 billion, an increase of ¥13.5 billion, or 177.6%, from ¥7.6 billion for the year ended March 31, 2005.

- At Mitsui Sakhalin Holdings B.V. (Netherlands), interest expense increased by ¥6.7 billion due to an increase in interest bearing debt which was used to fund increasing investments in Sakhalin Energy Investment Company Ltd. (Bermuda) and an increase in U.S. dollar interest rates.
- Mitsui recorded an increase of ¥3.0 billion in interest expense, reflecting increases in interest bearing debt associated with increases in investments.
- Mitsui & Co. (U.S.A.), Inc. (United States) recorded an increase of ¥1.9 billion in interest expense, reflecting an increase in U.S. dollar interest rates.

Interest rate trends for the year ended March 31, 2006 regarding Japanese yen and the U.S. dollar were as follows:

- The average of the month-end Japanese yen three-month LIBOR remained 0.07%, roughly unchanged from the 0.05% during the year ended March 31, 2005, as the Bank of Japan maintained its very low interest rate policy. The average yield rate on 10-year Japanese Government Bonds was 1.44% for the year ended March 31, 2006, slightly declining from 1.52% during the year ended March 31, 2005.
- The average of the month-end U.S. dollar three-month LIBOR during the year ended March 31, 2006 was 4.12%, up from the average of 2.13% during the year ended March 31, 2005, reflecting the FRB’s policy of gradually raising the Federal Funds target rate to 4.75% in the period from June 2004 to March 2006.

Dividend Income

Comparison between the years ended March 31, 2007 and 2006

Dividend income for the year ended March 31, 2007 was ¥50.1 billion, an increase of ¥19.4 billion, or 63.2%, from ¥30.7 billion for the year ended March 31, 2006. Dividends from LNG projects in the Middle East, namely Abu Dhabi, Qatar and Oman, totaled ¥26.6 billion, a significant increase of ¥13.2 billion, from ¥13.4 billion the year ended March 31, 2006. The rest of the increase in dividend income was mostly comprised of increases in dividends from domestic listed companies.

Comparison between the years ended March 31, 2006 and 2005

Dividend income for the year ended March 31, 2006 was ¥30.7 billion, an increase of ¥6.1 billion, or 24.8%, from ¥24.6 billion for the year ended March 31, 2005. Total dividends from the three LNG projects in the Middle East were ¥13.4 billion, a slight increase of ¥0.6 billion from ¥12.8 billion for the year ended March 31, 2005.

Gains on Sales of Securities—Net

Comparison between the years ended March 31, 2007 and 2006

The net realized gain on sales of securities for the year ended March 31, 2007 was ¥58.8 billion, an increase of ¥21.0 billion, or 55.6% from ¥37.8 billion for the year ended March 31, 2006.

- For the year ended March 31, 2007, Mitsui enhanced scrutiny on the assets held by operating segments to optimize its business portfolio, and consequently we recorded gains on the sales of shares in listed companies including a ¥15.6 billion gain from Toho Titanium Co., Ltd. (Japan) shares. Mitsui also record a ¥4.5 billion gain on sale of shares in Telepark Corp. (Japan), a subsidiary engaged in sales of mobile devices and telecommunication lines.
- For the year ended March 31, 2006, the Lifestyle, Consumer Service and Information, Electronics & Telecommunication Segment recorded gain on sale of shares in telecommunication related companies, namely, a ¥5.5 billion gain (jointly with the Americas Segment) on the sales of shares in Metro PCS in the United States, a ¥3.3 billion gain from the exchange of shares in POWEREDCOM, Inc. for KDDI CORPORATION in Japan and a ¥2.0 billion gain on the sales of shares in P.T. Excelcomindo Pratama, Tbk. in Indonesia. The Foods & Retail Segment recorded a ¥4.2 billion gain from the exchange of shares of Seven & i Holdings Co., Ltd, one of Japan's leading diversified retailers.

Comparison between the years ended March 31, 2006 and 2005

The net realized gain on sales of securities for the year ended March 31, 2006 was ¥37.8 billion, an increase of ¥3.0 billion, or 8.6% from ¥34.8 billion for the year ended March 31, 2005.

The breakdown of major transactions related to net gains on sales of securities for the year ended March 31, 2006 is discussed above and a breakdown for the year ended March 31, 2005 is provide below:

- In the Lifestyle, Consumer Service and Information, Electronics & Telecommunication Segment, we reported a ¥7.2 billion gain on the sale of shares in Vodafone K.K., a Japanese cell-phone carrier, in response to a tender offer; and a ¥4.1 billion gain in Telepark Corp. (Japan), following its initial public offering on the Tokyo Stock Exchange. Also in December 2004, in connection with the merger of a former associated company NextCom K.K. (Japan), a software development and marketing subsidiary BSI Co., Ltd., and a data telecommunications equipment marketing subsidiary ADAM NET Ltd., Mitsui was allotted shares in NextCom K.K. in exchange for shares in two subsidiaries and recorded a ¥3.7 billion gain from the exchange of shares of those two subsidiaries.
- In the Chemical Segment and the Other Overseas Areas Segment, we sold shares in Bangkok Polyethylene Public Company Limited (Thailand), a manufacturer of high density polyethylene, and recorded a gain of ¥3.9 billion.

Gain on Issuance of Stock by a Subsidiary

As mentioned above in gains on sales of securities—net, Telepark Corp. (Japan) registered and issued 8,000 shares of common stock in an initial public offering in April 2004. As a result, our ownership interest in Telepark Corp. decreased and Mitsui recognized a ¥1.7 billion gain on issuance of stock by a subsidiary for the year ended March 31, 2005. See Note 19, “ISSUANCE OF STOCK BY SUBSIDIARIES AND ASSOCIATED COMPANIES.”

Loss on Write-Down of Securities

Comparison between the years ended March 31, 2007 and 2006

The loss on write-down of securities for the year ended March 31, 2007 was ¥11.7 billion, an increase of ¥1.1 billion, or 10.4%, from ¥10.6 billion for the year ended March 31, 2006.

For the year ended March 31, 2006, the Japanese stock markets saw an upturn following the recovery of the Japanese economy and expanding corporate earnings with the Nikkei Stock Average at ¥17,059.66 as of March 31, 2006, compared to ¥11,668.95 as of March 31, 2005. For the year ended March 31, 2007 the Nikkei Stock Average recorded the low of ¥14,218.60 in June 2006, reflecting appreciation of the yen and a correction phase of global stock markets. However, such pessimistic sentiment faded and the Nikkei Stock Average recovered to ¥17,287.65 as of March 31, 2007. Reflecting these developments in the stock market, the write-down of marketable securities for the year ended March 31, 2007 was ¥3.1 billion, a slight increase over ¥1.8 billion for the year ended March 31, 2006.

With respect to non-marketable securities, individual write-down losses were insignificant for the years ended March 31, 2007 and 2006.

Comparison between the years ended March 31, 2006 and 2005

For the year ended March 31, 2006, the loss on write-down of securities was ¥10.6 billion, a decrease of ¥5.9 billion or 35.8%, from ¥16.5 billion for the year ended March 31, 2005.

For the year ended March 31, 2005, the Japanese stock markets experienced repeated minor adjustments within a narrow range between a high of ¥12,163.89 and a low of ¥10,505.05 in the Nikkei Stock Average, due to surging crude oil prices, concern over worldwide inflation, appreciation of the yen and a slowdown in the United States economy while underpinned by hopes for recoveries of domestic and overseas economies and an expansion in corporate earnings.

The write-down of marketable securities for the year ended March 31, 2006 was ¥1.8 billion, a slight increase over ¥0.6 billion for the year ended March 31, 2005.

For the year ended March 31, 2005, considering a deterioration in financial condition due to sluggish advertising revenues, we recorded losses on shares of satellite broadcaster BS-i, INCORPORATED (in Japan, not the same company as BSI Co., Ltd., listed under Gains on Sales of Securities—Net) and BS Japan Corporation in Japan of ¥1.9 billion and ¥1.2 billion, respectively. MBK Australia Resorts Pty. Ltd. (Australia) reported a ¥1.7 billion write-down of investment in the Mirage Resorts business in Australia.

Gain on Disposal or Sales of Property and Equipment—Net

Comparison between the years ended March 31, 2007 and 2006

Gain on disposal or sales of property and equipment—net for the year ended March 31, 2007 was ¥5.6 billion, a decrease of ¥0.4 billion, or 6.7%, from a ¥6.0 billion gain for the year ended March 31, 2006.

For the year ended March 31, 2007, major gains on disposal or sales of property and equipment—net resulted from warehouses and land at Tri-Net Logistics Management, Inc. (United States) and NST, Inc. (United States). For the year ended March 31, 2006, major factors included a ¥5.6 billion gain on the sale of Mitsui's company-owned welfare facilities and a ¥1.3 billion gain on the sale of its corporate residences and dormitories.

Comparison between the years ended March 31, 2006 and 2005

Gain on disposal or sales of property and equipment—net for the year ended March 31, 2006 was ¥6.0 billion, a decrease of ¥0.5 billion, or 7.7%, from a ¥6.5 billion gain for the year ended March 31, 2005.

For the year ended March 31, 2005, there was a ¥3.2 billion gain from the sale of Mitsui's corporate residences and dormitories and a ¥1.8 billion gain from the sale of warehouses for lease by a logistics-related subsidiary, Tri-Net Logistics Management, Inc. (United States). The above properties sold by Mitsui for the years ended March 31, 2006 and 2005 had been acquired before the significant land price increases in Japan in the late 1980s and early 1990s.

Impairment Loss of Long-Lived Assets

Comparison between the years ended March 31, 2007 and 2006

The impairment loss on long-lived assets for the year ended March 31, 2007 was ¥19.7 billion, a decrease of ¥4.6 billion or 18.9%, from ¥24.3 billion for the year ended March 31, 2006.

For the year ended March 31, 2007, the subsidiaries in the Foods & Retail Segment recorded major impairment losses, namely, a ¥12.1 billion loss on intangible assets at Mitsui Norin Co., Ltd. (Japan) due to deterioration of operating environment and a ¥2.2 billion loss at MITSUI FOODS CO., LTD. (Japan) on land and facilities which would be idle as a result of the reorganization of distribution bases.

The main elements for the year ended March 31, 2006 were as follows:

- MITSUI FOODS CO., LTD. (Japan) recorded a total of ¥6.0 billion impairment loss on land and facilities as a result of reorganization of the distribution bases.
- Mitsui and domestic subsidiaries recorded a total of ¥2.8 billion impairment losses on land for development and land for lease.
- NST, Inc. (United States) reported a ¥1.6 billion impairment loss on plant facilities.

For more information on impairment losses on long-lived assets, see Note 10, "IMPAIRMENT LOSS OF LONG-LIVED ASSETS," and on our reevaluation and restructuring of subsidiaries, see Note 25, "EXIT OR DISPOSAL ACTIVITIES." As of March 31, 2007, we did not identify any material assets analyzed for impairment for which an impairment charge has not yet been recorded.

Comparison between the years ended March 31, 2006 and 2005

The impairment loss on long-lived assets for the year ended March 31, 2006 was ¥24.3 billion, an increase of ¥10.2 billion or 72.3%, from ¥14.1 billion for the year ended March 31, 2005. The main elements of impairment losses for the year ended March 31, 2006 are discussed as above and those for the year ended March 31, 2005 were as follows:

- We recorded a ¥3.3 billion impairment loss on land for development purposes and a loss of ¥1.3 billion on land for lease, both held in Japan by Mitsui.
- Mitsui Oil Co., Ltd. (Japan) recorded a ¥2.3 billion impairment loss mainly on gas stations.

Impairment Loss of Goodwill

For the year ended March 31, 2007, Mitsui Norin Co., Ltd. (Japan) reported a ¥16.5 billion impairment loss on all of its goodwill using a discounted future cash flow method based on its internal operating budget for evaluation of fair value of its goodwill. Mitsui Norin Co., Ltd. experienced a downturn in profitability due to the intensifying competition in the tea related materials industry. See Note 12, “GOODWILL AND OTHER INTANGIBLE ASSETS.” We expect that net income for the year ending March 31, 2008 of Mitsui Norin Co., Ltd. will be marginal reflecting continuously strict business conditions.

Compensation and Other Charges Related to DPF Incident

In November 2004, Mitsui discovered that false data had been produced and submitted to authorities for diesel particulate filters (“DPF”s) manufactured by Mitsui’s subsidiary, PUREarth Incorporated (Japan), and sold by Mitsui. These filters were subsidized by the Tokyo Metropolitan Government and seven other prefectural and municipal governments, as well as the Ministry of Land, Infrastructure and Transport, the Ministry of the Environment, and related industry associations. Mitsui had sold approximately 21,500 units of the product.

Mitsui carried out a three-part user response plan involving: (1) the free replacement of DPFs, (2) the reimbursement of the amount paid for purchasing Mitsui’s DPFs in exchange for their redemption and (3) a support program for the purchase of alternative vehicles, as well as redemption of DPFs.

For the year ended March 31, 2005, Mitsui recorded ¥36.0 billion as compensation and other charges related to DPF incident, consisting of a user response charge of approximately ¥28.0 billion and subsidy compensation of approximately ¥8.0 billion.

For the year ended March 31, 2006, Mitsui recorded an additional user response charge of ¥9.0 billion, re-estimating expected costs in each user response plan reflecting changes in the requirement of each respective user.

Mitsui completed the redemption of DPFs for the year ended March 31, 2007, and consequently Mitsui recorded a credit to income of ¥3.9 billion as a result of the reversal of the accrued cost for compensation and other charges.

For more information, see Note 22, “COMPENSATION AND OTHER CHARGES RELATED TO DPF INCIDENT.”

Other Expense—Net

Comparison between the years ended March 31, 2007 and 2006

For the year ended March 31, 2007, other expense—net was a ¥7.5 billion expense, an ¥8.1 billion deterioration from ¥0.6 billion in income for the year ended March 31, 2006. For the year ended March 31, 2007, Wandoo Petroleum Pty. Ltd. (Australia) and other oil and gas exploration and producing subsidiaries reported a combined sum of ¥3.4 billion in exploration expenses; and a combined sum of ¥3.4 billion in restructuring-related charges were reported mainly by MITSUI FOODS CO., LTD. (Japan), Hokushuren Company Limited (Japan) and Mitsui Bussan House-Techno, Inc. (Japan).

For the year ended March 31, 2006, other expenses—net consisted of individually small items.

For more information on other expense—net, see Note 20, “OTHER EXPENSE—NET,” and on our restructuring activities, see Note 25, “EXIT OR DISPOSAL ACTIVITIES.”

Comparison between the years ended March 31, 2006 and 2005

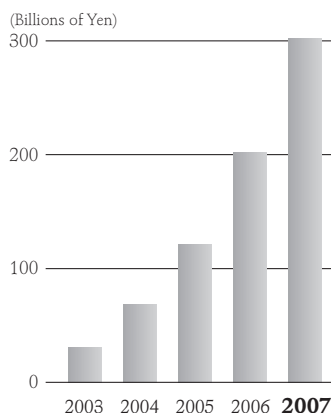
For the year ended March 31, 2006, other expense—net was ¥0.6 billion in income, an improvement of ¥7.6 billion from a ¥7.0 billion expense for the year ended March 31, 2005. The main elements of other expenses—net for the year ended March 31, 2005 were ¥2.5 billion in exploration expenses reported by Wandoo Petroleum Pty. Ltd. (Australia) and other oil and gas development and production subsidiaries; and ¥2.0 billion in restructuring-related charges.

Income Taxes

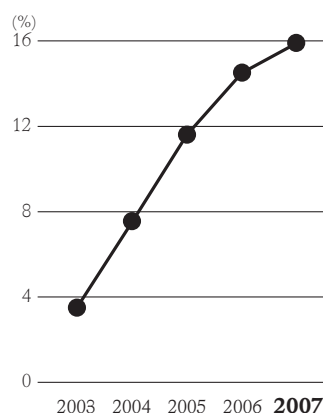
Comparison between the years ended March 31, 2007 and 2006

For the year ended March 31, 2007, income taxes were ¥159.0 billion, an increase of ¥24.0 billion, or 17.8%, from ¥135.0 billion for the year ended March 31, 2006, reflecting increases in income from continuing operations before income taxes, minority interests and equity in earnings. The effective tax rate was 48.2%, a decrease of 0.3 percentage points from 48.5% for the year ended March 31, 2006. For further information, see Note 21, “INCOME TAXES.”

Net Income



ROE



Comparison between the years ended March 31, 2006 and 2005

For the year ended March 31, 2006, income taxes were ¥135.0 billion, an increase of ¥30.9 billion, or 29.7%, from ¥104.1 billion for the year ended March 31, 2005, reflecting increases in income from continuing operations before income taxes, minority interests and equity in earnings. The effective tax rate was 48.5%, a decrease of 10.8 percentage points from 59.3% for the year ended March 31, 2005. This was mainly due to establishing a valuation allowance in a large amount for the year ended March 31, 2005 which was provided on deferred tax assets on the impairment loss of certain of Mitsui’s investments recorded in the past years. This factor represented a 10.6 percentage point decline in effective tax rate in the year ended March 31, 2006.

Transfer price taxation issue with North West Shelf LNG Project

Mitsui was audited by the Tokyo Regional Taxation Bureau with regard to transfer price taxation in connection with the LNG Project in Western Australia for the period of six fiscal years from the year ended March 31, 2000 to the year ended March 31, 2005. On June 30, 2006, Mitsui received a notice of tax assessment from the Tokyo Regional Taxation Bureau for the one year ended March 31, 2000. Based on the notice of assessment, the taxable income was corrected by ¥4.8 billion and the additional tax liabilities for income taxes were ¥2.4 billion Mitsui has paid the additional taxes and recorded the amount as income taxes—current.

Mitsui disagrees with the assessment and registered its protest in August 2006, and in addition, lodged an application in November 2006 for the mutual agreement procedure pursuant to a provision in the tax treaty between Japan and Australia in order to settle the double taxation.

Mitsui believes that it is probable that the double taxation will be avoided by the mutual agreement procedure, and the amount of the correction for the year ended March 31, 2000 and the final correction and tax liabilities for the period from the year ended March 31, 2001 to the year ended March 31, 2005, if any, will be affected by the result of the mutual agreement procedure. Because the mutual agreement procedure has not been agreed yet, it is not possible at this time to reasonably estimate the amount of potential impact on our financial position and results of operations. Accordingly, except for payment based on the received assessment, the amount of potential loss and the related allowance are not reflected in the consolidated financial statements for the year ended March 31, 2007.

In addition, on June 29, 2007, Mitsui received a notice of tax assessment from the Tokyo Regional Taxation Bureau for the one year ended March 31, 2001.

According to the notice of tax assessment, the taxable income was corrected by ¥8.2 billion and the additional tax liabilities for the Corporation Tax, Enterprise Tax and Inhabitant Tax, including penalties and interests, are ¥3.8 billion.

Minority Interests in Earnings of Subsidiaries

Comparison between the years ended March 31, 2007 and 2006

For the year ended March 31, 2007, minority interests in earnings of subsidiaries were ¥26.0 billion, an increase of ¥4.5 billion, or 20.9%, from ¥21.5 billion for the year ended March 31, 2006. Major factors are provided below.

- For the year ended March 31, 2007, the Iron & Steel Raw Materials and Non-Ferrous Metals Segment recorded ¥7.3 billion minority interests in earnings, up from ¥1.4 billion for the year ended March 31, 2006. Japan Collahuasi Resources B.V. (Netherlands) (with a minority interest of 38.1%) which owns an interest in a copper mine joint venture, Compania Minera Dona Ines de Collahuasi SCM (Chile) and Sesa Goa Limited (India) (with a minority interest of 49%) recorded increases in minority interests in earnings, reflecting higher copper and iron ore prices.
- The Energy Segment and the Chemical Segment also reported increases in minority interests in earnings, mainly attributable to Mitsui Oil Exploration Co., Ltd., which was acquired in the fourth quarter of the year ended March 31, 2007, and Japan-Arabia Methanol Co., Ltd., which recorded an increase in earnings supported by a favorable market environment.
- For the year ended March 31, 2007, in the Foods & Retail Segment, Mitsui Norin Co., Ltd. (Japan) (with a minority interest of 48.1%) recorded a loss from continuing operations before minority interests and equity in earnings, reflecting significant impairment losses on long-lived assets and goodwill, contributing ¥8.3 billion minority interest in income for the year ended March 31, 2007 compared to a ¥0.2 billion loss for the year ended March 31, 2006.

Comparison between the years ended March 31, 2006 and 2005

For the year ended March 31, 2006, minority interests in earnings of subsidiaries were ¥21.5 billion, an increase of ¥3.9 billion, or 22.2%, from ¥17.6 billion for the year ended March 31, 2005. Major factors are provided below.

- In the Iron & Steel Raw Materials and Non-Ferrous Metals Segment, Sesa Goa Limited (India) recorded a minority interest in earnings of ¥7.1 billion, an increase from ¥5.0 billion for the year ended March 31, 2005, reflecting higher iron ore prices.

- In the Chemical Segment, P.T. Kaltim Pasifik Amoniak (Indonesia) (with a minority interest of 45%) recorded a minority interest of ¥2.5 billion, an increase from ¥1.1 billion for the year ended March 31, 2005, reflecting higher ammonia prices.

Equity in Earnings of Associated Companies—Net (After Income Tax Effect)

Comparison between the years ended March 31, 2007 and 2006

For the year ended March 31, 2007, equity in earnings of associated companies—net (after income tax effect) was ¥153.1 billion, a significant increase of ¥58.8 billion, or 62.4%, from ¥94.3 billion for the year ended March 31, 2006. See “Operating Results by Operating Segment” for detailed discussion.

- For the year ended March 31, 2007, the Iron & Steel Raw Materials and Non-Ferrous Metals Segment reported ¥60.4 billion equity in earnings, a significant increase of ¥31.7 billion, from ¥28.7 billion for the year ended March 31, 2006. This is attributable to Compania Minera Dona Ines de Collahuasi SCM (Chile) reflecting higher copper prices; and Valepar S.A. (Brazil), a holding company of the Brazilian iron ore and mineral resources company Companhia Vale do Rio Doce (“CVRD”); and Robe River Mining Company Pty. Ltd. (Australia) reflecting higher iron ore prices.
- The Energy Segment reported ¥44.3 billion equity in earnings, an increase of ¥10.5 billion, from ¥28.7 billion for the year ended March 31, 2006. Earnings increased at Japan Australia LNG (MIMI) Pty, Ltd. (Australia) which is involved in natural gas, crude oil and condensate exploration, development and marketing in West Australia; and at Mitsui Oil Exploration Co., Ltd. (Japan) which is chiefly engaged in the production of gas and crude oil in offshore Thailand.
- Other operating segments also recorded improvement in general, mainly in the Machinery & Infrastructure Projects Segment and the Lifestyle, Consumer Service and Information, Electronics & Telecommunication Segment.

Comparison between the years ended March 31, 2006 and 2005

For the year ended March 31, 2006, equity in earnings of associated companies—net (after income tax effect) was ¥94.3 billion, a significant increase of ¥30.0 billion, or 46.7%, from ¥64.3 billion for the year ended March 31, 2005.

- In the Energy Segment, earnings increased at Japan Australia LNG (MIMI) Pty, Ltd. (Australia), due to rising oil prices and increased production from the start-up of the fourth LNG production train in August 2004. Mitsui Oil Exploration Co., Ltd. (Japan) also recorded an increase mainly due to oil price increases. Also, Sakhalin Energy Investment Company Ltd. (Bermuda) increased earnings on rising crude oil prices.
- In the Iron & Steel Raw Materials and Non-Ferrous Metals Segment, earnings of Valepar S.A. (Brazil) and Robe River Mining Company Pty. Ltd. (Australia) increased.
- In the Machinery & Infrastructure Projects Segment, there was a contribution from IPM Eagle LLP (United Kingdom).

Income (Loss) from Discontinued Operations—Net (After Income Tax Effect)

Comparison between the years ended March 31, 2007 and 2006

For the year ended March 31, 2007, income (loss) from discontinued operations—net (after income tax effect) was income of ¥3.3 billion, a ¥16.9 billion improvement from loss of ¥13.6 billion for the year ended March 31, 2006.

- The primary component of discontinued operations for the year ended March 31, 2007 was Mitalco Inc. (United States) owned jointly by the Iron & Steel Raw Materials and Non-Ferrous Metals Segment and

the Americas Segment. Mitalco Inc. held a 32% stake in two aluminum smelting facilities in the United States and had mainly been engaged in manufacturing and sale of aluminum. Because of the declining profitability resulting from the deterioration in the terms of the power purchase contract during the course of renewal negotiations, we sold all of our stake in both facilities. The income (loss) from discontinued operation of Mitalco Inc. for the year ended March 31, 2007 and 2006 were ¥3.1 billion income and ¥14.5 billion loss, respectively.

- The primary component of discontinued operations for the year ended March 31, 2006 was Arcadia Petroleum Ltd. (United Kingdom), a crude oil trading subsidiary reported in the Energy Segment and the Europe Segment. While Arcadia Petroleum Ltd. had been trading physical crude oil as well as future oil and oil derivatives, its expanding activity under booming oil prices exposed us to larger risks, such as market risk, and would require us to invest additional operating resources. As a result of an overall review of the business model of Arcadia Petroleum Ltd. and our business portfolio, we decided to sell all the shares of Arcadia Petroleum Ltd. to a new owner. We sold all shares during the year ended March 31, 2006. The income from discontinued operation of Arcadia Petroleum Ltd. was minimal for the year ended March 31, 2006 and ¥6.0 billion for the year ended March 31, 2005. For additional information about our discontinued operations, see Note 4, “DISCONTINUED OPERATIONS.”

Comparison between the years ended March 31, 2006 and 2005

For the year ended March 31, 2006, income (loss) from discontinued operations—net (after income tax effect) was loss of ¥13.6 billion, a ¥16.5 billion deterioration from income of ¥2.9 billion recorded for the year ended March 31, 2005.

- The primary component of discontinued operations for the year ended March 31, 2005 was Shirasagi Golf Club Co., Ltd. (Japan), a subsidiary reported in the All Other Segment. Shirasagi Golf Club Co., Ltd. had been engaged in the operation of a membership golf club in Japan, which had reported consecutive losses since the opening of the golf club because both the number of customers and the average sale per customer had declined. In these business conditions, as it was very unlikely that Shirasagi Golf Club Co., Ltd. would be able to improve its earnings and pay off its debts in the future, Mitsui disposed of the operation during the year ended March 31, 2005. For the year ended March 31, 2005, the income from discontinued operation of Shirasagi Golf Club Co., Ltd. was ¥0.7 billion, partially reversing losses in previous years.

Operating Results by Operating Segment

The business units of Mitsui’s Head Office, which are organized based on “products and services,” plan overall and worldwide strategies for their products and services and conduct their worldwide operations. The business units also collaborate with overseas branches and overseas trading subsidiaries in planning and executing their strategies for products and regions. The overseas branches and overseas trading subsidiaries are separate operating units, which are delegated responsibility for the business of their regions as the centers of each particular regional strategy and operate diversified businesses together with their subsidiaries and associated companies in collaboration with the business units. Therefore, our operating segments consist of product-focused operating segments comprised of the business units of the Head Office and region-focused operating segments comprised of overseas branches and overseas trading subsidiaries.

Our operating segments have been aggregated based on the nature of the products and other criteria into eight product-focused reportable operating segments and four region-focused reportable operating segments, totaling twelve reportable operating segments.

Beginning the year ended March 31, 2007, Mitsui & Co. Financial Services (Europe) B.V., which was formerly included in “Europe,” has been transferred to “All Other” in order to centralize the operation of financial services to the companies and associated companies.

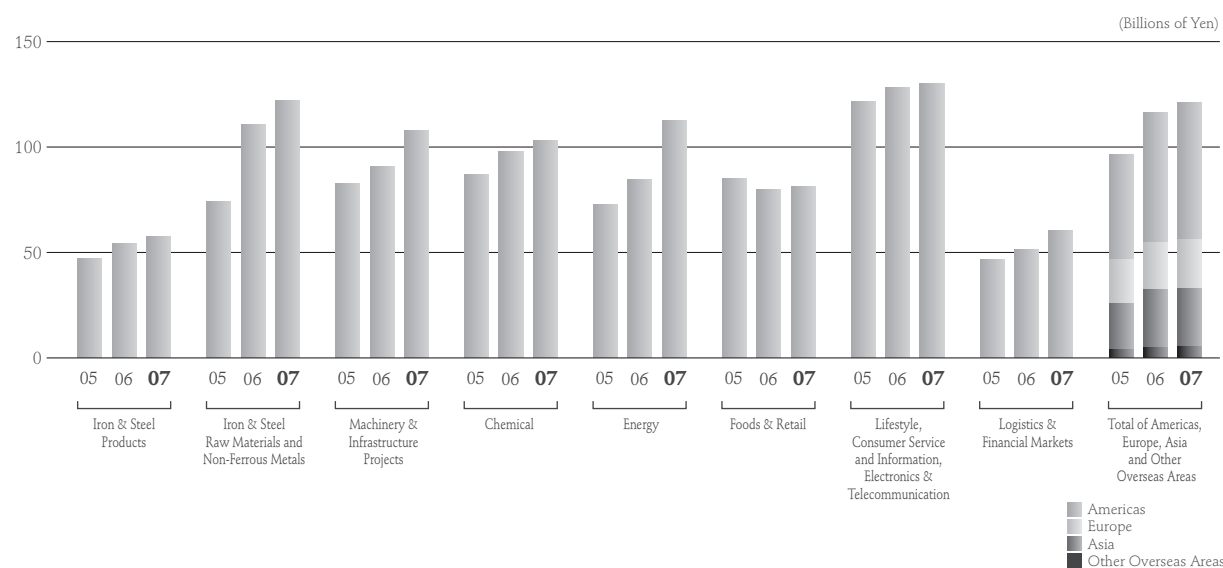
The operating segment information for the year ended March 31, 2006 and 2005 has been restated to conform to the current year presentation.

Our operating segment information for gross profit, operating income (loss), equity in earnings (losses) of associated companies and net income (loss) for the years ended March 31, 2007, 2006 and 2005 is as follows:

Operating Segment Information

Gross Profit

	Billions of Yen				
	Years Ended March 31,			Change (2007-2006)	Change (2006-2005)
	2007	2006	2005		
Iron & Steel Products	¥ 57.8	¥ 54.4	¥ 47.3	¥ 3.4	¥ 7.1
Iron & Steel Raw Materials and Non-Ferrous Metals	122.3	110.8	74.2	11.5	36.6
Machinery & Infrastructure Projects	108.0	90.6	82.9	17.4	7.7
Chemical	103.1	97.8	87.1	5.3	10.7
Energy	112.5	84.7	72.6	27.8	12.1
Foods & Retail	81.3	79.9	85.3	1.4	(5.4)
Lifestyle, Consumer Service and Information, Electronics & Telecommunication	130.0	128.4	121.7	1.6	6.7
Logistics & Financial Markets	60.5	51.4	46.7	9.1	4.7
Americas	64.7	61.6	49.9	3.1	11.7
Europe	23.3	22.4	20.6	0.9	1.8
Asia	27.6	27.4	21.8	0.2	5.6
Other Overseas Areas	5.3	4.9	4.0	0.4	0.9
Total	896.4	814.3	714.1	82.1	100.2
All Other	4.4	7.1	12.4	(2.7)	(5.3)
Adjustments and Eliminations	2.9	(3.1)	(18.3)	6.0	15.2
Consolidated Total	¥903.7	¥818.3	¥708.2	¥85.4	¥110.1



Operating Income (Loss)

	Billions of Yen				
	Years Ended March 31,			Change (2007-2006)	Change (2006-2005)
	2007	2006	2005		
Iron & Steel Products	¥ 25.6	¥ 26.5	¥ 16.3	¥ (0.9)	¥10.2
Iron & Steel Raw Materials and Non-Ferrous Metals	98.7	87.2	51.9	11.5	35.3
Machinery & Infrastructure Projects	20.9	21.7	21.6	(0.8)	0.1
Chemical	35.3	34.0	24.5	1.3	9.5
Energy	73.9	52.0	35.4	21.9	16.6
Foods & Retail	10.9	9.1	17.8	1.8	(8.7)
Lifestyle, Consumer Service and Information, Electronics & Telecommunication	20.3	25.0	24.0	(4.7)	1.0
Logistics & Financial Markets	24.2	17.6	18.5	6.6	(0.9)
Americas	21.3	21.7	14.7	(0.4)	7.0
Europe	3.1	4.3	2.6	(1.2)	1.7
Asia	9.6	10.7	7.8	(1.1)	2.9
Other Overseas Areas	(0.2)	1.0	0.4	(1.2)	0.6
Total	343.6	310.8	235.5	32.8	75.3
All Other	(4.3)	(3.2)	(0.6)	(1.1)	(2.6)
Adjustments and Eliminations	(30.4)	(39.4)	(44.5)	9.0	5.1
Consolidated Total	¥308.9	¥268.2	¥190.4	¥40.7	¥77.8

Operating Income (Loss)

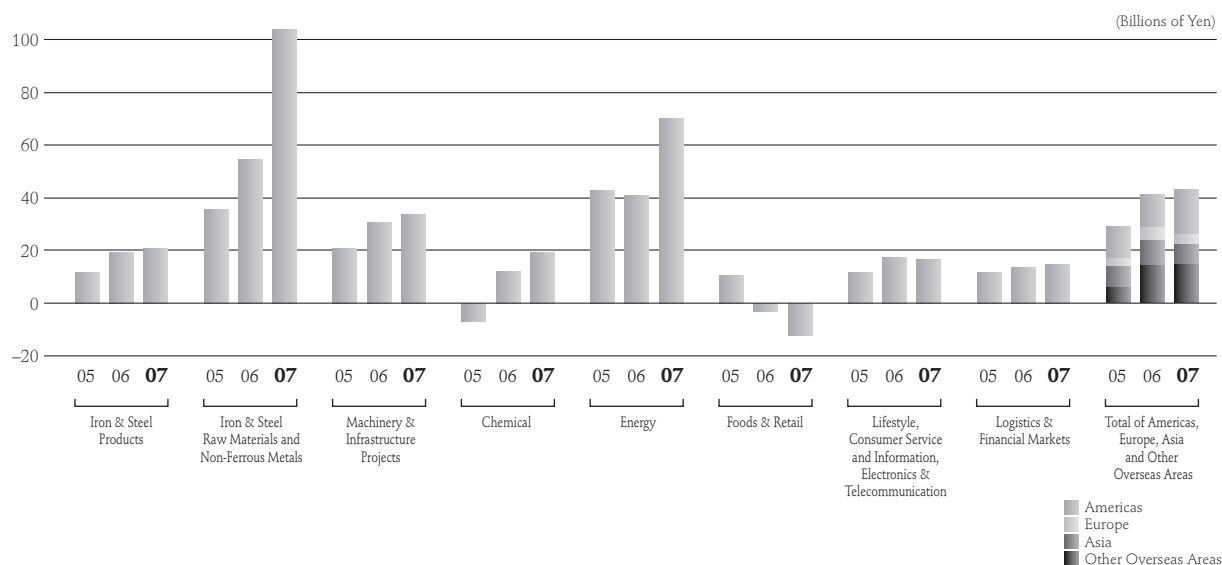
Operating income (loss) is included in the measure of segment performance reviewed by the chief operating decision maker. Operating income (loss) reflects our (a) gross profit, (b) selling, general and administrative expenses and (c) provision for doubtful receivables, as presented in the Statements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

Equity in Earnings (Losses) of Associated Companies

	Billions of Yen				
	Years Ended March 31,			Change (2007-2006)	Change (2006-2005)
	2007	2006	2005		
Iron & Steel Products	¥ 3.1	¥ 3.0	¥ 1.7	¥ 0.1	¥ 1.3
Iron & Steel Raw Materials and Non-Ferrous Metals	60.4	28.7	20.7	31.7	8.0
Machinery & Infrastructure Projects	21.4	14.6	10.0	6.8	4.6
Chemical	4.9	3.2	2.5	1.7	0.7
Energy	44.3	33.8	24.5	10.5	9.3
Foods & Retail	3.8	3.5	2.2	0.3	1.3
Lifestyle, Consumer Service and Information, Electronics & Telecommunication	8.7	3.5	(0.3)	5.2	3.8
Logistics & Financial Markets	2.0	4.0	2.5	(2.0)	1.5
Americas	3.8	2.1	1.6	1.7	0.5
Europe	0.3	(0.2)	0.1	0.5	(0.3)
Asia	0.2	0.1	0.1	0.1	0.0
Other Overseas Areas	0.5	0.6	0.4	(0.1)	0.2
Total	153.4	96.9	66.0	56.5	30.9
All Other	0.1	0.3	0.4	(0.2)	(0.1)
Adjustments and Eliminations	(0.4)	(2.9)	(2.1)	2.5	(0.8)
Consolidated Total	¥153.1	¥94.3	¥64.3	¥58.8	¥30.0

Net Income (Loss)

	Billions of Yen				
	Years Ended March 31,			Change (2007-2006)	Change (2006-2005)
	2007	2006	2005		
Iron & Steel Products	¥ 20.6	¥ 19.4	¥ 11.6	¥ 1.2	¥ 7.8
Iron & Steel Raw Materials and Non-Ferrous Metals	103.8	54.7	35.4	49.1	19.3
Machinery & Infrastructure Projects	33.6	30.6	20.9	3.0	9.7
Chemical	19.3	12.1	(6.9)	7.2	19.0
Energy	70.2	40.9	42.8	29.3	(1.9)
Foods & Retail	(12.3)	(3.2)	10.6	(9.1)	(13.8)
Lifestyle, Consumer Service and Information, Electronics & Telecommunication	16.6	17.5	11.8	(0.9)	5.7
Logistics & Financial Markets	14.6	13.4	11.8	1.2	1.6
Americas	16.9	12.6	12.3	4.3	0.3
Europe	3.8	4.2	2.7	(0.4)	1.5
Asia	7.9	9.3	8.0	(1.4)	1.3
Other Overseas Areas	14.4	14.3	5.8	0.1	8.5
Total	309.4	225.8	166.8	83.6	59.0
All Other	5.9	11.8	4.7	(5.9)	7.1
Adjustments and Eliminations	(13.8)	(35.2)	(50.4)	21.4	15.2
Consolidated Total	¥301.5	¥202.4	¥121.1	¥99.1	¥ 81.3



Iron & Steel Products Segment

	Billions of Yen				
	Years Ended March 31,			Change (2007–2006)	Change (2006–2005)
	2007	2006	2005		
Gross Profit	¥57.8	¥54.4	¥47.3	¥ 3.4	¥ 7.1
Operating Income	25.6	26.5	16.3	(0.9)	10.2
Equity in Earnings of Associated Companies	3.1	3.0	1.7	0.1	1.3
Net Income	20.6	19.4	11.6	1.2	7.8

Comparison between the Years Ended March 31, 2007 and 2006

Gross profit for the year ended March 31, 2007 was ¥57.8 billion, an increase of ¥3.4 billion from ¥54.4 billion for the year ended March 31, 2006. The overall steel products market conditions stayed firm, reflecting tight global supply-demand balance and steady domestic economy. Transactions in high-end products such as steel sheets and plates for automobiles and shipbuilding, steel tubular products and line pipes for oil and gas development especially contributed to the high level of gross profit. Furthermore, rising stainless steel products prices and strong performance at Regency Steel Asia Pte Ltd. (Singapore) contributed to the increase in gross profit.

Operating income for the year ended March 31, 2007 was ¥25.6 billion, a decrease of ¥0.9 billion from ¥26.5 billion for the year ended March 31, 2006. Increases in selling, general and administrative expenses and provision for doubtful receivables outweighed the above-mentioned increase in gross profit.

Equity in earnings of associated companies for the year ended March 31, 2007 was ¥3.1 billion, an increase of ¥0.1 billion from ¥3.0 billion for the year ended March 31, 2006.

Net income for the year ended March 31, 2007 was ¥20.6 billion, a ¥1.2 billion increase from ¥19.4 billion for the year ended March 31, 2006. Gains on sales of shares in domestic listed companies and dividend income from an overseas steel manufacturer contributed to increases in net income, offsetting the decrease in operating income.

Comparison between the Years Ended March 31, 2006 and 2005

Gross profit for the year ended March 31, 2006 was ¥54.4 billion, an increase of ¥7.1 billion from ¥47.3 billion for the year ended March 31, 2005. For the year ended March 31, 2006, worldwide demand for steel products in general continued to stay firm. Steel tubular products including oil pipes and high-end steel plates for shipbuilding and automobiles contributed to the increase in gross profit, especially at Mitsui, although we saw weakening market conditions mainly in commodity type steel products arising from excessive supply from China towards the second half of the year ended March 31, 2006.

Operating income for the year ended March 31, 2006 was ¥26.5 billion, an increase of ¥10.2 billion from ¥16.3 billion for the year ended March 31, 2005, reflecting the above-mentioned increase in gross profit and decrease in the provision for doubtful receivables.

Equity in earnings of associated companies for the year ended March 31, 2006 was ¥3.0 billion, an increase of ¥1.3 billion from ¥1.7 billion for the year ended March 31, 2005, due to contributions by domestic companies.

Reflecting the above, net income for the year ended March 31, 2006 was ¥19.4 billion, a ¥7.8 billion increase from ¥11.6 billion for the year ended March 31, 2005.

Iron & Steel Raw Materials and Non-Ferrous Metals Segment

	Billions of Yen				
	Years Ended March 31,			Change (2007–2006)	Change (2006–2005)
	2007	2006	2005		
Gross Profit	¥122.3	¥110.8	¥74.2	¥11.5	¥36.6
Operating Income	98.7	87.2	51.9	11.5	35.3
Equity in Earnings of Associated Companies	60.4	28.7	20.7	31.7	8.0
Net Income	103.8	54.7	35.4	49.1	19.3

Comparison between the Years Ended March 31, 2007 and 2006

Gross profit for the year ended March 31, 2007 was ¥122.3 billion, an increase of ¥11.5 billion from ¥110.8 billion for the year ended March 31, 2006 as a result of the following:

- The International Iron and Steel Institute reported that global crude steel output for 2006 (calendar year) maintained a high level of 1,244 million metric tons, following 1,142 million metric tons for 2005. Reflecting tight supply-demand balance in Asia, especially in China, iron ore prices for the year ended March 31, 2007 rose by 19% from the year ended March 31, 2006 resulting in increases in gross profit at Mitsui Iron Ore Development Pty. Ltd. (Australia), Mitsui Itochu Iron Pty. Ltd. (Australia) and Sesa Goa Limited (India) by ¥13.7 billion, ¥3.6 billion and ¥3.4 billion, respectively. At Mitsui Iron Ore Development Pty. Ltd. and Mitsui Itochu Iron Pty. Ltd., shipments (on our equity production basis) increased slightly to 21.9 million tons and 2.9 million tons for the year ended March 31, 2007 from 21.8 million tons and 2.5 million tons for the year ended March 31, 2006.
- The price for representative Australian metallurgical coal for the year ending March 31, 2007 decreased by approximately 10%. In addition, pressure from surging material and fuel costs resulted in an ¥11.0 billion decline in gross profit at Mitsui Coal Holdings Pty. Ltd. (Australia) from the year ended March 31, 2006. Prices for representative Australian metallurgical coal declined to U.S.\$110 per ton/FOB for the year ended March 31, 2007 from U.S.\$125 per ton/FOB for the year ended March 31, 2006. Shipments by Mitsui Coal Holdings Pty. Ltd. increased to 6.7 million tons for the year ended March 31, 2007 from 5.9 million tons for the year ended March 31, 2006 due to improvement of a delay in stripping work caused by a labor and material shortage.

Operating income for the year ended March 31, 2007 was ¥98.7 billion, an increase of ¥11.5 billion from ¥87.2 billion for the year ended March 31, 2006.

Equity in earnings of associated companies for the year ended March 31, 2007 was ¥60.4 billion, a significant increase of ¥31.7 billion from ¥28.7 billion for the year ended March 31, 2006. Major factors were as follows:

- Mitsui owns 18.24% of the outstanding voting shares of Valepar S.A. (Brazil), the holding company of the Companhia Vale do Rio Doce (“CVRD”), a Brazilian iron ore and mineral resources company. Supported by higher market prices of their mining products, our equity in earnings of Valepar S.A. was ¥25.0 billion, including a ¥5.6 billion gain on issuance of stock by CVRD in exchange for Caemi Mineração e Metalurgia S.A stock, which was a ¥10.4 billion increase from the year ended March 31, 2006.
- Robe River Mining Company Pty. Ltd. (Australia), an iron ore mining company, recorded earnings of ¥12.3 billion, an increase of ¥3.3 billion from the year ended March 31, 2006.
- Compania Minera Dona Ines de Collahuasi SCM (Chile), a copper mine joint venture, recorded earnings of ¥19.2 billion, an increase of ¥15.5 billion from the year ended March 31, 2006, due to the rise in copper price as well as a tax effect on its retained earnings for the additional Chilean tax charged to

dividend recipients which took place in the year ended March 31, 2006. The London Metals Exchange (“LME”) copper price for 2006 (calendar year) was US\$6,731 per ton on average, a significant increase from US\$3,684 per ton for 2005 (calendar year).

Net income for the year ended March 31, 2007 was ¥103.8 billion, a ¥49.1 billion increase from ¥54.7 billion for the year ended March 31, 2006. In addition to improvement in operating income and equity in earnings of associated companies, there were the following components:

- This segment recorded a ¥14.2 billion gain on the sale of shares in Toho Titanium Co., Ltd. (Japan) for the year ended March 31, 2007.
- For the year ended March 31, 2006, an aluminum smelting subsidiary Mitalco Inc. (United States) recorded a ¥11.8 billion impairment loss on plant facilities and ¥11.5 billion other expenses including impairment on goodwill. However, it recorded a gain on the sale of its stake in aluminum smelters for the year ended March 31, 2007.

Comparison between the Years Ended March 31, 2006 and 2005

Gross profit for the year ended March 31, 2006 was ¥110.8 billion, a significant increase of ¥36.6 billion from ¥74.2 billion for the year ended March 31, 2005. The main elements of the increase were as follows:

- The International Iron and Steel Institute reported that global crude steel output for 2005 (calendar year) maintained a high level of 1,142 million metric tons, following 1,067 million metric tons for 2004 when it reached the level of 1,000 million metric tons for the first time ever. The Australian iron ore prices under long-term contracts for the year ended March 31, 2006 rose by 71.5% from the year ended March 31, 2005. This resulted in major increases in gross profit at Mitsui Iron Ore Development Pty. Ltd. (Australia), Mitsui Itochu Iron Pty. Ltd. (Australia) and Sesa Goa Limited (India) of ¥17.9 billion, ¥3.0 billion and ¥5.6 billion, respectively, over the year ended March 31, 2005. At Mitsui Iron Ore Development Pty. Ltd. and Mitsui Itochu Iron Pty. Ltd., shipments (on our equity production basis) increased slightly to 21.8 million tons and 2.5 million tons for the year ended March 31, 2006 from 21.3 million tons and 2.4 million tons for the year ended March 31, 2005.
- Similarly, prices for metallurgical coal and thermal coal for the year ended March 31, 2006 rose sharply. Mitsui Coal Holdings Pty. Ltd. (Australia) recorded a ¥13.8 billion increase in gross profit over the year ended March 31, 2005, in spite of a decline in output volume and increased production cost from surging fuel and material costs. Prices for representative Australian metallurgical coal rose to U.S.\$125 per ton/FOB for the year ended March 31, 2006 from U.S.\$57 per ton/FOB for the year ended March 31, 2005. Shipments by Mitsui Coal Holdings Pty. Ltd. decreased to 5.9 million tons for the year ended March 31, 2006 from 6.8 million tons for the year ended March 31, 2005 due to a delay in stripping work caused by a labor and material shortage.

Consistent with the increase in gross profit, operating income for the year ended March 31, 2006 was ¥87.2 billion, an increase of ¥35.3 billion from ¥51.9 billion for the year ended March 31, 2005.

Equity in earnings of associated companies for the year ended March 31, 2006 was ¥28.7 billion, an increase of ¥8.0 billion from ¥20.7 billion for the year ended March 31, 2005. Major factors were as follows:

- Reflecting improved operating results of CVRD, driven by rising mineral resources prices, our equity in earnings of Valepar S.A. for the year ended March 31, 2006 was ¥14.6 billion, a ¥8.2 billion increase from the year ended March 31, 2005. Robe River Mining Company Pty. Ltd. (Australia) recorded earnings of ¥9.0 billion, an improvement by ¥4.2 billion over the year ended March 31, 2005.
- Equity in earnings of Companhia Minerá Dona Ines de Collahuasi SCM (Chile) was ¥3.7 billion, a ¥4.1 billion decline from the year ended March 31, 2005. In the year ended March 31, 2006, this investee declared dividends, so Mitsui recognized the tax effect on its retained earnings for the additional

Chilean tax charged to dividend recipients. This change outweighed the positive effect on its operations from rising copper price. Average LME copper prices rose to U.S.\$3,684 per ton/FOB for 2005 (calendar year) from U.S.\$2,868 per ton/FOB for 2004 (calendar year).

Net income for the year ended March 31, 2006 was ¥54.7 billion, a ¥19.3 billion increase from ¥35.4 billion for the year ended March 31, 2005. The significant increase for the year ended March 31, 2006 resulted from the improvement in operating income and equity in earnings of associated companies, while it was partly offset by impairment loss and other expenses at Mitalco Inc. (United States).

Short- and Long-Term Outlook on Prices and Supply-Demand Balance for Iron & Steel Raw Materials, and Our Equity Production

Short-Term Pricing and Supply-Demand Balance

The iron ore and coal (metallurgical coal) production joint venture businesses in Australia and other regions in which we participate with major overseas mineral resources companies conclude supply contracts with Japanese steel manufacturers and major clients in other countries every year. Based on such contracts, sales prices are reviewed and renegotiated each fiscal year. For the year ending March 31, 2008, the annual prices of iron ore and coal are as follows. (Unit prices for iron ore and coal from each mine in production also reflect the difference of respective grades and types.)

- For the year ending March 31, 2008, the annual prices of iron ore concluded by major mining houses and worldwide major users rose by 9.5% from the year ended March 31, 2007 on a pure ore content basis. The price level reflected limited production capacities in Australia and Brazil and tightened market supply-demand balance in the face of active global demand for iron and steel raw materials mainly from China.
- Prices for representative Australian metallurgical coal declined to around U.S.\$92 per ton/FOB for the year ending March 31, 2008, approximately 15.5% down from the year ended March 31, 2007. On the other hand, prices for soft coking coal rose by 9% from the year ended March 31, 2007. The price levels reflected different price trends for each product category. In general, market supply-demand balance for coal had been softened due to increased production in China and expanded production capacity elsewhere in the world, whereas thermal coal market had been tightened, reflecting increased demand in the power industry mainly in China.

Fluctuations in iron ore and coal prices directly affect revenues from the equity-based production at our iron ore and coal subsidiaries and associated companies. For the year ending March 31, 2008, the estimated impact on net income in the Statements of Consolidated Income arising from changes in iron ore and coal prices is as follows:

- Estimated impact on net income from a change of U.S.\$1 per ton in iron ore price: Approximately ¥2.6 billion.
- Estimated impact on net income from a change of U.S.\$1 per ton in coal price: Approximately ¥0.7 billion.

For the year ended March 31, 2007, the equity-based shipments of our overseas subsidiaries and associated companies in shipments amounted to approximately 43 million tons of iron ore and approximately 7 million tons of coal. The above-mentioned effect is calculated based on the assumptions of an estimated increase in production in line with our holdings after the year ended March 31, 2007, and a specific range of foreign exchange rates for yen, the U.S. dollar and other related currencies.

In April 2007, we sold all of our stake (51% voting share) in Sesa Goa Limited (India) for U.S.\$981 million and recorded a ¥93.2 billion gain on sale of securities. The decrease in iron ore production resulting from the sale of the stake in Sesa Goa Limited is included in the aforementioned assumptions based on which the impact on net income for the year ending March 31, 2008 arising from price changes is calculated.

Efforts are being undertaken at each mine to expand production and shipments, but production costs are increasing amid a global trend of rising material and equipment costs as well as utility costs. In natural resource producing countries such as Australia and Brazil, there is a general trend toward currency appreciation in line with growing export of those products, resulting in negative impact on the revenues of our overseas subsidiaries and associated companies.

Middle- and Long-Term Price Outlook and Supply-Demand Balance and Trends in Our Equity Production

In order to respond to tightening supply-demand balance, major iron ore and coal producers are investing to increase production capacity. As of March 31, 2007, noteworthy developments in iron and steel raw materials projects in which we hold stakes are as follows: (Unless otherwise noted, production amounts represent a 100% basis.)

- With respect to iron ore mining joint ventures with the BHP Billiton group, we are expanding to raise the combined iron ore production capacity to 129 million tons per annum from 118 million tons by the year ending March 31, 2008. In addition, the joint ventures have further agreed to an expansion plan to increase annual production capacity to 155 million tons and to start production by 2010. Furthermore, with respect to iron ore mining joint ventures with the Rio Tinto group, we have agreed to a plan to increase port capacity at Cape Lambert in the Pilbara region of Western Australia from nameplate capacity of 55 to 80 million tons per annum by the end of 2008.
- With respect to coal mining joint ventures promoted with the Anglo American group, expansion work of the Dawson complex is ongoing to boost annual coal production from the present capacity of 6.5 million tons per annum to 12.7 million tons by the year ending March 31, 2008.

Including those we are participating in, most of the iron and steel raw material mining projects have plans for expanding their production capacity. As there are too many uncertainties including demand from China and other emerging countries, it is difficult for our management to draw up definitive forecasts on supply-demand balance and prices at this point in time.

Machinery & Infrastructure Projects Segment

	Billions of Yen				
	Years Ended March 31,			Change (2007–2006)	Change (2006–2005)
	2007	2006	2005		
Gross Profit	¥108.0	¥90.6	¥82.9	¥17.4	¥7.7
Operating Income	20.9	21.7	21.6	(0.8)	0.1
Equity in Earnings of Associated Companies	21.4	14.6	10.0	6.8	4.6
Net Income	33.6	30.6	20.9	3.0	9.7

Comparison between the Years Ended March 31, 2007 and 2006

Gross profit for the year ended March 31, 2007 was ¥108.0 billion, an increase of ¥17.4 billion from ¥90.6 billion for the year ended March 31, 2006.

- In machinery business fields, Improvement in gross profit was primarily attributable to a motorcycle retail finance company P.T. Bussan Auto Finance (Indonesia) and automotive-related subsidiaries in the Americas and Europe and overseas construction machinery subsidiaries, as well as ocean vessels and marine project businesses.
- In infrastructure projects business fields, gross profit slightly increased due to expanding operations of rolling stock leasing subsidiaries in Europe and the Americas, while there were decreases in executed and completed amounts of various overseas construction projects including power plant projects.

Operating income for the year ended March 31, 2007 was ¥20.9 billion, a decrease of ¥0.8 billion from ¥21.7 billion for the year ended March 31, 2006. The decrease is primarily attributable to the decrease in gross profit related to overseas plant project businesses and a new provision for doubtful receivables for an overseas customer. Operating income of subsidiaries in the machinery business and rolling stock leasing subsidiaries improved in general, although the growth in gross profit was partly offset by the increases in selling, general and administrative expenses and provision for doubtful receivables especially to automotive related customers.

Equity in earnings of associated companies for the year ended March 31, 2007 was ¥21.4 billion, an increase of ¥6.8 billion from ¥14.6 billion for the year ended March 31, 2006. Equity in earnings of overseas power producing businesses recorded an increase of ¥3.9 billion from the year ended March 31, 2006, which was mainly attributable to a strong performance by IPM Eagle LLP (United Kingdom) including contribution from the Saltend Power Plant acquired in the third quarter of the year ended March 31, 2006 and P.T. Paiton Energy (Indonesia). In addition, a newly acquired gas distribution business in Brazil contributed, and overseas associated companies engaged in automotive related business and construction machinery business performed strongly as well.

Net income for the year ended March 31, 2007 was ¥33.6 billion, an increase of ¥3.0 billion from ¥30.6 billion for the year ended March 31, 2006, principally due to the increase in equity in earnings, while partly offset by increased interest expense.

Comparison between the Years Ended March 31, 2006 and 2005

Gross profit for the year ended March 31, 2006 was ¥90.6 billion, an increase of ¥7.7 billion from ¥82.9 billion for the year ended March 31, 2005. Gross profit increased at P.T. Bussan Auto Finance (Indonesia) and other overseas automotive related operations particularly in the Americas. Also, there was a contribution from a newly acquired construction machinery sales subsidiary, Road Machinery, LLC (United States).

Operating income for the year ended March 31, 2006 was ¥21.7 billion, a slight increase of ¥0.1 billion from ¥21.6 billion for the year ended March 31, 2005, because the increase in gross profit was largely offset by increases in selling, general and administrative expenses at the above-mentioned subsidiaries that showed growth in gross profit.

Equity in earnings of associated companies for the year ended March 31, 2006 was ¥14.6 billion, an increase of ¥4.6 billion from ¥10.0 billion for the year ended March 31, 2005, mainly due to the contribution of IPM Eagle LLP (United Kingdom), which is engaged in overseas power generation businesses, and strong performance in ship and marine project related businesses.

Net income for the year ended March 31, 2006 was ¥30.6 billion, an increase of ¥9.7 billion from ¥20.9 billion for the year ended March 31, 2005, due to the above-mentioned improvements in operating income and equity in earnings of associated companies.

Chemical Segment

	Billions of Yen				
	Years Ended March 31,			Change (2007-2006)	Change (2006-2005)
	2007	2006	2005		
Gross Profit	¥103.1	¥97.8	¥87.1	¥5.3	¥10.7
Operating Income	35.3	34.0	24.5	1.3	9.5
Equity in Earnings of Associated Companies	4.9	3.2	2.5	1.7	0.7
Net Income (Loss)	19.3	12.1	(6.9)	7.2	19.0

Comparison between the Years Ended March 31, 2007 and 2006

For the year ended March 31, 2007, gross profit was ¥103.1 billion, an increase of ¥5.3 billion from ¥97.8 billion for the year ended March 31, 2006. The principal developments in this segment were as follows:

- In basic petrochemicals fields ranging from basic materials to mid-stream intermediate products, gross profit slightly decreased in aggregate. This segment experienced decline in profit from olefin business under tight supply-demand balance due to significant inflation in material cost, and ammonia business due to reduced trading volume, while profit from methanol, styrene and paraxylene businesses increased supported by tight market conditions.
- The liquid crystal related module business continued to be robust and so was plastics including IT related parts and components, and inorganic mineral and raw materials such as salt, titanium oxide and sulfur, reflecting strong demand of those materials especially in Asia.
- Gross profit increased by ¥4.0 billion at Novus International, Inc. (United States), a feed additive manufacturing subsidiary, whose profit margin has recovered due to improvement in market prices as well as reduced pressure from raw materials prices coupled by reversal effects of the losses associated with hurricane Katrina, which hit the United States during the year ended March 31, 2006.

Operating income for the year ended March 31, 2007 was ¥35.3 billion, an increase of ¥1.3 billion from ¥34.0 billion for the year ended March 31, 2006. The improvement in gross profit was partly offset by increases in selling, general and administrative expenses and the provision for doubtful receivables including that of Fertilizantes Mitsui S.A. Industria e Comercio (Brazil).

Equity in earnings of associated companies for the year ended March 31, 2007 was ¥4.9 billion, an increase of ¥1.7 billion from ¥3.2 billion for the year ended March 31, 2006, mainly due to the contribution of International Methanol Company (Saudi Arabia), a methanol manufacturer, supported by a favorable market environment.

Net income for the year ended March 31, 2007 was ¥19.3 billion, an increase of ¥7.2 billion from ¥12.1 billion for the year ended March 31, 2006. In addition to the increases in operating income and equity in earnings of associated companies, Mitsui recorded a credit to income of ¥3.9 billion as a result of the reversal of the accrued cost which had been set up based on estimated cost for compensation and other charges related to the DPF incident during past years as a result of completion of redemption of the relevant DPFs. Mitsui recorded a ¥9.0 billion user response charge for the year ended March 31, 2006. For more information, see Note 22, "COMPENSATION AND OTHER CHARGES RELATED TO DPF INCIDENT."

Comparison between the Years Ended March 31, 2006 and 2005

Gross profit for the year ended March 31, 2006 was ¥97.8 billion, an increase of ¥10.7 billion from ¥87.1 billion for the year ended March 31, 2005. The major factors were as follows:

- During the year ended March 31, 2006, overall market prices for petrochemical products stayed high, reflecting the high crude oil price. As was the case of the preceding year, Mitsui's petrochemicals trading continued to benefit from favorable market conditions. Following rising natural gas prices in the United States, transactions in ammonia and methanol, both derivatives of natural gas, made steady improvements. An ammonia producing subsidiary, PT Kaltim Pasifik Amoniak (Indonesia), reported increases in gross profit. On the other hand, during the year ended March 31, 2005, there were one-time unrealized losses on certain long-term petrochemical purchase commitments as a result of rising purchase prices that were linked to natural gas prices.
- During the year ended March 31, 2006, gross profit declined at Novus International, Inc. (United States) due to rising raw material costs and lower output caused by the hurricanes which hit the United States.
- Mitsui increased gross profit from the trading of plastics, electronic materials and crystalline liquid for IT related industries and inorganic raw materials such as salt and sulfur reflecting increasing demand in Asia.

Operating income for the year ended March 31, 2006 was ¥34.0 billion, an increase of ¥9.5 billion from ¥24.5 billion for the year ended March 31, 2005, mainly due to the increase in gross profit.

Equity in earnings of associated companies for the year ended March 31, 2006 was ¥3.2 billion, a slight increase of ¥0.7 billion from ¥2.5 billion for the year ended March 31, 2005, mainly due to the contribution of International Methanol Company (Saudi Arabia), following its commencement of commercial operation.

Net income for the year ended March 31, 2006 was ¥12.1 billion, an improvement of ¥19.0 billion from a ¥6.9 billion net loss for the year ended March 31, 2005. In addition to the above-mentioned improvement in operating income and equity in earnings of associated companies, the major factors were as follows:

- Mitsui recorded ¥36.0 billion loss for the year ended March 31, 2005 for compensation and other charges related to the DPF incident. For the year ended March 31, 2006, Mitsui recorded ¥9.0 billion additional user response charges. As of end of June 2006 more than 99% of the DPFs had been redeemed.
- For the year ended March 31, 2005, we sold our shares in Bangkok Polyethylene Public Company Limited, a manufacturer of high-density polyethylene in Thailand, which had been jointly owned by the Chemical Segment and the Asia Segment. Of the ¥3.9 billion gain realized in the sale, this segment's share came to ¥2.5 billion.

Energy Segment

	Billions of Yen				
	Years Ended March 31,			Change (2007–2006)	Change (2006–2005)
	2007	2006	2005		
Gross Profit	¥112.5	¥84.7	¥72.6	¥27.8	¥12.1
Operating Income	73.9	52.0	35.4	21.9	16.6
Equity in Earnings of Associated Companies	44.3	33.8	24.5	10.5	9.3
Net Income	70.2	40.9	42.8	29.3	(1.9)

Comparison between the Years Ended March 31, 2007 and 2006

For the year ended March 31, 2007, the crude oil market remained volatile with the average price of crude oil bound for Japan, Japan Crude Cocktail (“JCC”), recording a high of US\$72.06 per barrel in September 2006, and then dropping back to US\$55.08 per barrel in February 2007. On average, crude oil prices continued to rise reflecting increased demand along with the expansion of the global economy, geopolitical uncertainty surrounding supply from the Middle East and other oil producing regions, and an influx of speculative money into the futures markets. Average JCC for the year ended March 31, 2007 rose to U.S.\$63.58 per barrel from U.S.\$55.80 per barrel for the year ended March 31, 2006. Average JCC for calendar year 2006 was U.S.\$64.08 compared to U.S.\$51.11 for calendar year 2005.

We observe that the JCC price trend is generally reflected in the net income of our overseas oil and gas producing subsidiaries and associated companies in this segment within a 0 to 6 month time lag. Considering these time lags, Mitsui periodically calculates the weighted average JCC price applied to operating results of those oil and gas producing subsidiaries and associated companies for internal reviewing purposes. Such weighted average JCC prices for internal reviewing purposes for the year ended March 31, 2007 and 2006 were U.S.\$64 per barrel and U.S.\$50 per barrel, respectively.

Gross profit for the year ended March 31, 2007 was ¥112.5 billion, an increase of ¥27.8 billion from ¥84.7 billion for the year ended March 31, 2006 primarily due to the following:

- There were new contributions of ¥16.4 billion by Mitsui E&P Australia Pty Ltd (Australia) due to the start-up of oil production at the Enfield oil field in July 2006(*) and ¥2.1 billion by MitEnergy Upstream LLC (United States) which acquired oil and gas interests in the Gulf of Mexico from Pogo Producing Company. Rising crude oil prices resulted in an increase in gross profit of overseas subsidiaries engaged in the development and production of oil and gas, including a ¥5.3 billion increase at Mitsui E&P Middle East B.V. (Netherlands) operating in Oman.
- As a result of Mitsui's acquisition of additional voting shares in Mitsui Oil Exploration Co., Ltd., a production company of gas and crude oil mainly in offshore Thailand, during the fourth quarter of this fiscal year, Mitsui Oil Exploration Co., Ltd., formerly an associated company, became a subsidiary in which Mitsui has 50.3% voting interest. There was a new contribution from Mitsui Oil Exploration Co., Ltd. of ¥15.1 billion.
- In November 2006, it was found that one of the traders at Mitsui Oil (Asia) Pte. Ltd. (Singapore) had incurred, but concealed by deceptively reporting, significant unrealized losses on physical and future trading of naphtha. Primarily because accumulated losses realized through orderly liquidation of the relevant transactions amounted to ¥9.6 billion, gross profit at Mitsui Oil (Asia) Pte. Ltd. declined by ¥10.1 billion from the year ended March 31, 2006. Total contribution of oil products trading in this segment, with the exception of Mitsui Oil (Asia) Pte. Ltd., for the year ended March 31, 2007 was almost at the same level as the year ended March 31, 2006.
- Mitsui Oil Co., Ltd. (Japan), a domestic petroleum products wholesale and retail subsidiary, recorded an increase of ¥3.0 billion due to its success in raising the sales prices of products and subsequent decline in costs reflecting the fall in crude oil prices after summer 2006. On the other hand, Mitsui Liquefied Gas Co., Ltd. (Japan) recorded decreases in gross profit of ¥2.2 billion affected by reduced margin of its products.

Operating income for the year ended March 31, 2007 was ¥73.9 billion, an increase of ¥21.9 billion from ¥52.0 billion for the year ended March 31, 2006. The increase in gross profit was partly offset by a provision for doubtful receivables for an overseas oil exploration company.

Reflecting higher crude oil prices, equity in earnings of associated companies for the year ended March 31, 2007 was ¥44.3 billion, an increase of ¥10.5 billion from ¥33.8 billion for the year ended March 31, 2006. The increase was mainly attributable to Japan Australia LNG (MIMI) Pty. Ltd. (Australia), which is involved in natural gas, crude oil and condensate exploration, development and marketing in Western Australia. In addition, Mitsui Oil Exploration Co., Ltd. recorded earnings of ¥8.4 billion, an increase of ¥2.5 billion from the year ended March 31, 2006, despite being classified as an associated company for only nine months up to the third quarter for this fiscal year.

Net income for the year ended March 31, 2007 was ¥70.2 billion, a significant increase of ¥29.3 billion from ¥40.9 billion for the year ended March 31, 2006. Other than the increases in operating income and equity in earnings, there were the following factors:

- Interest expense related to the Sakhalin II project increased by ¥9.0 billion as a result of an increase in interest bearing debt which was used to fund the increasing investments in Sakhalin Energy Investment Company Ltd. (Bermuda) and an increase in the U.S. dollar interest rates.
- Dividends from LNG projects in Abu Dhabi, Qatar and Oman were ¥26.6 billion, an increase of ¥13.2 billion over the year ended March 31, 2006.

* There is a 3 month time lag between the operating results of Mitsui E&P Australia Pty Ltd with its fiscal year end in December and its reflection into our consolidated operating results. Namely, ¥16.4 billion gross profit of Mitsui E&P Australia Pty Ltd represents the performance for six months.

- This segment significantly increased repatriation of undistributed earnings from overseas subsidiaries and associated companies for the year ended March 31, 2006. The increased dividends received from those overseas entities resulted in a significant increase in Japanese income tax expenses in this segment for the year ended March 31, 2006.

Comparison between the Years Ended March 31, 2006 and 2005

For the year ended March 31, 2006, crude oil prices continued to rise reflecting increased demand along with the expansion of the global economy. Average JCC for the year ended March 31, 2006 rose significantly to U.S.\$55.80 per barrel from U.S.\$38.77 per barrel for the year ended March 31, 2005. Average JCC for calendar year 2005 was U.S.\$51.11 compared to U.S.\$36.37 for calendar year 2004.

The weighted average JCC prices (considering a 0 to 6 month time lag on the segment's net income) for internal reviewing purposes for the year ended March 31, 2006 and 2005 were U.S.\$50 per barrel and U.S.\$36 per barrel, respectively.

Gross profit for the year ended March 31, 2006 was ¥84.7 billion, an increase of ¥12.1 billion from ¥72.6 billion for the year ended March 31, 2005 mainly due to the following factors:

- Among overseas subsidiaries engaged in the development, production and sale of oil and gas, Mitsui E&P Middle East B.V. (Netherlands) increased gross profit by ¥10.9 billion, reflecting the rise in oil prices. Mittwell Energy Resources Pty., Ltd. (Australia), which sells crude oil and condensate, also recorded an increase of ¥6.9 billion.
- Mitsui sold all of the shares in Arcadia Petroleum Ltd. (United Kingdom) during the year ended March 31, 2006. This resulted in a ¥12.3 billion decrease in gross profit from the year ended March 31, 2005, as Arcadia Petroleum Ltd. recorded an outstanding performance in crude oil trading for the year ended March 31, 2005. On the other hand, Mitsui Oil (Asia) Pte. Ltd. (Singapore) and Mitsui Oil (Asia) Hong Kong Ltd. (Hong Kong, China) recorded increases in gross profit for oil products trading of ¥2.7 billion and ¥1.9 billion, respectively, reflecting the strong demand in Asia and higher crude oil prices.
- As for domestic petroleum products and gas wholesale and retail subsidiaries, Mitsui Oil Co., Ltd. (Japan) and Mitsui Liquefied Gas Co., Ltd. (Japan), recorded decreases in gross profit of ¥2.0 billion in total because of rising costs caused by the higher crude oil prices.

Operating income for the year ended March 31, 2006 was ¥52.0 billion, an increase of ¥16.6 billion from ¥35.4 billion for the year ended March 31, 2005, reflecting the above-mentioned increase in gross profit. In addition, for the year ended March 31, 2006, there was a collection of an account receivable which had been previously written off, for more than previously estimated as collectible.

Equity in earnings of associated companies for the year ended March 31, 2006 was ¥33.8 billion, an increase by ¥9.3 billion from ¥24.5 billion for the year ended March 31, 2005. The major factors were as below:

- Earnings increased significantly at Japan Australia LNG (MIMI) Pty. Ltd. (Australia) due to rising oil prices and increased production on the back of start-up of the fourth LNG production train in August 2004.
- Mitsui Oil Exploration Co., Ltd. (Japan) also recorded an increase in earnings to ¥5.9 billion for the year ended March 31, 2006 from ¥2.7 billion for the year ended March 31, 2005, mainly due to rising crude oil prices.
- Sakhalin Energy Investment Company Ltd. (Bermuda) increased earnings due to the rising crude oil price.

Net income for the year ended March 31, 2006 was ¥40.9 billion, a decrease by ¥1.9 billion from ¥42.8 billion for the year ended March 31, 2005. Besides increases in operating income and equity in earnings of

associated companies, dividend income from our three LNG projects in the Middle East remained at a continuously high level of ¥13.4 billion, a ¥0.6 billion increase over the year ended March 31, 2005. However, these positive factors were more than offset by the following factors:

- For the year ended March 31, 2006, increased dividends received from overseas subsidiaries and associated companies resulted in a large increase in income tax expenses at Mitsui.
- Interest expenses at Mitsui Sakhalin Holdings B.V. (Netherlands) increased by ¥6.7 billion due to the rise in U.S. dollar interest rates and the increase in interest bearing debt to finance the investment in the Sakhalin II project.

Short- and Long-Term Outlook on Prices and Supply-Demand Balance for Energy, and Our Equity Production

Short-Term Pricing and Supply-Demand Balance

A survey conducted by the International Energy Agency (May 2007) indicated that world crude oil demand in 2006 was 84.2 million barrels per day, with an estimated demand for 2007 of 85.7 million barrels per day. As of June 2007, general observations on short-term supply-demand balance of crude oil by agencies and corporations in this industry suggest that:

- Robust global economic growth will continue to support oil demand, however, considering strong expectations for increasing output by non-Organization of Petroleum Exporting Countries (“OPEC”) and spare capacity amongst OPEC countries, particularly Saudi Arabia, it will be less likely that spot crude oil supply-demand will be extremely tightened. Meanwhile, productions for certain grades of crude oil are not at satisfactory levels to meet demand, so we may see tight or surplus market conditions by respective grades.
- The oil market can be significantly influenced by growing geopolitical uncertainties over such countries as Iran, Nigeria and Iraq, concerns about shortage in gasoline supply in the United States, and other accidental events such as hurricane damage and troubles at refineries.

Our production of oil and gas for the year ended March 31, 2006 was about 32 million barrels (gas is converted to barrels of oil at the ratio of 5,800 cubic feet of natural gas to 1 barrel of crude oil), as presented in Table 4, Proved Reserve Quantity Information of Supplemental Information on Oil and Gas Producing Activities (Unaudited). Our production amount for the year ended March 31, 2007 is 52 million barrels, an increase of 20 million barrels from the year ended March 31, 2006. Major factors include the July 2006 start-up of production from the Enfield crude oil project. Our production amount for the year ended March 31, 2008 will further increase due to full-year contribution from this project. In addition, the acquisition of Mitsui Oil Exploration Co., Ltd. up to Mitsui’s 50.3% voting interest contributed to the increase in our annual production for the year ended March 31, 2007.

The Enfield crude oil project which has a design production capacity at 100,000 barrels per day commenced production in July 2006, ahead of schedule, and achieved production of 74,000 barrels per day in September. In October, however, one of the major production wells was shut-in due to unexpected sand production and early water breakthrough. The actual production level has been lower than expected.

In February 2007, after the geological reservoir model was restudied and updated in line with production history, Mitsui E&P Australia Pty Ltd (Australia) together with the joint venture partner and operator Woodside Energy Ltd. agreed on a budget including additional expenditures of approximately US\$390 million for drilling of additional wells and work-over of existing wells in order to increase production from the Enfield crude oil project. Following the completion of the work-over, the average production rate for 2007 is expected to be 45,000 to 55,000 barrels per day.

For the year ending March 31, 2008, a change of U.S.\$1 per barrel in crude oil prices is expected to have an effect of ¥1.8 billion on net income in the Statements of Consolidated Income as a result of changes in revenues of our oil and gas related subsidiaries and associated companies. Similar to the discussion regarding iron and steel raw materials, actual results of operations are also influenced by production costs, trends in foreign exchange rates and other factors surrounding those subsidiaries and associated companies.

Middle- and Long-Term Price Outlook and Supply-Demand Balance and Trends in Our Equity Production

The middle- and long-term trends in supply, demand, and prices of crude oil are subject to far greater levels of uncertainty than trends in the short-term, and it is therefore difficult for management to make a definitive forecast. On the other hand, with respect to LNG, we are focusing on the changes in market structure that are currently taking place, and acting accordingly as follows:

- In the past, the market has grown mainly with long-term purchase contracts by power and gas companies operating in Japan and the Far East. Expansion of incumbent projects and green field projects coming on stream will increase the volume of supply to the market, while demand, which has traditionally centered around the Far East, will be joined by growing demand from Europe and the United States, while huge markets in China and India will emerge. Therefore, globalization both in terms of supply and demand is expected to progress. In addition, as the opportunity for supply-demand adjustments in these markets increases, LNG is expected to become a more marketable commodity.
- Long-term purchase contracts with Japanese companies in many projects are expected to come due for renewal around 2010, and more flexible terms reflecting the above-mentioned supply-demand balance trends will be requested from the buyers. In evaluating the opportunities for the expansion of incumbent projects or participation in green field projects, we are putting an emphasis on securing stable supply as well as diversifying our source of supply to enhance flexibility.

The total required funds for the phase II development of the Sakhalin II project are now estimated at U.S.\$20 billion, double the original budget of U.S.\$10 billion, due to increased expenses related to changes in facility design and construction delays as well as the rising procurement costs of labor and materials. In April 2007, the Amended Development Budget was approved by the Supervisory Board, a special committee which consists of the representatives of the Russian Federation, Sakhalin Oblast, Sakhalin Energy Investment Company Ltd. (Bermuda) and its shareholders. In April 2007, in addition, the revised Environmental Action Plan was approved by the Ministry of Natural Resources of the Russian Federation.

Sakhalin Energy Investment Company Ltd. has been making every effort to achieve the earliest possible start of LNG shipments, which is now scheduled in the second half of 2008, and to contain costs. In February 2007, Osaka Gas Co., Ltd. committed to purchasing additional volume, with which overall sales of Sakhalin II LNG has been substantially completed.

On April 18, 2007, Mitsui, Royal Dutch Shell plc and Mitsubishi Corporation signed a Sale and Purchase Agreement with OAO Gazprom to trigger the transfer of shares in Sakhalin Energy Investment Company Ltd. This transaction implemented a protocol signed on December 21, 2006 in Moscow. Under the terms of the protocol, OAO Gazprom acquired a 50% stake plus one share in Sakhalin Energy Investment Company Ltd. for a total cash purchase price of U.S.\$7.45 billion, of which U.S.\$18.625 billion was our portion. OAO Gazprom now holds 50% plus one share, Royal Dutch Shell plc 27.5% minus one share, Mitsui 12.5% and Mitsubishi Corporation 10%.

OAO Gazprom and the other three shareholders agreed that they will do their best to complete the project on schedule allowing LNG to be delivered to existing customers in Japan, Korea and the North American West Coast. They also entered into an Area of Mutual Interest arrangement, which will cover both future Sakhalin oil and gas exploration and production opportunities, and the building of Sakhalin II into a regional oil and LNG hub.

Foods & Retail Segment

	Billions of Yen				
	Years Ended March 31,			Change (2007–2006)	Change (2006–2005)
	2007	2006	2005		
Gross Profit	¥ 81.3	¥79.9	¥85.3	¥ 1.4	¥ (5.4)
Operating Income	10.9	9.1	17.8	1.8	(8.7)
Equity in Earnings of Associated Companies	3.8	3.5	2.2	0.3	1.3
Net Income (Loss)	(12.3)	(3.2)	10.6	(9.1)	(13.8)

Comparison between the Years Ended March 31, 2007 and 2006

Gross profit for the year ended March 31, 2007 was ¥81.3 billion, an increase of ¥1.4 billion from ¥79.9 billion for the year ended March 31, 2006. The major factors were as follows:

- Gross profit of MITSUI FOODS CO., LTD. (Japan) decreased by ¥1.1 billion, primarily reflecting the termination of business relations with The Daiei, Inc, a Japanese national retailer.
- Gross profit of Mitsui Norin Co., Ltd. (Japan) decreased by ¥2.9 billion due to poor performance in beverage and beverage materials businesses and divestiture of non-core businesses.
- Gross profit of Hokushuren Company Limited (Japan) increased by ¥3.1 billion. There was a full year contribution from Hokushuren Company Limited which was acquired in the second quarter of the year ended March 31, 2006.

Operating income for the year ended March 31, 2007 was ¥10.9 billion, an increase of ¥1.8 billion from ¥9.1 billion for the year ended March 31, 2006. In addition to improvement in gross profit, there was a reduction in selling, general and administrative expenses. Among others, a ¥3.2 billion reduction was reported by MITSUI FOODS CO., LTD. reflecting decreased personnel expenses and depreciation costs.

Equity in earnings of associated companies for the year ended March 31, 2007 was ¥3.8 billion, a ¥0.3 billion increase from ¥3.5 billion for the year ended March 31, 2006.

The segment recorded net loss of ¥12.3 billion for the year ended March 31, 2007, a ¥9.1 billion deterioration from ¥3.2 billion net loss for the year ended March 31, 2006. This decline was mainly attributable to the following reasons:

- Mitsui Norin Co., Ltd. recorded impairment losses on intangible assets and goodwill of ¥12.1 billion and ¥16.5 billion, respectively, and moreover established valuation allowance for deferred tax assets. At the same time, an ¥8.3 billion minority interest in these losses was also recorded.
- For the year ended March 31, 2006, MITSUI FOODS CO., LTD. recorded ¥6.0 billion impairment losses on land and distribution facilities which became idle as a result of the reorganization of distribution bases. For the year ended March 31, 2007, it reported further ¥2.2 billion impairment losses of long-lived assets and ¥1.4 billion other expenses incurred from its business reorganization. In addition Hokushuren Company Limited reported the sum of ¥1.4 billion impairment losses of long-lived assets and other expenses.

In April 2006, MITSUI FOODS CO., LTD. and Mitsui reached an agreement with KOKUBU & CO., LTD., a Japanese food wholesaler, in principle to form a business alliance. It includes KOKUBU's support and guidance for the management and operations of MITSUI FOODS CO., LTD. in order to reinforce the business functions of MITSUI FOODS CO., LTD. and improve efficiency in its distribution logistics. In April 2007, KOKUBU & CO., LTD. and Mitsui reached an agreement where MITSUI FOODS CO., LTD. shall transfer a major part of the businesses of its Hokkaido Branch to Hokushuren Company Limited and Mitsui shall transfer

70% of its stake in Hokushuren Company Limited to KOKUBU & CO., LTD. Furthermore, MITSUI FOODS CO., LTD. has decided a restructuring plan which is focused on integration of distribution bases and review of cost efficiency in areas other than Hokkaido.

Comparison between the Years Ended March 31, 2006 and 2005

Gross profit for the year ended March 31, 2006 was ¥79.9 billion, a ¥5.4 billion decrease from ¥85.3 billion for the year ended March 31, 2005. The major factors for this decline, in spite of the contribution from a newly acquired subsidiary Hokushuren Company Limited (Japan) were as follows:

- For the year ended March 31, 2006, gross profit decreased at Mitsui in the beverage businesses, from the year ended March 31, 2005 when those businesses showed strong performance due to a summer heat wave in 2004. Transactions also decreased in marine products and cheese businesses.
- Gross profit of Mitsui Norin Co., Ltd. (Japan) decreased by ¥2.0 billion due to a decline in sales of catechin, a substance in tea.
- Gross profit of MITSUI FOODS CO., LTD. (Japan) decreased by ¥1.7 billion, principally attributable to the termination of business relations with The Daiei, Inc.

Operating income for the year ended March 31, 2006 was ¥9.1 billion, a decrease of ¥8.7 billion from ¥17.8 billion for the year ended March 31, 2005. In addition to the above-mentioned decrease in gross profit, this was due to an increase in selling, general and administrative expenses as a result of the acquisition of Hokushuren Company Limited and an increase in personnel expenses at MITSUI FOODS CO., LTD. in connection with the establishment of new distribution bases.

Equity in earnings of associated companies for the year ended March 31, 2006 was ¥3.5 billion, a ¥1.3 billion increase from ¥2.2 billion for the year ended March 31, 2005. This was primarily due to the contribution from Ventura Foods LLC (United States), a processed oil foods manufacturer, reflecting improvement in raw material costs.

This segment recorded net loss of ¥3.2 billion for the year ended March 31, 2006, a ¥13.8 billion deterioration from ¥10.6 billion net income for the year ended March 31, 2005. This downturn was attributable to the above-mentioned decrease in operating income. In addition, for the year ended March 31, 2006, this segment recorded the following:

- MITSUI FOODS CO., LTD recorded ¥6.0 billion impairment losses on land and distribution facilities and established valuation allowances for its deferred tax assets.
- We recorded a ¥4.2 billion gain from the exchange of shares of Ito-Yokado Co., Ltd. and Seven-Eleven Japan Co., Ltd., for newly issued shares of Seven & i Holdings Co., Ltd., one of Japan's diversified retailers.

Lifestyle, Consumer Service and Information, Electronics & Telecommunication Segment

	Billions of Yen				
	Years Ended March 31,			Change (2007-2006)	Change (2006-2005)
	2007	2006	2005		
Gross Profit	¥130.0	¥128.4	¥121.7	¥ 1.6	¥6.7
Operating Income	20.3	25.0	24.0	(4.7)	1.0
Equity in Earnings (Losses) of Associated Companies	8.7	3.5	(0.3)	5.2	3.8
Net Income	16.6	17.5	11.8	(0.9)	5.7

Comparison between the Years Ended March 31, 2007 and 2006

Gross profit for the year ended March 31, 2007 was ¥130.0 billion, an increase of ¥1.6 billion from ¥128.4 billion for the year ended March 31, 2006. In the lifestyle business fields, the brand apparel business showed disappointing results. On the other hand, in consumer service business fields, gross profit increased in the overseas real estate businesses. In IT related business fields, gross profit slightly increased mainly due to increase of mobile phone sales at Telepark Corp. (Japan) and expansion of outsourcing business at Toyo Officemation Inc. (Japan).

Operating income for the year ended March 31, 2007 was ¥20.3 billion, a decrease of ¥4.7 billion from ¥25.0 billion for the year ended March 31, 2006. The improvement in gross profit was outweighed by increases in selling, general and administrative expenses primarily at IT related business operations.

Equity in earnings of associated companies for the year ended March 31, 2007 was ¥8.7 billion, an increase of ¥5.2 billion from ¥3.5 billion for the year ended March 31, 2006. A television shopping service company, QVC JAPAN, INC. (Japan), continued good performance and a mobile phone sales company, Brightstar Logistics Pty. (Australia), also contributed to this improvement.

Net income for the year ended March 31, 2007 was ¥16.6 billion, a decrease of ¥0.9 billion from ¥17.5 billion for the year ended March 31, 2006. Major reasons other than the above-mentioned factors were as follows:

- Mitsui Bussan House-Techno, Inc. (Japan), which discontinued housing business during the year ended March 31, 2007, recorded estimated costs of ¥5.3 billion to meet future requirement for product warranties and maintenance services. At the same time, it recorded reversal of valuation allowance for deferred tax assets on its retained loss.
- There was a ¥6.1 billion reduction in gain on sales of securities. For the year ended March 31, 2006, there were gains on sales of shares in Metro PCS, Inc. in the United States, KDDI CORPORATION in Japan and PT Excelcomindo Pratama, Tbk in Indonesia amounting to ¥3.5 billion, ¥3.3 billion and ¥2.0 billion, respectively. For the year ended March 31, 2007, this segment recorded a ¥4.5 billion gain on the sale of shares in Telepark Corp.
- For the year ended March 31, 2006, Mitsui received a ¥2.0 billion dividend from an investment company related to gains on the sales of interests in telecommunication companies in Africa.

Comparison between the Years Ended March 31, 2006 and 2005

Gross profit for the year ended March 31, 2006 was ¥128.4 billion, a ¥6.7 billion increase from ¥121.7 billion for the year ended March 31, 2005. The major factors for this increase were as follows:

- In IT related business fields, gross profit rose at Telepark Corp. (Japan). There were also contributions from NextCom K.K. (Japan) which became a subsidiary in the third quarter of the year ended March 31, 2005.
- In lifestyle business fields, gross profit decreased due to withdrawal from cement businesses and overall poor performance in textile businesses.
- In consumer service business fields, Mitsui Bussan House-Techno, Inc. (Japan) recorded a decline due to decreased sales of houses built for sale.

Operating income for the year ended March 31, 2006 was ¥25.0 billion, an increase of ¥1.0 billion from ¥24.0 billion for the year ended March 31, 2005. The above-mentioned improvement in gross profit was partly offset by increases in selling, general and administrative expenses and provision for doubtful receivables at Mitsui Bussan Forestry Co., Ltd. (Japan).

Equity in earnings of associated companies for the year ended March 31, 2006 was ¥3.5 billion, a ¥3.8 billion improvement from the ¥0.3 billion loss for the year ended March 31, 2005. A television shopping service company, QVC JAPAN, INC. (Japan), and a food catering service company, AIM Services Co., Ltd. (Japan), contributed to this improvement, while there were losses at telecommunication related associated companies in Colombia due to provision for doubtful receivables for the year ended March 31, 2005.

Net income for the year ended March 31, 2006 was ¥17.5 billion, a ¥5.7 billion increase from ¥11.8 billion for the year ended March 31, 2005 principally due to the improvement in the above-mentioned operating income and equity in earnings. Other major factors were as follows:

- Gains on sales of securities decreased ¥3.4 billion from the year ended March 31, 2005. For the year ended March 31, 2006, there were gains on sales of shares in Metro PCS, Inc., KDDI CORPORATION and PT Excelcomindo Pratama, Tbk as mentioned above. For the year ended March 31, 2005, there were gains on sales of shares in Vodafone K.K. and our subsidiary Telepark Corp. amounting to ¥7.2 billion and ¥4.1 billion, respectively, as well as a ¥3.7 billion gain associated with the merger of NextCom K.K.
- For the year ended March 31, 2005, considering a deterioration in financial condition due to sluggish advertising revenue at satellite broadcasters BS-i, INCORPORATED and BS Japan Corporation, this segment recorded losses on write-downs of these shares of ¥1.9 billion and ¥1.2 billion, respectively.
- For the year ended March 31, 2006, Mitsui received a ¥2.0 billion dividend from a telecommunication related investment.

Logistics & Financial Markets Segment

	Billions of Yen				
	Years Ended March 31,			Change (2007-2006)	Change (2006-2005)
	2007	2006	2005		
Gross Profit	¥60.5	¥51.4	¥46.7	¥ 9.1	¥ 4.7
Operating Income	24.2	17.6	18.5	6.6	(0.9)
Equity in Earnings of Associated Companies	2.0	4.0	2.5	(2.0)	1.5
Net Income	14.6	13.4	11.8	1.2	1.6

Comparison between the Years Ended March 31, 2007 and 2006

For the year ended March 31, 2007, gross profit was ¥60.5 billion, an increase of ¥9.1 billion from ¥51.4 billion for the year ended March 31, 2006. Mitsui, Mitsui Bussan Commodities Ltd. (United Kingdom) and Mitsui & Co. Energy Risk Management Ltd. (United Kingdom) showed strong performance seizing opportunities under volatile market conditions. Furthermore there was a new contribution from a newly acquired domestic warehouse subsidiary for the year ended March 31, 2007.

Operating income for the year ended March 31, 2007 was ¥24.2 billion, an increase of ¥6.6 billion from ¥17.6 billion for the year ended March 31, 2006. The above-mentioned increase in gross profit was partly offset by increased selling, general and administrative expenses mainly at logistics related operations.

Equity in earnings of associated companies for the year ended March 31, 2007 was ¥2.0 billion, a ¥2.0 billion decrease from ¥4.0 billion for the year ended March 31, 2006. The equity in earnings consists of miscellaneous small amounts.

There was a loss on write-down of securities for the year ended March 31, 2007. As a result, net income for the year ended March 31, 2007 was ¥14.6 billion, an increase of ¥1.2 billion from ¥13.4 billion.

Comparison between the Years Ended March 31, 2006 and 2005

Gross profit for the year ended March 31, 2006 was ¥51.4 billion, an increase of ¥4.7 billion from ¥46.7 billion for the year ended March 31, 2005. Mitsui & Co. Energy Risk Management Ltd. (United Kingdom) showed continuously strong performance in energy derivative trading and reported an increase over the year ended March 31, 2005.

Operating income for the year ended March 31, 2006 was ¥17.6 billion, a decrease of ¥0.9 billion from ¥18.5 billion for the year ended March 31, 2005, reflecting an increase in personnel expenses at Mitsui & Co. Energy Risk Management Ltd.

Equity in earnings of associated companies for the year ended March 31, 2006 was ¥4.0 billion, a ¥1.5 billion increase from ¥2.5 billion for the year ended March 31, 2005.

Net income for the year ended March 31, 2006 was ¥13.4 billion, an increase of ¥1.6 billion from ¥11.8 billion for the year ended March 31, 2005.

Americas Segment

	Billions of Yen				
	Years Ended March 31,			Change (2007–2006)	Change (2006–2005)
	2007	2006	2005		
Gross Profit	¥64.7	¥61.6	¥49.9	¥ 3.1	¥11.7
Operating Income	21.3	21.7	14.7	(0.4)	7.0
Equity in Earnings of Associated Companies	3.8	2.1	1.6	1.7	0.5
Net Income	16.9	12.6	12.3	4.3	0.3

Comparison between the Years Ended March 31, 2007 and 2006

Gross profit for the year ended March 31, 2007 was ¥64.7 billion, an increase of ¥3.1 billion from ¥61.6 billion for the year ended March 31, 2006. An oil products trading subsidiary, Westport Petroleum, Inc. (United States), recorded an increase of ¥4.3 billion while Portac, Inc. (United States), a lumber and lumber products producing subsidiary, recorded a ¥1.1 billion decrease.

Operating income for the year ended March 31, 2007 was ¥21.3 billion, a decrease of ¥0.4 billion from ¥21.7 billion for the year ended March 31, 2006, reflecting increased selling, general and administrative expenses including higher trader bonuses at Westport Petroleum, Inc. and an increase in provision for doubtful receivables.

Equity in earnings of associated companies for the year ended March 31, 2007 was ¥3.8 billion, a ¥1.7 billion increase from ¥2.1 billion for the year ended March 31, 2006.

Net income for the year ended March 31, 2007 was ¥16.9 billion, an increase of ¥4.3 billion from ¥12.6 billion for the year ended March 31, 2006. The major factors other than above are as below:

- For the year ended March 31, 2007, there was a ¥3.7 billion gain on sales of warehouse and lands by Tri-Net Logistics Management, Inc. (United States) and a chemical subsidiary, Nst, Inc. (United States).
- Interest expenses increased by ¥4.8 billion at Mitsui & Co. (U.S.A.), Inc. and its subsidiaries resulting from a rise in U.S. dollar interest rates.
- Mitsui & Co. (U.S.A.), Inc. had a 20% minority interest in Mitalco Inc. (United States) and shared the net losses of the subsidiary for the year ended March 31, 2006 with the Iron & Steel Raw Materials and Non-Ferrous Metals Segment which held 80% interest.

Comparison between the Years Ended March 31, 2006 and 2005

Gross profit for the year ended March 31, 2006 was ¥61.6 billion, an increase of ¥11.7 billion from ¥49.9 billion for the year ended March 31, 2005. Westport Petroleum, Inc. recorded a significant increase of ¥13.2 billion and a steel pipe sales subsidiary, Champions Pipe & Supply, Inc. (United States), recorded a ¥1.7 billion increase. In addition, there was a contribution of ¥1.2 billion from CornerStone Research & Development Inc. (United States) which was acquired during the year ended March 31, 2005. However, gross profit decreased by ¥1.9 billion at Portac, Inc., which produces lumber and lumber products, due to a decline in the prices of its products.

Operating income for the year ended March 31, 2006 was ¥21.7 billion, a ¥7.0 billion increase from ¥14.7 billion for the year ended March 31, 2005, reflecting the increase in gross profit, which was partly offset by higher trader bonuses at Westport Petroleum, Inc.

Net income for the year ended March 31, 2006 was ¥12.6 billion, a slight increase of ¥0.3 billion from ¥12.3 billion for the year ended March 31, 2005. The increase in operating income was offset by the following factors:

- Interest expense at Mitsui & Co. (U.S.A.), Inc. and its subsidiaries increased by ¥3.0 billion resulting from a rise in U.S. dollar interest rates.
- Mitsui & Co. (U.S.A.), Inc. has a minority interest in Mitalco Inc. and shared the net losses of this subsidiary for the years ended March 31, 2005 and 2006 with the Iron & Steel Raw Materials and Non-Ferrous Metals Segment.

Europe Segment

	Billions of Yen				
	Years Ended March 31,			Change (2007-2006)	Change (2006-2005)
	2007	2006	2005		
Gross Profit	¥23.3	¥22.4	¥20.6	¥ 0.9	¥ 1.8
Operating Income	3.1	4.3	2.6	(1.2)	1.7
Equity in Earnings (Losses) of Associated Companies	0.3	(0.2)	0.1	0.5	(0.3)
Net Income	3.8	4.2	2.7	(0.4)	1.5

Comparison between the Years Ended March 31, 2007 and 2006

Gross profit for the year ended March 31, 2007 was ¥23.3 billion, an increase of ¥0.9 billion from ¥22.4 billion for the year ended March 31, 2006, reflecting good performance of organic chemicals businesses.

Operating income for the year ended March 31, 2007 was ¥3.1 billion, a ¥1.2 billion decrease from ¥4.3 billion for the year ended March 31, 2006, reflecting an increase mainly in personnel expenses.

Net income for the year ended March 31, 2007 was ¥3.8 billion, a decrease of ¥0.4 billion from ¥4.2 billion for the year ended March 31, 2006.

Comparison between the Years Ended March 31, 2006 and 2005

Gross profit for the year ended March 31, 2006 was ¥22.4 billion, an increase of ¥1.8 billion from ¥20.6 billion for the year ended March 31, 2005, which was mainly attributable to the growth in the steel pipes and organic chemicals businesses.

Operating income for the year ended March 31, 2006 was ¥4.3 billion, a ¥1.7 billion increase from ¥2.6 billion for the year ended March 31, 2005, reflecting the increase in gross profit.

Net income for the year ended March 31, 2006 was ¥4.2 billion, a ¥1.5 billion increase from ¥2.7 billion for the year ended March 31, 2005.

This segment had a minority interest in Arcadia Petroleum Ltd. (United Kingdom), which was sold during the year ended March 31, 2006. The increase in operating income was partly offset by the absence of the contribution from Arcadia Petroleum Ltd.

Asia Segment

	Billions of Yen				
	Years Ended March 31,			Change (2007–2006)	Change (2006–2005)
	2007	2006	2005		
Gross Profit	¥27.6	¥27.4	¥21.8	¥ 0.2	¥5.6
Operating Income	9.6	10.7	7.8	(1.1)	2.9
Equity in Earnings of Associated Companies	0.2	0.1	0.1	0.1	0.0
Net Income	7.9	9.3	8.0	(1.4)	1.3

Comparison between the Years Ended March 31, 2007 and 2006

Gross profit for the year ended March 31, 2007 was ¥27.6 billion, an increase of ¥0.2 billion from ¥27.4 billion for the year ended March 31, 2006. Organic chemicals transactions showed strong performance.

Operating income for the year ended March 31, 2007 was ¥9.6 billion, a decrease of ¥1.1 billion from ¥10.7 billion for the year ended March 31, 2006, reflecting an increase mainly in personnel expenses.

Net income for the year ended March 31, 2007 was ¥7.9 billion, a decrease of ¥1.4 billion from ¥9.3 billion for the year ended March 31, 2006.

Comparison between the Years Ended March 31, 2006 and 2005

Gross profit for the year ended March 31, 2006 was ¥27.4 billion, a ¥5.6 billion increase from ¥21.8 billion for the year ended March 31, 2005. This was attributable to the good performance in the chemical businesses at the Singapore branch; and in the steel products and chemical businesses at Mitsui & Co. (Hong Kong) Ltd. and the other trading subsidiaries in China.

Operating income for the year ended March 31, 2006 was ¥10.7 billion, a ¥2.9 billion increase from ¥7.8 billion for the year ended March 31, 2005. The increase in gross profit was partly offset by increases in selling, general and administrative expenses mainly at trading subsidiaries in China and a provision for doubtful receivables at a trading subsidiary in Thailand.

Net income for the year ended March 31, 2006 was ¥9.3 billion, a ¥1.3 billion increase from ¥8.0 billion for the year ended March 31, 2005.

Other Overseas Areas Segment

	Billions of Yen				
	Years Ended March 31,			Change (2007–2006)	Change (2006–2005)
	2007	2006	2005		
Gross Profit	¥ 5.3	¥ 4.9	¥4.0	¥ 0.4	¥0.9
Operating Income (Loss)	(0.2)	1.0	0.4	(1.2)	0.6
Equity in Earnings of Associated Companies	0.5	0.6	0.4	(0.1)	0.2
Net Income	14.4	14.3	5.8	0.1	8.5

Comparison between the Years Ended March 31, 2007 and 2006

Net income for the year ended March 31, 2007 was ¥14.4 billion, an increase of ¥0.1 billion from ¥14.3 billion for the year ended March 31, 2006. The segment's minority interest in Mitsui Iron Ore Development Pty. Ltd. (Australia) increased, while that in Mitsui Coal Holdings Pty. Ltd. (Australia) decreased. See the relevant discussion in the Iron & Steel Raw Materials and Non-Ferrous Metals Segment above.

Comparison between the Years Ended March 31, 2006 and 2005

Net income for the year ended March 31, 2006 was ¥14.3 billion, an ¥8.5 billion increase from ¥5.8 billion for the year ended March 31, 2005. This was due to contributions to the segment from its interests in Mitsui Iron Ore Development Pty. Ltd. (Australia) and Mitsui Coal Holdings Pty. Ltd. (Australia), which showed strong growth in net income for the year ended March 31, 2006, as described in the Iron & Steel Raw Materials and Non-Ferrous Metals Segment.

All Other

	Billions of Yen				
	Years Ended March 31,			Change (2007-2006)	Change (2006-2005)
	2007	2006	2005		
Gross Profit	¥ 4.4	¥ 7.1	¥12.4	¥(2.7)	¥(5.3)
Operating Loss	(4.3)	(3.2)	(0.6)	(1.1)	(2.6)
Equity in Earnings of Associated Companies	0.1	0.3	0.4	(0.2)	(0.1)
Net Income	5.9	11.8	4.7	(5.9)	7.1

Comparison between the Years Ended March 31, 2007 and 2006

The activities of this segment include financing services, office services and other services to external customers, and/or to us, and associated companies.

Gross profit in this segment for the year ended March 31, 2007 was ¥4.4 billion, a decrease of ¥2.7 billion from ¥7.1 billion for the year ended March 31, 2006.

Operating loss for the year ended March 31, 2007 was ¥4.3 billion, a deterioration of ¥1.1 billion from ¥3.2 billion loss for the year ended March 31, 2006. This was primarily attributable to Mitsui Bussan Trade Services Ltd. (Japan), which offers business process outsourcing services to Mitsui.

Net income for the year ended March 31, 2007 was ¥5.9 billion, a decrease of ¥5.9 billion from ¥11.8 billion for the year ended March 31, 2006, primarily attributable to the sales of Mitsui's corporate welfare facilities recorded in the year ended March 31, 2006.

Comparison between the Years Ended March 31, 2006 and 2005

Gross profit for the year ended March 31, 2006 was ¥7.1 billion, a ¥5.3 billion decrease from ¥12.4 billion for the year ended March 31, 2005. The major reason for this decline was the sale of a domestic public golf club business.

Operating loss for the year ended March 31, 2006 was ¥3.2 billion, a ¥2.6 billion increase from the ¥0.6 billion loss for the year ended March 31, 2005. This was primarily attributable to the above-mentioned decline in gross profit, but was partly offset by a decline in selling, general and administrative expenses.

Net income for the year ended March 31, 2006 was ¥11.8 billion, a ¥7.1 billion increase from ¥4.7 billion for the year ended March 31, 2005, primarily attributable to the sales of Mitsui's corporate welfare facilities.

Inflation

Management believes that inflation did not have a significant effect on our reported results of operations.

Critical Accounting Policies and Estimates

Accounting policies and estimates are considered to be critical if they are important to our financial condition and results of operations and involve estimates that require management's subjective or significant judgment about the effect of matters that are inherently uncertain. For a summary of our significant accounting policies including the critical accounting policies discussed below, please see Note 2, "BASIS OF FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES."

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the carrying values of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, we evaluate the estimates that are based on historical experiences and on various other assumptions that are believed to be reasonable under the circumstances. The results of these evaluations form the basis for making judgments about the carrying values of assets and liabilities and the reported amounts of revenues and expenses that are not readily apparent from other sources. Results may differ from those estimates under different assumptions. The following items require significant management judgments and estimates.

Impairment of Long-Lived Assets

The amount of impairment losses of long-lived assets, other than goodwill and intangible assets not subject to amortization, for the years ended March 31, 2007, 2006 and 2005 and the balance of the long-lived assets, net of accumulated depreciation and amortization, as of the end of March 31, 2007, 2006 and 2005 were as follows:

	Billions of Yen		
	As of March 31,		
	2007	2006	2005
Long-lived assets	¥1,304.5	¥1,019.9	¥906.3
Impairment loss	17.8	24.3	14.1

Impairment losses of long-lived assets had a material impact on our net income for recent years. These losses were mainly due to the declining profitability resulting from deterioration of business environment and the reorganization of business structure and distribution bases owned by our subsidiaries. See "Impairment Loss of Long-Lived Assets" line-by-line explanation in "RESULTS OF OPERATIONS" for additional information.

The major component of impairment losses for the year ended March 31, 2007 was a loss on intangible assets at Mitsui Norin Co., Ltd. (Japan) due to deterioration of operating environment such as intensifying competition in both beverage and beverage materials. Mitsui Norin Co., Ltd. used a discounted future cash flow method based on its internal budget for evaluation of fair value of the intangible assets. We recognize that the estimation and assumption for this impairment loss has been specific to Mitsui Norin Co., Ltd., and we do not expect such estimation and assumption to have a material impact on our future operating results other than those of Mitsui Norin Co., Ltd.

Our long-lived assets to be held and used or to be disposed of other than by sale are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. This review is performed by comparing the carrying amount of the asset with the aggregate amount of the estimated undiscounted future cash flows ("impairment analysis"). If the carrying value of the asset is greater than the aggregate amount of undiscounted future cash flows, then the asset is considered impaired, and an impairment loss is recorded for the amount by which the carrying value of the asset exceeds its fair value. The fair value of the asset is calculated as present value of the future cash flows that are expected from the asset.

Cash flow projections used in our impairment analysis and fair value calculations are based on the business plan authorized by our management or, if this is not available, on the operating plan reflecting the most recent condition of the long-lived asset. In these plans, we assume, for example, that the most recent selling prices of the real estate in the surrounding areas will reasonably continue in the future, and estimate the sales prices of the products from facilities and equipment for the certain future period based on the average price of the equivalent length of period in the past or on the analysts' reports.

As for the discount rate used in fair value calculations, when expected variations of cash flows are not considered in the cash flow estimate, a discount rate which includes the risk factor for the cash flow deviation, is used. Assumptions that marketplace participants would use in their estimates of fair value are incorporated in the discount rate when such information is available. When such information is not available, an expected internal rate of return used for management purpose or a weighted average cost of capital of a company that owns the long-lived asset, whichever is higher, is also considered for the discounted cash flow calculation.

Factors to be considered when estimating future cash flows and determining discount rates vary for each long-lived asset because of the difference in nature of the assets and in operating circumstances, such as location, owner, operator, profitability and other factors.

Management believes that the estimates of future cash flows and the determination of discount rates and fair value are reasonable; however, changes in estimates resulting in lower future cash flows and fair value due to unforeseen changes in business assumptions could negatively affect the valuations of those long-lived assets.

Allowance for Doubtful Receivables

Since we are a general trading company, trade receivables represent a large portion of our total assets, and therefore, the accounting estimates used to establish an allowance for doubtful receivables are critical.

When we deem it is probable that we will be unable to collect amounts that are contractually due to us for certain large loan receivables, the specific loan is reviewed for impairment. Factors considered in assessing collectibility include length of period overdue, financial condition of the debtor, requests for debt restructuring and filings for bankruptcy.

An impairment loss for a specific loan deemed to be impaired, as specifically determined under SFAS No.114 and amended by SFAS No. 118, "Accounting by Creditors for Impairment of a Loan—an amendment of FASB Statements No. 5 and 15," is measured based on the present value of expected cash flows discounted at the loan's original effective interest rate or the fair value of collateral if the loan is collateral dependent. The expected cash flows from assets and liabilities of the debtor and the fair value of collateral are determined mainly based on an evaluation of independent real estate appraisers, publicly available indication of the real estate price, market price of financial assets and liabilities, guarantors' financial condition and other factors. The recoverable amounts are reviewed on a quarterly basis and if necessary, an additional allowance is established. See Note 7, "ALLOWANCE FOR DOUBTFUL RECEIVABLES," for impaired loan amounts and the respective allowance amounts.

In addition to the above, an allowance for doubtful receivables is recognized for probable losses inherent in receivables not specifically deemed to be impaired. The amount of allowance is the amount judged to be adequate based primarily on our credit loss experiences and an evaluation of potential losses on the receivables, considering various factors, including current economic condition and financial condition of the debtors. We review the adequacy of the allowance for doubtful receivables by assessing both the collateral exposure and the applicable default rate. Collateral exposure for a particular receivable is the excess of the carrying value over the applicable collateral value. A receivable with an estimated collateral value in excess of the carrying value is considered to have no collateral exposure. The applicable default rate is determined by a customer's credit rating that is identified for each customer based on our financial analysis. The default rate of each credit rating is determined based on our historical experiences.

Management believes that the estimates of the future cash flows, the fair value of collateral, the credit rating of customers and the corresponding default rate are reasonable; however, changes in estimates resulting in lower future cash flows and fair value of the collateral, due to unforeseen changes in business assumptions, or drastic increases in default rates based on negative changes in economic condition could negatively affect the valuations of related receivables.

Impairment of Investment Securities

An impairment of investment securities is charged to earnings when a decline in fair value below cost is deemed to be other than temporary.

The impairment of investment equity securities charged to earnings for recent fiscal years had a significant impact on our income. The following table shows the cost of marketable and non-marketable equity securities as of March 31, 2007, 2006 and 2005 and the impairment loss for the years ended March 31, 2007, 2006 and 2005:

	Billions of Yen					
	Year ended March 31,					
	2007		2006		2005	
	Cost	Impairment loss	Cost	Impairment loss	Cost	Impairment loss
Marketable equity securities	¥396.0	¥ 3.1	¥275.3	¥ 1.8	¥191.0	¥ 0.6
Non-marketable equity securities	316.2	8.6	249.0	8.8	214.1	15.9
Total	<u>¥712.2</u>	<u>¥11.7</u>	<u>¥524.3</u>	<u>¥10.6</u>	<u>¥405.1</u>	<u>¥16.5</u>

Management principally recognizes that a 50% or more decline in fair value of a security leads to the conclusion that the security has an other-than-temporary impairment. If the decline is less than 50%, various factors, such as the extent to which the cost exceeds the market value, the duration of the market decline, our intention and ability to hold the investment until its market price recovery and the financial conditions of the investee, are considered in concluding if the decline is temporary or not.

As of March 31, 2007, there was no individual marketable security that had been in a continuous unrealized loss position for one year or more. The aggregate unrealized loss amount of the marketable securities (approximately 25 issuers) that had been in continuous unrealized loss positions for less than one year and had severity of decline of fair value below cost ranging from 3% to 21% was ¥0.6 billion. But, considering the combination of length of time that fair values have been below cost, the extent of decline and the financial condition of the investees, we expect that their fair values will recover above their costs while we hold these investments.

For non-marketable securities, fair value of an investment is generally determined based on our equity in a net amount of the fair value of investee's assets and liabilities. In addition, where future business plans formally adopted by management of the entities are available and when deemed appropriate, discounted future cash flow method is used to determine the fair value of the non-marketable equity securities. The discount rate reflects risk factors for the cash flow deviation from the future business plans and assumptions that marketplace participants would use in their estimates of fair value when the information is available and appropriate. However, there are investments that are not evaluated for impairment because no event or change in circumstances that may have had a significant adverse effect on the fair value was identified. See Note 5, "MARKETABLE SECURITIES AND OTHER INVESTMENTS," for further discussion.

Management believes that the criteria for evaluating the significance of the decline in fair value are reasonable and that as long as the economic conditions continue to improve, the amount of impairment losses in investment securities will continue to decrease in the near future. However, changes in the securities market or circumstances of each individual investment due to unforeseen changes in economic and business conditions could affect the valuation of the investment securities.

Pension Benefit Costs

Employee pension benefit costs and obligations are dependent on various assumptions, including discount, retirement, and mortality rates, which are based on current statistical data, as well as the expected long-term rate of return on plan assets and other factors. In accordance with U.S. GAAP, the difference between actual results and the assumptions is accumulated and amortized to expenses over future periods and, therefore, generally affects the recognized costs in future periods. Management believes that the assumptions used are appropriate; however, differences in actual experience or changes in assumptions may affect our future pension costs and obligations.

We determine the discount rates each year as of the measurement date, based on a review of interest rates associated with long-term Japanese government bonds or high-quality fixed-income corporate bonds. The discount rates determined on each measurement date are used to calculate the benefit obligation as of that date, and are also used to calculate the net periodic pension costs for the upcoming plan year.

Mitsui determines the expected long-term rate of return on plan assets based on the weighted-average rate of return computed by using the expected long-term rate of return on each asset class, which is derived from an extensive study conducted by investment advisors and actuaries on a periodic basis, and the target allocations for each asset class. The study includes a review of anticipated future performance with market analysis of individual asset classes, and also gives appropriate consideration to actual historical returns achieved by the plans. The subsidiaries determine the expected long-term rates of return on plan assets mainly based on the expectations for future returns by investment advisors and actuaries.

The following table illustrates the sensitivity to changes in certain assumptions for Mitsui's pension plans:

	Billions of Yen	
	Impact of change in assumption on NPPC for the year ending March 31, 2008	Impact of change in assumption on PBO as of March 31, 2007
50 basis point decrease in discount rate	¥(0.1)	¥ 15.6
50 basis point increase in discount rate	0.3	(14.6)
50 basis point decrease in expected long-term rate of return on plan assets	1.3	—
50 basis point increase in expected long-term rate of return on plan assets	(1.3)	—

See Note 14, "PENSION COSTS AND SEVERANCE INDEMNITIES," for further discussion about the estimates and assumptions on PBO and NPPC.

Tax Asset Valuation

We classify subsidiaries and associated companies into the following five categories and evaluate realizability of deferred tax assets by each category. The valuation allowance for the deferred tax assets is established for the amount determined to be unrealizable.

First category

The companies, which constantly generate sufficient taxable income every year to cover all the future deductible temporary differences as of the end of each fiscal year, and no significant change exists or is expected in the business environment. For this category, we view all deferred tax asset amounts as realizable.

Second category

The companies with stable operating results in the past years (approximately in the last three years), but do not generate sufficient taxable income in the current year to cover all the future deductible temporary differences as of the end of the fiscal year. For this category, the portion of the deferred tax assets that is recoverable based on an analysis of the scheduled taxable income in the future is determined to be realizable.

Third category

The companies with unstable operating results in the past years, and do not generate sufficient taxable income in the current year to cover all the future deductible temporary differences as of the end of the fiscal year. For this category, the portion of the deferred tax assets that is recoverable based on an analysis of the scheduled taxable income within a reasonable estimation period is determined to be realizable.

Fourth category

The companies, which have significant amounts of tax loss carryforwards at the end of the fiscal year, have experienced the expiration of a significant amount of tax loss carryforwards in the past three years, or will fail to utilize a significant amount of tax loss carryforward up to the expiration date in the current period. For this category, the portion of the deferred tax assets that is recoverable with a high degree of certainty based on an analysis of the scheduled taxable income within the next fiscal year is determined to be realizable.

If the tax loss carryforward results from a non-recurring and unusual event such as a significant restructuring of the business or a change in law or regulation, and the companies otherwise consistently generate taxable income, the portion of the deferred tax assets that is recoverable based on an analysis of the scheduled taxable income within a reasonable estimation period is determined to be realizable.

Fifth category

The companies, which recorded a significant amount of tax loss carryforwards for each of the past three years and are expected to record a significant tax loss in the current year as well. For this category, no deferred tax assets are determined to be realizable.

For Mitsui, the realizability of deferred tax assets is determined based on all available evidence, both positive and negative, including all currently available information regarding tax deductibility on future years and ability to generate sufficient taxable income prior to the expiration of the loss carryforward.

Management believes it is more likely than not that all of our deferred tax assets, net of valuation allowance, will be realized. However, the amount of realizable net deferred tax assets may change in the near term if estimates of future taxable income during the carryforward period are changed or if statutory tax rates are changed. See Note 21, "INCOME TAXES," for further discussion about the deferred tax assets, net of valuation allowance.

New Accounting Standards

Employers' accounting for defined benefit pension and other postretirement plans

In September 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans—an amendment of FASB Statements No. 87, 88, 106 and 132(R)."

SFAS No. 158 requires the recognition of the overfunded or underfunded status of a defined benefit plan as an asset or liability in the statement of financial position and the recognition of changes in that funded status in comprehensive income in the year in which the changes occur. SFAS No. 158 also requires an entity to measure the funded status of a plan as of the date of an entity's year-end statement of financial position, with limited exceptions.

During the year ended March 31, 2007, we adopted the recognition and related disclosure provisions of this statement. See Note 14, "PENSION COSTS AND SEVERANCE INDEMNITIES" for the effect of adoption of these provisions. The measurement date provisions are effective for fiscal years ending after December 15, 2008. The effect of adoption of these provisions on our financial position and results of operations will be immaterial.

Accounting for certain hybrid financial instruments

In February 2006, the FASB issued SFAS No. 155, "Accounting for Certain Hybrid Financial Instruments—an amendment of FASB Statements No. 133 and 140."

One of the amendments to SFAS No. 133 and SFAS No. 140 is that SFAS No. 155 permits an entity to elect fair value remeasurement for any hybrid financial instrument in its entirety with changes in fair value recognized in earnings, in which the hybrid financial instrument contains an embedded derivative that otherwise would require bifurcation.

SFAS No. 155 is effective for all financial instruments acquired, issued, or subject to a remeasurement event occurring after the beginning of an entity's first fiscal year that begins after September 15, 2006. The effect of adoption of this statement on our financial position and results of operations will be immaterial.

Accounting for servicing of financial assets

In March 2006, the FASB issued SFAS No. 156, "Accounting for Servicing of Financial Assets—an amendment of FASB Statement No. 140."

SFAS No. 156 requires all separately recognized servicing assets and servicing liabilities to be initially measured at fair value, if practicable, and permits an entity to choose either the amortization method or the fair value measurement method for subsequent measurement of each class of separately recognized servicing assets and servicing liabilities.

SFAS No. 156 is effective as of the beginning of an entity's first fiscal year that begins after September 15, 2006. The effect of adoption of this statement on our financial position and results of operations will be immaterial.

Fair value measurements

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements."

SFAS No. 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim period within those fiscal years. The effect of adoption of this statement on our financial position and results of operations will be immaterial.

Accounting for uncertainty in income taxes

In June 2006, the FASB issued FIN No. 48, "Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109."

FIN No. 48 clarifies the accounting for uncertainty in income taxes recognized in financial statements in accordance with SFAS No. 109, "Accounting for Income Taxes," and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of all tax positions accounted for in accordance with SFAS No. 109.

FIN No. 48 is effective for fiscal years beginning after December 15, 2006. The effect of adoption of this interpretation on our financial position and results of operations is expected to be immaterial.

Fair value option

In February 2007, the FASB issued SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities—including an amendment of FASB Statement No. 115.”

SFAS No. 159 permits an entity to choose, at specified election dates, to measure eligible financial assets and liabilities at fair value. An entity will report unrealized gains and losses on items for which the fair value option has been elected in earnings.

SFAS No. 159 is effective as of the beginning of an entity’s first fiscal year that begins after November 15, 2007. The effect of adoption of this statement on our financial position and results of operations is not currently known and cannot be reasonably estimated until further analysis is completed.

B. Liquidity and Capital Resources

Use of Non-GAAP Financial Measures

Non-GAAP financial measures are defined in the SEC regulations as financial measures that either exclude or include amounts that are not excluded from or included in the most directly comparable measure calculated and presented in accordance with GAAP.

Net Debt-to-Equity Ratio

We refer to “Net Debt-to-Equity Ratio” (“Net DER”) in this Liquidity and Capital Resources and elsewhere in this annual report. Net DER is comprised of “net interest bearing debt” divided by shareholders’ equity.

“Net interest bearing debt” is defined as adjusted interest bearing debt, defined below, less cash and cash equivalents and time deposits. Our interest bearing debt primarily consists of long-term debt. As discussed in “Funding and Treasury Policies and Objectives,” to flexibly meet capital requirements and to prepare for future debt-service requirements in case of unforeseen deteriorations in financial markets, currently we hold a relatively high level of cash and cash equivalents reflecting the current financial market conditions and future capital requirements. Under this policy, Net DER is a useful internal measure for our management to review the balance between:

- our capacity to meet debt repayments; and
- leverage to improve return on equity in our capital structure.

To calculate our adjusted interest bearing debt, the followings balances are excluded:

- capital lease obligations; and
- SFAS No. 133 fair value adjustment.

Management therefore believes that using Net DER is useful for the readers especially when comparing it with the same analysis done by other general trading companies.

Elimination of the SFAS No. 133 fair value adjustment is made because Japanese investors usually evaluate Net DER of other general trading companies in this manner.

This calculation does not recognize the fact that cash and cash equivalents and time deposits may not be completely available for debt repayments because some amount of cash and cash equivalents and time deposits may be required for operational needs including contractual obligations or capital expenditures.

“Net interest bearing debt” and “Net DER” are presented in the table below.

	Billions of Yen	
	As of March 31,	
	2007	2006
Short-term debt	¥ 658.7	¥ 540.8
Long-term debt	3,259.4	3,011.9
Less eliminating factors included in long-term debt:		
Capital lease obligations	(24.9)	(25.7)
Less SFAS No. 133 fair value adjustment	11.8	37.7
Adjusted interest bearing debt	3,905.0	3,564.7
Less cash and cash equivalents and time deposits	(806.6)	(734.1)
Net interest bearing debt	<u>¥3,098.4</u>	<u>¥2,830.6</u>
Shareholders' equity	<u>¥2,110.3</u>	<u>¥1,677.9</u>
Net DER (times)	<u>1.47</u>	<u>1.69</u>

The most directly comparable GAAP measure is considered to be “Debt-to-Equity Ratio” (“DER”). However, this ratio measures gross debt relative to equity, and does not measure changes in cash position.

Adjusted DER (times)	1.85	2.13
(defined as adjusted interest bearing debt divided by shareholders' equity)		

Free Cash Flow

We define “free cash flow” as the sum of net cash provided by operating activities and net cash used in investing activities. Management believes that such indicator is useful to investors, to measure available net cash for investment in strategic opportunities and/or debt repayment, or magnitude of reliance on borrowing to procure funds for strategic investments. Free cash flow does not represent the residual cash flow available for discretionary expenditures.

The following table shows a reconciliation of net cash provided by operating activities to free cash flow.

	Billions of Yen		
	Years Ended March 31,		
	2007	2006	2005
Net cash provided by operating activities	¥ 239.3	¥ 146.4	¥ 200.1
Net cash used in investing activities	(418.0)	(347.3)	(224.0)
Free cash flow	<u>¥(178.7)</u>	<u>¥(200.9)</u>	<u>¥ (23.9)</u>

Finance and Liquidity Management

Funding and Treasury Policies and Objectives

Our basic funding policy is to secure stable sources of funds to maintain adequate liquidity and financing to satisfy capital requirements for our operations and to maintain the strength of our balance sheet. In order to achieve our objectives, our principal strategy is to obtain long-term funds (those with maturities of around 10 years) from financial institutions, including insurance companies and banks, and through the issuance of corporate bonds. In addition, we utilize financing programs provided by government financing agencies for various projects to obtain long-term financing. Another strategy is to maintain sufficient liquidity to flexibly meet capital requirements and to prepare for future debt-service requirements in case of unforeseen deteriorations

in financial markets. We hold cash and cash equivalents as liquidity sources, which consist mainly of highly-liquid and highly-rated short-term financial instruments and deposits. We aim to maintain the proper level of cash and cash equivalents, reflecting the current financial market conditions and future capital requirements.

In principle, wholly owned domestic subsidiaries do not individually raise their funds in financial markets or borrow from banks, but instead use a cash management service provided by Mitsui & Co. Financial Services Ltd. (Japan), our financing subsidiary. The same policy and practices have been extended to wholly owned overseas subsidiaries through our regional financing subsidiaries, which centralizes the fund raising function and promotes efficient use of funds. Approximately 81% of total interest bearing debt as of March 31, 2007 (excluding SFAS No. 133 fair value adjustment) was raised by Mitsui and the above-mentioned financing subsidiaries as in-house banking bases.

Funding Sources

We borrow funds based on our longstanding relations with financial institutions in Japan and overseas, borrow from government financing agencies, and also utilize project financing. In addition to these funding sources, Mitsui maintains a ¥200 billion debt shelf-registration and a ¥2,400 billion commercial paper program in Japan. Similarly, Mitsui & Co. (U.S.A.), Inc., Mitsui & Co. Financial Services (Europe) B.V., Mitsui & Co. Financial Services (Asia) Ltd. and Mitsui & Co., Ltd. have arranged a joint Euro medium-term note (“MTN”) program of U.S.\$5 billion. Mitsui guarantees notes issued by these overseas subsidiaries. For raising short-term funds, Mitsui & Co. (U.S.A.), Inc. has a U.S.\$1.5 billion U.S. domestic commercial paper program, and we have made arrangements for commercial paper programs in some other overseas markets.

Unused lines of credit, for short-term financing outside of Japan, aggregated ¥626.6 billion at March 31, 2007. Certain overseas subsidiaries compensate banks for these facilities in the form of commitment fees, which were not material in each of the past three years.

Taking advantage of a favorable financial market environment, during the year ended March 31, 2007, we increased long-term funding by borrowing from financial institutions and issuing bonds in Japan and MTNs in overseas markets for debt retirement and for working capital requirements. There were five bond issues that raised ¥90.0 billion in total (with maturity of 10–12 years) under the shelf-registration in Japan during the year ended March 31, 2007. As a result, long-term debt accounted for approximately 83% of total debt as of March 31, 2007, which we regard as a satisfactory level from the viewpoint of our financial policies.

Approximately 73% of the total of short-term and long-term debt as of March 31, 2007 was denominated in Japanese yen and the rest was primarily denominated in U.S. dollars. We employ certain derivative financial instruments, which include interest rate swaps, currency swaps and foreign exchange forward contracts, to manage financial exposures resulting from our financing activities. Currency swap agreements and foreign exchange forward contracts are used to manage risks associated with the fluctuations in foreign exchange rates. The principal financial derivative instruments that are employed to manage interest rate risk exposure are interest rate swap agreements. A large part of such agreements are used for fair value hedging of fixed rate interest bearing debt, including fixed interest rate borrowing, bonds and notes, converting into floating interest rates based on the three-month or six-month LIBOR. The interest rates on approximately 69% of Mitsui’s long-term debt, other than borrowings for certain projects, were floating after taking into account interest rate swap arrangements as of March 31, 2007.

See Note 26, “DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES,” for further description of our risk management policies.

Credit Ratings

To facilitate access to funds from capital markets, Mitsui and certain of our overseas trading or financing subsidiaries have obtained ratings for their commercial paper (short-term debt) and long-term unsecured senior

debt and/or long-term corporate credit from Rating and Investment Information, Inc. (“R&I”), Moody’s Investors Service, Inc. (“Moody’s”) and Standard and Poor’s Services (“S&P”). Medium-term note program rating has also been given for the above-mentioned MTN program by R&I and Moody’s. The ratings as of June 2007 were as follows:

	<u>R&I</u>	<u>Moody’s</u>	<u>S&P</u>
Commercial Paper rating	a-1+	P-1	A-1
Long-term corporate credit rating	AA-	–	A
Long-term unsecured senior debt rating	AA-	A2*	–
Medium-term note program rating	AA-	A2	–

* Rating for long-term unsecured notes issued under the MTN program

S&P in February 2006 raised our long-term credit rating to “A” from “A-” and short-term credit rating to “A-1” from “A-2.” S&P cited the following factors for the change in ratings:

- increase in shareholders’ equity through accumulation of retained earnings as well as public offering;
- improvement in profit base and asset quality through refinements in investment and withdrawal decisions for operations; and
- enhancement of risk management system.

In addition, S&P in May 2007 revised to positive from stable its outlook on the long-term corporate credit rating based on the level of improvement in the balance between capital and risk assets by capital accumulation.

Mitsui intends to maintain and improve its current credit ratings by enhancing its earnings and risk management.

Credit ratings are an assessment by the rating agencies of the credit risks associated with us and are based on information provided by us and other sources that the rating agencies consider reliable. Lower ratings generally result in higher borrowing costs and reduced access to capital markets. Credit ratings do not constitute a recommendation to buy, sell or hold securities and are subject to change or withdrawal by each of the rating agencies at any time. As rating agencies may have different criteria in evaluating the risk associated with a company, you should evaluate each rating independently of other ratings. Ratings may be changed without pre-notice at any time.

Liquidity Management

For the interest rate structure and the maturity profile of our outstanding debt, see Note 13, “SHORT-TERM, LONG-TERM DEBT AND OTHER LONG-TERM LIABILITIES.”

Cash and cash equivalents were ¥800.0 billion, ¥697.1 billion and ¥791.8 billion as of March 31, 2007, 2006 and 2005, respectively.

As of March 31, 2007, net interest bearing debt (interest bearing debt less cash and cash equivalents and time deposits) was ¥3,098.4 billion, an increase of ¥267.8 billion from ¥2,830.6 billion as of March 31, 2006. However, the Net DER improved from 1.69 as of March 31, 2006 to 1.47 as of March 31, 2007.

The ratio of current assets to current liabilities remained comparable from 135.2% as of March 31, 2006 to 133.2% as of March 31, 2007. The increases in investments and other non-current assets are financed mainly by the increases in long-term debt.

As of March 31, 2007, we had given guarantees for obligations of various third parties and associated companies. These guarantees are not expected to require substantial use of our capital resources. We have not had any material payment requirements resulting from these guarantees for the past three years. For details on guarantees issued by us, see Note 23, “COMMITMENTS AND CONTINGENT LIABILITIES.”

With the exception of project financing and non-recourse financing, it is our policy not to conclude agreements for important financial transactions with financial institutions that contain additional debt restriction clauses that may cause acceleration of our obligations, including debt incurrence restrictions, negative pledges, restrictions on dividend payments and various financial ratio limits, and there are no material financial covenants in the agreements undertaken.

Assuming that our subsidiaries have sufficient distributable net assets or retained earnings as provided under the local laws of the relevant jurisdictions, there are no material contractual or legal restrictions on the ability of our subsidiaries to transfer funds to us in the form of dividends, loans or advances. There are no material economic restrictions on payments of dividends, loans or advances to us by our subsidiaries other than general withholding or other taxes calculated at the rates determined by the local tax laws of the relevant jurisdictions.

We held ¥800.0 billion of cash and cash equivalents as of March 31, 2007 in comparison to ¥161.4 billion of outstanding debt with current maturities including commercial paper, MTNs and bonds. Of the cash and cash equivalents, approximately 56% was held by Mitsui and approximately 95% was denominated in Japanese yen. We believe that we maintain sufficient liquidity to satisfy our working capital and debt-service requirements for the foreseeable future through existing cash and cash equivalents and time deposits, the sales of certain assets in parallel with outside borrowings from financial institutions, as well as, the issuance of bonds and notes.

We plan to contribute ¥8.7 billion to our defined-benefit pension plans for the year ending March 31, 2008. This cash requirement will be managed under our funding policy mentioned above.

Investment Plans and Financial Policies of the Medium-Term Management Outlook

In May 2006, under our Medium-term Management Outlook, we announced that we planned approximately ¥800 billion expenditure for investments in associated companies, and property and equipment during the two years ending March 31, 2007 and 2008, as well as ¥100 to 200 billion divestiture of existing assets. For the year ended March 31, 2007, net cash used in investing activities was ¥418.0 billion, among which ¥504.2 billion was used in the operating segments other than All Other Segment(*) and Adjustments and Eliminations. We recognize that we have implemented the investment plan ahead of the forecast in May 2006.

As of the issuing date of this annual report, we forecast net cash used in investing activities for the year ending March 31, 2008 to be approximately ¥200 billion. Forecasted total investing cash outflows are ¥800 billion—excluding those for liquidity management—reflecting a long list of prospective investment opportunities in mineral resources and energy businesses and others. At the same time, forecasted total cash inflows from divestiture of assets are ¥600 billion—also excluding those for liquidity management. In April 2007, we completed collections of U.S.\$1,862.5 million through the transfer of part of our share in the Sakhalin II project and U.S.\$981 million through the sale of all our stake in Sesa Goa Limited (India); and came to an agreement to collect approximately U.S.\$300 million through the divestiture of all oil and gas interests at Wandoo Petroleum Pty Limited (Australia). All operating segments are proactively seeking opportunities for divesting existing assets which no longer has strategic meanings.

(*) Financial services from and to Mitsui and its subsidiaries referred to in “*Funding and Treasury Policies and Objectives*” and “*Liquidity Management*” above are provided by the All Other Segment. Acquisitions of and proceeds from sales of available-for-sale securities as investing activities in the Statements of Consolidated Cash Flows are mostly conducted by the All Other Segment which includes the units in charge of corporate financing and liquidity management as discussed in “Funding Sources.”

Considering the above-mentioned ¥200 billion of net cash used in investing activities as well as increase of shareholders' equity from operating activities, we forecast that total interest bearing debt as of March 31, 2008 will remain at the same level as March 31, 2007. We will procure funds for refinance by direct financing from capital markets and fund raising—including project finance—from the private sector and government financing agencies, especially paying attention to the trend of Japanese yen interest rate. We also forecast a Net DER of around 1.3 as of March 31, 2008.

Many of the projects in the investment plan involve bidding. The outcome of bidding will have an effect on our actual cash flows and financial condition for the year ending March 31, 2008.

Assets, Liabilities and Shareholders' Equity

Total assets as of March 31, 2007 were ¥9,813.3 billion, an increase of ¥1,239.7 billion from ¥8,573.6 billion as of March 31, 2006.

Current assets as of March 31, 2007 were ¥5,073.8 billion, an increase of ¥327.0 billion from ¥4,746.8 billion as of March 31, 2006 due to increases in the following items:

- Cash and cash equivalents increased by ¥102.9 billion, mainly at Mitsui Oil Exploration Co., Ltd. (Japan) which was acquired during the year ended March 31, 2007 and at Mitsui Iron Ore Development Pty. Ltd. (Australia) which recorded increased sales.
- Trade receivables—accounts increased by ¥202.5 billion, mainly in the Iron & Steel Raw Materials and Non-Ferrous Metals Segment boosted by higher market prices of commodities.

Total current liabilities as of March 31, 2007 were ¥3,810.2 billion, an increase of ¥299.3 billion from ¥3,510.9 billion as of March 31, 2006. The main factors were as follows:

- Short-term debt increased by ¥117.9 billion mainly at overseas financial subsidiaries.
- Trade payables—accounts increased by ¥204.6 billion corresponding to the above-mentioned increase in trade receivables—accounts.

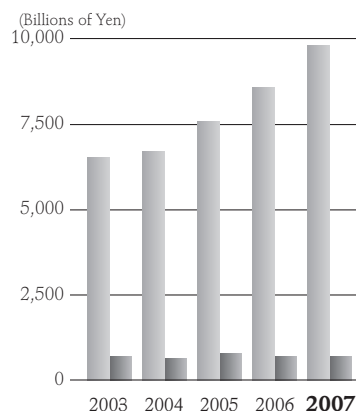
As a result, working capital, or current assets minus current liabilities, as of March 31, 2007 was ¥1,263.6 billion, a ¥27.7 billion increase from ¥1,235.9 billion as of March 31, 2006.

The sum of total investments and non-current receivables, property and equipment—at cost, intangible assets less accumulated amortization, deferred tax assets—non current and other assets totaled ¥4,739.5 billion as of March 31, 2007, a ¥912.8 billion increase from ¥3,826.7 billion as of March 31, 2006, mainly due to the following factors:

- Within total investments and non-current receivables, investments in and advances to associated companies as of March 31, 2007 were ¥1,587.6 billion, a ¥287.0 billion increase from ¥1,300.6 billion as of March 31, 2006. Major components were:
 - the investments in Sakhalin Energy Investment Company Ltd. (Bermuda), a project implementing vehicle of the Sakhalin II project, for ¥110.0 billion (including effect from foreign exchange translation of ¥2.2 billion) in the Energy Segment;
 - the acquisition of gas distribution business in Brazil for ¥30.7 billion (including effect from foreign exchange translation of ¥3.3 billion) in the Machinery & Infrastructure Projects Segment;
 - the acquisition of shares in Asahi Tec Corporation (Japan), an automobile parts manufacturer, for ¥11.8 billion in the Machinery & Infrastructure Projects Segment;
 - the investment in Greenfield Energy Center LP (Canada), an independent power producer, for ¥11.4 billion in the Machinery & Infrastructure Projects Segment;
 - the acquisition of shares in Moshi Moshi Hotline, Inc. (Japan), a telemarketing company, for ¥10.5 billion in the Lifestyle, Consumer Service and Information, Electronics & Telecommunication Segment; and

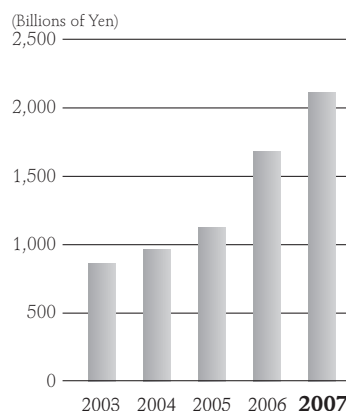
- the acquisition of shares of Toyo Engineering Corporation (Japan), a plant engineering company, for ¥10.3 billion in the Machinery & Infrastructure Projects Segment.

**Total Assets/
Cash and Cash Equivalents**



■ Total Assets
■ Cash and Cash Equivalents

Total Shareholders' Equity

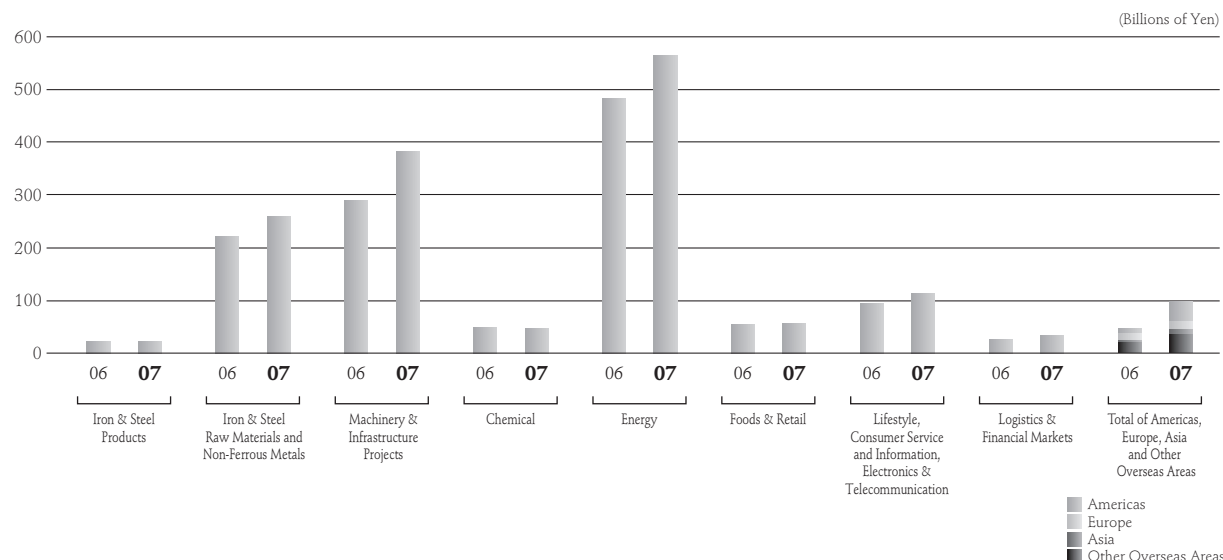


In addition to the above-mentioned increases, there were increases which do not involve cash outflow such as:

- increases in equity in earnings (before tax effect) of ¥102.6 billion (net of ¥110.1 billion dividends received from associated companies);
- a ¥49.1 billion net improvement in foreign exchange translation cumulative adjustments; and
- a decrease of ¥93.1 billion as Mitsui Oil Exploration Co., Ltd., formerly an associated company, became a subsidiary and was consolidated line by line, while ¥38.0 billion investments in associated companies held by Mitsui Oil Exploration Co., Ltd. were newly recorded;

The following table shows the details of investments in and advances to associated companies as of March 31, 2007 and 2006 by operating segment.

	Billions of Yen		
	As of March 31,		Change
	2007	2006	
Iron & Steel Products	¥ 22.0	¥ 22.8	¥ (0.8)
Iron & Steel Raw Materials and Non-Ferrous Metals	258.3	221.8	36.5
Machinery & Infrastructure Projects	383.2	290.4	92.8
Chemical	46.2	49.5	(3.3)
Energy	564.8	483.5	81.3
Foods & Retail	57.0	54.8	2.2
Lifestyle, Consumer Service and Information, Electronics & Telecommunication	112.7	93.9	18.8
Logistics & Financial Markets	33.9	26.0	7.9
Americas	39.0	9.7	29.3
Europe	14.9	13.3	1.6
Asia	8.7	3.9	4.8
Other Overseas Areas	35.5	20.0	15.5
Total	1,576.2	1,289.6	286.6
All Other	10.5	9.3	1.2
Adjustments and Eliminations	0.9	1.7	(0.8)
Consolidated Total	¥1,587.6	¥1,300.6	¥287.0



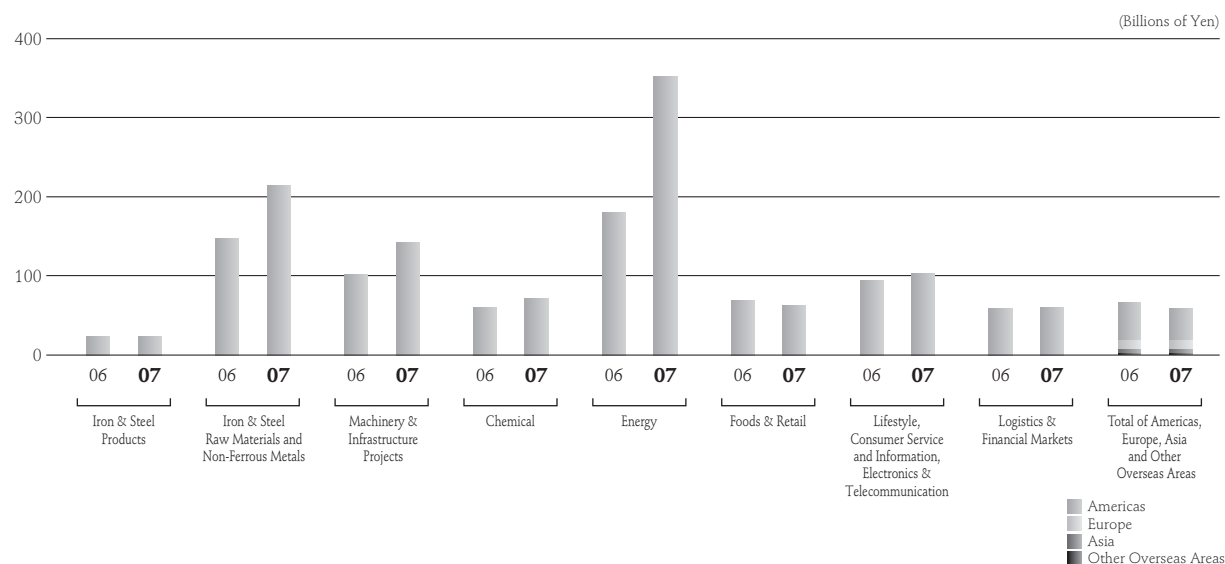
- Other investments as of March 31, 2007 were ¥1,238.9 billion, a ¥303.2 billion increase from ¥935.7 billion as of March 31, 2006. This is because:
 - the principal expenditures were purchases of shares in Recruit Co., Ltd., which provides human resources and information services in Japan, for ¥27.0 billion and investment in a partnership which owns Skylark Co., Ltd., a major restaurant chain in Japan, for ¥10.0 billion;
 - there were significant transactions that did not involve cash outflow. Investment in shares in INPEX Holdings Inc., a Japanese oil and gas exploration and producing company, of ¥180.3 billion held by Mitsui Oil Exploration Co., Ltd. was recorded as a result of the acquisition of Mitsui Oil Exploration Co., Ltd., and investment in shares in Toho Titanium Co., Ltd. (Japan) of ¥40.5 billion was recorded, which was previously recorded as an associated company; and
 - there were no significant net movements in unrealized holding gains and losses on available-for-sale securities (excluding the effect from the above-mentioned INPEX Holdings Inc. and Toho Titanium Co., Ltd.).
- Property leased to others—at cost, less accumulated depreciation as of March 31, 2007, was ¥259.2 billion, a ¥40.6 billion increase from ¥218.6 billion as of March 31, 2006. Major factors were the acquisitions of rolling stock for ¥16.4 billion and ocean transport vessels for ¥10.3 billion in the Machinery & Infrastructure Projects Segment and real estate for ¥8.2 billion principally in the Lifestyle, Consumer Service and Information, Electronics & Telecommunication Segment.
- Property and equipment—at cost as of March 31, 2007 was ¥988.3 billion, a ¥242.1 billion increase from ¥746.2 billion as of March 31, 2006. Major components were as follows:
 - the newly acquired oil and gas producing interest in the offshore Gulf of Mexico for ¥55.6 billion (including effect from foreign exchange translation of ¥0.2 billion);
 - the oil and gas projects of Enfield and Vincent oil field in Australia, Tui oil field in New Zealand and an oil and gas project in Oman in total for ¥42.0 billion (including effect from foreign exchange translation of ¥3.0 billion);
 - the iron ore and coal mining projects in Australia for ¥66.5 billion (including effect from foreign exchange translation of ¥20.1 billion); and

— the Onslow salt field in Australia for ¥11.1 billion (including effect from foreign exchange translation of ¥0.6 billion).

In addition, property and equipment valued at ¥62.0 billion at Mitsui Oil Exploration Co., Ltd. was newly recorded as of March 31, 2007.

The following table shows the details of property leased to others—at cost and property and equipment—at cost as of March 31, 2007 and 2006 by operating segment.

	Billions of Yen		
	As of March 31,		Change
	2007	2006	
Iron & Steel Products	¥ 22.9	¥ 23.4	¥ (0.5)
Iron & Steel Raw Materials and Non-Ferrous Metals	215.0	147.0	68.0
Machinery & Infrastructure Projects	142.2	102.5	39.7
Chemical	71.9	60.7	11.2
Energy	351.6	180.3	171.3
Foods & Retail	62.5	68.5	(6.0)
Lifestyle, Consumer Service and Information, Electronics & Telecommunication	103.2	94.6	8.6
Logistics & Financial Markets	60.7	58.6	2.1
Americas	40.4	48.1	(7.7)
Europe	11.5	11.8	(0.3)
Asia	5.5	5.3	0.2
Other Overseas Areas	1.1	1.1	0.0
Total	1,088.5	801.9	286.6
All Other	25.8	23.2	2.6
Adjustments and Eliminations	133.2	139.7	(6.5)
Consolidated Total	¥1,247.5	¥964.8	¥282.7



Long-term debt, less current maturities as of March 31, 2007 was ¥2,887.5 billion, an increase by ¥228.8 billion from ¥2,658.7 billion as of March 31, 2006. This increase was primarily due to increases in borrowings from financial institutions associated with funding for various investments at Mitsui, Mitsui & Co. (U.S.A.), Inc. and ocean vessels and real estate leasing subsidiaries.

Shareholders' equity as of March 31, 2007 was ¥2,110.3 billion, an increase of ¥432.4 billion from ¥1,677.9 billion as of March 31, 2006, primarily due to a ¥54.8 billion increase in common stock and capital surplus as a result of conversion of bonds, the increase in retained earnings of ¥248.1 billion, net improvement in foreign currency translation adjustments of ¥73.9 billion as a result of the stronger Australian dollar, U.S. dollar and Euro against Japanese yen, and net improvement in unrealized holding gains on available-for-sale securities of ¥42.8 billion.

Cash Flows

	Billions of Yen		
	Years Ended March 31,		
	2007	2006	2005
Net cash provided by operating activities	¥ 239.3	¥ 146.4	¥ 200.1
Net cash used in investing activities	(418.0)	(347.3)	(224.0)
Net cash provided by financing activities	272.3	92.3	171.3
Effect of exchange rate changes on cash and cash equivalents	9.4	13.9	6.1
Net increase (decrease) in cash and cash equivalents	<u>¥ 103.0</u>	<u>¥ (94.7)</u>	<u>¥ 153.5</u>

Cash Flows during the Year Ended March 31, 2007

Cash Flows from Operating Activities

Net cash provided by operating activities for the year ended March 31, 2007 was ¥239.3 billion. Major components were:

- Operating income which increased steadily in the Iron & Steel Raw Materials and Non-Ferrous Metals Segment, the Energy Segment, the Machinery & Infrastructure Projects Segment and other segments;
- Dividends received totaling ¥160.1 billion from our mineral resources and energy related associated companies such as Japan Australia LNG (MIMI) Pty. Ltd. (Australia), Valepar S.A. (Brazil), and other Middle Eastern LNG companies, as well as our investments in third parties; and
- Payments of ¥99.1 billion for corporate income taxes.

In addition, during the year ended March 31, 2007, the changes in operating assets and liabilities, especially a significant increase in trade receivables gave a negative impact of ¥137.7 billion on cash flows from operating activities in the Statements of Consolidated Cash Flows. Refer to the relevant discussion in "Assets, Liabilities and Shareholders' Equity."

Net cash provided by operating activities increased by ¥92.9 billion for the year ended March 31, 2007 from the year ended March 31, 2006. The reasons for this increase were operating income which increased mainly in the Iron & Steel Raw Materials and Non-Ferrous Metals Segment and the Energy Segment as well as increased dividend income.

Cash Flows from Investing Activities

Net cash used in investing activities for the year ended March 31, 2007 was ¥418.0 billion. The principal details are as follows:

- A total of ¥222.4 billion was paid out for investments in and advances to associated companies, and proceeds of ¥34.3 billion were collected from sales of investments in and collection of advances to associated companies. As a result, net cash outflow was ¥188.1 billion. The major factors are as below:
 - Investment in preferred stock of Sakhalin Energy Investment Company Ltd. (Bermuda) for ¥107.8 billion* in the Energy Segment;
 - Expenditure for Greenfield Energy Center LP (Canada) for ¥11.4 billion in the Machinery & Infrastructure Projects Segment;
 - Acquisition of shares in Asahi Tec Corporation (Japan) for ¥11.8 billion in the Machinery & Infrastructure Projects Segment;
 - Acquisition of gas distribution operations in Brazil for ¥10.3 billion* in the Machinery & Infrastructure Projects Segment; and
 - Acquisition of shares in Toyo Engineering Corporation (Japan) for ¥10.3 billion in the Machinery & Infrastructure Projects Segment.

As a major sale of investment, Mitsui obtained ¥16.5 billion through the sale of shares in Toho Titanium Co., Ltd. (Japan).

- A total of ¥327.4 billion was paid for additions to property leased to others and property and equipment, and proceeds of ¥52.8 billion was provided from sales of property leased to others and property and equipment. As a result, net cash outflow was ¥274.6 billion. The major factors are as below:
 - Payment of ¥53.8 billion* for the acquisition of the oil and gas project in the offshore Gulf of Mexico in the Energy Segment;
 - Payment of ¥57.8 billion* for the acquisition of property and equipment for the iron ore and coal mining projects in Australia in the Iron & Steel Raw Materials and Non-Ferrous Metals Segment;
 - Payment in total of ¥36.8 billion* for the acquisition of property and equipment for the oil and gas projects of the Enfield and Vincent oil field in Australia, Tui oil field in New Zealand and oil and gas project in Oman in the Energy Segment; and
 - Payment in total of ¥71.0 billion for additions to and proceeds of ¥18.7 billion in total from sales of rolling stock for lease in the Machinery & Infrastructure Projects Segment.
- A total of ¥236.8 billion was used for the acquisition of available-for-sale and held-to-maturity securities and other investments, and proceeds of ¥227.6 billion were received from sales of securities. As a result, net cash outflow was ¥9.2 billion. Cash outflow and inflow in connection with debt securities include payment of ¥84.1 billion for acquisition and proceeds of ¥125.0 billion from sales and redemption for the purpose of corporate fund management. Other major factors are:
 - Acquisition of shares of Recruit Co., Ltd. for ¥27.0 billion in the Lifestyle, Consumer Service and Information, Electronics & Telecommunication Segment; and
 - Investment in partnership which owns Skylark Co., Ltd. for ¥10.0 billion in the Logistics & Financial Markets Segment.

* Cash flows in foreign currencies are translated into yen, based on the average foreign exchange rates throughout the fiscal year, and therefore differ from the amounts appearing in “Assets, Liabilities and Shareholders’ Equity,” which were translated at the current rate as of March 31, 2007.

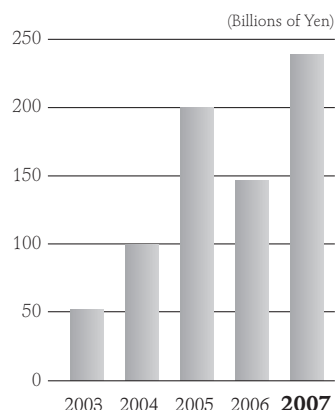
- A total of ¥11.5 billion, net of cash acquired, was used for acquisitions of subsidiaries. Major factors include acquisitions of a rolling stock leasing company, Siemens Dispolok GmbH (Germany), and a gas distribution company, Gas Participacoes Ltda. (Brazil), in the Machinery & Infrastructure Projects Segment, and a salt field development company, Salt Asia Holdings Pty. Ltd. (Australia), in the Chemical Segment. On the other hand, there was a ¥37.3 billion positive effect, net of cash used in the acquisition, resulting from the acquisition of Mitsui Oil Exploration Co., Ltd.

The following table shows net cash provided by (used in) investing activities for the year ended March 31, 2007 by operating segment.

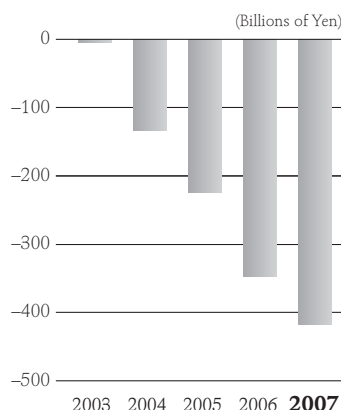
	Billions of Yen
	Year Ended
	March 31, 2007
Iron & Steel Products	¥ (10.3)
Iron & Steel Raw Materials and Non-Ferrous Metals	(37.9)
Machinery & Infrastructure Projects	(166.8)
Chemical	(21.2)
Energy	(168.6)
Foods & Retail	5.8
Lifestyle, Consumer Service and Information, Electronics & Telecommunication	(58.7)
Logistics & Financial Markets	0.4
Americas	(26.6)
Europe	(4.6)
Asia	(1.3)
Other Overseas Areas	(14.4)
Total	(504.2)
All Other and Adjustments and Eliminations	86.2
Consolidated Total	<u>¥(418.0)</u>

Cash flows used in investing activities for the year ended March 31, 2007 increased by ¥70.7 billion from the year ended March 31, 2006. Major factors in investing cash flows for the year ended March 31, 2006 included an investment of ¥83.5 billion in the preferred stock of Sakhalin Energy Investment Company Ltd. (Bermuda), ¥50.0 billion in shares of Seven & i Holdings Co., Ltd. and ¥35.8 billion in iron ore and coal mining projects in Australia.

Cash Flows from Operating Activities

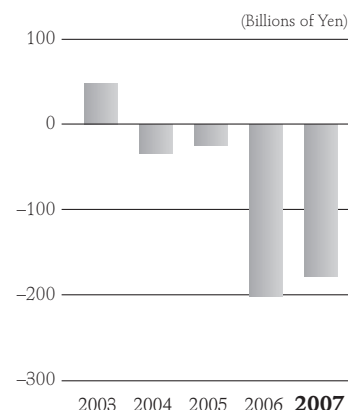


Cash Flows from Investing Activities



Free Cash Flows^(*)

^(*) Refer to "USE OF NON-GAAP FINANCIAL MEASURES."



Cash Flows from Financing Activities

Net cash provided by financing activities for the year ended March 31, 2007 was ¥272.3 billion. Major factors were as below:

- Net cash inflow from short-term debt amounted to ¥70.8 billion due to increase of short-term debt at overseas financial subsidiaries. Net of proceeds from and repayments of long-term debt were ¥239.1 billion. Mitsui increased long-term corporate bonds and borrowings from financial institutions in response to the above-mentioned investing activities.
- Dividend paid by Mitsui totaled ¥53.4 billion.

Net cash provided by financing activities for the year ended March 31, 2007 increased by ¥180.0 billion from the year ended March 31, 2006. We procured higher levels of short-term and long-term funds for the year ended March 31, 2007, whereas Mitsui raised ¥203.8 billion (net of stock issuance costs before taxes) from the public offering of 130 million shares in February 2006 and the third party allotment of 9.75 million shares in March 2006 for the year ended March 31, 2006. Refer to Funding Sources above, for details of our fund procurement for the year ended March 31, 2007.

Cash Flows during the Year Ended March 31, 2006

Cash Flows from Operating Activities

Net cash provided by operating activities for the year ended March 31, 2006 was ¥146.4 billion. Major components were:

- Operating income which increased steadily in the Iron & Steel Raw Materials and Non-Ferrous Metals Segment, the Energy Segment and other segments;
- Dividends received totaling ¥96.7 billion from our mineral resources and energy related associated companies such as Japan Australia LNG (MIMI) Pty. Ltd. (Australia), Valepar S.A. (Brazil), and other Middle Eastern LNG companies, as well as our investments in third parties;
- Payments of ¥81.5 billion for corporate income taxes; and
- Payments of ¥27.5 billion for compensation and other charges related to DPF incident.

In addition, during the year ended March 31, 2006, the changes in operating assets and liabilities, especially a significant increase in trade receivables gave a negative impact of ¥154.0 billion on cash flows. Refer to the relevant discussion in “Assets, Liabilities and Shareholders’ Equity.”

Net cash provided by operating activities decreased by ¥53.7 billion for the year ended March 31, 2006 from the year ended March 31, 2005. The reasons for this decrease were as follows:

- Changes in current assets and liabilities which increased by ¥157.3 billion from the year ended March 31, 2005; and
- Operating income which increased by ¥77.8 billion in total, mainly attributable to a ¥35.3 billion increase in the Iron & Steel Raw Materials and Non-Ferrous Metals Segment and a ¥16.5 billion increase in the Energy Segment.

Cash Flows from Investing Activities

Net cash used in investing activities for the year ended March 31, 2006 totaled ¥347.3 billion. The principal details are as follows:

- A total of ¥175.8 billion was paid for investments in and advances to associated companies, and proceeds of ¥37.6 billion from sales of investments in and collection of advances to associated companies were received, which resulted in net cash outflow of ¥138.2 billion. The major factors are as below:
 - Investment in preferred stock of Sakhalin Energy Investment Company Ltd. (Bermuda) for ¥83.5 billion* in the Energy Segment;
 - Investment in IPM Eagle LLP (United Kingdom) in connection with acquisition of the Saltend power plant for ¥13.1 billion* in the Machinery & Infrastructure Projects Segment; and
 - Investment in Thai Tap Water Supply Co. Ltd. (Thailand) for ¥10.9 billion in the Machinery & Infrastructure Projects Segment.
- A total of ¥247.1 billion was paid for acquisition of property leased to others and property and equipment, and proceeds of ¥74.0 billion from sales of property leased to others and property and equipment was provided, which resulted in net cash outflow of ¥173.1 billion. The major factors include:
 - Payments of ¥35.8 billion for the acquisition of facilities for the development of iron ore and coal mines in Australia in the Iron & Steel Raw Materials and Non-Ferrous Metals Segment.
 - Payment of ¥23.0 billion for the acquisition of office buildings in the Lifestyle, Consumer Service and Information, Electronics & Telecommunication Segment;
 - Payment of ¥21.8 billion* for the acquisition of property and equipment for the Enfield crude oil project in Western Australia in the Energy Segment;
 - Payments of ¥62.2 billion to purchase rolling stock and aircraft for lease, and proceeds of ¥44.0 billion from the sales of rolling stock and aircraft for lease in the Machinery & Infrastructure Projects Segment; and
 - Proceeds of ¥6.4 billion from the sale of Mitsui's corporate welfare facilities.
- A total of ¥190.3 billion was used for the acquisition of available-for-sale and held-to-maturity securities and other investments, and proceeds of ¥139.2 billion from sales of securities were received, which resulted in net cash outflow of ¥51.1 billion. Cash outflow and inflow in connection with debt securities includes payment of ¥53.5 billion for acquisition and proceeds of ¥56.2 billion from sales and redemption for the purpose of corporate fund management. Major cash outflows in connection with acquisition of financial assets were:
 - Acquisition of shares of Seven & i Holdings Co., Ltd. for ¥50.0 billion in the Foods & Retail Segment; and
 - Investment in the Equatorial Guinea LNG project for ¥16.0 billion in the Energy Segment.

* Cash flows in foreign currencies are translated into yen, based on the average foreign exchange rates throughout the fiscal year, and therefore differ from the amounts appearing in "Assets, Liabilities and Shareholders' Equity," which were translated at the current rate as of March 31, 2006.

The following table shows the details of “Investments in and advances to associated companies” and “Additions to property leased to others and property and equipment” for the year ended March 31, 2006 by operating segment.

	Billions of Yen	
	Year Ended March 31, 2006	
	Investments in and Advances to Associated Companies	Additions to Property Leased to Others and Property and Equipment
Iron & Steel Products	¥ 0.8	¥ 2.6
Iron & Steel Raw Materials and Non-Ferrous Metals	7.9	39.5
Machinery & Infrastructure Projects	43.3	84.3
Chemical	0.5	10.8
Energy	89.1	39.4
Foods & Retail	0.7	10.3
Lifestyle, Consumer Service and Information, Electronics & Telecommunication	22.5	37.4
Logistics & Financial Markets	4.9	2.9
Americas	4.4	9.7
Europe	0.1	1.4
Asia	0.4	0.5
Other Overseas Areas	0.0	0.4
Total	174.6	239.2
All Other	1.2	1.8
Adjustments and Eliminations	0.0	6.1
Consolidated Total	¥175.8	¥247.1

Cash flows used in investing activities for the year ended March 31, 2006 increased by ¥123.3 billion from the year ended March 31, 2005. Major factors in investing cash flows for the year ended March 31, 2005 included an investment of ¥80.7 billion in the preferred stock of Sakhalin Energy Investment Company Ltd. (Bermuda), ¥64.4 billion for the acquisition of mineral rights and property and equipment in the Enfield crude oil project in Western Australia and an investment of ¥62.2 billion in IPM Eagle LLP (United Kingdom), as well as an inflow of ¥14.5 billion from the sale of shares in Vodafone K.K.

Cash Flows from Financing Activities

Net cash provided by financing activities for the year ended March 31, 2006 was ¥92.3 billion. Major factors were as below:

- Mitsui raised ¥203.8 billion (net of stock issuance costs before taxes) from the public offering and the third party allotment of shares.
- Net cash flow in short-term debt decreased by ¥89.4 billion due to repayments of notes on MTN programs and commercial papers issued by Mitsui and overseas trading subsidiaries. Net of proceeds from and repayment of long-term debt was ¥10.4 billion. Mitsui increased long-term borrowings in response to the above-mentioned investing activities, while domestic and overseas financial subsidiaries repaid long-term borrowings.
- Dividend paid by Mitsui totaled ¥31.6 billion.

Net cash flow provided from financing activities for the year ended March 31, 2006 decreased by ¥79.0 billion from the year ended March 31, 2005. For the year ended March 31, 2005, there were higher levels of long-term funds procured through borrowing from financial institutions and the issuance of bonds. Refer to Funding Sources above for details of our fund procurement for the year ended March 31, 2006.

C. Research & Development

For the year ended March 31, 2007, research and development (“R&D”) expenses for the various R&D activities underway totaled ¥3.9 billion, which included ¥2.3 billion in the Chemical Segment related to nanotechnology, biotechnology and life science and ¥1.0 billion in the Foods & Retail Segment.

In the nanotechnology field, a key research area in the Chemical Segment, we have been developing and promoting the commercialization of ethanol separation technology using zeolite membranes, which will dramatically improve the energy efficiency of biomass ethanol production. Biomass ethanol is a renewable energy source, and as such it is being utilized all over the world as an additive for automobile gasoline and fuel for power generation, as a means of addressing the issue of global warming. By realizing improved energy efficiency in the production of biomass ethanol through the use of zeolite membranes, it is expected to contribute to reduction of CO2 emissions and improvement of the global environment.

Carbon nanotubes are expected to be developed for a variety of advanced applications in the future, and we have set up a joint venture with Hodogaya Chemical Co., Ltd. to continue research and development, production and distribution of nanotubes. Some results are close to practical application. Along with this work, we are also carrying out research on related safety issues.

For the years ended March 31, 2006 and 2005, R&D expenses were ¥5.1 billion and ¥5.6 billion respectively, including ¥3.4 billion and ¥3.9 billion expenditure by the Chemical Segment, respectively.

D. Trend Information

See relevant discussion elsewhere in this item.

E. Off-Balance Sheet Arrangements

We use off-balance sheet arrangements in the ordinary course of business to further our trading, fund-raising and other activities. Categories of off-balance sheet arrangements are as follows:

Guarantees

The following tables summarize our guarantees as of March 31, 2007 and 2006.

The maximum potential amount of future payments represents the amount without consideration of possible recoveries under recourse provision or from collateral held or pledged that we could be obliged to pay if there were defaults by guaranteed parties or there were changes in an underlying which would cause triggering events under market value guarantees and indemnification contracts. Such amounts bear no relationship to the anticipated losses on these guarantees and indemnifications, and they greatly exceed anticipated losses. Estimated proceeds from collateral and recourse represent the anticipated values of assets we could liquidate or receive from other parties to offset our payments under guarantees. The carrying amounts of liabilities recorded on the Consolidated Balance Sheets reflect our best estimate of future payments we may incur as part of fulfilling our guarantee obligations.

Billions of Yen			
	Maximum potential amount of future payments	Recourse provisions/ collateral	Carrying amount of liabilities
As of March 31, 2007:			
Financial Guarantees	¥213	¥25	¥ 5
Performance Guarantees	25	5	0
Market Value Guarantees	58	42	—
As of March 31, 2006:			
Financial Guarantees	¥154	¥29	¥ 4
Performance Guarantees	33	5	0
Market Value Guarantees	75	47	—

In the furtherance of our trading activities, it is a customary practice for us to guarantee, severally or jointly with others, indebtedness of certain of our customers and suppliers and of certain associated companies as well as to guarantee the performance of contracts by such entities.

As lessees in operating lease contracts, certain subsidiaries have issued residual value guarantees of leased ocean transport vessels, and on the date of expiration of operating lease contracts, such subsidiaries will either purchase the leased assets at a fixed price or will be responsible for making up any shortfall between the actual sales price and the guaranteed value. In accordance with FASB Interpretation No. 46, "Consolidation of Variable Interest Entities (revised December 2003)-an Interpretation of ARB No. 51" on December 31, 2003, we consolidated ¥20.3 billion and ¥ 20.8 billion of total assets related to certain ocean transport vessels entities at March 31, 2007 and 2006, respectively. This information is provided in Note 24, "VARIABLE INTEREST ENTITIES."

Sales of Trade Receivables

At March 31, 2007 and 2006, the outstanding amounts of off-balance sheet arrangements in which certain trade receivables are sold to third parties were immaterial.

Variable Interest Entities

We are involved with and have significant variable interests in a number of variable interest entities ("VIEs") that are not consolidated because we are not the primary beneficiary, but in which we have significant variable interests. These VIEs mainly engage in leasing and financing activities. Further information is provided in Note 24, "VARIABLE INTEREST ENTITIES."

Commitments on Deferred Payments

We had financing commitments totaling ¥2.3 billion at March 31, 2007, principally for financing, on a deferred-payment basis, the cost of ocean transport vessels and equipment to be purchased by our customers. We had no financing commitments at March 31, 2006. Further information is provided in Note 23, "COMMITMENTS AND CONTINGENT LIABILITIES."

F. Tabular Disclosure of Contractual Obligations

The following table provides our contractual obligations as of March 31, 2007 and payment due by period of these contractual obligations:

Contractual Obligations	Billions of Yen				
	Balance as of March 31, 2007	Payment Due by Period			
		March 2008	March 2010	March 2012	After March 2012
Long-Term Debt	¥3,531	¥ 334	¥ 762	¥ 619	¥1,816
Capital Lease Obligations	26	5	11	6	4
Operating Leases	174	37	57	31	49
Purchase Obligations	3,020	713	1,016	677	614
Capital Expenditure Commitments	60	57	3	0	0
Total	<u>¥6,811</u>	<u>¥1,146</u>	<u>¥1,849</u>	<u>¥1,333</u>	<u>¥2,483</u>

The amounts of "Long-Term Debt" include bank borrowings, bonds and long-term trade payables, excluding the effect of the SFAS No. 133 fair value adjustment and capital lease obligations (present value of net minimum lease payments). "Capital Lease Obligations" represents the schedule of payments for future minimum lease payments. "Operating Leases" represents the schedule of payments for future minimum rentals. Minimum

rental payments have not been reduced by minimum sublease rentals of ¥63.7 billion due in the future under noncancelable subleases. “Purchase Obligations” represents the schedule of payments for long-term purchase obligations, net of advance payments of ¥113 billion made to suppliers as of March 31, 2007. The purchased items are principally ocean transport vessels, oil products, chemical materials, metals and machinery and equipment, either at fixed prices or at basic purchase prices adjustable to the market. In general, our customers, primarily large Japanese industrial companies and shipping firms, are also parties to the contracts or by separate agreements and are committed to purchase the items from us.

“Capital Expenditure Commitments” represents the unpaid amounts of total contracts for the acquisition of plant and equipment in relation to iron ore and coal mining projects and oil producing project at the reporting date but not recognized in the financial statements. The total ¥60 billion includes ¥35 billion for coal mining projects, ¥10 billion for iron ore mining projects. The remaining ¥15 billion represents the additional work program at the Enfield Oil Project in Offshore Australia. The expenditures for other oil and gas producing projects under development and construction of which payment due dates will be fixed reflecting progress of construction are not included. See also “TABLE5. STANDARDIZED MEASURE OF DISCOUNTED FUTURE NET CASH FLOWS RELATED TO PROVED OIL AND GAS RESERVES” of “SUPPLEMENTAL INFORMATION ON OIL AND GAS PRODUCING ACTIVITIES (UNAUDITED).”

In addition to the above, we plan to contribute ¥8.7 billion to our defined benefit pension plans for the year ending March 31, 2008.

The table above excludes estimated interest payments on debt and estimated payments under interest swap. Total cash paid for interest during the year ended March 31, 2007 was ¥96.2 billion.

For additional information regarding long-term debt, capital lease obligations, operating leases and purchase obligations, see Note 13, “SHORT-TERM, LONG-TERM DEBT AND OTHER LONG-TERM LIABILITIES,” Note 8, “LEASES,” and Note 23, “COMMITMENTS AND CONTINGENT LIABILITIES,” respectively.

Item 6. Directors, Senior Management and Employees.

A. Directors and Senior Management.

We are managed by a Board of Directors and Executive Officers. As of June 30, 2007, we have thirteen Directors and forty-one Executive Officers including eight of whom are also Directors. In accordance with Mitsui’s Articles of Incorporation, each Director was elected for a term of one year. Each Executive Officer has been appointed by the Board of Directors.

The Board of Directors is our decision-making body. The Board of Directors determines our basic guidelines and policies by establishing our corporate strategy, reviewing our business plans, and supervising and monitoring the activities of our Executive Officers.

The Executive Officers are responsible for the execution of our corporate activities. They must follow and enforce the general guidelines and policies established by the Board of Directors and Mitsui’s Articles of Incorporation.

As of June 30, 2007, Mitsui’s Executive Officers consisted of one President, five Executive Vice Presidents, five Senior Executive Managing Officers, twelve Executive Managing Officers and eighteen Managing Officers.

The execution of the Directors’ functions (including their functions to supervise and monitor the activities of the Executive Officers) is audited by Corporate Auditors. Each Corporate Auditor is elected by shareholders of Mitsui at a general meeting of shareholders. As of June 30, 2007, we have seven Corporate Auditors. In performing their auditing activities, they act independently of each other while they are constituted, and act through the Board of Corporate Auditors, as the Corporate Law of Japan requires.

Directors, Corporate Auditors and Executive Officers

Our Directors, Corporate Auditors and Executive Officers as of the end of June 2007 were:

Directors

<u>Name</u>	<u>Position</u>
Nobuo Ohashi	Chairman and Director
Shoei Utsuda	Representative Director
Hiroshi Tada	Representative Director
Kazuya Imai	Representative Director
Toshihiro Soejima	Representative Director
Motokazu Yoshida	Representative Director
Hiroshi Ito	Representative Director
Yoshiyuki Izawa	Representative Director
Junichi Matsumoto	Representative Director
Akishige Okada ⁽¹⁾	Director
Nobuko Matsubara ⁽¹⁾	Director
Ikujiro Nonaka ⁽¹⁾	Director
Hiroshi Hirabayashi ⁽¹⁾	Director

- (1) Mr. Akishige Okada, Ms. Nobuko Matsubara, Mr. Ikujiro Nonaka and Mr. Hiroshi Hirabayashi are external directors. See “Item 6.C. Board Practices.”

Corporate Auditors

<u>Name</u>	<u>Position</u>
Tasuku Kondo ⁽²⁾	Corporate Auditor
Satoru Miura ⁽²⁾	Corporate Auditor
Motonori Murakami ⁽²⁾	Corporate Auditor
Ko Matsukata ⁽³⁾	Corporate Auditor
Yasutaka Okamura ⁽³⁾	Corporate Auditor
Hideharu Kadowaki ⁽³⁾	Corporate Auditor
Naoto Nakamura ⁽³⁾	Corporate Auditor

- (2) Mr. Tasuku Kondo, Mr. Satoru Miura and Mr. Motonori Murakami are full-time Corporate Auditors.

- (3) Mr. Ko Matsukata, Mr. Yasutaka Okamura, Mr. Hideharu Kadowaki and Mr. Naoto Nakamura are external Corporate Auditors. See “Item 6.C. Board Practices.”

Executive Officers

<u>Name</u>	<u>Title and Principal Position</u>
Shoei Utsuda	President and Chief Executive Officer; Chairman, Internal Controls Committee
Gempachiro Aihara	Executive Vice President; Chief Operating Officer, Asia Pacific Business Unit
Hiroshi Tada	Executive Vice President; Iron & Steel Products Business Unit; Mineral & Metal Resources Business Unit; Energy Business Unit I; Energy Business Unit II
Yasunori Yokote	Executive Vice President; Chief Operating Officer, Americas Business Unit
Kazuya Imai	Executive Vice President; Chief Financial Officer; Corporate Staff Division (Investor Relations Division, Investment Administration Division, First Business Process Control Division, Second Business Process Control Division, Third Business Process Control Division, Accounting Division, Finance Division, Credit Risk Management Division, Market Risk Management Division, Financial Planning Division); Deputy Chief Operating Officer, Business Process Re-Engineering Project Headquarters; Chairman, Disclosure Committee; Director, Mitsui & Co. (U.S.A), Inc.
Toshihiro Soejima	Executive Vice President; Infrastructure Projects Business Unit; Motor Vehicles Business Unit; Marine & Aerospace Business Unit; Financial Markets Business Unit; Transportation Logistics Business Unit
Motokazu Yoshida	Senior Executive Managing Officer; Chief Information Officer; Corporate Staff Division (Information Strategic Planning Division, Corporate Planning & Strategy Division, Corporate Communication Division, CSR Promotion Division); New Business Promotion; Environmental Matters; Chief Operating Officer, Business Process Re-Engineering Project Headquarters; Chairman, CSR Promotion Committee
Ken Abe	Senior Executive Managing Officer; Chief Operating Officer, EMEA (Europe, the Middle East and Africa) Business Unit
Hiroshi Ito	Senior Executive Managing Officer; First Consumer Service Business Unit; Second Consumer Service Business Unit; Foods & Retail Business Unit; IT Business Unit; Director, Mitsui & Co. (Asia Pacific) Pte. Ltd.
Yoshiyuki Izawa	Senior Executive Managing Officer; First Chemicals Business Unit; Second Chemicals Business Unit; Domestic Offices and Branches; Director, Mitsui & Co. Europe Holdings PLC; Chairman, Portfolio Management Committee
Junichi Matsumoto	Senior Executive Managing Officer; Chief Compliance Officer; Chief Privacy Officer; Corporate Staff Division (Secretariat, Corporate Auditor Division, Human Resources & General Affairs Division, Legal Division, Logistics Management Division); Business Continuity Plan Management; Chairman, Compliance Committee
Takao Sunami	Executive Managing Officer; Chief Operating Officer, Marine & Aerospace Business Unit
Shunichi Miyazaki	Executive Managing Officer; General Manager, Internal Auditing Division
Shinjiro Ogawa	Executive Managing Officer; Chief Representative of Mitsui & Co., Ltd. in China

<u>Name</u>	<u>Title and Principal Position</u>
Toshimasa Furukawa	Executive Managing Officer; Chief Operating Officer, Infrastructure Projects Business Unit
Jitsuro Terashima	Executive Managing Officer; President & CEO, Mitsui Global Strategic Studies Institute
Koji Nakamura	Executive Managing Officer; General Manager, Osaka Office
Kenichi Yamamoto	Executive Managing Officer; Chief Operating Officer, First Consumer Service Business Unit
Toshio Awata	Executive Managing Officer; General Manager, Nagoya Office
Kiyotaka Watanabe	Executive Managing Officer; Chief Operating Officer, Iron & Steel Products Business Unit
Masaaki Fujita	Executive Managing Officer; Chief Operating Officer, Foods & Retail Business Unit
Junichi Mizonoue	Executive Managing Officer; Chief Operating Officer, second Chemicals Business Unit
Takao Omae	Executive Managing Officer; President, Mitsui Brasileira Importacao e Exportacao S.A.
Masaaki Murakami	Managing Officer; President, Mitsui & Co. Korea Ltd.
Norinao Iio	Managing Officer; Chief Operating Officer, Energy Business Unit II
Osamu Koyama	Managing Officer; Deputy Chief Operating Officer, Americas Business Unit
Terukazu Okahashi	Managing Officer; Deputy General Manager, Osaka Office
Osamu Takahashi	Managing Officer; Chief Operating Officer, IT Business Unit
Hideyo Hayakawa	Managing Officer; General Manager, Legal Division
Hiraku Shimomaki	Managing Officer; Deputy Chief Operating Officer, EMEA (Europe, the Middle East and Africa) Business Unit, President, Mitsui & Co. Deutschland GmbH
Shigeru Hanagata	Managing Officer; Chief Operating Officer, Motor Vehicles Business Unit
Masami Iijima	Managing Officer; Chief Operating Officer, Mineral & Metal Resources Business Unit
Seiichi Tanaka	Managing Officer; General Manager, Human Resources & General Affairs Division
Masayoshi Komai	Managing Officer; Deputy Chief Representative of Mitsui & Co., Ltd. in China; Managing Director, Mitsui & Co. (Shanghai) Ltd.
Katsumi Ogawa	Managing Officer; Chief Operating Officer, Financial Markets Business Unit
Akio Yamamoto	Managing Officer; President, Mitsui & Co. (Thailand) Ltd.
Yoshinori Setoyama	Managing Officer; Chief Operating Officer, First Chemicals Business Unit
Noriaki Sakamoto	Managing Officer; Deputy Chief Operating Officer, Americas Business Unit
Masahiko Okamura	Managing Officer; Chief Operating Officer, Second Consumer Service Business Unit
Fuminobu Kawashima	Managing Officer; Chief Operating Officer, Energy Business Unit I
Masaaki Iida	Managing Officer; Chief Operating Officer, Transportation Logistics Business Unit

The date of birth, the current position and the prior positions of our Directors and Corporate Auditors is provided below.

Directors

Name	<i>Nobuo Ohashi</i>
Date of Birth	September 13, 1938
Current Position	Chairman and Director (since April 1, 2004)
Prior Positions	<ul style="list-style-type: none"> • 1994 A member of Board of Directors (Director, General Manager of Seoul Branch) • 1996 Director, Chief Operating Officer of Foods Unit • 1997 Representative Director, Executive Managing Director, Chief Operating Officer of Foods Unit • 1998 Representative Director, Executive Managing Director, General Manager of Corporate Planning Division • 1999 Representative Director, Senior Executive Managing Director, General Manager of Corporate Planning Division • 2000 Representative Director, Executive Vice President • 2002/4 Representative Director, Executive Vice President, Group President of Consumer Products & Services Group • 2002/10 Chairman and Representative Director
Name	<i>Shoei Utsuda</i>
Date of Birth	February 12, 1943
Current Position	President and Chief Executive Officer, Representative Director (since October 1, 2002)
Prior Positions	<ul style="list-style-type: none"> • 1997 A member of Board of Directors (Director, General Manager of Machinery, Information Industries Administrative Division) • 1998 Director, Chief Operating Officer of Information Business Unit • 2000 Representative Director, Executive Managing Director, General Manager of Corporate Planning Division • 2002/4 Representative Director, Senior Executive Managing Officer, Chief Strategic Officer, Responsible for Administrative Division
Name	<i>Hiroshi Tada</i>
Date of Birth	March 3, 1945
Current Position	Executive Vice President, Representative Director (since April 1, 2006)
Prior Positions	<ul style="list-style-type: none"> • 2000 A member of Board of Directors (Director, Chief Operating Officer of Iron & Steel Raw Materials Unit) • 2002 Senior Managing Officer, Chief Operating Officer of Iron & Steel Raw Materials Unit, Metal Products & Minerals Group • 2003 Executive Managing Officer, Chairman for the Americas, and President and Chief Executive Officer of Mitsui & Co. (U.S.A.), Inc. • 2005 Representative Director, Senior Executive Managing Officer

Name	<i>Kazuya Imai</i>
Date of Birth	April 20, 1946
Current Position	Executive Vice President, Representative Director, Chief Financial Officer (since April 1, 2007)
Prior Positions	<ul style="list-style-type: none"> • 2001 A member of Board of Directors (Director, Executive Vice President of Mitsui & Co. (U.S.A.), Inc.) • 2002/1 Director • 2002/4 Director, Senior Managing Officer • 2002/6 Senior Managing Officer • 2004 Executive Managing Officer, General Manager of Internal Auditing Division • 2005/4 Senior Executive Managing Officer; Chief Financial Officer; Deputy Chief Operating Officer, Business Process Re-Engineering Project Headquarters • 2005/6 Representative Director
Name	<i>Toshihiro Soejima</i>
Date of Birth	November 10, 1946
Current Position	Executive Vice President, Representative Director (since June 22, 2007)
Prior Positions	<ul style="list-style-type: none"> • 2001 A member of Board of Directors (Director, Chief Operating Officer of Electronics Device Business Unit) • 2002/4 Director, Senior Managing Officer, Chief Operating Officer of Electronics Device Business Unit, Machinery, Electronics & Information Group • 2002/6 Senior Managing Officer, Chief Operating Officer of Electronics Business Unit, Machinery, Electronics & Information Group • 2003 Senior Managing Officer, General Manager of Corporate Planning & Strategy Division • 2004 Executive Managing Officer, Executive Chief Representative of Mitsui & Co., Ltd. in China • 2005 Senior Executive Managing Officer, Executive Chief Representative of Mitsui & Co., Ltd. in China • 2007/4 Executive Vice President
Name	<i>Motokazu Yoshida</i>
Date of Birth	January 7, 1948
Current Position	Senior Executive Managing Officer, Representative Director; Chief Information Officer; Chief Operating Officer, Business Process Re-Engineering Project; Chairman, CSR Promotion Committee (since June 22, 2007)
Prior Positions	<ul style="list-style-type: none"> • 2001 A member of Board of Directors (Director, Chief Operating Officer of Motor Vehicles, Marine & Aerospace Business Unit) • 2002/4 Director, Senior Managing Officer, Chief Operating Officer of Motor Vehicles, Marine & Aerospace Business Unit, Machinery, Electronics & Information Group • 2002/6 Senior Managing Officer, Chief Operating Officer of Motor Vehicles, Marine & Aerospace Business Unit, Machinery, Electronics & Information Group • 2003 Executive Managing Officer, Chief Operating Officer of Motor Vehicles, Marine & Aerospace Business Unit • 2004 Executive Managing Officer, Chief Operating Officer of Machinery Business Unit • 2005/4 Executive Managing Officer, Chairman for the Americas and President and Chief Operating Officer of Mitsui & Co.(U.S.A.) Inc. • 2005/10 Senior Executive Managing Officer and Chairman for the Americas • 2007/4 Senior Executive Managing Officer, Chief Information Officer and Chief Operating Officer, Business Process Re-Engineering Project

Name	<i>Hiroshi Ito</i>
Date of Birth	February 8, 1947
Current Position	Representative Director, Senior Executive Managing Officer and Director of Mitsui & Co. (Asia Pacific) Pte. Ltd. since Apr 1, 2007
Prior Positions	<ul style="list-style-type: none"> • 2003 Managing Officer, Chief Operating Officer of Service Business Unit • 2004 Managing Officer, Chief Operating Officer of Consumer Service Business Unit • 2005 Executive Managing Officer, Chief Operating Officer of Consumer Service Business Unit • 2006/4 Senior Executive Managing Officer • 2006/6 Representative Director and Senior Executive Managing Officer
Name	<i>Yoshiyuki Izawa</i>
Date of Birth	February 10, 1948
Current Position	Senior Executive Managing Officer, Representative Director (since June 22, 2007)
Prior Positions	<ul style="list-style-type: none"> • 2000 A member of Board of Directors (Director, Chief Operating Officer of Information Business Unit) • 2002/4 Director, Senior Managing Officer, Chief Operating Officer of Information Business Unit, Machinery, Electronics & Information Group • 2002/6 Senior Managing Officer, Chief Operating Officer of Information Business Unit • 2004 Executive Managing Officer and General Manager, Osaka Office • 2007/4 Senior Executive Managing Officer and Director, Mitsui & Co. Europe PLC
Name	<i>Junichi Matsumoto</i>
Date of Birth	September 25, 1947
Current Position	Senior Executive Managing Officer, Representative Director, Chief Compliance Officer and Chief Privacy Officer (since June 22, 2007)
Prior Positions	<ul style="list-style-type: none"> • 2002 Managing Officer, General Manager of Corporate Planning Division • 2003 Managing Officer, Deputy General Representative of Mitsui & Co., Ltd. in China • 2004 Managing Officer, Chief Operating Officer of Transportation Logistics Business Unit • 2005 Executive Managing Officer, Chief Operating Officer of Transportation Logistics Business Unit • 2007/4 Senior Executive Managing Officer, Chief Compliance Officer and Chief Privacy Officer
Name	<i>Akishige Okada</i>
Date of Birth	April 9, 1938
Current Position	Director (since June 27, 2003)
Prior Positions	<ul style="list-style-type: none"> • 1991 Director, The Mitsui Taiyo Kobe Bank, Ltd. • 1997 President, The Sakura Bank, Ltd. • 2001 Chairman of the Board Sumitomo Mitsui Banking Corporation • 2002 Chairman of the Board Sumitomo Mitsui Financial Group, Inc. • 2005 Advisor, Sumitomo Mitsui Banking Corporation (remaining in the same position on June 30, 2007)

Name	<i>Nobuko Matsubara</i>
Date of Birth	January 9, 1941
Current Position	Director (since June 23, 2006)
Prior Positions	<ul style="list-style-type: none"> • 1987 Director of International Labor Division, Minister's Secretariat, the Ministry of Labor • 1991 Director-General of Women's Bureau, the Ministry of Labor • 1997 Vice Minister of the Ministry of Labor • 1999 President of Japan Association for Employment of Persons with Disabilities • 2002 Ambassador Extraordinary and Plenipotentiary of Japan to Italy • 2006/1 Advisor to Japan Institute of Workers' Evolution • 2006/7 Chairman of Japan Institute of Workers' Evolution
Name	<i>Ikujiro Nonaka</i>
Date of Birth	May 10, 1935
Current Position	Director (since June 22, 2007)
Prior Positions	<ul style="list-style-type: none"> • 1977 Professor, Management Faculty, Nanzan University • 1979 Professor, National Defense Academy of Japan • 1982 Professor, Institute of Business Research, Hitotsubashi University • 1995 Professor, Graduate School of Knowledge Science, JAIST • 1997 Xerox Distinguished Professor in Knowledge, University of California, Berkeley • 2000 Professor, Graduate School of International Corporate Strategy, Hitotsubashi University • 2004 Director, Fujitsu Limited • 2005 Director, Eisai Co., Limited • 2006 Professor Emeritus, Hitotsubashi University
Name	<i>Hiroshi Hirabayashi</i>
Date of Birth	May 5, 1940
Current Position	Director (since June 22, 2007)
Prior Positions	<ul style="list-style-type: none"> • 1990 Minister, Japanese Embassy in the U.S.A • 1992 Envoy, Japanese Embassy in the U.S.A • 1993 Director-General, Economic Cooperation Bureau, the Ministry of Foreign Affairs • 1995 Chief Cabinet Councilor's Office on External Affairs, Cabinet Secretariat • 1997 Secretary-General, Indo-China Refugees Measures Coordination Conference • 1998 Ambassador Extraordinary and Plenipotentiary to India and Bhutan • 2002 Ambassador Extraordinary and Plenipotentiary to France and Andorra • 2003 Ambassador Extraordinary and Plenipotentiary to Djibouti • 2006 Ambassador in charge of Inspection, Ministry of Foreign Affairs • 2007/3 Councilor, The Japan Forum on International Relations, Inc. • 2007/6 Director, TOSHIBA CORPORATION • 2007/6 President, The Japan-India Association

Corporate Auditors

Name	<i>Tasuku Kondo</i>
Date of Birth	August 12, 1942
Current Position	Corporate Auditor (since June 24, 2005)
Prior Positions	<ul style="list-style-type: none">• 1996 A member of Board of Directors (Director, General Manager of Finance Division)• 1998 Representative Director, Executive Managing Director• 2002 Representative Director, Senior Executive Managing Officer and Chief Financial Officer, Responsible for General Accounting Division, Finance Division and Corporate Risk Management Division• 2004 Representative Director, Executive Vice President and Chief Financial Officer• 2005/4 Representative Director
Name	<i>Satoru Miura</i>
Date of Birth	March 2, 1947
Current Position	Corporate Auditor (since June 22, 2007)
Prior Positions	<ul style="list-style-type: none">• 2001 A member of Board of Directors (Director, Chief Operating Officer of Iron & Steel Products Group)• 2002 Director, Senior Managing Officer, Chief Operating Officer of Iron & Steel Products Unit, Metals Group• 2004 Executive Managing Officer, Chief Operating Officer of Iron & Steel Products Business Unit• 2005 Executive Managing Officer, General Manager of Nagoya Office
Name	<i>Motonori Murakami</i>
Date of Birth	November 19, 1948
Current Position	Corporate Auditor (since June 22, 2007)
Prior Positions	<ul style="list-style-type: none">• 2003 Managing Officer, General Manager of Accounting Division• 2004 Managing Officer, General Manager of General Accounting & Risk Management Division• 2006 Executive Managing Officer, Assistant to Senior Executive Managing Officer (Corporate Staff Division), Assistant to Chief Financial Officer
Name	<i>Ko Matsukata</i>
Date of Birth	March 27, 1933
Current Position	Corporate Auditor (since June 27, 1996)
Prior Positions	<ul style="list-style-type: none">• 1984 Director and General Manager of Corporate Planning Department, Taisho Marine and Fire Insurance Co., Ltd.• 1985 Executive Managing Director and General Manager of Corporate Planning Department, Taisho Marine and Fire Insurance Co., Ltd.• 1988 Senior Executive Managing Director, Taisho Marine and Fire Insurance Co., Ltd.• 1990/1 Executive Vice President, Taisho Marine and Fire Insurance Co., Ltd.• 1990/6 President, Taisho Marine and Fire Insurance Co., Ltd.• 1996 Vice Chairman, Mitsui Marine and Fire Insurance Co., Ltd.• 1997 Advisor to the Board, Mitsui Marine and Fire Insurance Co., Ltd.• 2004 Corporate Auditor, Mitsui Life Insurance Co., Ltd.• 2006 Standing Advisor, Mitsui Sumitomo Insurance Co., Ltd.

Name	<i>Yasutaka Okamura</i>
Date of Birth	June 13, 1929
Current Position	Corporate Auditor (since June 27, 2003)
Prior Positions	<ul style="list-style-type: none"> • 1955 Appointment as Public Prosecutor (Osaka District Public Prosecutor's Office) • 1980 Chief Public Prosecutor, Special Investigation Dept., Tokyo District Public Prosecutor's Office • 1981 Chief Public Prosecutor, Naha District Public Prosecutor's Office • 1984 Chief Cabinet Secretary to the Minister of Justice • 1985 Chief of Criminal Bureau, the Ministry of Justice • 1988 Administrative Vice-Minister, the Ministry of Justice • 1990 Deputy Superintendent Public Prosecutor • 1991 Superintendent Public Prosecutor, Tokyo High Public Prosecutor's Office • 1992 Public Prosecutor General • 1994 Admission as Attorney at Law • 1996 President of International Civil and Commercial Law Centre Foundation

Name	<i>Hideharu Kadowaki</i>
Date of Birth	June 20, 1944
Current Position	Corporate Auditor (since June 24, 2004)
Prior Positions	<ul style="list-style-type: none"> • 1996 Director and General Manager of Credit Supervision Division II, The Sakura Bank Ltd. • 1997 Director and General Manager of Credit Planning Division, The Sakura Bank Ltd. • 1998 Managing Director, The Sakura Bank Ltd. • 2000 Senior Managing Director and Senior Executive Managing Officer, The Sakura Bank Ltd. • 2001 Senior Managing Director and Senior Executive Managing Officer, The Sumitomo Mitsui Banking Corporation • 2002/12 Senior Managing Director, Sumitomo Mitsui Financial Group, Inc. • 2003/6 Deputy President, Sumitomo Mitsui Financial Group, Inc. • 2004/6 Chairman of the Institute, The Japan Research Institute, Limited • 2007/6 Corporate Auditor, Mitsui Chemicals, Inc.

Name	<i>Naoto Nakamura</i>
Date of Birth	January 25, 1960
Current Position	Corporate Auditor (since June 23, 2006)
Prior Positions	<ul style="list-style-type: none"> • 1985/4 Admitted to the member of Second Tokyo Bar Association • 1985/4 Joined Mori Sogo Law Office • 1998 Founded HIBIYA PARK LAW OFFICES and became a partner • 2003/2 Founded Law Firm of Naoto Nakamura (currently Law Firm of Nakamura, Tsunoda & Matsumoto) and became a partner • 2003/3 Corporate Auditor, Asahi Breweries, Ltd. • 2004 Director, Eisai Co., Ltd.

There is no family relationship between any Directors, Corporate Auditors, Executive Officers and any other persons named above. There is no arrangement or understanding between any of the above and any other person pursuant to which they were selected as a Director, a Corporate Auditor or a member of the senior management.

B. Compensation.

The aggregate amount of compensation and benefits in kind paid to Directors, Corporate Auditors and Executive Officers during the year ended March 31, 2007 was ¥4,071 million. A breakdown is provided as below.

Directors and Corporate Auditors

The remuneration of Directors and Corporate Auditors totaling ¥1,011 million during the year ended March 31, 2007 was as follows.

	Number of recipients	Total remuneration paid relating to the year ended March 31, 2007
Directors	11	¥ 884 million
Corporate Auditors	6	¥ 127 million
External Directors and Corporate Auditors (included in the above amounts)	7	¥ 61 million
Total	17	¥1,011 million

Notes:

- i) Limits on remuneration of Directors and Corporate Auditors have been determined by General Meeting of Shareholders resolutions as follows: for Directors, there is a total limit of ¥60 million per month (by resolution of June 27, 2002); for Corporate Auditors, there is a total limit of ¥12 million per month (by resolution of June 24, 2004).
- ii) The above amounts include ¥271 million in bonuses for Directors (excluding external Directors), which was approved at the 88th General Meeting of Shareholders on June 22, 2007. In advance of Notice of the 88th Ordinary General Meeting of Shareholder to Mitsui's shareholders, the Remuneration Committee, an advisory body of the Mitsui's Board of Directors chaired by an External Director, reported to the Board of Directors that ¥271 million was an appropriate amount for bonuses.
- iii) The Board of Directors determines the amount of bonuses payable to each Director.

The amounts of Directors' bonuses have been set reflecting the level of consolidated net income pursuant to certain formulas which the Board of Directors and the Remuneration Committee have reviewed and modified step by step. Now total bonuses for Directors (excluding External Directors) will be calculated as the lesser of consolidated net income x 0.1% and ¥500 million, which will be payable to each director in proportionate allocation according to points given to each Director's position. The Remuneration Committee also reviewed the formula and reported to the Board of Directors in advance of the Board of Directors' decision to establish the formula.

Executive Officers

The remuneration of Executive Officers (excluding Executive Officers who are also Directors) totaled ¥2,365 million during the year ended March 31, 2007, which comprised of ¥1,035 million bonuses and ¥1,330 million monthly remunerations. The Remuneration Committee also reviews and reports to the Board of Directors on appropriateness of remuneration system and compensation levels for Executive Officers.

Pension Plans and Retirement Allowances

In addition, the aggregate amount of benefits from Directors' and Corporate Auditors' Pension Plans and retirement allowances for retiring Directors and Corporate Auditors—accrued prior to the abolition of the retirement allowance system—paid during the year ended March 31, 2007 was ¥695 million.

Our retirement allowance system for Directors and Corporate Auditors was abolished pursuant to a resolution of the Board of Directors in February 2004. Up to this resolution, in accordance with customary Japanese business practices, a retiring Director or Corporate Auditor was entitled to receive a retirement allowance, which was subject to approval by shareholders at a general meeting of shareholders. The amount of the retirement allowance generally reflected the number of years of service, rank at the time of retirement and

special contributions to our performance. After the abolition of the retirement allowance system, retirement allowances are not paid except for those accrued prior to the abolition.

The aggregate amount set aside by us to provide pension benefits to Directors and Corporate Auditors was ¥2,651 million as of March 31, 2007.

Mitsui has no stock option plans for Mitsui's Directors and Senior Management as of June 30, 2007.

C. Board Practices.

The information in "Item 6.A. Directors and Senior Management" is incorporated into this section by reference.

None of our Directors have entered into any service contracts with us providing for benefits upon termination of his or her employment.

The Corporate Law of Japan allows a company to adopt the "Committee System" as the framework for corporate governance. We have decided, however, to maintain the corporate auditor system because we believe that our Corporate Auditors, of whom three are full-time and four are external Auditors as of June 30, 2007 and their functions are legally defined and reinforced, provide adequate auditing functions. Furthermore, internal Directors are familiar with our business operations and can therefore contribute to effective management. Although we retained the corporate auditor system, we have decided to adopt certain aspects of the Committee System and have established three committees (the Governance Committee, the Nomination Committee, and the Remuneration Committee) to provide advice to the Board of Directors. In addition, other measures have been taken, such as shortening the term of Directors and Executive Officers from two years to one year, eliminating the retirement allowance, and increasing the number of external Directors.

Our Directors and Corporate Auditors are elected at the general meeting of shareholders. In accordance with our Articles of Incorporation, the normal term of office for our Directors is one year⁽¹⁾ and for our Corporate Auditors is four years. However, they may both serve any number of consecutive terms. The following table shows our Directors', Corporate Auditors' and Executive Officers' terms of office and their shareholdings as of June 30, 2007.

	Length of Time Served in Office (From Appointment to June 2007) ⁽¹⁾	Shareholdings as of June 30, 2007
Director:		
Nobuo Ohashi	13 years	72,395
Shoei Utsuda	10 years	51,333
Hiroshi Tada	4 years	21,580
Kazuya Imai	3 years	15,131
Toshihiro Soejima	1 year	14,883
Motokazu Yoshida	1 year	13,020
Hiroshi Ito	1 year	16,965
Yoshiyuki Izawa	2 years	13,482
Junichi Matsumoto	Less than 1 year	16,358
Akishige Okada ⁽²⁾	4 years	1,468
Nobuko Matsubara ⁽²⁾	1 year	580
Ikujiro Nonaka ⁽²⁾	Less than 1 year	0
Hiroshi Hirabayashi ⁽²⁾	Less than 1 year	0

Note (1) At Mitsui's ordinary general meeting of shareholders held on June 24, 2004, an amendment to the Articles of Incorporation was resolved whereby the normal term of office for Directors has been changed from two years to one year.

Note (2) Mr. Akishige Okada, Ms. Nobuko Matsubara, Mr. Ikujiro Nonaka and Mr. Hiroshi Hirabayashi are external Directors.

	<u>Date of Expiration of Current Term of Office</u>	<u>Length of Time Served in Office (From Appointment to June 2007)</u>	<u>Shareholdings as of June 30, 2007</u>
Corporate Auditor:			
Tasuku Kondo	June 2009	2 years	23,895
Satoru Miura	June 2011	Less than 1 year	13,874
Motonori Murakami	June 2011	Less than 1 year	22,203
Ko Matsukata ⁽³⁾	June 2009	11 years	15,259
Yasutaka Okamura ⁽³⁾	June 2011	4 years	6,283
Hideharu Kadowaki ⁽³⁾	June 2008	3 years	5,204
Naoto Nakamura ⁽³⁾	June 2010	1 year	0

Note (3) Mr. Ko Matsukata, Mr. Yasutaka Okamura, Mr. Hideharu Kadowaki and Mr. Naoto Nakamura are external Corporate Auditors.

	<u>Length of Time Served in Office (From Appointment to June 2007)⁽⁴⁾</u>	<u>Shareholdings as of June 30, 2007</u>
Executive Officer (excluding Executive Officers who are also a Director):		
Gempachiro Aihara	7 years	19,075
Yasunori Yokote	7 years	22,168
Ken Abe	5 years	25,714
Takao Sunami	5 years	15,796
Shunichi Miyazaki	5 years	15,138
Shinjiro Ogawa	5 years	15,134
Toshimasa Furukawa	5 years	14,394
Jitsuro Terashima	4 years	23,837
Koji Nakamura	3 years	11,551
Kenichi Yamamoto	3 years	11,927
Toshio Awata	3 years	8,766
Kiyotaka Watanabe	2 years	5,173
Masaaki Fujita	2 years	4,235
Junichi Mizonoue	2 years	4,133
Takao Omae	2 years	8,915
Masaaki Murakami	3 years	18,100
Norinao Iio	2 years	4,673
Osamu Koyama	2 years	1,912
Terukazu Okahashi	1 year	9,094
Osamu Takahashi	1 year	5,930
Hideyo Hayakawa	1 year	1,785
Hiraku Shimomaki	1 year	5,281
Shigeru Hanagata	1 year	8,785
Masami Iijima	1 year	9,912
Seiichi Tanaka	1 year	1,785
Masayoshi Komai	Less than 1 year	3,350
Katsumi Ogawa	Less than 1 year	350
Akio Yamamoto	Less than 1 year	1,525
Yoshinori Setoyama	Less than 1 year	12,375
Noriaki Sakamoto	Less than 1 year	375
Masahiko Okamura	Less than 1 year	3,519
Fuminobu Kawashima	Less than 1 year	9,350
Masaaki Iida	Less than 1 year	2,350
Total Shareholdings by Directors, Corporate Auditors, and Executive Officers		<u>630,320</u>

Note (4) The rules of Executive Officers provide for the term of the Executive Officers as one year starting April 1 and ending March 31.

Mitsui's Articles of Incorporation provide that the Board of Directors shall elect from among its members Representative Directors, one of whom shall be the President. Under the Corporate Law of Japan, each of the Representative Directors has statutory authority and power to represent and act on behalf of the company in all respects.

Under the Corporate Law of Japan, at least half of the Corporate Auditors should be persons who have not at any time been a director, executive officer, manager or employee of a company or any of its subsidiaries prior to his or her election as a Corporate Auditor. Each Corporate Auditor has a statutory duty to examine financial statements, in collaboration with independent auditors, and business reports and also to supervise the administration of the company's affairs by Directors. Corporate Auditors are required to participate in meetings of the Board of Directors but are not entitled to vote.

The Board of Corporate Auditors is comprised of all Corporate Auditors. The Board of Corporate Auditors has a statutory duty to prepare its audit report each year. A Corporate Auditor may note his or her opinion in the audit report if his or her opinion is different from the opinion expressed in the independent auditors' report. The Board of Corporate Auditors is empowered to establish audit principles, methods of examination by the Corporate Auditors of the company's affairs and financial position and other matters concerning the performance of the Corporate Auditors' duties. The Corporate Auditors may not at the same time be directors, managers or employees of the company or any of its subsidiaries.

Exemption from Certain Corporate Governance Requirements of NASDAQ.

Nasdaq Marketplace Rule 4350(a)(1) provides that a foreign private issuer may follow its home country practice in lieu of the requirements of Rule 4350, provided that such foreign private issuer discloses in its annual reports filed with the Securities and Exchange Commission each requirement of Rule 4350 that it does not follow and describes the home country practice followed by the issuer in lieu of such requirements. Such requirements of Rule 4350 and the relevant home country practices we follow are described below:

- Nasdaq Marketplace Rule 4350(b) requires that there be a distribution to shareholders of copies of our annual report containing our audited financial statements a reasonable period of time prior to our annual meeting of shareholders. In accordance with the Corporate law of Japan, we hold an annual meeting of shareholders within three months after the end of each fiscal year. Also, in accordance with the Corporate Law of Japan, we distribute to shareholders, prior to the annual meeting of shareholders, copies of a report of business operations, together with our audited consolidated and unconsolidated financial statements prepared in accordance with U.S. GAAP and Japanese GAAP, respectively, in Japanese. Concurrently with such distribution, we distribute our audited consolidated and unconsolidated financial statements prepared in accordance with U.S. GAAP and Japanese GAAP, respectively, in English to the depository for the ADSs, and instruct the depository to distribute the same to the registered ADS holders in a timely manner. The English version contains a statement that, upon request by an interested party, we will provide the party with a copy of our annual report on Form 20-F. As a reporting company under the Securities Exchange Act of 1934, we are required to prepare financial statements in accordance with U.S. GAAP for inclusion in our annual report on Form 20-F, which must be filed within six months after the end of each fiscal year.
- Nasdaq Marketplace Rule 4350(c)(1) requires that a majority of the board of directors of each issuer be independent directors as defined in Rule 4200, and Rule 4350(c)(2) requires that independent directors of each issuer have regularly scheduled meetings at which only independent directors are present. For Japanese companies, including us, which employ a corporate governance system based on a board of corporate auditors, the Corporate Law of Japan has no independence requirement with respect to directors. The task of overseeing management and accounting firms is assigned to the corporate auditors, who are separate from the company's management. Japanese companies, including us, which employ a corporate governance system based on a board of corporate auditors, are required to have at least 50% "external" corporate auditor who must meet additional independence requirements under the Corporate Law of Japan. An external corporate auditor is defined in the Corporate Law of Japan as a

corporate auditor who has not served as a director, executive officer, manager or any other employee of the company or any of its subsidiaries at any time prior to the appointment. Currently, we have four external Corporate Auditors. Our Board of Corporate Auditors, which, as explained below, performs functions similar to those of an audit committee, has regularly scheduled meetings at which only Corporate Auditors are present.

- Nasdaq Marketplace Rule 4350(d)(2) requires that each issuer have and will continue to have an audit committee of at least three members, each of whom (1) is independent as defined under Rule 4200(a)(15), (2) meets the requirements of Rule 10A-3(b)(1) under the Securities Exchange Act of 1934, (3) has not participated in the preparation of the financial statements of the issuer or any current subsidiary thereof at any time during the past three years, and (4) is able to read and understand fundamental financial statements, including a company's balance sheet, income statement and cash flow statement, as required by Rule 4350(d)(2). Nasdaq Marketplace Rule 4350(d)(1) requires that each issuer have adopted a formal written audit committee charter specifying the items enumerated in that rule and that its audit committee have reviewed and reassessed the adequacy of the charter on an annual basis. Under the Corporate Law of Japan, we are not required to establish or maintain such an audit committee. The Corporate Law of Japan has no independence requirement with respect to directors of "large" companies (defined under the Corporate Law of Japan as joint stock corporations with stated capital of ¥500 million or more or with total liabilities equal to or exceeding ¥20 billion), including Mitsui, that employ a corporate governance system based on a board of corporate auditors. In many such "large" companies, functions similar to those of such an audit committee are performed by its board of corporate auditors. We have established such a Board of Corporate Auditors, each of whom does not concurrently serve as a director, manager or any other employee of the company or any of its subsidiaries. Under the Corporate Law of Japan, corporate auditors are elected at a general meeting of shareholders and are under a statutory duty to review the administration of the affairs of Mitsui by its Directors and to examine financial statements and other documents and reports of Mitsui. Japanese companies, including us, which employ a corporate governance system based on a board of corporate auditors, are required to have at least 50% "external" corporate auditor who must meet additional independence requirements under the Corporate Law of Japan. An external corporate auditor is defined in the Corporate Law of Japan as a corporate auditor who had not served as a director, executive officer, manager or any other employee of the company or any of its subsidiaries at any time prior to the appointment. Currently, we have seven Corporate Auditors, four of whom are external Corporate Auditors who meet these additional requirements. Mitsui's Board of Corporate Auditors has adopted its own code of auditing standards setting forth the scope of its responsibilities and the manner in which it carries out such responsibilities, and certain other matters.
- Nasdaq Marketplace Rule 4350(c)(3) requires that compensation of the chief executive officer of each issuer be determined by, or recommended by its board of directors for determination either by (i) a majority of its independent directors or (ii) a compensation committee comprised solely of independent directors, and that compensation of all other executive officers be determined by, or recommended by the board of directors for determination either by (i) a majority of the independent directors or (ii) a compensation committee comprised solely of independent directors. As explained above, we are not required to have independent directors. With regard to director compensation (excluding bonuses, etc.), the Corporate Law of Japan requires the board of directors to pass a board resolution proposing director compensation to be submitted for approval at a general meeting of shareholders. Within the upper limit approved at the general meeting of shareholders, the board of directors may determine the amount of compensation for each director. The board of directors, by resolution of the board of directors, may delegate such decision to the chief executive officer or other persons authorized by the board of directors. As for Mitsui, the upper limit of compensation for its Directors approved by the general meeting of shareholders is 70 million yen per month and the Board of Directors has determined to delegate to the Chief Executive Officer the decision-making authority as to the amount of compensation for each Director within such limit. In addition to regular compensation, the aggregate amount of bonuses and other financial benefits payable to Directors as consideration for the performance of their duties is also subject to approval by shareholders at a general meeting of shareholders under the

Corporate Law of Japan. With regard to employee (including officer) compensation, an approval at the general meeting of shareholders is not required under the Corporate Law of Japan. Therefore, the board of directors has the authority to determine matters relating to employee compensation. The board of directors, by resolution of the board of directors, may delegate employee compensation matters to the chief executive officer or other persons authorized by the board of directors. As for Mitsui, its Board of Directors has duly resolved Regulations for Executive Officers, which provide that Executive Officers who are also Directors of the Company shall not be paid any compensation in their capacities as Executive Officers and that the compensation of the Executive Officers who are not Directors of the Company shall be decided by the Board of Directors, or decided by the Chief Executive Officer or other Officers authorized by the Board of Directors. Mitsui determines compensation of its Chief Executive Officer and other Officers in accordance with the aforementioned procedures. Corporate auditors do not have any specific duties with respect to compensation of the chief executive officer and other executive officers under the Corporate Law of Japan. However, the duties of corporate auditors include a general duty to audit the affairs of the company to ensure that the business is being operated in accordance with applicable law and its charter. If the corporate auditors conclude, in connection with the performance of those duties, that the compensation of directors violated applicable law or the company's charter, the corporate auditors are required to report their conclusion to the general meeting of shareholders and may bring a lawsuit against the responsible directors.

- Nasdaq Marketplace Rule 4350(c)(4) requires that director nominees be selected or recommended for the board of directors' selection either by (i) a majority of the independent directors or (ii) a nomination committee comprised solely of independent directors. Also, Nasdaq Marketplace Rule 4350(c)(4)(B) requires that each issuer have adopted a formal written charter or board resolution, as applicable, addressing the nominations process and such related matters as may be required under the U.S. federal securities laws. As explained above, we are not required to have independent directors. Under the Corporate Law of Japan, a director may be nominated by (i) a resolution of the board of directors or (ii) a shareholder owning one percent or more of the outstanding shares of a company or 300 or more shares of the company for at least 6 months. Approval by a majority of the shareholders in attendance at a general meeting of shareholders is required to elect a director. There is no specific requirement that a company adopt a written charter or board resolution addressing the nominations process, nor is it customary to do so. As for Mitsui, nominations of Directors of Mitsui are approved at a meeting of the Nomination Committee, a non-statutory committee established as an advisory board to the Board of Directors, prior to being submitted to a general meeting of shareholders. Corporate auditors do not have any specific duties with respect to nomination of directors under the Corporate Law of Japan. However, the duties of corporate auditors include a general duty to audit the affairs of the company to ensure that the business is being operated in accordance with applicable law and its charter. If the corporate auditors conclude, in connection with the performance of those duties, that the nomination of directors violated applicable law or the company's charter, the corporate auditors are required to report their conclusion to the general meeting of shareholders and may bring a lawsuit against the responsible directors.
- Nasdaq Marketplace Rule 4350(f) requires that there be a provision in the by-laws for a quorum for any meeting of the holders of common stock and that such quorum be not less than 33 1/3% of the outstanding shares of the common voting stock. In accordance with the Corporate Law of Japan, however, under our Articles of Incorporation no quorum is required for the adoption of resolutions at a general meeting of shareholders, except for (i) the election of Directors and Corporate Auditors for which the quorum shall not be less than one-third of the total voting rights and (ii) resolutions for other specified issues required by the Corporate Law of Japan (the "special shareholders' resolutions"), which include an amendment to the Articles of Incorporation, a reduction of stated capital, the removal of a Corporate Auditor, dissolution, merger or consolidation requiring shareholders resolution, the transfer of the whole or an important part of the business, the taking over of the whole of the business of any other corporation requiring shareholders' resolutions, share exchange or share transfer requiring shareholders resolution for the purpose of establishing 100% parent-subsidiary relationships, splitting of the corporation into two or more corporations requiring shareholders' resolution, any offering of new shares

at a “specially favorable” price (or any offering of the rights to subscribe for, or acquire its shares at a “specially favorable” conditions) to any persons other than shareholders, for which the quorum shall be at least one-third of the total voting rights and the approval of the holders of at least two-thirds of the voting rights represented at the meeting is required. This approach is consistent with generally accepted business practices of publicly-held companies in Japan.

- Nasdaq Marketplace Rule 4350(g) provides that each issuer solicit proxies and provide proxy statements for all meetings of shareholders and provide copies of such proxy solicitation to Nasdaq. Currently a Japanese company whose shares are listed on the securities exchanges defined in the Securities and Exchange Law, including us, may, but is not required to, solicit proxies for meetings of shareholders. If such a Japanese company solicits proxies for a meeting of shareholders, it is required to provide proxy statements and documents for reference as provided for in the Securities and Exchange Law and provide copies of such proxy statements and documents for reference to the Kanto Local Finance Bureau.
- Nasdaq Marketplace Rule 4350(h) provides that each issuer conduct appropriate review of all related party transactions for potential conflict of interest situations on an ongoing basis and that all such transactions be approved by the issuer’s audit committee or another independent body of the board of directors. Following the requirements of the Corporate Law of Japan, we require a Director to obtain the approval of our Board of Directors in order for such Director to enter into such transactions.
- Nasdaq Marketplace Rule 4350(i)(1) requires that shareholder approval be obtained for the issuance of the issuer’s stock in certain conditions or certain specified transactions described therein. The Corporate Law of Japan requires us to seek shareholder approval of various matters, and in certain instances the special shareholders’ resolutions as described above are required for approval. In addition, while the Corporate Law of Japan permits, in certain instances, the issuance of equity securities without shareholder approval, the Corporate Law of Japan also contains provisions requiring the timely dissemination of information relating to such issuance, allowing for opportunities for shareholders to voice their concern with such issuance, and mandating the election of corporate auditors whose fiduciary duty is to, among other things, oversee on behalf of the shareholders actions by the board of directors relating to such issuance.

The rights of ADS holders, including their rights relating to corporate governance practices, are provided in the deposit agreement.

Limitation of Liabilities of Directors and Corporate Auditors

The Articles of Incorporation of Mitsui provide that Mitsui may, by resolution of the Board of Directors, limit the liabilities of Directors and Corporate Auditors to the extent as permitted by the Corporate Law of Japan. The Articles of Incorporation of Mitsui also provide that Mitsui may conclude a contract with external Directors and external Corporate Auditors to limit the liability of such Directors and Corporate Auditors to the extent as permitted by the Corporate Law of Japan. In accordance with such provision of the Articles of Incorporation, Mitsui has concluded with external Directors (Mr. Akishige Okada, Ms. Nobuko Matsubara, Mr. Ikujiro Nonaka and Mr. Hiroshi Hirabayashi) and external Corporate Auditors (Mr. Ko Matsukata, Mr. Yasutaka Okamura, Mr. Hideharu Kadowaki and Mr. Naoto Nakamura), respectively, contracts to limit their liability to the extent permitted by the Corporate Law of Japan.

D. Employees

As of March 31, 2007, 2006 and 2005, we had 41,761, 40,993 and 38,210 employees, respectively. The average number of temporary employees during the year ended March 31, 2007 was 15,768.

The following table provides the numbers of employees by operating segment as of the years ended March 31, 2007, 2006 and 2005.

	Year ended March 31,		
	2007	2006	2005
Operating Segment:			
Iron & Steel Products	2,270	2,044	2,044
Iron & Steel Raw Materials and Non-Ferrous Metals	2,425	2,504	2,361
Machinery & Infrastructure Projects	10,859	9,338	7,143
Chemical	3,731	3,735	3,792
Energy	1,516	1,384	1,555
Foods & Retail	6,575	6,555	5,894
Lifestyle, Consumer Services and Information, Electronics & Telecommunication ..	5,481	5,607	4,627
Logistics & Financial Markets	1,284	1,239	1,159
Americas	2,316	2,888	2,677
Europe	1,081	1,078	1,084
Asia	1,969	2,102	2,221
Other Overseas Areas	503	535	754
All Other	1,751	1,984	2,899
Total	<u>41,761</u>	<u>40,993</u>	<u>38,210</u>

We consider relations between management and our labor unions to be good.

E. Share Ownership.

Directors, Corporate Auditors and Executive Officers

As of June 30, 2007, the members of Mitsui's Board of Directors, Corporate Auditors and Executive Officers held as a group, 630,320 shares of our common stock, representing 0.04% of the shares outstanding. This number of shares included 64,931 shares held by Mitsui Executives' Shareholding Association.

None of Mitsui's Directors, Corporate Auditors nor Executive Officers is the beneficial owner of more than 1% of Mitsui's common stock. The number of shares held by Mitsui's Directors, Corporate Auditors and Executive Officers, on an individual basis, is provided in "Item 6.C. Board Practices," and is incorporated herein by reference.

In July, 2006, a new management shareholding scheme was introduced, whereby each of Mitsui's Directors (excluding external Directors) and Executive Officers are required to purchase Mitsui's shares through Mitsui Executives' Shareholding Association. Mitsui's Directors (excluding external Directors) and Executive Officers purchase Mitsui's shares in an amount equivalent to 10% of his or her salary, which amount is deducted from his or her salary for the purchases through said Mitsui Executives' Shareholding Association.

Employees Shareholding Association

Mitsui operates an Employees' Shareholding Association which, as of June 30, 2007, had 3,377 employee member participants.

Employee members declare monthly the amount to be deducted from his or her salary to be used to purchase shares of common stock of Mitsui through the Employees' Shareholding Association. Employee members receive from Mitsui a monthly subsidy equivalent to 10% of the declared amount, enabling them to purchase shares equivalent to 110% of the declared amount. Employee members are entitled to dividends which are applied towards the purchase of additional shares through the Employees' Shareholding Association. Employee members are able to sell part of their shares that have been reserved for them under the Employees' Shareholding

Association's plan, in multiples of 1,000 shares, once every month. As of June 30, 2007, the total amount of shares having voting rights owned by the Employees' Shareholding Association was 10,633,894, representing 0.59% of the total shares issued and outstanding.

Mitsui does not have any other arrangements for its employees that involves the issue or grant of options, shares or securities of Mitsui.

Item 7. Major Shareholders and Related Party Transactions.

A. Major Shareholders.

As of March 31, 2007, there were 1,787,538,428 shares of our common stock issued (including 2,911,367 shares of treasury stock), of which 11,393,180 shares were in the form of ADSs, representing 0.64% of our then outstanding common stock, and 223,566,329 shares, representing 12.51% of our then outstanding common stock, were held of record in the form of common stock by residents in the United States. The number of registered ADS holders was 39, and the number of registered holders of shares of common stock in the United States was 157.

The following table shows our major shareholders as of March 31, 2007, including shareholders who owned less than 5% of our then outstanding common stock, disclosed under the Securities and Exchange Law of Japan.

<u>Shareholders</u>	<u>Thousands of Shares of Common Stock Owned</u>	<u>Percentage of Common Stock Issued(*)</u>
The Master Trust Bank of Japan, Ltd. (trust account)	200,840	11.23%
Japan Trustee Services Bank, Ltd. (trust account)	163,325	9.13%
Mitsui Life Insurance Company Limited	45,930	2.56%
Sumitomo Mitsui Banking Corporation	38,500	2.15%
State Street Bank and Trust Company 505103	36,716	2.05%
Nippon Life Insurance Company	35,070	1.96%
Japan Trustee Services Bank, Ltd. (trust account 4)	31,635	1.76%
Mizuho Corporate Bank, Ltd.	31,083	1.73%
The Chuo Mitsui Trust and Banking Company, Limited	30,799	1.72%
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	30,375	1.69%

(*) The figures are rounded down to two decimal places.

Under the Securities and Exchange Law of Japan, any person that becomes a holder (together with its related persons) of more than 5% of the total issued voting shares of a company listed on any Japanese stock exchange (including ADSs representing such shares) must file a report with the Director of the relevant Local Finance Bureau and send a copy of such report to the company. A similar report must also be filed if the percentage holding of a holder of more than 5% of the total issued voting shares of a company increases or decreases by 1% or more.

Based on such reports we have received, we are aware that each of the following persons, together with its affiliates, was the beneficial owner of our common stock in the amounts and as of the dates shown in the following tables:

Schroder Investment Management (Japan) Ltd.

<u>Ownership as of</u>	<u>Shares of Common Stock Owned</u>	<u>Percentage of Common Stock Issued(*)</u>
September 30, 2004	132,175,833	8.35%
March 31, 2005	105,825,213	6.68
September 30, 2005	98,021,300	6.19
March 31, 2006	76,106,300	4.41

Mitsui Asset Trust and Banking Company, Limited

<u>Ownership as of</u>	<u>Shares of Common Stock Owned</u>	<u>Percentage of Common Stock Issued(*)</u>
February 22, 2005	70,694,710	4.46%
February 28, 2006	71,136,710	4.49

Barclays Global Investors Japan Trust & Banking Co., Ltd.

<u>Ownership as of</u>	<u>Shares of Common Stock Owned</u>	<u>Percentage of Common Stock Issued(*)</u>
March 31, 2005	92,838,276	5.86%
June 30, 2005	73,848,516	4.66
August 30, 2005	79,629,817	5.03
September 9, 2005	72,230,817	4.56
September 26, 2005	79,727,817	5.03
October 31, 2005	82,041,817	5.17
December 6, 2005	63,299,817	4.00

Fidelity Investments Japan Limited

<u>Ownership as of</u>	<u>Shares of Common Stock Owned</u>	<u>Percentage of Common Stock Issued(*)</u>
December 1, 2005	85,569,000	5.40%
February 15, 2007	72,786,000	4.22
May 31, 2007	90,801,000	5.08

JPMorgan Trust Bank Limited

<u>Ownership as of</u>	<u>Shares of Common Stock Owned</u>	<u>Percentage of Common Stock Issued(*)</u>
March 31, 2006	88,102,243	5.11%
September 30, 2006	60,525,493	3.51%

AllianceBernstein Japan Ltd.

<u>Ownership as of</u>	<u>Shares of Common Stock Owned</u>	<u>Percentage of Common Stock Issued(*)</u>
March 31, 2006	91,095,320	5.28%

(*) The percentage figures are calculated as of the dates shown in the table. Percentage figures as of March 31, 2007, after the issuance of 130 million shares through the public offering in February 2006 and 9.75 million shares through the third party allotment in March 2006, are not necessarily available from the aforementioned reports.

The voting rights of our major shareholders do not differ from the voting rights of other shareholders.

To our knowledge, we are not directly or indirectly owned or controlled by any other corporations, by any foreign government or by any other natural or legal persons severally or jointly.

We know of no arrangements which may, at a subsequent date, result in a change in control of Mitsui.

B. Related Party Transactions

When conducting our business operations throughout the world, we form alliances with leading partner companies in Japan and overseas, including manufacturers and companies in the field of natural resources, such

as energy and ferrous materials. In addition to investing in, or providing loans to, associated companies where we are a minority shareholder, we conduct selling and purchasing transactions of various products on a recurring basis with such associated companies.

Our principal associated companies include Valepar S.A. (18.2%), Japan Australia LNG (MIMI) Pty. Ltd. (50.0%), P.T. Paiton Energy(36.3%), Sakhalin Energy Investment Company Ltd. (25.0%), IPM Eagle LLP (30.0%),Nihon Unisys, Ltd. (31.8%) and Penske Automotive Group, Inc. (16.4%), among others.

The following table shows information regarding account balances and transactions with associated companies:

	Billions of Yen	
	As of March 31,	
	2007	2006
Accounts receivable, trade	¥241	¥170
Advances to associated companies	130	119
Accounts payable, trade	65	108

Dividends received from associated companies for the years ended March 31, 2007, 2006 and 2005 amounted to ¥110 billion, ¥64 billion and ¥33 billion, respectively.

See Note 6, “INVESTMENTS IN AND ADVANCES TO ASSOCIATED COMPANIES” to our consolidated financial statements.

Prices applied in transactions with associated companies are computed in the same way that such prices would be calculated in transactions with unrelated third parties. In addition, when associated companies are counterparties in transactions with us and we conduct such business under long-term procurement and/or sales contracts, in general, we conclude a corresponding sales contract with the purchasers (unrelated parties) of goods procured by us and/or with suppliers (unrelated parties) of the goods we sell to associated companies. Regarding any other commitments related to transactions with associated companies, we do not normally assume risk in excess of its percentage of share ownership in an associated company.

In furtherance of their trading activities, it is customary practice for us to loan or guarantee, severally and jointly with others, indebtedness of certain customers and suppliers and of certain associated companies as well as to guarantee the performance of contracts by such entities. At March 31, 2007, the aggregate amount of loans (including ¥67 billion guarantees) relating to associated companies was ¥200 billion. The largest amount outstanding as of March 31, 2007 was ¥26 billion loan with no interest to P.T. Paiton Energy Co., which owns and operates a coal-fired power plant in East Java, Indonesia. The loan was mainly from Paiton Power Financing B.V., which is a wholly owned subsidiary of Mitsui engaged in the financing for P.T. Paiton Energy Co. Other major loans to associated companies are related to the power plant project and the projects in the development of natural resources jointly invested with other partners.

In the ordinary course of our business, we have entered into transactions with various organizations with which certain of our Directors and Senior Management are associated, but no material transactions have been entered into for the three-year period ended March 31, 2007.

As of March 31, 2007, no person was the beneficial owner of more than 10% of our common stock.

C. Interests of Experts and Counsel.

Not applicable.

Item 8. Financial Information.

A. Consolidated Statements and Other Financial Information.

Consolidated Financial Statements

The audited consolidated financial statements required by this item are included elsewhere in this annual report.

Export Sales

The total amount of revenues from export transactions for the year ended March 31, 2007 was ¥455 billion or 9% of total revenue of ¥4,881 billion.

Legal Proceedings

Various claims and legal actions are pending against us in respect of contractual obligations and other matters arising out of the conduct of our business. Appropriate provision has been recorded for the estimated loss on claims and legal actions. In the opinion of management, any liability will not materially affect our consolidated financial position, results of operations, or cash flows.

Dividend Policy

We have set the target dividend payout ratio at 20% of consolidated net income, and by growing profits at Mitsui will aim to progressively and sustainably increase dividend payments. Such payments will, however, be subject to our future earnings, financial condition, approval at the shareholders' meeting (in the case of year-end dividends) and other factors, including statutory and other restrictions with respect to the payment of dividends.

B. Significant Changes

Except as disclosed in this annual report, there has not been any significant change since the date of the latest annual financial statements included elsewhere in this annual report.

Item 9. The Offer and Listing.

A. Offer and Listing Details.

The primary market for Mitsui's common stock is the Tokyo Stock Exchange, or TSE. Mitsui's common stock is traded on the First Section of the TSE and is also listed on four other stock exchanges in Japan (Osaka, Nagoya, Fukuoka and Sapporo Stock Exchanges).

Mitsui's American Depositary Shares ("ADSs"), each representing 20 shares of common stock, are traded on the NASDAQ Global Select Market under the symbol MITSY. American Depositary Receipts ("ADRs"), each evidencing one or more ADSs, were originally issued pursuant to a Deposit Agreement in May 1963, as amended from time to time, that we entered into with Citibank N.A. of New York as Depositary and the holders of the ADRs.

The following table provides the reported high and low closing sales prices of our common stock on the TSE and the reported high and low closing bid price quotations per ADS for the period indicated:

	TSE		NASDAQ	
	Price per Share of Common Stock (Yen)		Price per ADS (U.S. dollars) ⁽¹⁾	
	High	Low	High	Low
Year ended March 31:				
2003	¥ 910	¥ 531	\$146.75	\$ 89.40
2004	946	541	181.50	90.90
2005	1,074	773	206.20	137.50
2006	1,731	908	292.66	171.50
2007	2,315	1,427	382.21	245.00
Year ended March 31, 2006:				
First quarter	¥1,050	¥ 908	\$192.44	\$171.50
Second quarter	1,490	1,015	270.10	182.53
Third quarter	1,583	1,343	267.50	225.98
Fourth quarter	1,731	1,481	292.66	255.30
Year ending March 31, 2007:				
First quarter	¥1,824	¥1,427	\$326.00	\$249.42
Second quarter	1,750	1,445	304.00	249.46
Third quarter	1,788	1,430	301.90	245.00
Fourth quarter	2,315	1,671	382.21	281.44
Year ending March 31, 2008:				
First quarter	¥2,595	¥2,040	\$416.60	\$347.21
Month of:				
March 2007	¥2,220	¥1,979	\$381.00	\$337.71
April 2007	2,195	2,040	371.90	347.21
May 2007	2,400	2,180	403.00	367.01
June 2007	2,595	2,380	416.60	391.00
July 2007	2,880	2,530	475.96	413.05
August 2007	2,650	2,005	455.95	371.60

(1) All fractional figures of the prices per ADS are rounded to the nearest two decimal points.

Share prices on Japanese stock exchanges are determined on a real-time basis by the equilibrium between bids and offers. These exchanges set daily price limits, which limit the maximum range of fluctuation within a single trading day. Daily price limits are set according to the previous day's closing price or special quote. Although transactions may continue at the upward or downward limit price if the limit price is reached on a particular trading day, no transactions may take place outside these limits. Consequently, an investor wishing to sell at a price above or below the relevant daily limit may not be able to sell his shares at such price on a particular trading day, or at all.

On September 19, 2007, the closing sales price per share of our common stock on the TSE was ¥2,575, and the closing sales price per ADS on the NASDAQ Global Select Market was U.S.\$452.51.

B. Plan of Distribution.

Not applicable.

C. Markets.

See "Item 9.A. Offer and Listing Details."

D. Selling Shareholders.

Not applicable.

E. Dilution.

Not applicable.

F. Expenses of the Issue.

Not applicable.

Item 10. Additional Information.

A. Share Capital.

Not applicable.

B. Memorandum and Articles of Association.

General

Set forth below is information relating to the organization and common stock of Mitsui, including brief summaries of the relevant provisions of Mitsui's Articles of Incorporation and Share Handling Regulations adopted by Mitsui's Board of Directors, as currently in effect, and of the Corporate Law of Japan and related legislation.

With the revision of the Corporate Law of Japan and related legislation on May 1, 2006, the relevant provisions of Mitsui's Articles of Incorporation and Share Handling Regulations were, among other things, amended as follows:

- (1) Article 16 of Mitsui's Article of Incorporation provides that Mitsui may, in convening General Meetings of Shareholders, post on the Internet information required to be recorded or indicated in reference documents for General Meetings of Shareholders, business reports, financial statements and consolidated financial statements in accordance with the provisions of laws and regulations. Such posting of information may be deemed to constitute provision of such information to shareholders;
- (2) Article 18 of Mitsui's Articles of Incorporation provides that a shareholder may exercise his/her voting rights by proxy who shall be one shareholder of Mitsui with voting rights;
- (3) Article 24 of Mitsui's Articles of Incorporation enables the Board of Directors to simplify the resolution process by providing that Mitsui shall deem a resolution of the Board of Directors to have been adopted if all the Directors agree in writing or electromagnetic record thereto and other requirements provided for in the Corporate Law of Japan are satisfied; and
- (4) Article 32 of Mitsui's Articles of Incorporation enables Mitsui to enter into agreements to limit the liability of its external Corporate Auditors so that Mitsui may engage suitable personnel who are able to fulfill their expected roles as external Corporate Auditors.

Organization

Mitsui is a corporation (*kabushiki kaisha*) incorporated in Japan under the Corporate Law of Japan. It is registered in the Commercial Register (*shogyo tokibo*) maintained by the Tokyo Legal Affairs Bureau and several other registry offices of the Ministry of Justice.

Objects and Purposes

Article 2 of Mitsui's Articles of Incorporation provides that our objects are to engage in the following business:

1. Foreign trade, purchases and sales, wholesale, agency and brokerage business relating to the following commodities:
 - (1) Ferrous and non-ferrous metals and their raw materials, manufactured goods, and minerals.
 - (2) Coal, petroleum, natural gas and other fuels and their by-products.
 - (3) All kinds of machines, appliances (including measuring instruments and medical apparatus) and equipment including manufacturing equipment, communications equipment and antipollution equipment, rolling stock and vehicles, ships and boats, aerospace equipment and aircraft, and parts for the foregoing.
 - (4) All kinds of chemical products, salt, fertilizers, high-pressure gas, explosives, pharmaceuticals (including medicines, non-medicinal drugs, medicine for veterinary use, narcotics, poisons and stimulants), radio isotopes, cosmetics, and raw materials for the foregoing.
 - (5) Cereals, sugar, oils and fats, feeds and their raw materials; livestock, agricultural, dairy and marine products, processed foods, alcoholic beverages and other foodstuffs and drinks.
 - (6) All kinds of textile products and their raw materials.
 - (7) All kinds of fur products and raw fur.
 - (8) Lumber, cement, other building materials and housing-related equipment.
 - (9) Rubber, pulp, paper and their manufactured goods; tobacco, cigars, cigarettes and sundry goods.
 - (10) Industrial water and drinking water.
2. Exploration, development, manufacturing, processing, scrapping and recycling business relating to the above-mentioned items.
3. Acquisition, planning, preservation, utilization and disposition of copyright, patents and other intellectual property rights, know-how, systems technology and other software, including acting as an intermediary in such transactions.
4. Information processing and supply, telecommunications, broadcasting, advertising, publishing, printing and translation businesses, and the production and sale of audio and visual copyright products.
5. Forestry, sawmilling and lumber processing businesses.
6. Chattel leasing business.
7. Secondhand goods business.
8. Transportation and transportation agency, land transportation, marine transportation business, port transportation, freight forwarding, customs brokerage, shipping agency and warehousing businesses.
9. Intermediary business for non-life insurance, insurance under the Automobile Liability Law, life insurance sales and overseas non-life reinsurance business.
10. Construction sub-contracting, building design and supervision and management of various construction works.
11. Acquisition, disposition, leasing, other utilization and development of real estate and acting as an intermediary in such transactions.
12. Supply and development of hot springs.

13. Surveying and research relating to land, sea and sky.
14. Investing in, purchasing, selling and brokering negotiable instruments, etc.
15. Lending money, guaranteeing and assuming debts, sale and purchase of various receivables, foreign exchange transactions and conducting any other financing business.
16. Operation and management of medical facilities, day-care facilities, sports facilities, restaurants, and hotel and travel businesses.
17. Planning, administration and implementation of various events.
18. Temporary personnel placement, employment agency, and personnel education, guidance and training to develop appropriate job skills and qualifications.
19. Maintenance and management of real estate.
20. Investment, commodities investments sales and advisory services, securities investment advisory services, trustee services, sale of beneficial interests in trusts, investment trust management services and asset management services for investment corporations.
21. Generation, supply, and sale and purchase of electricity.
22. Administrative agency services for management, labour and accounting work.
23. Buying, selling, and derivative transactions for greenhouse gas emission rights and related intermediary services.
24. Agency and intermediary services for credit card applications.
25. Consultancy business relating to the foregoing items.
26. Other lines of business relating to any of the foregoing items.

Directors

There is no provision in our Articles of Incorporation as to a Director's power to vote on a proposal, arrangement or contract in which a Director is materially interested, but, under the Corporate Law of Japan, a director is required to refrain from voting on such matters when passing a resolution of the board of directors.

The Corporate Law of Japan provides that compensation for directors is determined at a general meeting of shareholders of a company. Within the upper limit approved by the general meeting of shareholders, the board of directors will determine the amount of compensation for each director. The board of directors may, by its resolution, leave such decision to the discretion of the company's chief executive officer.

The Corporate Law of Japan provides that the incurrence by a company of a significant loan from a third party should be approved by the company's board of directors. Our Regulations of the Board of Directors have adopted this policy.

There is no mandatory retirement age for our Directors under the Corporate Law of Japan or our Articles of Incorporation.

There is no requirement concerning the number of shares one individual must hold in order to qualify him or her as a Director of Mitsui under the Corporate Law of Japan or our Articles of Incorporation.

Common Stock

Authorized capital

Article 6 of the Mitsui's Articles of Incorporation provides that the total number of shares that can be issued by Mitsui is two billion five hundred million (2,500,000,000).

Under Mitsui's Articles of Incorporation, currently in effect, only shares of common stock are issuable and 1,787,538,428 shares of common stock (including treasury stock of 2,911,367 shares) were issued, fully paid as of March 31, 2007.

Dividends

Dividends on our shares are generally distributed in proportion to the number of shares owned by each shareholder.

In Japan, the ex-dividend date and the record date for any dividend precede the date of determination of the amount of the dividend to be paid. Generally, the ex-dividend date is three business day prior to the record date.

Under the Corporate Law of Japan, we are permitted to make distributions of surpluses to our shareholders any number of times per fiscal year pursuant to resolutions of our general meeting of shareholders, subject to certain limitations described below. Distributions of surpluses are required, in principle, to be authorized by a resolution of the general meeting of shareholders. In an exception to the above rule, we are permitted to make distributions of surpluses in cash to our shareholders by board resolution once per fiscal year if our Articles of Incorporation so provide. Currently, our Articles of Incorporation so provide.

Distributions of surpluses may be made in cash or in-kind in proportion to the number of shares held by each shareholder. If a distribution of surpluses is to be made in-kind, we may, pursuant to a general meeting of shareholders' resolution, or as the case may be, a board resolution, grant our shareholders a right to require us to make the distribution in cash instead of in kind. If no such right is granted, the relevant distribution must be approved by a special resolution of a general meeting of shareholders. Currently, we do not have any concrete plan to make a distribution of surpluses in kind.

Under the Corporate Law of Japan, when we make a distribution of surpluses, we must set aside in our additional paid-in capital or legal reserves an amount equal to at least one-tenth of the amount of surpluses so distributed, unless the sum of our additional paid-in capital and legal reserves is one-quarter or more of our stated capital. Under the Corporate Law of Japan, we may distribute any dividends up to the excess of the aggregate of (a) and (b) below, less the aggregate of (c) through (f) below, on an unconsolidated basis, as of the effective date of such distribution, if our net assets are not less than ¥3,000,000:

- (a) the amount of surpluses, as described below;
- (b) in the event that extraordinary financial statements as of, or for a period from the beginning of the business year to, the specified date are approved, the aggregate amount of (i) the aggregate amount of (x) the net income for such period described in the profit and loss statement included in the extraordinary financial statements and (y) the amount of payment made to fulfill certain obligations as provided for by an ordinance of the Ministry of Justice, and (ii) the amount of consideration that we received for the treasury stock that we disposed of during such period;
- (c) the book value of our treasury stock;
- (d) in the event that we disposed of treasury stock after the end of the previous business year, the amount of consideration that we received for such treasury stock;
- (e) in the event of that which is described in (b) in this paragraph, the absolute difference between zero and the amount of net loss for such period described in the profit and loss statement included in the extraordinary financial statements; and
- (f) the aggregate amount of accounts as provided for by an ordinance of the Ministry of Justice.

For the purposes of this section, the amount of surpluses is the excess of the aggregate of I. through IV. below, less the aggregate of V. through VII. below, on an unconsolidated basis:

- I. the total amount of (x) assets and (y) the book value of treasury stock, less the total amount of (i) liabilities, (ii) stated capital, (iii) additional paid-in capital, (iv) legal reserve and (v) certain other amounts set forth in an ordinance of the Ministry of Justice;
- II. in the event that we disposed of treasury stock after the end of the previous business year, the difference between the book value of such treasury stock and the consideration that we received for such treasury stock;
- III. in the event that we reduced our stated capital after the end of the previous business year, the amount of such reduction less the portion thereof that has been transferred to additional paid-in capital and/or the legal reserve (if any);
- IV. in the event that additional paid-in capital and/or legal reserves were reduced after the end of the previous business year, the amount of such reduction less the portion thereof that has been transferred to stated capital (if any);
- V. in the event that we canceled treasury stock after the end of the previous business year, the book value of such treasury stock;
- VI. in the event that we distributed dividends after the end of the previous business year, the aggregate of the following amounts:
 - a. the aggregate amount of the book value of the distributed assets, excluding the book value of such assets that would be distributed to shareholders for their exercise of the right to receive dividends in cash instead of dividends in kind;
 - b. the aggregate amount of cash distributed to shareholders who exercised the right to receive dividends in cash instead of dividends in kind; and
 - c. the aggregate amount of cash paid to shareholders holding fewer shares that was required in order to receive dividends in kind;
- VII. the aggregate amounts of a. through c. below, less d. below:
 - a. in the event that the amount of surpluses was reduced and transferred to additional paid-in capital, the legal reserve and/or stated capital after the end of the previous business year, the amount so reduced;
 - b. in the event that we distributed dividends after the end of the previous business year, the amount set aside in our reserve;
 - c. in the event that we disposed of treasury stock in the process of (x) a merger in which we acquired all rights and obligations of a company, (y) a corporate split in which we acquired all or a part of the rights and obligations of a split company or (z) a share exchange in which we acquired all shares of a company after the end of the previous business year, the difference between the book value of such treasury stock and the consideration that we received for such treasury stock; and
 - d. in the event that we made (x) a merger in which we acquired all rights and obligations of a company, (y) a corporate split in which we acquired all or a part of the rights and obligations of a split company or (z) a share exchange in which we acquired all shares of a company after the end of the previous business year, the aggregate amount of (i) the amount of our additional paid-in capital after such merger, corporate split or share exchange, less the amount of our additional paid-in capital before such merger, corporate split or share exchange, and (ii) the amount of our legal reserve after such merger, corporate split or share exchange, less the amount of our legal reserve after such merger, corporate split or share exchange.

Under the Corporate Law of Japan, we are permitted to prepare non-consolidated extraordinary financial statements consisting of a balance sheet as of any date subsequent to the end of the previous business year and an income statement for the period from the first day of the current business year to the date of such balance sheet. If we prepare such extraordinary financial statements, special provisions may apply to the calculation of distributable amounts.

We plan to make distributions of surpluses twice per fiscal year, if possible. The record date for annual dividends is March 31 and the record date for interim dividends is September 30.

Under the Articles of Incorporation, Mitsui is not obliged to pay any interest on interim dividends paid in cash which are left unclaimed for a period of three years after the date on which they first became payable.

Shareholders' Meetings

Mitsui normally holds its ordinary general meeting of shareholders in June of each year in Tokyo, Japan. In addition, Mitsui may hold an extraordinary general meeting of shareholders whenever necessary by giving at least two weeks advance notice to shareholders.

Under the Corporate Law of Japan and related regulations, notice of a general meeting of shareholders setting forth the date, time, place, purpose thereof etc and providing a summary of the matters to be acted upon, must be mailed to each shareholder having voting rights (or, in the case of a non-resident shareholder, to his or her resident proxy or mailing address in Japan) at least two weeks prior to the date set for the meeting. The record date for any ordinary general meeting of shareholders of Mitsui is March 31.

Any shareholder or group of shareholders holding at least 3% of the total outstanding voting rights, for a continuous period of six months or longer, may require the convocation of a general meeting of shareholders for a particular purpose. Unless such a general meeting of shareholders is convened promptly or a convocation notice of a meeting which is to be held not later than eight weeks from the day such demand is dispatched, the requiring shareholders may, upon obtaining court approval, convene such shareholders' meeting.

Any shareholder or group of shareholders holding at least 300 voting rights, or 1% of the total outstanding voting rights, for a continuous period of six months or longer, may propose a matter to be considered at a general meeting of shareholders by making such request to a director at least eight weeks prior to the date set for such meeting.

To attend a shareholders' meeting in person or by proxy, shareholders must provide proof of identity upon request. Shareholders may be represented by proxies in writing appointed for the meeting. Proxy must be one shareholder of Mitsui with voting rights. A Director appointed by the Board of Directors acts as the chairman at a meeting of shareholders.

Voting rights

A shareholder is entitled to one vote per unit subject to the limitations on voting rights set forth in the following paragraph and "Unit share system—Voting rights under the unit share system" below. Except as otherwise provided by law or by the Articles of Incorporation, a resolution can be adopted at a general meeting of shareholders by a majority of the voting rights represented at the meeting. The Corporate Law of Japan and Mitsui's Articles of Incorporation provide, however, that the quorum for the election of Directors and Corporate Auditors shall not be less than one-third of the total voting rights. Mitsui's shareholders are not entitled to cumulative voting in the election of Directors. A corporate shareholder, 25% or more of whose outstanding shares are directly or indirectly owned by Mitsui, may not exercise its voting rights with respect to shares of Mitsui that it owns. Shareholders may exercise their voting rights through proxies, provided that the proxies are also Mitsui's shareholders holding voting rights. Mitsui's shareholders also may cast their votes in writing or electronically.

Under the Corporate Law of Japan and our Articles of Incorporation, certain corporate actions must be approved by “special shareholders’ resolutions” of our meeting of shareholders, for which the quorum is one-third of the total number of shares having voting rights and the approval of the holders of two-thirds of our shares having voting rights represented at the meeting is required. Examples of corporate actions that require special shareholders’ resolutions are:

- any amendment to our Articles of Incorporation (except for amendments that may be authorized solely by the Board of Directors under the Corporate Law of Japan);
- a reduction of capital, except for a reduction of capital for the purpose of replenishing capital deficiencies;
- a distribution by us of surpluses in-kind, if we do not grant shareholders the right to require us to effect the distribution in cash, instead of in-kind;
- a dissolution, merger or consolidation, subject to a certain exception under which a shareholders’ resolution is not required;
- the transfer of the whole or an important part of the business, except for the transfer of an important part of the business in which the book value of transferred assets does not exceed 20% of that of the company’s total assets;
- the taking over of the whole of the business of any other corporation;
- a share exchange or share transfer for the purpose of establishing a 100% parent-subsidary relationship, subject to a certain exception under which a shareholders’ resolution is not required;
- a corporate split, subject to a certain exception under which a shareholders’ resolution is not required;
- the offering of new shares at a “specially favorable” price and any offering of stock acquisition rights or bonds with stock acquisition rights at a “specially favorable” price or in a “specially favorable” condition to any persons other than shareholders; and
- any purchase of the company’s own shares from a certain person.

Liquidation rights

In the event of Mitsui’s liquidation, the assets remaining after payment of all debts and liquidation expenses and taxes will be distributed among shareholders in proportion to the respective number of shares of common stock held.

Record date

March 31 is the record date for Mitsui’s year-end dividends. The shareholders and beneficial shareholders who are registered as the holders of the number of shares constituting 1 unit or more whole units in Mitsui’s register of shareholders and/or beneficial shareholders at the end of each March 31 are also entitled to exercise shareholders’ voting rights at the ordinary general meeting of shareholders with respect to the fiscal year ending on such March 31. September 30 is the record date for interim dividends.

Mitsui’s shares generally go ex-dividend or ex-rights on Japanese stock exchanges on the third business day prior to a record date (or if the record date is not a business day, the fourth business day prior thereto), for the purpose of dividends or rights offerings.

Repurchase by Mitsui of its Common Stock

Under the Corporate Law of Japan and Mitsui’s Articles of Incorporation, the Board of Directors is authorized to resolve to purchase its own shares. Except as otherwise permitted by the Corporate Law, Mitsui may purchase its own shares by a resolution of the Board of Directors, provided, however, that Mitsui shall

report at the upcoming ordinary general meeting of shareholders the reason for its purchase, the total number of shares and the total acquisition amount which Mitsui may purchase, and the purchase price cannot exceed the amount which can be distributed as interim dividends as above-mentioned in “Dividends,” less the sum of dividends which have been actually paid as interim dividends.

Mitsui may also acquire its own shares in response to a shareholder’s request for purchase of his or her shares representing less than 1 unit. See “‘Unit’ share system—Repurchase by Mitsui of shares constituting less than a full unit” below.

Transfer of shares

Under the Corporate Law of Japan, the transfer of shares of a company which issues share certificates is effected by delivery of share certificates but, in order to assert shareholders’ rights against a company, the transferee must have its name and address registered on a company’s register of shareholders. For this purpose, Mitsui’s shareholders are required to file their names, addresses and seals with The Chuo Mitsui Trust and Banking Company, Limited, which is the manager of Mitsui’s register of shareholders. Foreign shareholders may file specimen signatures in lieu of seals. Non-resident shareholders are required to appoint a standing proxy in Japan or designate a mailing address in Japan.

The central clearing system of share certificates under the Law Concerning Central Clearing of Share Certificates and Other Securities in Japan applies to Mitsui’s shares. Pursuant to this system, a holder of shares is able to choose, at his/her discretion, to participate in this system and all certificates of the shares elected to be put into this system are deposited with the Japan Securities Depository Center, Inc. (“JASDEC”) (through a participating institution having a clearing account with JASDEC, if the holder is not such a participating institution) and all such shares are registered in the name of JASDEC, on Mitsui’s register of shareholders. Each participating shareholder (“beneficial shareholder”) will, in turn, be registered in the register of Mitsui’s beneficial shareholders, and be treated in the same way as shareholders registered on Mitsui’s register of shareholders. In connection with the transfer of shares held under this system, entry of the share transfer in the register maintained by JASDEC for participating institutions shall have the same effect as delivery of share certificates.

“Unit” share system

Pursuant to the Corporate Law of Japan, Mitsui has adopted 1,000 shares (50 ADSs) as 1 unit of shares. This unit share system is called “*tangen-kabu-system*.”

Any amendment to the Articles of Incorporation reducing the number of shares constituting a unit or eliminating the provisions for units of shares may be made by a resolution of the Board of Directors rather than by special shareholders’ resolutions. The number of shares constituting 1 unit cannot exceed 1,000.

Voting rights under the unit share system

Under the unit share system, shareholders shall have one voting right for each unit of shares that they hold. Any number of shares less than a full unit will carry no voting rights.

Share certificates for less than a unit of shares

Under its Articles of Incorporation, except as otherwise provided in the Share Handling Regulations, Mitsui will not issue share certificates for less than one unit of shares. Thus, unless Mitsui’s Board of Directors passes a resolution to eliminate the provisions for units of shares from the Articles of Incorporation or the shareholders amend the Articles of Incorporation by special shareholders resolutions to eliminate the provision for non-issuance of share certificates for less than one unit of shares, a share certificate for any number of shares less than a full unit will in general not be issued. As the transfer of shares normally requires the delivery of share certificates, any fraction of one unit for which no share certificates are issued is not transferable.

Repurchase by Mitsui of shares constituting less than a full unit

A holder of shares constituting less than one unit may require Mitsui to purchase such shares at their market value.

Increase in purchase of the shares to make one unit

Under the Articles of Incorporation, any shareholder who holds shares less than one unit may request Mitsui to sell such number of shares owned by Mitsui as are necessary to make one unit by adding the number of shares owned by such shareholder in accordance with the Share Handling Regulations and the Corporate Law of Japan.

Effect of the unit share system on holders of ADSs

A holder who owns ADSs evidencing less than 1,000 common shares will indirectly own less than one whole unit. Although, as discussed above, under the unit share system holders of less than one unit have the right to require Mitsui to purchase their shares or sell such number of shares owned by Mitsui as are necessary to make one unit by adding the number of their shares, holders of ADSs that represent other than integral multiples of whole units are unable to withdraw the underlying shares representing less than one unit and, therefore, are unable, as a practical matter, to exercise the rights to require Mitsui to purchase nor sell such underlying shares, unless Mitsui's Articles of Incorporation are amended to eliminate the provision not to issue share certificates for the number of shares less than one whole unit. As a result, access to the Japanese markets by holders of ADSs through the withdrawal mechanism will not be available for dispositions of shares in lots less than one unit. The unit share system does not affect the transferability of ADSs, which may be transferred in lots of any size.

Reporting of Substantial Shareholdings

The Securities and Exchange Law of Japan and its related regulations require any person who has become, beneficially and solely or jointly, a holder of more than 5% of the total issued shares of a company listed on any Japanese stock exchange or whose shares are traded on an over-the-counter market in Japan, to file a report concerning such shareholdings with the director of the relevant Local Finance Bureau of the Ministry of Finance within five business days. With certain exceptions, a similar report must also be made in respect of any subsequent change of 1% or more in any such holding or of any change in material matters set out in any previously-filed reports. For this purpose, shares issuable or transferable to such person upon exercise of exchangeable securities, conversion of convertible securities or exercise of warrants or stock acquisition rights (including those incorporated in bonds with share subscription rights) are taken into account in determining both the number of shares held by such holder and the issuer's total issued share capital. Copies of each report must also be furnished to the issuer of the shares and to all Japanese stock exchanges on which the shares are listed or, in the case of shares traded over-the-counter, to the Japan Securities Dealers Association.

Exercise of Voting Rights

Except for the general limitation under Japanese anti trust and anti monopoly regulations against the holding of shares of a Japanese corporation which leads or may lead to a restraint of trade or monopoly, and except for general limitations under the Corporate Law of Japan or Mitsui's Articles of Incorporation on the rights of shareholders applicable regardless of residence or nationality, there is no limitation under Japanese laws and regulations applicable to Mitsui or under its Articles of Incorporation on the rights of non-resident or foreign shareholders to hold or exercise voting rights on the shares of common stock of Mitsui.

Change in Control

There is no provision in Mitsui's Articles of Incorporation that would have an effect of delaying, deferring or preventing a change in control of Mitsui and that would operate only with respect to merger, consolidation, acquisition or corporate restructuring involving Mitsui.

Daily Price Fluctuation Limits under Japanese Stock Exchange Rules

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

On September 19, 2007, the closing price of our shares on the Tokyo Stock Exchange was ¥2,575 per share. The following table shows the respective daily price limit for a stock on the Tokyo Stock Exchange with a closing price per share corresponding to four ranges. Other daily price limits would apply if our per share price moved to other ranges.

Selected Daily Price Limits

	<u>Previous Day's Closing Price or Special Quote</u>		<u>Maximum Daily Price Movement</u>
Greater or equal to	¥1,000	Less than ¥1,500	200
Greater or equal to	1,500	Less than 2,000	300
Greater or equal to	2,000	Less than 3,000	400
Greater or equal to	3,000	Less than 5,000	500

For a history of the trading price of our shares on the Tokyo Stock Exchange, see "Item 9.A. Offer and Listing Details" of this annual report.

C. Material Contracts.

We have not been a party to any material contract, other than contracts entered into in the ordinary course of business, within past two years immediately preceding the date of this report.

D. Exchange Controls.

Foreign Exchange Regulations

The Foreign Exchange and Foreign Trade Law of Japan, as currently in effect, and the cabinet orders and ministerial ordinances thereunder (the "Foreign Exchange Regulations") govern certain matters relating to the acquisition and holding of the shares or the ADSs, by "Non-Residents of Japan" and by "Foreign Investors" as hereinafter defined.

"Non-Residents of Japan" are defined as individuals who are not resident in Japan and corporations whose principal offices are located outside Japan. Branches and other offices of Japanese corporations located outside Japan are regarded as Non-Residents of Japan, and branches and other offices located within Japan of foreign corporations are regarded as residents of Japan. "Foreign Investors" are defined to be (i) individuals not resident in Japan, (ii) corporations which are organized under the laws of foreign countries or whose principal offices are located outside Japan, and (iii) other corporations of which (a) 50% or more of the shares are held directly or indirectly by (i) or (ii) above, (b) a majority of officers consists of Non-Residents of Japan or (c) a majority of officers having the power of representation consists of Non-Residents of Japan.

Acquisition of Shares

In general, acquisition of shares of stock of a Japanese company listed on any Japanese stock exchange or traded in any over-the-counter market in Japan ("Listed Shares") by a Non-Resident of Japan from a resident of

Japan is not subject to any prior filing requirements except as described below. However, the Minister of Finance Japan (the “MOF”) and other Ministers having jurisdiction over the business of the subject company (together, the “Ministers”) may require a prior approval for any such acquisition in certain exceptional circumstances. The resident of Japan who transferred the shares of a Japanese company to a Non-Resident of Japan must file a report concerning such transfer with the MOF within 20 days after the transfer unless such transfer is made through a bank, securities company or financial futures trader licensed under the relevant Japanese law or consideration of such transfer is ¥100 million or less.

If the number of Listed Shares to be acquired, or the number of Listed Shares that will be held as a result of such acquisition, by a Foreign Investor (whether from a resident of Japan, another Foreign Investor or from or through security companies) is 10% or more of the total outstanding shares of the subject company, the Foreign Investor must file a post facto report with the Ministers within 15 days of the date of acquisition. In certain exceptional cases, a prior notification is required in respect of such an acquisition.

Acquisition of Shares upon Exercise of Subscription Rights Attached to Bonds

The acquisition by a Non-Resident of Japan of shares upon exercise of his or her rights under the bonds with rights for subscription of new shares offered overseas is exempted from the notification and reporting requirements described under this “Item 10.D. Exchange Controls—Acquisition of Shares” above.

ADRs

The deposit of the shares by a Non-Resident of Japan, the issuance of the ADRs, in exchange therefore and the withdrawal of the underlying shares upon surrender of the ADRs are not subject to any formalities referred to under “Acquisition of Shares” above, except where as a result of such deposit (or withdrawal) the aggregate number of shares held by the depositary (or its nominee) or the holder surrendering the ADRs, as the case may be, would be certain percentage of the total outstanding shares, in which event the relevant report is required as outlined under “Item 10. B. Memorandum and Articles of Association—Reporting of Substantial Shareholdings” and/or under this “Item 10.D. Exchange Controls—Acquisition of Shares.”

Dividends and Proceeds of Sales

Dividends paid on, and the proceeds of sales in Japan of the shares held by Non-Residents of Japan may be convertible into any foreign currency and repatriated abroad with no limit on the amount under the Foreign Exchange Regulations currently in effect. The acquisition of the shares by Non-Residents of Japan by way of stock splits is not subject to any of the aforesaid notification and confirmation requirements.

E. Taxation.

Japanese Taxation

The following is a summary of the principal Japanese national tax consequences to owners of our shares or ADSs who are non-resident individuals or non-Japanese corporations without a permanent establishment in Japan to which income from our shares is attributable. The tax treatment is subject to possible changes in the applicable Japanese laws or double taxation conventions occurring after that date. This summary is not exhaustive of all possible tax considerations that may apply to a particular investor. Investors are encouraged to consult their own tax advisers as to:

- the overall tax consequences of the acquisition, ownership and disposition of shares or ADSs, including specifically the tax consequences under Japanese law;
- the laws of the jurisdiction of which they are resident; and
- any tax treaty between Japan and their country of residence.

Generally, a non-resident holder of shares or ADSs is subject to Japanese withholding tax on dividends paid by us. In the absence of any applicable tax treaty, convention or agreement reducing the maximum rate of withholding tax, the rate of Japanese withholding tax applicable to dividends paid by us to non-resident holders is 7% for dividends to be paid on or before March 31, 2009, and 15% thereafter, except for dividends paid to any individual shareholder who holds 5% or more of the issued shares of Mitsui. Japan has income tax treaties, conventions or agreements whereby the maximum withholding tax rate for dividend payment is set at, in most cases, 15% for portfolio investors, with, among other countries, Australia, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, The Netherlands, New Zealand, Norway, Singapore, Spain, Sweden and Switzerland. Japan's income tax treaty with the United Kingdom sets the maximum withholding rate at 10%. Under the U.S.-Japan tax treaty (the "Treaty"), the maximum withholding rate on dividends for portfolio investors is 10%, if (i) they do not have a permanent establishment in Japan, and (ii) the shares on ADSs with respect to which such dividends are paid are not effectively connected with such permanent establishment, and (iii) they are qualified U.S. residents eligible for benefits under the Treaty. Under the Treaty, withholding tax on dividends for pension funds which are qualified U.S. residents eligible for benefits under the Treaty is exempt from Japanese taxation by way of withholding or otherwise, unless such dividends are derived from the carrying on of a business, directly or indirectly, by such pension funds. Japanese tax law provides in general that if the Japanese statutory rate is lower than the maximum rate applicable under tax treaties, conventions or agreements, the Japanese statutory rate shall be applicable.

Stock splits are not subject to Japanese income or corporate tax. A capitalization of capital surplus is not subject to Japanese income or corporate tax.

Non-resident holders who are entitled to a reduced rate of Japanese withholding tax on payments of dividends on the shares by us are required to submit an Application Form for the Income Tax Convention regarding Relief from Japanese Income Tax on Dividends in advance through us to the relevant tax authority before the payment of dividends. A standing proxy for non-resident holders may provide the application. With respect to ADSs, this reduced rate is applicable if the depositary or its agent submits two Application Forms for Income Tax Convention (one prior to payment of dividends, the other within eight months after our fiscal year-end). To claim this reduced rate, a non-resident holder of ADSs will be required to file proof of taxpayer status, required by the depositary. Non-resident holders who do not submit an application in advance will generally be entitled to claim a refund from the relevant Japanese tax authority of withholding taxes withheld in excess of the rate of an applicable tax treaty.

Gains derived from the sale outside Japan of Mitsui's shares or the ADSs by Non-Residents of Japan, including non-Japanese corporations, will not be subject to Japanese taxes on income. Gains derived from the sale in Japan of Mitsui's shares or the ADSs by a Non-Resident of Japan or a non-Japanese corporation not having a permanent establishment in Japan to which such income is attributable are, in general, not subject to Japanese income or corporate tax.

Japanese inheritance and gift taxes, at progressive rates, may be payable by an individual who acquire the shares or the ADSs as a legatee, heir or donee.

United States Taxation

General

This discussion of certain U.S. federal tax consequences only applies to U.S. holders who hold our ADSs or common shares as capital assets for tax purposes and are not members of a special class of holders subject to special rules, including: dealers in securities; traders in securities who elect to use a mark-to-market method of accounting for their securities holdings; tax-exempt organizations; insurance companies; persons liable for alternative minimum tax; persons who actually or constructively own 10% or more of Mitsui voting stock; persons who hold shares or ADSs as part of a hedging or straddle or conversion transaction; or U.S. persons

whose functional currency is not the U.S. dollar. A U.S. holder is a beneficial owner of shares or ADSs that is: a citizen or resident of the United States; a domestic corporation; an estate whose income is subject to U.S. federal income tax regardless of its source; or a trust, if a U.S. court can exercise primary supervision over the trust's administration and one or more U.S. persons are authorized to control all substantial decisions of the trust.

This section is based on the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations, published rulings and court decisions. These laws are subject to change, possibly on a retroactive basis. In addition, this section is based in part upon the assumption that each obligation in the deposit agreement and any related agreement will be performed in accordance with its terms.

Moreover, the effect of any applicable U.S. state or local tax laws is not discussed in this annual report.

In general, and taking into account earlier assumptions, for U.S. federal income tax purposes, if a person holds ADRs evidencing ADSs, that person will be treated as the owner of the underlying shares represented by those ADSs. Exchanges of common shares for ADRs, and ADRs for ordinary shares, will generally not be subject to U.S. federal income tax.

Each holder should consult its own tax advisor regarding the United States federal, state and local and other tax consequences of owning and disposing of common shares and ADSs in its particular circumstances. In particular, each holder should confirm its status as a person eligible for benefits under the Treaty with its advisor and should discuss any possible consequences of failing to qualify as a person eligible for benefits under the Treaty.

Taxation of Dividends

Subject to the passive foreign investment company ("PFIC") rules discussed below, the gross amount of any dividend paid to a U.S. holder by Mitsui out of its current or accumulated earnings and profits (as determined for U.S. federal income tax purposes) is subject to United States federal income taxation. For noncorporate U.S. holders, dividends paid in taxable years beginning before January 1, 2011 that constitute qualified dividend income will be taxable at a maximum tax rate of 15% provided that shares or ADSs were held for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date and other holding period requirements are met. Dividends Mitsui pays with respect to its shares or ADSs generally will be qualified dividend income. Dividends are taxable to U.S. holders when they, in the case of shares, or the depositary, in the case of ADSs, receive them, either actually or constructively. The dividend will not be eligible for the dividends-received deduction generally allowed to U.S. corporations in respect of dividends received from other U.S. corporations. Any distribution in excess of current and accumulated earnings and profits (as determined for U.S. federal income tax purposes) will be treated as a non-taxable return of capital to the extent of a holder's basis in the ADSs or common shares and thereafter as capital gain.

A U.S. holder must include any foreign tax withheld from the dividend payment in his or her gross amount even though the U.S. holder did not in fact receive it. The amount of the dividend distribution that a U.S. holder must include in his or her income will be the U.S. dollar value of the Japanese yen payments made, determined at the spot Japanese yen/ U.S. dollar rate on the date such dividend distribution is includible in such holder's income, regardless of whether the payment is in fact converted into U.S. dollars. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date a holder includes the dividend payment in income to the date such payment is converted into U.S. dollars will be treated as ordinary income or loss and will not be eligible for the special tax rate applicable to qualified dividend income. Such gain or loss will generally be income or loss from sources within the United States for foreign tax credit limitation purposes.

Dividends will be income from sources outside the United States, but dividends paid in taxable years beginning before January 1, 2007 generally will be "passive" or "financial services" income, and dividends paid in taxable years beginning after December 31, 2006 will, depending on the U.S. holder's circumstances, be "passive" or "general" income which, in either case, is treated separately from other types of income for purposes

of computing the foreign tax credit allowable to the U.S. holder. No U.S. foreign tax credit will be allowed to U.S. holders of common shares or ADSs in respect of any personal property or similar tax imposed by Japan (or any taxing authority thereof or therein). Subject to certain limitations, the Japanese tax withheld and paid over to Japan will be creditable or deductible against your United States federal income tax liability. Special rules apply in determining the foreign tax credit limitation with respect to dividends that are subject to the maximum 15% tax rate.

Taxation of Capital Gains

Subject to the PFIC rules discussed below, a U.S. holder who sells or otherwise disposes of common shares or ADSs will recognize gain or loss for U.S. federal income tax purposes in an amount equal to the difference between the U.S. dollar value of the amount realized and his or her tax basis (determined in U.S. dollars) in such shares or ADSs. Capital gain of a noncorporate U.S. holder that is recognized before January 1, 2011 is generally taxed at a maximum rate of 15% where the holder has a holding period greater than one year. The gain or loss will generally be income or loss from sources within the U.S. for foreign tax credit limitation purposes.

PFIC Rules

Mitsui does not believe that the common shares or ADSs will be treated as stock of a PFIC for United States federal income tax purposes, but this conclusion is a factual determination that is made annually and thus is subject to change. If Mitsui were treated as a PFIC, unless a U.S. holder elected to be taxed annually on a mark-to-market basis with respect to the common shares or ADSs, gain realized on the sale or other disposition of the shares or ADSs would in general not be treated as capital gain. Instead a U.S. holder would be treated as if he or she had realized such gain and certain “excess distributions” ratably over the holding period for the shares or ADSs and would be taxed at the highest tax rate in effect for each such year to which the gain was allocated, together with an interest charge in respect of the tax attributable to each such year. With certain exceptions, the common shares or ADSs will be treated as stock in a PFIC if Mitsui were a PFIC at any time during the U.S. holder’s holding period in the common shares or ADSs. In addition, dividends received from Mitsui would not be eligible for the special tax rates applicable to qualified dividend income if Mitsui were a PFIC either in the taxable year of the distribution or the preceding taxable year, but instead would be taxable at rates applicable to ordinary income.

F. Dividends and Paying Agents.

Not applicable.

G. Statement by Experts.

Not applicable.

H. Documents on Display.

We are subject to the informational requirements of the Securities Exchange Act of 1934 and, in accordance therewith, we file annual reports on Form 20-F within six months of our fiscal year-end and furnish other reports and information on Form 6-K with the Securities and Exchange Commission. These reports and other information can be inspected at the public reference room at the Securities and Exchange Commission at 100 F Street, N.E., Washington, D.C. 20549. You can also obtain copies of such material by mail from the public reference room of the Securities and Exchange Commission at prescribed fees. You may obtain information on the operation of the Securities and Exchange Commission public reference room by calling the Securities and Exchange Commission in the United States at 1-800-SEC-0330. You can also access to the documents filed via the Electronic Data Gathering, Analysis and Retrieval, or EDGAR, system on the website of the Securities and Exchange Commission (<http://www.sec.gov>).

I. Subsidiary Information.

Not applicable.

Item 11. Quantitative and Qualitative Disclosures about Market Risk.

Our business transactions are exposed to various aspects of risks in interest rates, foreign currency exchange rates, commodity prices and equity prices. Particularly, for trading purposes, Mitsui and certain subsidiaries engage in trading including dealing through active and repeated selling and buying transactions of derivative financial and commodity instruments within position limits and loss limits (trading limits) set under the risk management structure.

Monitoring Market Risks at Our Organization

We have market risk management policies and procedures at several levels throughout our organization. Chief Operating Officer of operating segment has the first line responsibility for controlling and managing market risk within prescribed limits. Each operating segment must maintain a framework which also covers its major subsidiaries for measuring portfolio risk within its risk limits. The transactions are recorded by independent monitoring sections.

The Market Risk Management Division within our headquarters monitors the company-wide process of risk management and compliance with trading limits set for operating segments. The Market Risk Management Division also provides general oversight with respect to the market risk management process for operating segments.

The Market Risk Management Division periodically reports the market risk positions to management in charge of market risk control which includes analyses on Value-at-Risk ("VaR") amounts for specified market risk positions. For derivative financial and commodity instruments entered into for trading purposes including swap transactions, forward contracts, futures and others, it measures daily VaR amounts and conducts back-testing, examining their risk model by comparing assumptions and estimations with actual results periodically.

VaR Analysis at Mitsui

VaR is a statistical measure of the potential maximum loss in the fair value of a portfolio resulting from adverse market movements in underlying risk factors, over a defined period, within a certain confidence level. At March 31, 2007 and 2006, we calculated VaR using the following assumption and parameters:

- holding period of one day with respect to the interest rate, foreign currency exchange rate and commodity price risks (with some exceptions to certain commodity price risks where in case VaRs in five days are used); and
- a variance-covariance method, a historical simulation approach and/or Monte Carlo simulation with a confidence level of 95% or higher.

As VaR incorporates historical data regarding changes in market risk factors, our actual results may differ materially from the calculations. Moreover, the sum of the VaRs for the risk categories do not represent our aggregate VaR, because market risk factors such as interest rates and currency exchange rates are partially correlated, generally offsetting fluctuations of VaR for each risk category with each other.

VaRs for Trading Activities

Mitsui and certain subsidiaries conduct trading activities including dealing through active and repeated selling and buying transactions within defined position limits and loss limits set under the risk management structure mentioned above. The results of the transactions and positions are confirmed, monitored daily and reported to management by independent sections.

The following table sets forth the year end, high, low, and average VaR figures of trading portfolios which are mainly corresponding to interest rate risk, foreign exchange rate risk and commodity price risk, for trading purposes, for the years ended March 31, 2007 and 2006. Each category represents principally the following transactions:

- interest rate sensitive financial (non-derivative and derivative) instrument trading conducted by the Financial Markets Business Unit(i);
- foreign exchange trading conducted by the Financial Markets Business Unit(ii); and
- commodity futures, forwards, swaps and options related to energy including crude oil and oil products, precious metals and base metals including gold, silver, platinum, palladium, copper, lead, nickel, aluminum ingot, tin; weather derivative conducted by the Financial Markets Business Unit and other business units(iii).

	Millions of Yen							
	Years Ended March 31,							
	2007				2006			
	Year End	High	Low	Average	Year End	High	Low	Average
Interest rate risk	¥ 55	¥ 128	¥ 1	¥ 60	¥ 0	¥ 138	¥ 0	¥ 35
Foreign currency exchange rate risk	52	244	26	103	10	94	3	39
Commodity price risk	2,582	3,327	2,427	2,790	2,554	4,612	2,401	2,998

- (i) (ii) In our organization most part of limits on the risks related to interest rate and foreign exchange for trading purpose are approved for and delegated to the Financial Markets Business Unit. Those limits approved for other operating segments are marginal.
- (iii) In the Americas Segment, Westport Petroleum, Inc. (United States) has considerable limits and positions in oil products.

VaRs for Non-Trading Activities

In this paragraph, “Non-Trading” represents contractual business transactions other than “trading activities” as discussed above. The following table sets forth the year-end, high, low and average VaR figures of interest rate risk, foreign currency exchange rate risk and commodity price risk for non-trading purposes according to the specific definitions within Mitsui for controlling purpose, for the years ended March 31, 2007 and 2006.

With regard to these risks, the Market Risk Management Division obtains monthly report of positions for “Non-Trading”(i) as well as for “trading purpose” as above from all the operating segments, and also reports the risk positions including the VaR analysis results to management.

- Interest rate risk in this paragraph only represents solely the net risk exposure to rising interest rates at the Head Office of Mitsui for short and long term finance and liquidity management purpose. See “Item 5. B. LIQUIDITY AND CAPITAL RESOURCES” - “Finance and Liquidity Management.” This net risk position is monitored through the approach of asset-liability management, categorizing assets and liabilities by attributes of sensitivity to interest rate fluctuations.
 - Foreign exchange rate risk consists of the net risk position of transactions denominated in foreign currencies, mainly in U.S. dollars from paying and receiving transactions in commercial contracts, long-term financing transactions, identifiable commitments and forecasted transactions denominated in foreign currencies.
 - Commodity price risk consists of the net balance of commodity positions and commodity derivative instruments utilized to hedge the commodity price risk associated with physical commodity inventories and firm commitments in precious and base metals; energy products; and agricultural products.
- (i) The position report regarding “Non-trading activities” includes only commercial transactions by business units and financing activities.

	Millions of Yen							
	Years Ended March 31,							
	2007				2006			
	Year End	High	Low	Average	Year End	High	Low	Average
Interest rate risk	¥ 627	¥1,128	¥627	¥ 838	¥ 912	¥1,388	¥606	¥1,133
Foreign currency exchange rate risk . .	1,381	1,381	202	751	1,331	1,331	577	846
Commodity price risk	939	1,807	939	1,354	991	1,312	991	1,146

Equity Price Risk

We hold stocks issued by, amongst others, our customers and suppliers as marketable securities, intending to strengthen ties with them.

The cost, fair value and unrealized holding net gains (losses) on marketable equity securities by industry at March 31, 2007 and 2006 were as follows:

	Millions of Yen					
	March 31, 2007			March 31, 2006		
	Cost	Fair Value	Unrealized Holding Net Gains	Cost	Fair Value	Unrealized Holding Net Gains
Manufacturing	¥177,684	¥409,744	¥232,060	¥123,914	¥301,171	¥177,257
Commercial, finance and real estate	93,440	135,340	41,900	97,661	168,395	70,734
Transport and telecommunication	27,179	56,420	29,241	23,477	47,606	24,129
Energy, service and others	97,655	259,959	162,304	30,244	74,014	43,770
Total	¥395,958	¥861,463	¥465,505	¥275,296	¥591,186	¥315,890

For the year ended March 31, 2007, the general increase in unrealized holding gains, cost and fair value of the energy, service and others sector compared to the year ended March 31, 2006 was partly attributable to the overall improvement in Japanese stock prices. However, the most significant increases in unrealized holding gains were those of INPEX Holdings Inc. and Toho Titanium Co., Ltd. For the details, see “Item 5. B. LIQUIDITY AND CAPITAL RESOURCES”—“Assets, Liabilities and Shareholders’ Equity.”

Maturities and fair values of debt securities classified as available-for-sale and held-to-maturity at March 31, 2007 were as follows:

	Millions of Yen			
	Available-for-sale		Held-to-maturity	
	Amortized Cost	Aggregate Fair Value	Amortized cost	Aggregate Fair Value
Contractual maturities:				
Within 1 year	¥ 6,078	¥ 6,080	¥4,763	¥4,763
After 1 year through 5 years	42,065	42,141	4,534	4,534
After 5 years through 10 years	2,946	2,948	10	10
After 10 years	7	7	—	—
Total	¥51,096	¥51,176	¥9,307	¥9,307

The actual maturities may differ from the contractual maturities shown above because certain issuer may have the right to redeem debt securities before their maturity.

Item 12. Description of Securities Other than Equity Securities.

Not applicable.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies.

None.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds.

None.

Item 15. Controls and Procedures.

(a). Disclosure Controls and Procedures

Mitsui's management, with the participation of its principal executive and principal financial officer, has performed an evaluation of the effectiveness of disclosure controls and procedures (as defined by Rule 13a-15(e) under the U.S. Securities Exchange Act of 1934) as of the end of the period covered by this report. Based upon that evaluation, Mitsui's principal executive and principal financial officer concluded that the disclosure controls and procedures were effective as of the end of the period covered by this report.

(b). Management's Annual Report on Internal Control over Financial Reporting

Mitsui's management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined by Rule 13a-15(f) under the U.S. Securities Exchange Act of 1934). Mitsui's internal control system is designed to provide reasonable assurance to Mitsui's management and board of directors regarding the preparation and fair presentation of published financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Mitsui's management assessed the effectiveness of Mitsui's internal control over financial reporting as of March 31, 2007. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control—Integrated Framework*. Based on Mitsui's assessment, Mitsui's management concluded that, as of March 31, 2007, Mitsui's internal control over financial reporting was effective.

Mitsui's management excluded the following companies, which Mitsui acquired in purchase business combinations during the fiscal year ended March 31, 2007, from its assessment of effectiveness of internal controls over financial reporting as of March 31, 2007.

<u>Company</u>	<u>Acquisition Date</u>
Bahia Participacoes Ltda	April 20, 2006
Mitsui Gas e Energia de Brasil Ltda	April 20, 2006
MEPUS Holdings Corporation	April 21, 2006
MitEnergy Upstream LLC	April 21, 2006
Mitsui E&P (USA) LLC	April 21, 2006
MITSUI OIL EXPLORATION CO., LTD	March 28, 2007

The above companies in the aggregate represented approximately 4.3 percent and 5.1 percent, respectively, of Mitsui's consolidated net and total assets as of, and 0.6 percent and 4.3 percent, respectively, of Mitsui's consolidated revenue and net income for the year ended, March 31, 2007.

Mitsui's management also excluded from its assessment of internal control over financial reporting as of March 31, 2007 the following unincorporated joint ventures (J/V), which were accounted for via proportionate consolidation in accordance with Emerging Issues Task Force Issue No.00-1 in Mitsui's consolidated financial statements for the fiscal year ended March 31, 2007. Mitsui has been unable to assess the effectiveness of internal controls at these entities due to the fact that Mitsui does not have the ability to dictate or modify the controls of these entities and does not have the ability, in practice, to assess, those controls.

<u>J/V</u>	<u>Mitsui's Ownership</u>
Block 9 J/V	35%
Capricorn Coal Development J/V	30%
Dawson J/V	49%
Kestrel Coal Mining J/V	20%
Robe River Iron Associates J/V	33%
WA-28-L J/V	40%

The above unincorporated joint ventures in the aggregate represented approximately 3.2 percent, respectively, of Mitsui's consolidated total assets as of, and 1.6 percent of Mitsui's consolidated revenue for the year ended March 31, 2007.

Deloitte Touche Tohmatsu, an independent registered public accounting firm, has issued an attestation report on Mitsui's management's assessment of Mitsui's internal control over financial reporting. Their report appears on page F-3 of this annual report.

(c). Change in Internal Control over Financial Reporting

With the exception of the remediation measures described below which were implemented during the fiscal year ended March 31, 2007, no change in Mitsui's internal control over financial reporting occurred during that fiscal year that has materially affected, or is reasonably likely to materially affect, Mitsui's internal control over financial reporting.

In November 2006, Mitsui's management identified certain problems in the internal management system of Mitsui Oil (Asia) Pte. Ltd. ("MOAS"), which was a consolidated subsidiary of Mitsui at that time. MOAS was primarily engaged in the business of trading crude oil and petroleum products. The problems identified by Mitsui's management related to MOAS's inability to detect or appropriately correct the hiding of significant unrealized losses on the spot and future trading of naphtha through fraudulent reports by one of its traders. Mitsui believes that these problems would have constituted material weaknesses had the effectiveness of Mitsui's internal control over financial reporting been assessed as of December 2006.

To prevent recurrence of similar incidents, during the remainder of the fiscal year ended March 31, 2007, Mitsui's management made following remedial changes in Mitsui's internal control over financial reporting:

- Mitsui's rules on delegation of authority to Chief Operating Officers of business units have been revised. Under the revised rules, these officers' authority on commodity trading operations has been reduced and they are now required to seek the approval of Mitsui's board of directors to take commodity trading positions beyond a certain limit in amount.
- Monitoring procedures over Mitsui's major subsidiaries engaged in commodity trading operations have been reinforced by reviewing the independence of middle offices and imposing a daily reporting requirement to the respective corporate staff divisions.

In connection with the testing procedures that Mitsui conducted as part of management's evaluation of the effectiveness of Mitsui's internal control over financial reporting during the year ended March 31, 2007, Mitsui did not detect any problems with the implementation of the remediation measures described above, and it was concluded that those measures had been successfully implemented.

As for MOAS, in February 2007 Mitsui's management decided to wind down its operations. Following this decision, MOAS has substantially downsized its activities, and ceased entering into new purchase and sales contracts except for transactions required for the liquidation of outstanding inventories. MOAS ceased to be Mitsui's consolidated subsidiary at the end of March 2007.

Item 16A. Audit Committee Financial Expert.

Our Board of Corporate Auditors has determined that Tasuku Kondo, Motonori Murakami and Hideharu Kadowaki qualify as an "audit committee financial expert" as defined in this Item 16A serving on our Board of Corporate Auditors. Mr. Kadowaki is an external Corporate Auditor, meeting the additional independence requirements under the Corporate Law of Japan.

Mr. Kondo joined Mitsui in 1965. Since then he had always worked in the field of accounting or financing and was appointed as Director and General Manager of Finance Division in 1996 and as Representative Director and Chief Financial Officer in 2001 before having been elected as one of our Corporate Auditors at the ordinary general meeting of shareholders held in June 2005.

Mr. Murakami joined Mitsui in 1971. Since then he had always worked in the field of accounting and was appointed as General Manager of the General Accounting Division in 2000 and as Executive Managing Officer, Assistant to Senior Executive Managing Officer (Corporate Staff Division) in 2006, before having been elected as one of our Corporate Auditors at the ordinary general meeting of shareholders held in June 2007.

Mr. Kadowaki was elected as one of our Corporate Auditors at the ordinary general meeting of shareholders held in June 2004. His main career has been in the field of financial risk management at Mitsui Bank, Sakura Bank, Sumitomo Mitsui Banking Corporation, and Sumitomo Mitsui Financial Group, Inc. His final position in the bank was an executive vice president who, while overseeing the entire operation of the bank, was responsible for risk management and internal auditing.

Item 16B. Code of Ethics.

Mitsui maintains Business Conduct Guidelines for Employees and Officers, applicable to all employees and officers. The Business Conduct Guidelines set forth provisions relating to compliance with applicable laws and regulations, honest and ethical conduct including the handling of conflicts of interest.

In addition, Mitsui adopted a Code of Ethics as a supplement to the Business Conduct Guidelines. The Code of Ethics applies to Mitsui's financial professionals including our principal executive officer, principal financial officer, principal accounting officer and persons performing similar functions.

Both the Business Conduct Guidelines for Employees and Officers and the Code of Ethics are filed as exhibits to this annual report.

Item 16C. Principal Accountant Fees and Services.

Deloitte Touche Tohmatsu, a Japanese member firm of Deloitte Touche Tohmatsu (a Swiss Verein), has been our principal accountant for SEC reporting purposes.

The table below shows aggregate fees billed for each of the last two fiscal years for professional services rendered to Mitsui and its subsidiaries by Deloitte Touche Tohmatsu and other member firms of Deloitte Touche Tohmatsu (a Swiss Verein).

	Millions of Yen	
	Year Ended March 31,	
	2007	2006
Audit fees ⁽¹⁾	¥2,874	¥1,806
Audit-related fees ⁽²⁾	288	807
Tax fees ⁽³⁾	398	468
All other fees ⁽⁴⁾	52	50
Total	<u>¥3,612</u>	<u>¥3,131</u>

- (1) Audit fees are fees billed for professional services rendered by the principal accountant for the audit of our annual financial statements and services that are provided by the accountant in connection with statutory and regulatory filings or engagements.
- (2) Audit-related fees are fees billed for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements, such as due diligence services in connection with potential business acquisitions, that are not reported in audit fees. The audit-related fees for the year ended March 31, 2006 included assessment of internal accounting controls related to the implementation of Section 404 of the Sarbanes-Oxley Act of 2002.
- (3) Tax fees are fees billed for professional services rendered by the principal accountant for tax compliance, tax advice and tax planning.
- (4) All other fees are fees billed for services provided by the principal accountant, other than services reported in audit fees, audit-related fees and tax fees, such as advisory services for risk management and regulatory matters.

Beginning with the year ended March 31, 2004, the first fiscal year of application of paragraph (c)(7) of Rule 2-01 of Regulation S-X, our Board of Corporate Auditors has adopted pre-approval policies and procedures requiring pre-approval by the Board of Corporate Auditors for all audit and non-audit services provided by the principal accountant. For the year ended March 31, 2005, the pre-approval policies and procedures were amended so that (i) any audit or non-audit services, for which estimated total fee shall not exceed 10 Million Yen, may be pre-approved by the two full-time Corporate Auditors, provided that such pre-approval must be reported at the next proceeding full Board of the Corporate Auditors and that (ii) certain categories of non-audit services prescribed in the pre-approval policies and procedures may be pre-approved comprehensively on an annual basis provided that the estimated total fees should be specified in the relevant application and that the actual services provided shall be periodically reported to the Board of Corporate Auditors.

For the year ended March 31, 2006, we have amended the pre-approval policies and procedures in order to make clearer our principal policy that the audit services for Mitsui and its subsidiaries are to be rendered by Deloitte Touche Tohmatsu and other member firms of Deloitte Touche Tohmatsu (a Swiss Verein) while all non-audit services are to be rendered by the accounting firms not belonging to the group of Deloitte Touche Tohmatsu with some specific exceptions. Among those exceptions are certain tax services, certain due diligence services for acquisition, etc. which would not be considered to impair the independence of our principal accountant.

All of the services provided by the principal accountant for the year ended March 31, 2007 were approved by the full-time Corporate Auditors or the Board of Corporate Auditors pursuant to the pre-approval policies and procedures described above, and none of such services were approved pursuant to the procedures described in Rule 2-01(c)(7)(i)(C) of Regulation S-X, which waives the general requirement for pre-approval in certain circumstances.

Item 16D. Exemptions from the Listing Standards for Audit Committees.

With respect to the requirements of Rule 10A-3 under the Securities Exchange Act of 1934 relating to listed company audit committees, which apply to us through Rules 4350(d)(3) and 4350(d)(2)(A)(ii) of the NASD Manual, we rely on an exemption provided by paragraph (c)(3) of that Rule available to foreign private issuers with boards of corporate auditors meeting certain requirements. For a Nasdaq-listed Japanese company with a board of corporate auditors, the requirements for relying on paragraph (c)(3) of Rule 10A-3 are as follows:

- The board of corporate auditors must be established, and its members must be selected, pursuant to Japanese law expressly requiring such a board for Japanese companies that elect to have a corporate governance system with corporate auditors,
- Japanese law must and does require the board of corporate auditors to be separate from the board of directors,
- None of the members of the board of corporate auditors may be elected by management, and none of the listed company's executive officers may be a member of the board of corporate auditors,
- Japanese law must and does set forth standards for the independence of the members of the board of corporate auditors from the listed company or its management, and
- The board of corporate auditors, in accordance with Japanese law or the registrant's governing documents, must be responsible, to the extent permitted by Japanese law, for the appointment, retention and oversight of the work of any registered public accounting firm engaged (including, to the extent permitted by Japanese law, the resolution of disagreements between management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the listed company, including its principal accountant which audits its consolidated financial statements included in its annual reports on Form 20-F.

To the extent permitted by Japanese law:

- The board of corporate auditors must establish procedures for (i) the receipt, retention and treatment of complaints received by us regarding accounting, internal accounting controls, or auditing matters, and (ii) the confidential, anonymous submission by our employees of concerns regarding questionable accounting or auditing matters,
- The board of corporate auditors must have the authority to engage independent counsel and other advisers, as it determines necessary to carry out its duties, and
- The listed company must provide for appropriate funding, as determined by its board of corporate auditors, for payment of (i) compensation to any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for us, (ii) compensation to any advisers employed by the board of corporate auditors, and (iii) ordinary administrative expenses of the board of corporate auditors that are necessary or appropriate in carrying out its duties.

In our assessment, our Board of Corporate Auditors, which meets the requirements for reliance on the exemption in paragraph (c)(3) of Rule 10A-3 described above, is not materially less effective than an audit committee meeting all the requirements of paragraph (b) of Rule 10A-3 (without relying on any exemption provided by that Rule) at acting independently of management and performing the functions of an audit committee as contemplated therein.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers.

The following table sets forth Mitsui's purchases of its common stock during the fiscal year ended March 31, 2007:

Period	(a) Total Number of Shares Purchased*	(b) Average Price Paid per Share (Yen)	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
April 1, 2006—April 30, 2006	45,930	¥1,727.71	N/A	N/A
May 1, 2006—May 31, 2006	25,363	1,725.52	N/A	N/A
June 1, 2006—June 30, 2006	14,712	1,562.14	N/A	N/A
July 1, 2006—July 31, 2006	68,326	1,611.90	N/A	N/A
August 1, 2006—August 31, 2006	76,325	1,718.59	N/A	N/A
September 1, 2006—September 30, 2006	55,107	1,604.61	N/A	N/A
October 1, 2006—October 31, 2006	55,629	1,542.98	N/A	N/A
November 1, 2006—November 30, 2006	47,652	1,573.45	N/A	N/A
December 1, 2006—December 31, 2006	143,157	1,694.50	N/A	N/A
January 1, 2007—January 31, 2007	92,742	1,775.27	N/A	N/A
February 1, 2007—February 28, 2007	128,505	2,011.18	N/A	N/A
March 1, 2007—March 31, 2007	74,195	2,152.32	N/A	N/A
Total	<u>827,643</u>	<u>1,766.47</u>	<u>N/A</u>	<u>N/A</u>

* Under the Corporate Law of Japan, a holder of shares constituting less than one full unit may require Mitsui to purchase such shares at their market value (See “Memorandum and Articles of Association—‘Unit’ share system—Repurchase by Mitsui of shares constituting less than a full unit” in “Item 10. Additional Information”). During the year ended March 31, 2007, Mitsui purchased 827,643 shares for a total purchase price of 1,462,004,346 yen upon such requests from holders of shares constituting less than one full unit.

PART III

Item 17. Financial Statements.

Not applicable.

Item 18. Financial Statements.

The information required by this item has been provided elsewhere in this annual report.

Item 19. Exhibits.

Exhibits

<u>Exhibit Number</u>	<u>Document</u>
1.1*	The Articles of Incorporation of Mitsui & Co., Ltd., as of June 23, 2006 (English-language translation).
1.2*	The Share Handling Regulation of Mitsui & Co., Ltd., as amended on June 23, 2006 (English-language translation).
1.3*	The Rules of the Board of Directors of Mitsui & Co., Ltd., as amended on June 23, 2006 (English-language translation).
1.4*	The Rules of the Board of Corporate Auditors of Mitsui & Co., Ltd., as amended on July 31, 2006 (English-language translation).
2.1**	Deposit Agreement, dated October 1, 1982 among Mitsui & Co., Ltd., Citibank, N.A., and holders of ADRs and European Depositary Receipts.
8.1	List of Subsidiaries of Mitsui & Co., Ltd.
11.1	Code of Ethics for Senior Financial Officers and Professionals.
11.2	Business Conduct Guidelines for Employees and Officers of Mitsui & Co., Ltd.
12.1	Certification of the principal executive officer of Mitsui & Co., Ltd. required by Rule 13a-14(a).
12.2	Certification of the principal financial officer of Mitsui & Co., Ltd. required by Rule 13a-14(a).
13.1	Certification required by Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code.

* Incorporated by reference to the corresponding exhibit to our annual report on Form 20-F (File No. 0-9929) filed on September 27, 2006.

** Incorporated by reference to the corresponding exhibit to our annual report on Form 20-F (File No. 0-9929) filed on September 27, 2002.

We have not included as exhibits certain instruments with respect to our long-term debt, the amount of debt authorized under each of which does not exceed 10% of our total assets, and we agree to furnish a copy of any such instruments to the Securities and Exchange Commission upon request.

mitsui & co., ltd. (mitsui bussan kabushiki kaisha) and subsidiaries

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULES

The audited consolidated financial statements of Mitsui & Co., Ltd. (Mitsui Bussan Kabushiki Kaisha) and subsidiaries, together with the report of Deloitte Touche Tohmatsu as of March 31, 2007 and 2006, and for the years ended March 31, 2007, 2006 and 2005, filed as part of this annual reports are as follows:

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Supplemental Information:

Schedules for the Years Ended March 31, 2007, 2006 and 2005:

(Schedules are omitted because of the absence of the conditions under which they are required or because the required information is included in the consolidated financial statements or notes thereto.)

Financial statements of majority-owned subsidiaries of the registrant not consolidated and of 50% or less owned persons accounted for by the equity method have been omitted because Mitsui & Co., Ltd.'s proportionate share of the income from continuing operations before income taxes, and total assets of each such company is less than 20% of the respective consolidated amounts, and the investment in and advances to each company is less than 20% of consolidated total assets.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
Mitsui & Co., Ltd. (Mitsui Bussan Kabushiki Kaisha)
Tokyo, Japan:

We have audited the accompanying consolidated balance sheets of Mitsui & Co., Ltd. (Mitsui Bussan Kabushiki Kaisha) and subsidiaries (the “Company”) as of March 31, 2007 and 2006, and the related statements of consolidated income, consolidated shareholders’ equity, and consolidated cash flows for each of the three years in the period ended March 31, 2007 (all expressed in Japanese yen). These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Mitsui & Co., Ltd. and subsidiaries as of March 31, 2007 and 2006, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company’s internal control over financial reporting as of March 31, 2007, based on the criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated June 22, 2007 expressed an unqualified opinion on management’s assessment of the effectiveness of the Company’s internal control over financial reporting and an unqualified opinion on the effectiveness of the Company’s internal control over financial reporting.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 2. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

/s/ DELOITTE TOUCHE TOHMATSU
Tokyo, Japan

June 22, 2007

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
Mitsui & Co., Ltd. (Mitsui Bussan Kabushiki Kaisha)
Tokyo, Japan:

We have audited management's assessment, included in the accompanying "Management's Annual Report on Internal Control over Financial Reporting" appearing under Item 15(b), that Mitsui & Co., Ltd. (Mitsui Bussan Kabushiki Kaisha) and subsidiaries (the "Company") maintained effective internal control over financial reporting as of March 31, 2007, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. As described in "Management's Annual Report on Internal Control over Financial Reporting" appearing under Item 15(b), management excluded from their assessment the internal control over financial reporting at:

- Mitsui Gas e Energia de Brasil Ltda, which was acquired on April 20, 2006 and whose financial statements constitute 0.1 percent and 0.2 percent of net and total assets, respectively, 0.0 percent of revenues, and 0.4 percent of net income of the consolidated financial statement amounts as of and for the year ended March 31, 2007.
- Bahia Participacoes Ltda, which was acquired on April 20, 2006 and whose financial statements constitute 0.0 percent and 0.1 percent of net and total assets, respectively, 0.0 percent of revenues, and -0.1 percent of net income of the consolidated financial statement amounts as of and for the year ended March 31, 2007.
- MITSUI OIL EXPLORATION CO., LTD, which was acquired on March 28, 2007 and whose financial statements constitute 4.1 percent and 3.7 percent of net and total assets, respectively, 0.4 percent of revenues, and 3.7 percent of net income of the consolidated financial statement amounts as of and for the year ended March 31, 2007.
- Mitsui E&P (USA) LLC, which was acquired on April 21, 2006 and whose financial statements constitute 0.0 percent and 0.3 percent of net and total assets, respectively, 0.0 percent of revenues, and 0.0 percent of net income of the consolidated financial statement amounts as of and for the year ended March 31, 2007.
- MEPUS Holdings Corporation, which was acquired on April 21, 2006 and whose financial statements constitute 0.0 percent and 0.2 percent of net and total assets, respectively, 0.0 percent of revenues, and -0.2 percent of net income of the consolidated financial statement amounts as of and for the year ended March 31, 2007.
- MitEnergy Upstream LLC, which was acquired on April 21, 2006 and whose financial statements constitute 0.1 percent and 0.5 percent of net and total assets, respectively, 0.2 percent of revenues, and 0.5 percent of net income of the consolidated financial statement amounts as of and for the year ended March 31, 2007.

Also as described in "Management's Annual Report on Internal Control over Financial Reporting" appearing under Item 15(b), management excluded from their assessment the internal control over financial reporting at the unincorporated joint ventures (J/V), which were accounted for via proportionate consolidation in accordance with Emerging Issues Task Force Issue No. 00-1 because the Company does not have the ability to dictate or modify the controls and does not have the ability to assess, in practice, the controls at:

- Carpicorn Coal Development J/V, a 30% owned entity, whose financial statements constitute 0.9 percent and 0.4 percent of net and total assets, respectively, 0.2 percent of revenues, and 0.9 percent of net income of the consolidated financial statement amounts as of and for the year ended March 31, 2007.
- Dawson J/V, a 49% owned entity, whose financial statements constitute 0.6 percent and 0.7 percent of net and total assets, respectively, 0.3 percent of revenues, and -0.2 percent of net income of the consolidated financial statement amounts as of and for the year ended March 31, 2007.

- Kestrel Coal Mining J/V, a 20% owned entity, whose financial statements constitute 0.5 percent and 0.2 percent of net and total assets, respectively, 0.1 percent of revenues, and 1.3 percent of net income of the consolidated financial statement amounts as of and for the year ended March 31, 2007.
- WA-28-L J/V, a 40% owned entity, whose financial statements constitute 0.4 percent and 1.1 percent of net and total assets, respectively, 0.0 percent of revenues, and 2.7 percent of net income of the consolidated financial statement amounts as of and for the year ended March 31, 2007.
- Block 9 J/V, a 35% owned entity, whose financial statements constitute 0.6 percent and 0.4 percent of net and total assets, respectively, 0.3 percent of revenues, and 3.9 percent of net income of the consolidated financial statement amounts as of and for the year ended March 31, 2007.
- Robe River Iron Associates J/V, a 33% owned entity, whose financial statements constitute 1.7 percent and 0.4 percent of net and total assets, respectively, 0.8 percent of revenues, and 7.3 percent of net income of the consolidated financial statement amounts as of and for the year ended March 31, 2007.

Accordingly, our audit did not include the internal control over financial reporting for the entities described above. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that the Company maintained effective internal control over financial reporting as of March 31, 2007, is fairly stated, in all material respects, based on the criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Also in our opinion, the Company maintained, in all material respects, effective internal

control over financial reporting as of March 31, 2007, based on the criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended March 31, 2007 of the Company and our report dated June 22, 2007 expressed an unqualified opinion on those financial statements.

/s/ DELOITTE TOUCHE TOHMATSU
Tokyo, Japan

June 22, 2007

Consolidated Balance Sheets
Mitsui & Co., Ltd. and subsidiaries
March 31, 2007 and 2006

	Millions of Yen		Millions of U.S. Dollars (Note 2)
	2007	2006	2007
ASSETS			
Current Assets:			
Cash and cash equivalents (Notes 2 and 5)	¥ 800,032	¥ 697,065	\$ 6,780
Time deposits	6,591	37,028	56
Marketable securities (Notes 2 and 5)	11,670	26,860	99
Trade receivables (Note 9):			
Notes and loans, less unearned interest	475,271	439,187	4,028
Accounts (Note 8)	2,199,614	1,997,093	18,641
Associated companies	240,950	169,709	2,042
Allowance for doubtful receivables (Notes 2, 7 and 8)	(29,824)	(26,703)	(253)
Inventories (Notes 2 and 9)	696,470	695,754	5,902
Advance payments to suppliers	96,702	92,150	819
Deferred tax assets—current (Notes 2 and 21)	21,354	32,569	181
Derivative assets (Note 2)	254,319	320,134	2,155
Other current assets	300,627	265,985	2,548
Total current assets	<u>5,073,776</u>	<u>4,746,831</u>	<u>42,998</u>
Investments and Non-current Receivables (Notes 2 and 9):			
Investments in and advances to associated companies (Notes 5, 6 and 17)	1,587,571	1,300,587	13,454
Other investments (Note 5)	1,238,853	935,675	10,499
Non-current receivables, less unearned interest (Note 8)	462,935	444,487	3,923
Allowance for doubtful receivables (Notes 2, 7 and 8)	(69,775)	(84,513)	(591)
Property leased to others—at cost, less accumulated depreciation (Notes 8, 10 and 24)	259,240	218,583	2,197
Total investments and non-current receivables	<u>3,478,824</u>	<u>2,814,819</u>	<u>29,482</u>
Property and Equipment—at Cost (Notes 2, 8, 9 and 10):			
Land, land improvements and timberlands	191,537	203,170	1,623
Buildings, including leasehold improvements	379,814	349,904	3,219
Equipment and fixtures	790,510	472,069	6,699
Mineral rights	151,752	80,953	1,286
Vessels	33,666	22,376	286
Projects in progress	130,529	55,278	1,106
Total	1,677,808	1,183,750	14,219
Accumulated depreciation	(689,508)	(437,581)	(5,844)
Net property and equipment	<u>988,300</u>	<u>746,169</u>	<u>8,375</u>
Intangible Assets, less Accumulated Amortization (Notes 2, 3, 12 and 14)	104,445	98,811	885
Deferred Tax Assets—Non-current (Notes 2 and 21)	34,972	47,947	297
Other Assets (Note 14)	132,995	119,001	1,127
Total	<u>¥9,813,312</u>	<u>¥8,573,578</u>	<u>\$83,164</u>

See notes to consolidated financial statements.

Consolidated Balance Sheets—(Continued)

Mitsui & Co., Ltd. and subsidiaries
March 31, 2007 and 2006

	Millions of Yen		Millions of U.S. Dollars (Note 2)
	2007	2006	2007
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities:			
Short-term debt (Notes 9 and 13)	¥ 658,747	¥ 540,797	\$ 5,583
Current maturities of long-term debt (Notes 8, 9 and 13)	371,865	353,185	3,151
Trade payables:			
Notes and acceptances	98,199	100,402	832
Accounts	1,966,800	1,762,224	16,668
Associated companies	64,730	108,252	549
Accrued expenses:			
Income taxes (Notes 2 and 21)	85,692	63,739	726
Interest	25,324	22,485	215
Other	84,625	72,848	717
Advances from customers	113,586	104,500	963
Derivative liabilities (Note 2)	198,735	214,460	1,684
Other current liabilities (Notes 2, 21, 22 and 23)	141,899	168,049	1,202
Total current liabilities	<u>3,810,202</u>	<u>3,510,941</u>	<u>32,290</u>
Long-term Debt, less Current Maturities (Notes 8, 9, 11 and 13)	<u>2,887,528</u>	<u>2,658,735</u>	<u>24,471</u>
Accrued Pension Costs and Liability for Severance Indemnities (Notes 2 and 14)	<u>33,209</u>	<u>36,769</u>	<u>281</u>
Deferred Tax Liabilities—Non-current (Notes 2 and 21)	<u>450,181</u>	<u>318,911</u>	<u>3,815</u>
Other Long-term Liabilities (Notes 2, 13 and 23)	<u>283,226</u>	<u>252,155</u>	<u>2,400</u>
Commitments and Contingent Liabilities (Notes 9 and 23)			
Minority Interests	<u>238,687</u>	<u>118,160</u>	<u>2,023</u>
Shareholders' Equity (Note 15):			
Common stock—no par value			
Authorized, 2,500,000,000 shares;			
Issued, 1,787,538,428 shares in 2007			
and 1,725,018,515 shares in 2006	323,213	295,766	2,739
Capital surplus	417,900	390,488	3,541
Retained earnings:			
Appropriated for legal reserve	39,670	38,508	336
Unappropriated (Notes 6, 13, 21 and 29)	1,072,234	825,306	9,087
Accumulated other comprehensive income (loss) (Note 2):			
Unrealized holding gains and losses on available-for-sale securities (Note 5)	258,922	216,099	2,194
Foreign currency translation adjustments	(9,409)	(83,279)	(80)
Minimum pension liability adjustment (Note 14)	—	(5,417)	—
Defined benefit pension plans (Note 14)	2,287	—	20
Net unrealized gains and losses on derivatives (Note 26)	8,930	2,439	76
Total accumulated other comprehensive income	<u>260,730</u>	<u>129,842</u>	<u>2,210</u>
Treasury stock, at cost: 2,911,367 shares in 2007 and 2,064,447 shares in 2006	<u>(3,468)</u>	<u>(2,003)</u>	<u>(29)</u>
Total shareholders' equity	<u>2,110,279</u>	<u>1,677,907</u>	<u>17,884</u>
Total	<u><u>¥9,813,312</u></u>	<u><u>¥8,573,578</u></u>	<u><u>\$83,164</u></u>

Statements of Consolidated Income
Mitsui & Co., Ltd. and subsidiaries
Years Ended March 31, 2007, 2006 and 2005

	Millions of Yen			Millions of U.S. Dollars (Note 2)
	2007	2006	2005	2007
Revenues (Notes 2, 6, 17 and 18):				
Sales of products (Note 26)	¥4,174,026	¥3,479,709	¥2,964,043	\$35,374
Sales of services	557,406	512,185	434,062	4,724
Other sales (Note 8)	149,309	123,577	96,498	1,265
Total revenues	4,880,741	4,115,471	3,494,603	41,363
Total Trading Transactions (Notes 2 and 17):				
2007, ¥15,357,656 million—\$130,150 million;				
2006, ¥14,885,772 million;				
2005, ¥13,583,908 million				
Cost of Revenues (Notes 2, 6 and 18):				
Cost of products sold (Note 26)	3,743,252	3,109,607	2,670,774	31,722
Cost of services sold	159,090	130,358	68,800	1,348
Cost of other sales (Note 8)	74,721	57,216	46,789	633
Total cost of revenues	3,977,063	3,297,181	2,786,363	33,703
Gross Profit	903,678	818,290	708,240	7,660
Other Expenses (Income):				
Selling, general and administrative (Notes 2, 8, 12, 14, 18 and 25)	581,505	550,052	509,064	4,930
Provision for doubtful receivables (Notes 2 and 7)	13,273	48	8,783	112
Interest income (Notes 2 and 26)	(50,680)	(38,314)	(35,505)	(429)
Interest expense (Notes 2 and 26)	92,467	59,442	43,096	784
Dividend income	(50,098)	(30,711)	(24,568)	(425)
Gain on sales of securities—net (Notes 2, 5 and 19)	(58,809)	(37,818)	(34,773)	(498)
Gain on issuance of stock by a subsidiary (Notes 2 and 19)	—	—	(1,677)	—
Loss on write-down of securities (Notes 2 and 5)	11,687	10,643	16,544	99
Gain on disposal or sales of property and equipment—net (Note 25)	(5,626)	(5,993)	(6,530)	(48)
Impairment loss of long-lived assets (Notes 2, 10, 12 and 25)	19,664	24,252	14,118	167
Impairment loss of goodwill (Note 12)	16,528	—	1,114	140
Compensation and other charges related to DPF incident (Note 22)	(3,864)	9,000	36,000	(33)
Other expense (income)—net (Notes 18, 20, 23 and 25)	7,491	(637)	7,004	63
Total other expenses	573,538	539,964	532,670	4,862
Income from Continuing Operations before Income Taxes, Minority Interests and Equity in Earnings (Note 21)	330,140	278,326	175,570	2,798
Income Taxes (Notes 2 and 21):				
Current (Note 23)	141,976	106,517	63,341	1,203
Deferred (Note 19)	17,016	28,500	40,772	144
Total	158,992	135,017	104,113	1,347
Income from Continuing Operations before Minority Interests and Equity in Earnings	171,148	143,309	71,457	1,451
Minority Interests in Earnings of Subsidiaries	(26,022)	(21,540)	(17,560)	(221)
Equity in Earnings of Associated Companies—Net				
(After Income Tax Effect) (Notes 2, 6 and 21)	153,105	94,250	64,302	1,297
Income from Continuing Operations	298,231	216,019	118,199	2,527
Income (Loss) from Discontinued Operations—Net				
(After Income Tax Effect) (Notes 4, 21 and 25)	3,271	(13,610)	2,937	28
Net Income	¥ 301,502	¥ 202,409	¥ 121,136	\$ 2,555
	Yen			U.S. Dollars
				(Note 2)
Net Income per Share (Notes 2 and 16):				
Basic:				
Continuing operations	¥ 172.37	¥ 134.75	¥ 74.69	\$ 1.46
Discontinued operations	1.89	(8.49)	1.86	0.02
Total	¥ 174.26	¥ 126.26	¥ 76.55	\$ 1.48
Diluted:				
Continuing operations	¥ 163.53	¥ 126.82	¥ 70.38	\$ 1.39
Discontinued operations	1.79	(7.97)	1.74	0.01
Total	¥ 165.32	¥ 118.85	¥ 72.12	\$ 1.40

See notes to consolidated financial statements.

Statements of Consolidated Shareholders' Equity
Mitsui & Co., Ltd. and subsidiaries
Years Ended March 31, 2007, 2006 and 2005

	Millions of Yen			Millions of U.S. Dollars (Note 2)
	2007	2006	2005	2007
Common Stock (Note 15):				
Balance at beginning of year				
Shares issued: 2007—1,725,018,515 shares; 2006—1,583,687,322 shares; 2005—1,583,674,837 shares	¥ 295,766	¥192,493	¥ 192,487	\$2,506
Issuance of common stock				
Shares issued: 2007—0 share; 2006—139,750,000 shares; 2005—0 share	—	102,576	—	—
Common stock issued upon conversion of bonds				
Shares issued: 2007—62,519,913 shares; 2006—1,581,193 shares; 2005—12,485 shares	27,447	697	6	233
Balance at end of year				
Shares issued: 2007—1,787,538,428 shares; 2006—1,725,018,515 shares; 2005—1,583,687,322 shares	¥ 323,213	¥295,766	¥ 192,493	\$2,739
Capital Surplus (Note 15):				
Balance at beginning of year	¥ 390,488	¥288,048	¥ 287,763	\$3,309
Issuance of common stock	—	101,733	—	—
Conversion of bonds	27,359	695	6	232
Gain on sales of treasury stock	53	12	13	0
Exchange of treasury stock for subsidiary's stock	—	—	266	—
Balance at end of year	¥ 417,900	¥390,488	¥ 288,048	\$3,541
Retained Earnings (Note 15):				
Appropriated for Legal Reserve:				
Balance at beginning of year	¥ 38,508	¥ 37,018	¥ 36,633	\$ 326
Transfer from unappropriated retained earnings	1,162	1,490	385	10
Balance at end of year	¥ 39,670	¥ 38,508	¥ 37,018	\$ 336
Unappropriated (Notes 6, 13, 21 and 29):				
Balance at beginning of year	¥ 825,306	¥656,032	¥ 549,521	\$6,995
Net income	301,502	202,409	121,136	2,555
Cash dividends paid (annual rate per share: 2007, ¥31.0—26.3 ¢; 2006, ¥20.0; 2005, ¥9.0)	(53,412)	(31,645)	(14,240)	(453)
Transfer to retained earnings appropriated for legal reserve	(1,162)	(1,490)	(385)	(10)
Balance at end of year	¥1,072,234	¥825,306	¥ 656,032	\$9,087
Accumulated Other Comprehensive Income (Loss) (After Income Tax Effect) (Notes 2, 15 and 21):				
Balance at beginning of year	¥ 129,842	¥(49,551)	¥(101,464)	\$1,101
Unrealized holding gains and losses on available-for-sale securities (Note 5)	42,823	115,920	30,450	363
Foreign currency translation adjustments	73,870	59,508	18,667	626
Minimum pension liability adjustment (Note 14)	1,058	274	52	9
Adjustment to initially apply SFAS No. 158 (Note 14)	6,646	—	—	56
Net unrealized gains and losses on derivatives (Note 26)	6,491	3,691	2,744	55
Balance at end of year	¥ 260,730	¥129,842	¥ (49,551)	\$2,210
Treasury Stock, at Cost (Note 15):				
Balance at beginning of year				
Shares in treasury: 2007—2,064,447 shares; 2006—1,476,692 shares; 2005—2,661,783 shares	¥ (2,003)	¥ (1,212)	¥ (1,662)	\$ (17)
Purchase of treasury stock	(1,633)	(862)	(904)	(13)
Sales of treasury stock				
Shares sold: 2007—199,059 shares; 2006—75,906 shares; 2005—317,200 shares	168	71	158	1
Exchange of treasury stock for subsidiary's stock				
Shares exchanged: 2007 and 2006—0 share; 2005—1,868,881 shares	—	—	1,196	—
Balance at end of year				
Shares in treasury: 2007—2,911,367 shares; 2006—2,064,447 shares; 2005—1,476,692 shares	¥ (3,468)	¥ (2,003)	¥ (1,212)	\$ (29)
Summary of Changes in Equity from Nonowner Sources (Comprehensive Income) (Notes 2, 15 and 21):				
Net income	¥ 301,502	¥202,409	¥ 121,136	\$2,555
Other comprehensive income (after income tax effect):				
Unrealized holding gains and losses on available-for-sale securities (Note 5)	42,823	115,920	30,450	363
Foreign currency translation adjustments	73,870	59,508	18,667	626
Minimum pension liability adjustment (Note 14)	1,058	274	52	9
Net unrealized gains and losses on derivatives (Note 26)	6,491	3,691	2,744	55
Changes in equity from nonowner sources	¥ 425,744	¥381,802	¥ 173,049	\$3,608

See notes to consolidated financial statements.

Statements of Consolidated Cash Flows
Mitsui & Co., Ltd. and subsidiaries
Years Ended March 31, 2007, 2006 and 2005

	Millions of Yen			Millions of U.S. Dollars (Note 2)
	2007	2006	2005	2007
Operating Activities (Note 28):				
Net income	¥ 301,502	¥ 202,409	¥ 121,136	\$ 2,555
Adjustments to reconcile net income to net cash provided by operating activities:				
(Income) loss from discontinued operations—net (after income tax effect)	(3,271)	13,610	(2,937)	(28)
Depreciation and amortization	92,612	71,766	64,637	785
Pension and severance costs, less payments	(8,091)	4,585	(18,575)	(69)
Provision for doubtful receivables	13,273	48	8,783	112
Gain on sales of securities—net	(58,809)	(37,818)	(34,773)	(498)
Gain on issuance of stock by a subsidiary	—	—	(1,677)	—
Loss on write-down of securities	11,687	10,643	16,544	99
Gain on disposal or sales of property and equipment—net	(5,626)	(5,993)	(6,530)	(48)
Impairment loss of long-lived assets	19,664	24,252	14,118	167
Impairment loss of goodwill	16,528	—	1,114	140
Deferred income taxes	17,016	28,500	40,772	144
Minority interests in earnings of subsidiaries	26,022	21,540	17,560	221
Equity in earnings of associated companies, less dividends received	(43,033)	(30,653)	(31,485)	(365)
Changes in operating assets and liabilities:				
Increase in trade receivables	(317,851)	(170,517)	(170,094)	(2,692)
Decrease (increase) in inventories	9,456	(68,764)	(73,375)	80
Increase in trade payables	125,956	84,226	209,689	1,068
Advances from customers	41,004	6,301	34,969	347
Other—net	3,777	(5,287)	2,093	32
Net cash (used in) provided by operating activities of discontinued operations	(2,541)	(2,452)	8,100	(22)
Net cash provided by operating activities	239,275	146,396	200,069	2,028
Investing Activities (Note 28):				
Net decrease (increase) in time deposits	29,367	(3,186)	20,324	249
Investments in and advances to associated companies	(222,438)	(175,774)	(190,388)	(1,885)
Sales of investments in and collection of advances to associated companies	34,314	37,574	52,675	291
Acquisitions of available-for-sale securities	(135,117)	(121,173)	(90,769)	(1,145)
Proceeds from sales of available-for-sale securities	60,651	36,741	21,864	514
Proceeds from maturities of available-for-sale securities	106,687	52,604	56,934	904
Acquisitions of held-to-maturity debt securities	—	(1,675)	(2,233)	—
Proceeds from maturities of held-to-maturity debt securities	1,509	1,690	2,912	13
Acquisitions of other investments	(101,696)	(67,425)	(67,506)	(862)
Proceeds from sales of other investments	58,763	48,136	73,436	498
Increase in long-term loan receivables	(75,230)	(46,974)	(68,111)	(638)
Collection of long-term loan receivables	111,251	65,226	62,829	943
Additions to property leased to others and property and equipment	(327,356)	(247,054)	(170,068)	(2,775)
Proceeds from sales of property leased to others and property and equipment	52,741	73,958	79,324	447
Acquisitions of subsidiaries, net of cash acquired	(11,474)	—	(5,233)	(97)
Net cash used in investing activities	(418,028)	(347,332)	(224,010)	(3,543)
Financing Activities (Note 28):				
Net increase (decrease) in short-term debt	70,820	(89,419)	(29,113)	600
Proceeds from long-term debt	673,730	449,204	754,425	5,710
Repayments of long-term debt	(434,600)	(438,822)	(541,544)	(3,683)
Proceeds from issuance of common stock	—	203,766	—	—
Capital contribution from minority interests	17,095	—	2,557	145
Purchases of treasury stock—net	(1,344)	(815)	(764)	(11)
Payments of cash dividends	(53,412)	(31,645)	(14,240)	(453)
Net cash provided by financing activities	272,289	92,269	171,321	2,308
Effect of Exchange Rate Changes on Cash and Cash Equivalents	9,431	13,922	6,131	80
Net Increase (Decrease) in Cash and Cash Equivalents	102,967	(94,745)	153,511	873
Cash and Cash Equivalents at Beginning of Year	697,065	791,810	638,299	5,907
Cash and Cash Equivalents at End of Year	¥ 800,032	¥ 697,065	¥ 791,810	\$ 6,780

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Mitsui & Co., Ltd. and subsidiaries

1. NATURE OF OPERATIONS

Mitsui & Co., Ltd. (Mitsui Bussan Kabushiki Kaisha) and subsidiaries (collectively, the “companies”), as *sogo shosha* or general trading companies, are engaged in business activities, such as trading in various commodities, financing for customers and suppliers relating to such trading activities worldwide, and organizing and coordinating industrial projects through their worldwide business networks.

The companies conduct sales, export, import, offshore trades and manufacture of products in the areas of “Iron & Steel Products,” “Iron & Steel Raw Materials and Non-Ferrous Metals,” “Machinery & Infrastructure Projects,” “Chemical,” “Energy,” “Foods & Retail,” and “Lifestyle, Consumer Service and Information, Electronics & Telecommunication,” while providing general services for retailing, information and communications, technical support, transportation and logistics and financing.

Further, the companies are also engaged in development of natural resources such as oil and gas, and iron and steel raw materials.

In addition to the above, the companies are engaged in strategic business investments in new areas such as information technology, biotechnology and nanotechnology.

2. BASIS OF FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

I. BASIS OF FINANCIAL STATEMENTS

The accompanying consolidated financial statements are stated in Japanese yen, the currency of the country in which Mitsui & Co., Ltd. (the “Company”) is incorporated and principally operates. The translation of Japanese yen amounts into U.S. dollar amounts for the year ended March 31, 2007 is included solely for the convenience of readers outside Japan and has been made at the rate of ¥118=U.S.\$1, the approximate rate of exchange at March 31, 2007. The translation should not be construed as a representation that the Japanese yen amounts could be converted into U.S. dollars at the above or any other rate.

The accompanying consolidated financial statements have been prepared on the basis of accounting principles generally accepted in the United States of America (“U.S. GAAP”). Effect has been given in the consolidated financial statements to adjustments which have not been entered in the companies’ general books of account maintained principally in accordance with accounting practices prevailing in the countries of incorporation. Major adjustments include those relating to accounting for derivative instruments and hedging activities, recognition of expected losses on purchase and sale commitments, accounting for certain investments including non-monetary exchange of investments, accounting for warrants, accounting for pension costs and severance indemnities, recognition of installment sales on the accrual basis of accounting, accounting for business combinations, accounting for goodwill and other intangible assets, accounting for asset retirement obligations, accounting for consolidation of variable interest entities, accounting for leasing and accounting for stock issuance costs.

Total trading transactions, as presented in the accompanying Statements of Consolidated Income, are a voluntary disclosure as permitted by Financial Accounting Standards Board (“FASB”) Emerging Issues Task Force Issue (“EITF”) No. 99-19, “Reporting Revenue Gross as a Principal versus Net as an Agent,” and represent the gross transaction volume or the aggregate nominal value of the sales contracts in which the companies act as principal and transactions in which the companies serve as agent. Total trading transactions should not be construed as equivalent to, or a substitute or a proxy for, revenues, or as an indicator of the companies’ operating performance, liquidity or cash flows generated by operating, investing or financing activities. The companies

Notes to Consolidated Financial Statements—(Continued)

Mitsui & Co., Ltd. and subsidiaries

have included the gross transaction volume information because similar Japanese trading companies have generally used it as an industry benchmark. As such, management believes that total trading transactions are a useful supplement to the results of operations information for users of the consolidated financial statements.

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation

The consolidated financial statements include the accounts of the Company, its majority-owned domestic and foreign subsidiaries, the variable interest entities (“VIEs”) where the Company or one of its subsidiaries is a primary beneficiary, and its proportionate shares of the assets, liabilities, revenues and expenses of certain of its oil and gas producing, and mining unincorporated joint ventures in which the companies own an undivided interest in the assets, and pursuant to the joint venture agreements, are severally liable for their share of each liability. The VIEs are defined by FASB Interpretation (“FIN”) No. 46, “Consolidation of Variable Interest Entities (revised December 2003)—an Interpretation of ARB No. 51” (“FIN No. 46R”). The unincorporated joint ventures proportionately consolidated in accordance with EITF No. 00-1, “Investor Balance Sheet and Income Statement Display under the Equity Method for Investments in Certain Partnerships and Other Ventures,” by the companies include but are not limited to Main Pass Block 61 J/V (50%), WA-28-L J/V (40%), Block 9 J/V (35%), Robe River Iron Associates J/V (33%), Capricorn Coal Development J/V (30%) and Dawson J/V (49%).

The difference between the cost of investments in VIEs which are not a business and the equity in the fair value of the net assets at the date of acquisition is accounted for as an extraordinary gain or loss while the excess of the cost of investments in other subsidiaries over the equity in the fair value of the net assets at the dates of acquisition is accounted for as goodwill.

Certain subsidiaries with a fiscal year-end on or after December 31, but prior to the parent company’s fiscal year-end of March 31, are included on the basis of the subsidiaries’ respective fiscal year-ends.

Foreign currency translation

Foreign currency financial statements have been translated in accordance with Statement of Financial Accounting Standards (“SFAS”) No. 52, “Foreign Currency Translation.” Pursuant to this statement, the assets and liabilities of foreign subsidiaries and associated companies are translated into Japanese yen at the respective year-end exchange rates. All income and expense accounts are translated at average rates of exchange. The resulting translation adjustments are included in accumulated other comprehensive income (loss).

Monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at year-end exchange rates with the resulting gains and losses recognized in earnings.

Cash equivalents

Cash equivalents are defined as short-term (original maturities of three months or less), highly liquid investments which are readily convertible into cash and have no significant risk of change in value including certificates of deposit, time deposits, financing bills and commercial papers with original maturities of three months or less.

Allowance for doubtful receivables

In accordance with SFAS No. 114, “Accounting by Creditors for Impairment of a Loan—an amendment of FASB Statements No. 5 and 15,” an impairment loss for a specific loan deemed to be impaired is measured based on the present value of expected cash flows discounted at the loan’s original effective interest rate or the fair value of the collateral if the loan is collateral dependent.

Notes to Consolidated Financial Statements—(Continued)

Mitsui & Co., Ltd. and subsidiaries

An allowance for doubtful receivables is recorded for all receivables not subject to the accounting requirement of SFAS No. 114 based primarily upon the companies' credit loss experiences and an evaluation of potential losses in the receivables.

Inventories

Inventories, consisting mainly of commodities and materials for resale, are stated at the lower of cost, principally on the specific-identification basis, or market.

Derivative instruments and hedging activities

In accordance with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities—an amendment of FASB Statement No. 133," and SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities," 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 companies enter into derivative commodity instruments, such as future, forward, option and swap contracts, as a means of hedging the exposure to changes in the fair value of inventories and unrecognized firm commitments and the exposure to variability in the expected future cash flows from forecasted transactions, principally for non-ferrous metals, crude oil and agricultural products.

Changes in the fair value of derivative commodity instruments, designated and effective as fair value hedges, are recognized in sales of products or cost of products sold as offsets to changes in the fair value of the hedged items. Changes in the fair value of derivative commodity instruments, designated and effective as cash flow hedges, are initially recorded as other comprehensive income and reclassified into earnings as sales of products or cost of products sold when the hedged transactions affect earnings. Changes in the fair value of the ineffective portion are recognized in sales of products or cost of products sold immediately.

Changes in the fair value of derivative commodity instruments, for which hedge requirements are not met under SFAS No. 133, are currently recognized in sales of products or cost of products sold without any offsetting changes in the fair value of the hedged items.

The Company and certain subsidiaries also enter into agreements for derivative commodity instruments as a part of their trading activities. These derivative instruments are marked to market and gains or losses resulting from these contracts are reported in other sales.

Changes in the fair value of all open positions of precious metals traded in terminal (future) markets are recognized in other sales in order to reflect the fair value of commodity trading transactions consisting of inventories, unrecognized firm commitments and derivative commodity instruments as a whole.

The companies enter into derivative financial instruments such as interest rate swap agreements, foreign exchange forward contracts, currency swap agreements, and interest rate and currency swap agreements as a means of hedging their interest rate and foreign exchange exposure.

Changes in the fair value of interest rate swap agreements, designated and effective as fair value hedges for changes in the fair value of fixed-rate financial assets or liabilities attributable to changes in the designated benchmark interest rate, are recognized in interest income and expense as offsets to changes in the fair value of

Notes to Consolidated Financial Statements—(Continued)

Mitsui & Co., Ltd. and subsidiaries

hedged items. Changes in the fair value of interest rate swap agreements, designated and effective as cash flow hedges for changes in the cash flows of floating-rate financial assets or liabilities attributable to changes in the designated benchmark interest rate, are initially recorded in other comprehensive income and reclassified into earnings as interest income and expense when the hedged transactions affect earnings. Changes in the fair value of the ineffective portion are recognized in interest income and expense immediately.

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

Changes in the fair value of interest rate and currency swap agreements, designated and effective as fair value hedges or cash flow hedges for changes in the fair values or cash flows of foreign-currency-denominated assets or liabilities attributable to changes in the designated benchmark interest rate or the related foreign currency exchange rate are recorded as either earnings or other comprehensive income depending on the treatment of foreign currency hedges as fair value hedges or cash flow hedges.

Changes in the fair value of derivative financial instruments, for which hedge requirements are not met under SFAS No. 133, are currently recognized in interest income and expense for interest rate swap agreements and in foreign exchange gains or losses for foreign exchange forward contracts, currency swap agreements and interest rate and currency swap agreements.

The Company and certain subsidiaries also enter into agreements for certain derivative financial instruments as a part of their trading activities. These derivative instruments are marked to market and the related gains or losses are reported in other sales.

The companies use derivative instruments and non-derivative financial instruments in order to reduce the foreign currency exposure in the net investment in a foreign operation. The foreign currency transaction gains or losses on these instruments, designated as and effective as hedging instruments, are deferred and recorded as foreign currency translation adjustments within other comprehensive income to the extent they are effective as hedge. These amounts are only recognized in income upon the complete or partial sale of the related investment or the complete liquidation of the investment.

For the Statements of Consolidated Cash Flows, cash flows from derivative commodity instruments and derivative financial instruments that qualify for hedge accounting are included in the same category as the items being hedged.

Debt and marketable equity securities

The companies classify debt and marketable equity securities, at acquisition, into one of three categories: held-to-maturity, available-for-sale or trading under provisions of SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities."

Trading securities are carried at fair value and unrealized holding gains and losses are included in earnings.

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

Notes to Consolidated Financial Statements—(Continued)

Mitsui & Co., Ltd. and subsidiaries

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

For other than a temporary decline in the value of debt and marketable equity securities below their cost or amortized cost, the investment is reduced to its fair value, which becomes the new cost basis of the investment. The amount of the reduction is reported as a loss for the year in which such determination is made. Various factors, such as the extent which the cost exceeds the market value, the duration of the market decline, the financial condition and near-term prospects of the issuer, and the intent and ability to retain the investment for a period of time sufficient to allow for any anticipated recovery in market value, are reviewed to judge whether the decline is other than temporary.

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

Non-marketable equity securities

Non-marketable equity securities are carried at cost. When other than a temporary decline in the value of such securities below their cost occurs, the investment is reduced to its fair value and an impairment loss is recognized. Various factors, such as the financial condition and near-term prospects of the issuer, are reviewed to judge whether it is other than temporary.

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

Investments in associated companies

Investments in associated companies (20% to 50%-owned corporate investees, corporate joint ventures, and less than 20%-owned corporate investees over which the companies have the ability to exercise significant influence) and noncontrolling investments in general partnerships, limited partnerships and limited liability companies are accounted for under the equity method, after appropriate adjustments for intercompany profits and dividends. The differences between the cost of such investments and the companies' equity in the underlying fair value of the net assets of associated companies at the dates of acquisition are recognized as equity method goodwill.

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

Leasing

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

The companies are also lessees of various assets. Rental expenses on operating leases are recognized over the respective lease terms using the straight-line method.

Notes to Consolidated Financial Statements—(Continued)

Mitsui & Co., Ltd. and subsidiaries

Property and equipment

Property and equipment are stated at cost.

Depreciation of property and equipment (including property leased to others) is computed principally under the declining-balance method for assets located in Japan and under the straight-line method for assets located outside Japan, using rates based upon the estimated useful lives of the related property and equipment. The estimated useful lives for buildings, equipment and fixtures, and vessels are primarily 8 to 65 years, 2 to 30 years, and 8 to 20 years, respectively. Mineral rights are amortized over their respective estimated useful lives, which are 7 to 20 years, using the straight-line method or the unit-of-production method.

Leasehold improvements are amortized over the lesser of the useful life of the improvement or the term of the underlying lease.

Significant renewals and additions are capitalized at cost. Maintenance and repairs, and minor renewals and betterments are charged to expense as incurred.

Impairment of long-lived assets

In accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," long-lived assets to be held and used or to be disposed of other than by sale are reviewed, by using undiscounted future cash flows, for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If the sum of the expected future cash flows is less than the carrying amount of the asset, an impairment loss is recognized. Such impairment loss is measured as the amount by which the carrying amount of the asset exceeds its fair value. Long-lived assets to be disposed of by sale are reported at the lower of carrying amount or fair value less cost to sell.

Business combinations

In accordance with SFAS No. 141, "Business Combinations," the purchase method of accounting is used for all business combinations. The companies separately recognize and report acquired intangible assets as goodwill or other intangible assets. Any excess of fair value of acquired net assets over cost arising from a business combination is allocated as a pro rata reduction of the amounts that otherwise would have been assigned to certain acquired assets and the remaining excess is immediately recognized as an extraordinary gain.

Goodwill and other intangible assets

In accordance with SFAS No. 142, "Goodwill and Other Intangible Assets," goodwill is not amortized but tested for impairment annually or more frequently if impairment indicators arise. Identifiable intangible assets with a finite useful life are amortized over their respective estimated useful lives and reviewed for impairment in accordance with SFAS No. 144. Any identifiable intangible asset determined to have an indefinite useful life is not amortized, but instead tested for impairment in accordance with SFAS No. 142 until its useful life is determined to be no longer indefinite.

Equity method goodwill is reviewed for impairment as a part of other than a temporary decline in the value of investments in associated companies below the carrying amount in accordance with Accounting Principles Board ("APB") Opinion No. 18, "The Equity Method of Accounting for Investments in Common Stock."

Intangible assets subject to amortization consist primarily of software, customer relationships, trademarks and patents which are amortized over their respective estimated useful lives using the straight-line method. The estimated useful lives for software, customer relationships, trademarks and patents are 3 to 5 years, 10 to 30 years, 5 to 10 years and 5 years, respectively. Intangible assets not subject to amortization mainly consist of land rights and trademarks.

Notes to Consolidated Financial Statements—(Continued)

Mitsui & Co., Ltd. and subsidiaries

Oil and gas producing activities

Oil and gas exploration and development costs are accounted for using the successful efforts method of accounting. The costs of acquiring properties, costs of drilling and equipping exploratory wells, and costs of development wells and related plant and equipment are capitalized, and amortized using the unit-of-production method. Exploratory well costs are expensed, if economically recoverable reserves are not found. Other exploration costs, such as geological and geophysical costs, are expensed as incurred.

In accordance with SFAS No. 144, proved properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. If the proved properties are determined to be impaired, an impairment loss is recognized based on the fair value. Unproven properties are assessed annually for impairment in accordance with the guidance in SFAS No. 19, "Financial Accounting and Reporting by Oil and Gas Producing Companies," with any impairment charged to expense. The companies' policy is to consider the unproved properties not impaired if the estimated reserves of those properties can be established to be economically viable. Economically viable means that they may be developed in such a way that it is probable that over their project lives they will generate, at a minimum, zero net cash flow on an undiscounted pre-tax basis, based on current prices. For the purpose of this test, the current price is the price at the end of the period for which the review is conducted for the reserves concerned.

Mining operations

Mining exploration costs are expensed as incurred until the mining project has been established as commercially viable by a final feasibility study. Once established as commercially viable, costs are capitalized as development costs and are amortized using the unit-of-production method or straight-line method based on the proven and probable reserves.

In open pit mining operations, it is necessary to remove overburden and other waste materials to access mineral deposits. The costs of removing waste materials are referred to as "stripping costs." During the development of a mine, before production commences, such costs are generally capitalized as part of the development costs. Removal of waste materials continues during the production stage of the mine. Such post-production stripping costs are variable production costs to be considered a component of mineral inventory costs and are recognized as a component of costs of products sold in the same period as the related revenues from the sales of the minerals. Depending on the configuration of the mineral deposits, the post-production stripping costs could lead to a lower of cost or market inventory adjustment.

Asset retirement obligations

In accordance with SFAS No. 143, "Accounting for Asset Retirement Obligations," the companies record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the companies capitalize the related cost by increasing the carrying amount of the long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset.

Pension and severance indemnities plans

The companies have pension plans and/or severance indemnities plans covering substantially all employees other than directors. The costs of the pension plans and severance indemnities plans are accrued based on amounts determined using actuarial methods, in accordance with SFAS No. 87, "Employers' Accounting for Pensions," and SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans—an amendment of FASB Statements No. 87, 88, 106, and 132(R)."

Notes to Consolidated Financial Statements—(Continued)

Mitsui & Co., Ltd. and subsidiaries

Guarantees

In accordance with FIN No. 45, “Guarantor’s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others—an Interpretation of FASB Statements No. 5, 57 and 107 and rescission of FASB Interpretation No. 34,” the companies recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken for the guarantee.

Revenue recognition

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

Sales of products

Sales of products include the sales of various products as a principal in the transactions, the manufacture and sale of a wide variety of products such as metals, chemicals, foods and general consumer merchandise, the development of natural resources such as coal, iron ore, oil and gas, and the development and sale of real estate. The companies recognize those revenues at the time the delivery conditions agreed with customers are met. These conditions are usually considered to have been met when the goods are received by the customer, the title to the warehouse receipts is transferred, or the implementation testing is duly completed.

For long-term construction contracts such as railroad projects, depending on the nature of the contract, revenues are accounted for by the percentage-of-completion method if estimates of costs to complete and extent of progress toward completion of long-term contracts are reasonably dependable, otherwise the companies use the completed contract method.

The Company and certain subsidiaries enter into buy/sell arrangements, mainly relating to transactions of crude oil and petroleum products. Under buy/sell arrangements, which are entered into primarily to optimize supply or demand requirements, the Company and certain subsidiaries agree to buy (sell) a specific quality and quantity of commodities to be delivered at a specific location and/or time while agreeing to sell (buy) the same quality and quantity of the commodities at a different location and/or time to the same counterparty. The buy/sell arrangements are reported on a net basis in the Statements of Consolidated Income.

Sales of services

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

Other sales

Other sales principally include the revenues from leasing activities of real estate, rolling stock, ocean transport vessels, aircraft, equipment and others, the revenues from derivative commodity instruments and

Notes to Consolidated Financial Statements—(Continued)

Mitsui & Co., Ltd. and subsidiaries

derivative financial instruments held for trading purposes, and the revenues from external consumer financing. See accounting policies for leasing and derivative instruments and hedging activities for the revenue recognition policies regarding leasing and derivative transactions, respectively.

Research and development expenses

Research and development costs are charged to expenses when incurred.

Advertising expenses

Advertising costs are charged to expenses when incurred.

Issuance of stock by subsidiaries and associated companies

A subsidiary or an associated company may issue its shares to third parties at amounts per share in excess of or less than the Company's average per share carrying value. With respect to such transactions, the resulting gains or losses arising from the change in equity interest are recorded in income for the year in which such shares are issued.

Income taxes

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

Net income per share

Basic net income per share is computed by dividing net income by the weighted-average number of common shares outstanding for the period. Diluted net income per share reflects the potential dilution as a result of issuance of shares upon conversion of the companies' convertible bonds.

III. RECLASSIFICATION

Certain reclassifications and format changes have been made to prior year amounts to conform to the current year presentation.

IV. NEW ACCOUNTING STANDARDS

Inventory costs

During the year ended March 31, 2007, the companies adopted SFAS No. 151, "Inventory Costs—an amendment of ARB No. 43, Chapter 4."

SFAS No. 151 requires that abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage) should be recognized as current-period charges. In addition, SFAS No. 151 requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities.

The effect of adoption of this statement on the companies' financial position and results of operations was immaterial.

Notes to Consolidated Financial Statements—(Continued)

Mitsui & Co., Ltd. and subsidiaries

Share-based payment

During the year ended March 31, 2007, the companies adopted SFAS No. 123 (revised 2004), “Share-Based Payment” (“SFAS No. 123R”). SFAS No. 123R requires the compensation cost from share-based payment transactions to be recognized in the financial statements. The amount of the compensation cost is measured based on the grant-date fair value of the equity instruments issued or the liabilities incurred. In addition, the award of liability instruments will be remeasured at the end of each reporting period. The compensation cost is recognized over the requisite service period.

The effect of adoption of this statement on the companies’ financial position and results of operations was immaterial.

Accounting for stripping costs incurred during production in the mining industry

During the year ended March 31, 2007, the companies adopted EITF No. 04-6, “Accounting for Stripping Costs Incurred during Production in the Mining Industry.”

EITF No. 04-6 requires that stripping costs incurred during the production stage of the mine be accounted for as variable production costs that should be considered a component of mineral inventory costs and recognized as a component of costs of sales in the same period as the revenue from the sale of the inventory.

The effect of adoption of this consensus on the companies’ financial position and results of operations was immaterial.

Accounting for purchases and sales of inventory with the same counterparty

During the year ended March 31, 2007, the companies adopted EITF No. 04-13, “Accounting for Purchases and Sales of Inventory with the Same Counterparty.”

EITF No. 04-13 requires that two or more inventory purchase and sales transactions with the same counterparty that are entered into in contemplation of one another should be combined for purposes of applying APB Opinion No. 29, “Accounting for Nonmonetary Transactions.” EITF No. 04-13 also requires that all nonmonetary exchanges of inventory within the same line of business other than those whereby an entity transfers finished goods inventory in exchange for the receipt of raw materials or work-in-process inventory should be recognized at the carrying amount of the inventory transferred.

The effect of adoption of this consensus on the companies’ financial position and results of operations was immaterial.

Quantifying financial misstatements

During the year ended March 31, 2007, the companies adopted the SEC Staff Accounting Bulletin (“SAB”) No. 108, “Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements.”

SAB No. 108 expresses the staff’s view regarding the process of quantifying financial statement misstatements and provides interpretive guidance for correcting prior year misstatements.

The effect of adoption of this statement on the companies’ financial position and results of operations was immaterial.

Employers’ accounting for defined benefit pension and other postretirement plans

In September 2006, the FASB issued SFAS No. 158, “Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans—an amendment of FASB Statements No. 87, 88, 106 and 132(R).”

Notes to Consolidated Financial Statements—(Continued)

Mitsui & Co., Ltd. and subsidiaries

SFAS No. 158 requires the recognition of the overfunded or underfunded status of a defined benefit pension plan as an asset or liability in the statement of financial position and the recognition of changes in that funded status in comprehensive income in the year in which the changes occur. SFAS No. 158 also requires an entity to measure the funded status of a plan as of the date of an entity's year-end statement of financial position, with limited exceptions.

During the year ended March 31, 2007, the companies adopted the recognition and related disclosure provisions of this statement. See Note 14, "PENSION COSTS AND SEVERANCE INDEMNITIES," for the effect of adoption of these provisions.

The measurement date provisions are effective for fiscal years ending after December 15, 2008. The effect of adoption of these provisions on the companies' financial position and results of operations will be immaterial.

Accounting for certain hybrid financial instruments

In February 2006, the FASB issued SFAS No. 155, "Accounting for Certain Hybrid Financial Instruments—an amendment of FASB Statements No. 133 and 140."

One of the amendments to SFAS No. 133 and SFAS No. 140 is that SFAS No. 155 permits an entity to elect fair value remeasurement for any hybrid financial instrument in its entirety with changes in fair value recognized in earnings, in which the hybrid financial instrument contains an embedded derivative that otherwise would require bifurcation.

SFAS No. 155 is effective for all financial instruments acquired, issued, or subject to a remeasurement event occurring after the beginning of an entity's first fiscal year that begins after September 15, 2006. The effect of adoption of this statement on the companies' financial position and results of operations will be immaterial.

Accounting for servicing of financial assets

In March 2006, the FASB issued SFAS No. 156, "Accounting for Servicing of Financial Assets—an amendment of FASB Statement No. 140."

SFAS No. 156 requires all separately recognized servicing assets and servicing liabilities to be initially measured at fair value, if practicable, and permits an entity to choose either the amortization method or the fair value measurement method for subsequent measurement of each class of separately recognized servicing assets and servicing liabilities.

SFAS No. 156 is effective as of the beginning of an entity's first fiscal year that begins after September 15, 2006. The effect of adoption of this statement on the companies' financial position and results of operations will be immaterial.

Fair value measurements

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements."

SFAS No. 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and the interim period within those fiscal years. The effect of adoption of this statement on the companies' financial position and results of operations will be immaterial.

Accounting for uncertainty in income taxes

In June 2006, the FASB issued FIN No. 48, "Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109."

Notes to Consolidated Financial Statements—(Continued)

Mitsui & Co., Ltd. and subsidiaries

FIN No. 48 clarifies the accounting for uncertainty in income taxes recognized in financial statements in accordance with SFAS No. 109, “Accounting for Income Taxes,” and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of all tax positions accounted for in accordance with SFAS No. 109.

FIN No. 48 is effective for fiscal years beginning after December 15, 2006. The effect of adoption of this interpretation on the companies’ financial position and results of operations is expected to be immaterial.

Fair value option

In February 2007, the FASB issued SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities—including an amendment of FASB Statement No. 115.”

SFAS No. 159 permits an entity to choose, at specified election dates, to measure eligible financial assets and liabilities at fair value. An entity will report unrealized gains and losses on items for which the fair value option has been elected in earnings.

SFAS No. 159 is effective as of the beginning of an entity’s first fiscal year that begins after November 15, 2007. The effect of adoption of this statement on the companies’ financial position and results of operations is not currently known and cannot be reasonably estimated until further analysis is completed.

V. USE OF ESTIMATES IN THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. BUSINESS COMBINATIONS

For the year ended March 31, 2007

The following are the primary business combinations, which were completed during the year ended March 31, 2007.

Gas Participacoes Ltda.

On October 31, 2005, the Company entered into a Share Purchase Agreement with Global Petroleum & Gas Industry, LLC to acquire all the outstanding shares of Gas Participacoes Ltda. (“Gaspert”) for about ¥18,648 million (\$159 million). After satisfying the closing conditions, the Company closed the acquisition process on April 20, 2006. Gaspert was renamed Mitsui Gas e Energia do Brasil on October 16, 2006. Gaspert is a holding company of six local distribution companies (“LDC”), four in northeast and two in southeast Brazil, which have had a concession agreement with each state government to provide natural gas distribution on an exclusive basis in each state for 30 to 50 years. Gaspert’s share in each LDC is from 23.0% to 24.5% in voting share base. Each LDC begun operations between 1992 and 1994 and mainly distributes to general industry and natural gas stations.

In Brazil, the gas industry and civilian gas use are still immature. Therefore, growth in demand is expected in the future. Coherent effort into gas business from upstream to downstream, such as entry into gas field development projects, liquefied natural gas (“LNG”) terminal projects, pipeline projects and electricity generation projects, is one of the main pillars of the infrastructure area, in which the Company intends to invest with emphasis. This acquisition is consistent with the companies’ core strategy.

Notes to Consolidated Financial Statements—(Continued)

Mitsui & Co., Ltd. and subsidiaries

The consolidated financial statements for the year ended March 31, 2007 include the operating results of Gaspart as a subsidiary from the closing date of the acquisition.

The purchase price was determined based on the expected future cash flows Gaspart will generate.

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

	<u>Millions of Yen</u>
Current assets	¥ 1,983
Investments and other assets	19,638
Total assets acquired	<u>21,621</u>
Current liabilities	(500)
Long-term liabilities	<u>(2,473)</u>
Total liabilities assumed	<u>(2,973)</u>
Net assets acquired	<u>¥18,648</u>

Pro forma results of operations for the above business combination have not been presented because the effects were not material to the consolidated financial statements.

Salt Asia Holdings Pty. Ltd.

On May 31, 2006, the Company entered into an agreement with Akzo Nobel Chemicals International BV (“Akzo Nobel”) to purchase Akzo Nobel’s investment in Salt Asia Holdings Pty. Ltd. (“Salt Asia,” a 94.2% owned subsidiary of Akzo Nobel). After satisfying the closing conditions, the Company completed the acquisition process on July 31, 2006. The total amount paid for the acquisition was approximately ¥8,044 million (A\$ 91 million). Salt Asia is the holdings company which has 92.7% ownership of voting shares of Onslow Salt Pty. Ltd. (“Onslow”), which operates a solar marine salt field in western Australia. Onslow started delivery in May 2001 and supplies solar marine salt to the chlor-alkali industry.

The biggest application for salt from Onslow is as a raw material in the chlor-alkali industry. With rapidly rising demand from China putting pressure on supply-demand balance, the Company intends to supply salt for use by this industry in Asian countries including Japan. In February 2005, the Company also acquired the parent of Shark Bay Salt Joint Venture, operating Shark Bay solar marine salt field in western Australia. On completion of the Onslow acquisition, the Company will therefore have management control of a total annual salt production capacity of 3.8 million tons. The Company intends to take an efficient, unified management approach to the two salt fields, strengthening its position as a stable, comprehensive supplier of salt to the chlor-alkali industry and food manufacturing industry and actively developing its salt business operations.

The purchase price was determined based on the expected future cash flows Salt Asia will generate. The consolidated financial statements include the operating results of Salt Asia as a subsidiary from the date of acquisition.

In connection with this acquisition, ¥1,143 million was assigned to goodwill. The goodwill is non-deductible for tax purposes and has been assigned to the Chemical Segment.

Notes to Consolidated Financial Statements—(Continued)

Mitsui & Co., Ltd. and subsidiaries

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

	<u>Millions of Yen</u>
Current assets	¥ 3,183
Property and equipment	10,519
Intangible assets	1,143
Investments and other assets	654
Total assets acquired	<u>15,499</u>
Current liabilities	(655)
Long-term liabilities	(6,001)
Minority interest	(799)
Total liabilities assumed and minority interest	<u>(7,455)</u>
Net assets acquired	<u>¥ 8,044</u>

Pro forma results of operations for the above business combination have not been presented because the effects were not material to the consolidated financial statements.

Dispolok GmbH

On September 29, 2006, the Company and Mitsui & Co. Europe Plc., a wholly owned subsidiary of the Company, agreed with Siemens AG (“Siemens”) to purchase 100% of the ownership interests of Siemens Dispolok GmbH (“Dispolok,” which was renamed Dispolok GmbH after the acquisition) for ¥15,630 million. The acquisition was completed on October 4, 2006, after obtaining the approvals of the German Federal Cartel Office. Dispolok engaged in the leasing of locomotives manufactured by Siemens and provided the maintenance services in Europe.

In Europe, the locomotive leasing market is growing rapidly under the influence of the railway liberalization policy executed by the EU; and, to enter the market, the companies established Mitsui Rail Capital Europe B.V. in October 2004, and have been expanding the companies’ market share in stages. By acquiring Dispolok, the companies are able to expand the number of locomotive fleets owned, and complement the current portfolio of the locomotives leasing business in functions, models and areas. The acquisition is expected to contribute to the companies’ business performance by maintaining the superiority as a leasing company which also provides maintenance service for lessees. The companies positioned the infrastructure business as one of core business fields and this acquisition is consistent with the companies’ strategy.

The consolidated financial statements for the year ended March 31, 2007 included the operating results of Dispolok from the date of the acquisition.

The purchase price was determined based on the expected future cash flows Dispolok will generate. The excess of the purchase price over the fair value of net assets of Dispolok was recorded as goodwill. The primary factors that contributed to the determination of the purchase price that caused the recognition of goodwill include the following: (1) the superiority of Dispolok’s economic scale and the facility to offer locomotives for rental with maintenance service, (2) the expansion of the companies’ market share, and (3) the synergies that might be achieved from regional complementation of the companies’ present locomotives and Dispolok’s ones.

In connection with this acquisition, ¥5,041 million, ¥270 million and ¥8,232 million were assigned to intangible assets subject to amortization, intangible assets not subject to amortization, and goodwill, respectively.

Notes to Consolidated Financial Statements—(Continued)

Mitsui & Co., Ltd. and subsidiaries

The intangible assets subject to amortization consist primarily of customer relationship of ¥4,966 million with an amortization period of 12 years. The goodwill is not deductible for tax purpose and has been assigned to Machinery & Infrastructure Projects Segment.

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

	<u>Millions of Yen</u>
Current assets	¥ 4,266
Property and equipment	2,408
Intangible assets	<u>13,556</u>
Total assets acquired	<u>20,230</u>
Current liabilities	<u>(4,600)</u>
Total liabilities assumed	<u>(4,600)</u>
Net assets acquired	<u>¥15,630</u>

Pro forma results of operations for the above business combination have not been presented because the effects were not material to the consolidated financial statements.

SunWize Technologies, Inc.

On October 26, 2006, SunWize Technologies, Inc., owned 20% by the Company and 80% by Mitsui & Co. (U.S.A.), Inc. (“Mitsui USA,” a wholly owned subsidiary of the Company), agreed with SunWize Technologies, LLC (“SunWize”) to take over its solar power business by acquiring substantially all of the assets used in the business for U.S.\$84.0 million (¥9,887 million). After the regulatory review, the acquisition was completed on November 30, 2006. SunWize is a solar technology company which specializes in the design and manufacture of integrated solar power systems, the development of related projects and product distribution for the systems. SunWize offers a wide range of photovoltaic power solutions, such as a supply of preassembled parts and custom-engineered systems and manufacturing of special solar modules for battery-operated products. SunWize provides the goods and services to manufacturing, commercial, government and residential customers.

The market for solar power energy in the U.S. is expected to increase into the foreseeable future. By acquiring SunWize’s business, the companies, which had been selling solar electric modules to customers through SunWize, have established a vertically integrated business structure reaching from procurement of the products to distribution through SunWize’s dealer network. The companies believe that the acquisition will contribute to the companies’ performance in this developing market. This acquisition, with an established client base throughout the U.S., is consistent with the companies’ core strategy of making strategic investments in consumer businesses.

The consolidated financial statements for the year ended March 31, 2007 include the operating results of SunWize from the date of acquisition.

The purchase price was determined based on the expected future cash flows SunWize will generate. The excess of the purchase price over the fair value of net assets acquired was recorded as goodwill. The significant factors that contributed to the determination of the purchase price that resulted in the recognition of goodwill are mainly due to the synergies that might be achieved from cooperation with the companies, such as product procurement.

Notes to Consolidated Financial Statements—(Continued)

Mitsui & Co., Ltd. and subsidiaries

In connection with this acquisition, ¥1,974 million and ¥6,249 million were assigned to intangible assets subject to amortization and goodwill, respectively. The intangible assets subject to amortization consist primarily of customer relationship of ¥1,621 million with an amortization period of 15 years. The goodwill is deductible for tax purpose and has been assigned to the Americas Segment.

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

	<u>Millions of Yen</u>
Current assets	¥ 2,453
Property and equipment	308
Intangible assets	8,223
Total assets acquired	<u>10,984</u>
Current liabilities	<u>(1,097)</u>
Total liabilities assumed	<u>(1,097)</u>
Net assets acquired	<u>¥ 9,887</u>

Pro forma results of operations for the above business combination have not been presented because the effects were not material to the consolidated financial statements.

Mitsui Oil Exploration Co., Ltd.

The Company acquired an additional 3.0% interest in Mitsui Oil Exploration Co., Ltd. (“MOECO”) for ¥6,240 million from Mitsui Engineering & Shipping Co., Ltd. (an unrelated party) on March 28, 2007. The carrying value of the Company’s equity investment in MOECO immediately before the acquisition was ¥107,892 million. As a result of the Company increasing its ownership of voting shares of MOECO to 50.3%, MOECO became a subsidiary of the Company.

MOECO is actively engaged in several oil and natural gas exploration, development and production projects in Thailand and its neighboring Southeast Asian countries as well as the Middle East. At the end of March 2007, MOECO’s share of daily production amounted to an equivalent of approximately 93,000 barrels of oil. The Company positions its energy business as a significant strategic business sector and continues to strengthen its revenue base by acquiring new oil and natural gas assets and replacing its reserves. The Company’s acquisition of the MOECO shares is part of the Company’s corporate strategy, which enables the companies to position MOECO as one of the core units of its energy upstream business, and to sustain its competitiveness under the current fierce global competition for acquiring oil and gas upstream assets. A closer relationship with MOECO allows the Company to obtain a wider variety of options for expanding its upstream business by adding the Southeast Asia region to its current portfolio of the upstream assets in addition to Middle East, Sakhalin and Oceania areas, as well as strengthening companies’ oil and gas exploration activities. This acquisition of MOECO is consistent with the companies’ core strategy.

The purchase price was determined based on the net assets of MOECO. The consolidated financial statements for the year ended March 31, 2007 include the operating result of MOECO as a subsidiary from the date of acquisition.

Notes to Consolidated Financial Statements—(Continued)

Mitsui & Co., Ltd. and subsidiaries

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

	<u>Millions of Yen</u>
Current assets	¥ 72,677
Property and equipment	50,132
Intangible assets	2,587
Investments and other assets	250,302
Total assets acquired	<u>375,698</u>
Current liabilities	(53,397)
Long-term liabilities	(92,834)
Minority interest	(115,335)
Total liabilities assumed and minority interest	<u>(261,566)</u>
Net assets acquired	<u>¥ 114,132</u>

Pro forma results of operations for the above business combination have not been presented because the effects were not material to the consolidated financial statements.

For the year ended March 31, 2006

The business combinations which were completed during the year ended March 31, 2006 were immaterial.

For the year ended March 31, 2005

The following are the primary business combinations, which were completed during the year ended March 31, 2005.

Cornerstone Nutritional Labs, LLC

On December 21, 2004, CornerStone Research & Development, Inc., a wholly owned subsidiary of Mitsui USA agreed with Cornerstone Nutritional Labs, LLC (“Cornerstone”) to take over its nutraceutical business by acquiring substantially all of the assets used in the business for U.S. \$84.5 million. Cornerstone covers every aspect of nutraceutical production including raw material sourcing, blending, encapsulation and packaging in addition to new product development, and sells its products to wholesalers mainly throughout the United States and Canada.

Demand for nutraceuticals in the U.S. market, which is one of the largest supplements markets in the world, has been continuously growing. By acquiring Cornerstone’s business through Mitsui USA, which had sold raw materials for supplements to Cornerstone, the companies have established a vertically integrated business structure from raw material sourcing to manufacturing end products and believe the acquisition will contribute to the companies’ business performance. This acquisition is consistent with the companies’ core strategy, which places strategic investments in the medical and healthcare field.

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

The purchase price was determined based on expected future cash flows Cornerstone will generate. The excess of the purchase price over the fair value of net assets acquired was recorded as goodwill. The significant

Notes to Consolidated Financial Statements—(Continued)

Mitsui & Co., Ltd. and subsidiaries

factors that contributed to the determination of the purchase price that resulted in the recognition of goodwill include the following: (1) the growth potential of Cornerstone's supplements business due to increased demand by major supplement makers to contract manufacturers including Cornerstone to provide every aspect of nutraceutical production and (2) the synergies that might be achieved from combining the operations with the Company and Mitsui USA's supplements businesses.

In connection with this acquisition, ¥4,395 million and ¥3,490 million were assigned to intangible assets subject to amortization and goodwill, respectively. The intangible assets subject to amortization consist primarily of customer relationships of ¥4,093 million with an amortization period of ten years. The goodwill is deductible for tax purposes and has been assigned to the Americas Segment.

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

	<u>Millions of Yen</u>
Current assets	¥ 2,174
Property and equipment	209
Intangible assets	7,885
Total assets acquired	<u>10,268</u>
Current liabilities	<u>(1,414)</u>
Total liabilities assumed	<u>(1,414)</u>
Net assets acquired	<u>¥ 8,854</u>

Pro forma results of operations for the above business combination have not been presented because the effects were not material to the consolidated financial statements.

NextCom K.K.

BSI Co., Ltd. ("BSI," a wholly owned subsidiary of the Company), ADAM NET Ltd. ("ADAM NET," a 92.3% owned subsidiary of the Company) and NextCom K.K. ("NextCom," a 31.2% owned associated company of the Company accounted for under the equity method) entered into a merger agreement on September 10, 2004 and merged on December 11, 2004. NextCom remains as the surviving company among them. In conjunction with the merger, NextCom issued its own stocks to each shareholder of BSI and ADAM NET. As a result, the Company's ownership of voting shares of NextCom rose by 16.5% to 47.7%. Upon the merger, by sending a major part of the board members, the companies took control of decision making by NextCom's board of directors, and consequently, NextCom became a subsidiary of the Company. This exchange transaction was accounted for as partial sales of shares of BSI and ADAM NET previously owned by the Company and partial acquisitions of shares of NextCom. As a result of the partial sales transaction, the companies recognized a gain of ¥3,715 million in gain on sales of securities—net during the year ended March 31, 2005.

NextCom is engaged in the development and distribution of networking equipment, the consultation of network building, and system integration as its main businesses, and also provides other services relating to the above main businesses in Japan. The companies have designated network integration and system integration businesses, which are expected to be high growth businesses along with growth in the broadband network market, as strategic initiatives, and aim to build a framework which creates synergies of comprehensive services including both upstream and downstream services in the information technology industry for the purpose of maximizing the companies' profit. This acquisition is consistent with the companies' core strategy as mentioned above.

Notes to Consolidated Financial Statements—(Continued)

Mitsui & Co., Ltd. and subsidiaries

The consolidated financial statements for the year ended March 31, 2005 include the operating results of NextCom as a subsidiary from the date of acquisition, i.e., the date of the merger.

Since NextCom is listed on the Tokyo Stock Exchange, the purchase price of the partial acquisitions was determined based on the market price of the shares of NextCom over a reasonable period of time before and after the terms of the acquisition were agreed to and announced. The excess of the purchase price of ¥4,441 million, over the fair value of net assets acquired was recorded as goodwill. The significant factors that contributed to the determination of the purchase price that resulted in the recognition of goodwill include the following: (1) the growth potential of NextCom by taking advantage of scale, strengthening technological capabilities, and a broadening customer base, which are brought about by the merger of the three companies and (2) the synergies that might be achieved from combining the operations with the companies' businesses. These factors are based on the expectations of continuous growth of network integration and system integration businesses.

In connection with this acquisition, ¥128 million, ¥7 million and ¥3,063 million were assigned to intangible assets subject to amortization, intangible assets not subject to amortization and goodwill, respectively. The goodwill is not deductible for tax purposes and has been assigned to the Lifestyle, Consumer Service and Information, Electronics & Telecommunication Segment.

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

	<u>Millions of Yen</u>
Current assets	¥ 16,995
Property and equipment	908
Intangible assets	3,198
Investments and other assets	1,488
Total assets acquired	<u>22,589</u>
Current liabilities	(6,270)
Long-term liabilities	(1,356)
Minority interest	(5,981)
Total liabilities assumed	<u>(13,607)</u>
Net assets acquired	<u>¥ 8,982</u>

Pro forma results of operations for the above business combination have not been presented because the effects were not material to the consolidated financial statements.

4. DISCONTINUED OPERATIONS

In accordance with SFAS No. 144, the companies present the results of discontinued operations (including operations of a subsidiary that either has been disposed of or is classified as held for sale) as a separate line item in the Statements of Consolidated Income under income (loss) from discontinued operations—net (after income tax effect). The figures of the Statements of Consolidated Income and the Statements of Consolidated Cash Flows for the prior years related to the discontinued operations have been reclassified to conform to the current year presentation.

The carrying amounts of assets and liabilities of a disposal group classified as held for sale were immaterial for the years ended March 31, 2007 and 2006.

Notes to Consolidated Financial Statements—(Continued)

Mitsui & Co., Ltd. and subsidiaries

Summarized selected financial information for the years ended March 31, 2007, 2006 and 2005 for the discontinued operations reclassified during the year ended March 31, 2007 was as follows:

	Millions of Yen		
	Mitalco Inc.	Other subsidiaries	Total
Year ended March 31, 2007:			
Revenues	—	¥ 15	¥ 15
Income (loss) from discontinued operations before income taxes	¥ 5,337	¥(260)	¥ 5,077
(Loss) gain on disposal—net	(77)	128	51
Income tax (expense) benefit	(2,188)	331	(1,857)
Income from discontinued operations—net	¥ 3,072	¥ 199	¥ 3,271
Year ended March 31, 2006:			
Revenues	—	¥ 7	¥ 7
Loss from discontinued operations before income taxes	¥(24,774)	¥(369)	¥(25,143)
Income tax benefit	10,293	9	10,302
Loss from discontinued operations—net	¥(14,481)	¥(360)	¥(14,841)
Year ended March 31, 2005:			
Revenues	—	¥ 31	¥ 31
Loss from discontinued operations before income taxes	¥ (6,383)	¥(172)	¥ (6,555)
Income tax benefit	2,233	67	2,300
Loss from discontinued operations—net	¥ (4,150)	¥(105)	¥ (4,255)

The primary discontinued operations for the year ended March 31, 2007 were as follows:

Mitalco Inc.

Mitalco Inc., a subsidiary partially reported in both the Iron & Steel Raw Materials and Non-Ferrous Metals and Americas Segments, held a 32% stake in two aluminum smelting facilities in the United States and had mainly been engaged in manufacture and sale of aluminium. Because of the declining profitability resulting from deterioration in the terms of the power purchase contract during the course of renewal negotiations, the companies disposed of by sale all stakes of both facilities during the year ended March 31, 2007.

Notes to Consolidated Financial Statements—(Continued)

Mitsui & Co., Ltd. and subsidiaries

Other subsidiaries

This category consists of some individually immaterial subsidiaries engaged in operations such as manufacture of zinc-plate and supply chain management.

Summarized selected financial information for the years ended March 31, 2006 and 2005 for the discontinued operations reclassified during the year ended March 31, 2006 was as follows:

	Millions of Yen		
	Arcadia Petroleum	Other subsidiaries	Total
Year ended March 31, 2006:			
Revenues	¥ 1,013	¥10,509	¥11,522
(Loss) income from discontinued operations before income taxes	¥ (39)	¥ 498	¥ 459
Gain on disposal—net	46	587	633
Income tax (expense) benefit	(22)	161	139
(Loss) income from discontinued operations—net	¥ (15)	¥ 1,246	¥ 1,231
Year ended March 31, 2005:			
Revenues	¥13,266	¥17,833	¥31,099
Income from discontinued operations before income taxes	¥ 7,687	¥ 535	¥ 8,222
Income tax expense	(1,687)	(55)	(1,742)
Income from discontinued operations—net	¥ 6,000	¥ 480	¥ 6,480

The primary discontinued operations for the year ended March 31, 2006 were as follows:

Arcadia Petroleum

Arcadia Petroleum, a subsidiary partially reported in both the Energy and Europe Segments, had been engaged in the physical and future trading of crude oil in the United Kingdom. Due to its expanding activity under booming oil prices, the Company had been exposed to increasing risks such as market risk and required more management resources. As a result of the overall review of Arcadia Petroleum's business model and the Company's management resource optimization, the Company disposed of by sale all shares of Arcadia Petroleum during the year ended March 31, 2006.

Other subsidiaries

This category consists of some individually immaterial subsidiaries engaged in operations such as management of a membership golf club, general construction and construction and lease of assembly houses, and manufacture and sale of Ethylene-Dichloride.

Summarized selected financial information for the year ended March 31, 2005 for the discontinued operations reclassified during the year ended March 31, 2005 was as follows:

	Millions of Yen		
	Shirasagi Golf Club	Other subsidiaries	Total
Year ended March 31, 2005:			
Revenues	—	—	—
Loss from discontinued operations before income taxes	—	—	—
Gain on disposal	¥1,161	¥ 47	¥1,208
Income tax expense	(477)	(19)	(496)
Income from discontinued operations—net	¥ 684	¥ 28	¥ 712

Notes to Consolidated Financial Statements—(Continued)

Mitsui & Co., Ltd. and subsidiaries

The primary discontinued operations for the year ended March 31, 2005 were as follows:

Shirasagi Golf Club

Shirasagi Golf Club, a subsidiary reported in the All Other Segment, had been engaged in the operation of a membership golf club in Japan, which opened for business in 1996. Shirasagi Golf Club had reported consecutive losses since the opening of the golf club because both the number of customers and the average sale per customer had declined amidst the prolonged severe economic conditions that followed the collapse of the bubble economy in Japan. In these business conditions, it was very unlikely that Shirasagi Golf Club would be able to improve its earnings and pay off its debts in the future, therefore the Company disposed of, other than by sale, the operation during the year ended March 31, 2005.

Other subsidiaries

The main subsidiary in this category is MBR Corporation (formerly Mitsui Bussan Rossignol Corporation), a subsidiary reported in the Lifestyle, Consumer Service and Information, Electronics & Telecommunication Segment.

The Company had been engaged in the sale of Rossignol brand skis, snowboards and other sporting goods in the Japanese market through MBR Corporation based on the distributorship agreements and the license agreement with Rossignol Group. These agreements were terminated in 2004, and accordingly, the Company disposed of, other than by sale, MBR Corporation during the year ended March 31, 2005. The gain on disposal of the operations before income taxes was immaterial. No revenues and loss from discontinued operations before income taxes were recognized by MBR Corporation for the year ended March 31, 2005.

5. MARKETABLE SECURITIES AND OTHER INVESTMENTS

Debt and marketable equity securities

At March 31, 2007 and 2006, the cost, fair value and gross unrealized holding gains and losses on available-for-sale securities and held-to-maturity debt securities were as follows:

		Millions of Yen			
		Cost	Fair value	Unrealized holding gains (losses)	
				Gains	Losses
March 31, 2007:					
Available-for-sale:					
Marketable equity securities	¥395,958	¥861,463	¥466,105	¥(600)	¥465,505
Foreign debentures, commercial paper and other debt securities	51,096	51,176	85	(5)	80
Held-to-maturity debt securities, consisting principally of foreign debentures	9,307	9,307	0	—	0
March 31, 2006:					
Available-for-sale:					
Marketable equity securities	¥275,296	¥591,186	¥316,115	¥(225)	¥315,890
Foreign debentures, commercial paper and other debt securities	89,823	89,927	138	(34)	104
Held-to-maturity debt securities, consisting principally of foreign debentures	11,930	11,930	0	—	0

Notes to Consolidated Financial Statements—(Continued)

Mitsui & Co., Ltd. and subsidiaries

The carrying amounts of available-for-sale securities (foreign debentures, commercial paper and other debt securities), with original maturities of three months or less, and included in cash and cash equivalents in the Consolidated Balance Sheets were ¥22,936 million and ¥21,791 million at March 31, 2007 and 2006, respectively. The carrying amounts of available-for-sale securities (foreign debentures, commercial paper and other debt securities) included in investments in and advances to associated companies in the Consolidated Balance Sheets were ¥35,415 million and ¥35,241 million at March 31, 2007 and 2006, respectively.

At March 31, 2007 and 2006, the fair value and gross unrealized holding losses on available-for-sale securities and held-to-maturity debt securities, aggregated by investment category and length of time that individual securities have been in continuous unrealized loss positions, were as follows:

Millions of Yen				
	Less than 12 months		12 months or more	
	Fair value	Unrealized holding losses	Fair value	Unrealized holding losses
March 31, 2007:				
Available-for-sale:				
Marketable equity securities	¥12,934	¥(600)	—	—
Foreign debentures, commercial paper and other debt securities	4,025	(5)	—	—
Held-to-maturity debt securities, consisting principally of foreign debentures	—	—	—	—
Total	¥16,959	¥(605)	—	—
March 31, 2006:				
Available-for-sale:				
Marketable equity securities	¥ 2,370	¥(225)	—	—
Foreign debentures, commercial paper and other debt securities	4,706	(34)	—	—
Held-to-maturity debt securities, consisting principally of foreign debentures	—	—	—	—
Total	¥ 7,076	¥(259)	—	—

The companies' investments in available-for-sale securities in an unrealized holding loss position consisted primarily of marketable equity securities (approximately 25 issuers) of customers in various industries. The unrealized losses on these securities were due principally to a temporary decline in the stock market. The severity of decline in fair value less than cost was 3% to 21% and the duration of the impairment was less than nine months. The companies evaluated the near-term prospects of the issuer in relation to the severity and duration of impairment. Based on that evaluation and the companies' ability and intent to hold these investments for a reasonable period of time sufficient for a forecasted recovery of fair value, the companies did not consider these investments to be other-than-temporarily impaired at March 31, 2007.

For the years ended March 31, 2007, 2006 and 2005, losses of ¥3,062 million, ¥1,775 million and ¥586 million, respectively, were recognized on write-downs of available-for-sale securities to reflect the decline in market value considered to be other than temporary.

Notes to Consolidated Financial Statements—(Continued)

Mitsui & Co., Ltd. and subsidiaries

The portion of net trading gains and losses for the year that relates to trading securities still held at March 31, 2007, 2006 and 2005 were as follows:

	Millions of Yen		
	2007	2006	2005
Net trading gains (losses)	¥0	¥0	¥(7)

The proceeds from sales of available-for-sale securities and the gross realized gains and losses on those sales for the years ended March 31, 2007, 2006 and 2005 are shown below:

	Millions of Yen		
	2007	2006	2005
Proceeds from sales	¥63,617	¥36,741	¥21,864
Gross realized gains	¥26,328	¥21,678	¥10,018
Gross realized losses	(167)	(94)	(52)
Net realized gains	¥26,161	¥21,584	¥ 9,966

On September 1, 2005, in connection with foundation of Seven & I Holdings Co., Ltd., the companies exchanged shares of Seven-Eleven Japan Co., Ltd. for those of Seven & I Holdings Co., Ltd. In accordance with EITF No. 91-5, "Nonmonetary Exchange of Cost-Method Investments," a non-cash gain of ¥4,227 million was recorded for the year ended March 31, 2006, and is included in gain on sales of securities—net in the Statements of Consolidated Income. On January 1, 2006, in connection with business combination of KDDI Corp. and POWERDCOM Inc., the Company exchanged shares of POWERDCOM Inc. for those of KDDI Corp., as an acquiring company. In accordance with EITF No. 91-5, a non-cash gain of ¥3,292 million was recorded for the year ended March 31, 2006, and is included in gain on sales of securities—net in the Statements of Consolidated Income.

On April 1, 2004, in connection with the foundation of T&D Holdings, Inc., the Company exchanged shares of Taiyo Life Insurance Company for those of T&D Holdings, Inc. In accordance with EITF No. 91-5, a non-cash gain of ¥1,657 million was recorded for the year ended March 31, 2005, and is included in gain on sales of securities—net in the Statements of Consolidated Income.

Debt securities classified as available-for-sale and held-to-maturity at March 31, 2007 mature as follows:

	Millions of Yen			
	Available-for-sale		Held-to-maturity	
	Amortized Cost	Aggregate fair value	Amortized Cost	Aggregate fair value
Contractual maturities:				
Within 1 year	¥ 6,078	¥ 6,080	¥4,763	¥4,763
After 1 year through 5 years	42,065	42,141	4,534	4,534
After 5 years through 10 years	2,946	2,948	10	10
After 10 years	7	7	—	—
Total	¥51,096	¥51,176	¥9,307	¥9,307

The actual maturities may differ from the contractual maturities shown above because certain issuers may have the right to redeem debt securities before their maturity.

Notes to Consolidated Financial Statements—(Continued)

Mitsui & Co., Ltd. and subsidiaries

Investments other than debt and marketable equity securities

Investments other than investments in debt and marketable equity securities consisted primarily of non-marketable equity securities and non-current time deposits and amounted to ¥384,562 million and ¥324,395 million at March 31, 2007 and 2006, respectively. The estimation of the corresponding fair values at those dates was not practicable, as the fair value for all the individual non-marketable securities held by the companies was not readily determinable at each balance sheet date.

Investments in non-marketable equity securities are carried at cost; however, if the fair value of an investment has declined and such decline is judged to be other than temporary, the investment is written down to its estimated fair value. Losses on write-downs of these investment securities recognized to reflect the declines in fair value considered to be other than temporary were ¥8,642 million, ¥8,868 million and ¥15,958 million for the years ended March 31, 2007, 2006 and 2005, respectively.

The aggregate carrying amount of the companies' non-marketable equity securities accounted for under the cost method totaled ¥316,216 million and ¥248,970 million at March 31, 2007 and 2006, respectively. Investments with an aggregate carrying amount of ¥281,332 million at March 31, 2007 and ¥226,177 million at March 31, 2006, were not evaluated for impairment because the companies did not identify any events or changes in circumstances that may have had a significant adverse effect on the fair value of those investments and the companies determined that it is not practicable to estimate the fair value of those investments in accordance with SFAS No. 107, "Disclosures about Fair Value of Financial Instruments."

6. INVESTMENTS IN AND ADVANCES TO ASSOCIATED COMPANIES

Investments in associated companies (investees owned 20% to 50%, corporate joint ventures and other investees over which the companies have the ability to exercise significant influence) are accounted for under the equity method. In addition, noncontrolling investments in general partnerships, limited partnerships and limited liability companies are also accounted for under the equity method. Such investments include, but are not limited to, the companies' investments in Valepar S.A. (18.24%), Japan Australia LNG (MIMI) Pty. Ltd. (50.00%), P.T. Paiton Energy (36.32%), Sakhalin Energy Investment Company Ltd. (25.00%), IPM Eagle LLP (30.00%), Nihon Unisys, Ltd. (31.83%) and United Auto Group, Inc. (16.42%).

The investment in Valepar S.A. is accounted for under the equity method because of the Company's ability to exercise significant influence over operating and financial policies primarily through board representation and power of veto over significant operating and financial decisions through the board of directors. As the sole operating company among the shareholders, which consist primarily of pension funds and financial institutions, the Company utilizes its experience and expertise in operating businesses and substantively participates in the decision-making processes.

The companies are the second largest shareholder group of United Auto Group, Inc. ("UAG") and entered into a shareholders agreement with its largest shareholder group owning approximately 40% of its voting shares. Based on a reciprocal voting provision set forth in the agreement for shareholder election of the directors of UAG, the companies and the largest shareholder group constitute a "group" within the meaning of Section 13(d) of the Securities Exchange Act of 1934 and jointly participate in the management of UAG. The investment in UAG is accounted for under the equity method because of the companies' ability to exercise significant influence over operating and financial policies primarily through board representation by a director and executive vice president dispatched from the companies. UAG is utilizing the companies' global network to develop its business activities outside the United States and, as part of the process, the companies substantively participate in the decision-making processes.

Notes to Consolidated Financial Statements—(Continued)

Mitsui & Co., Ltd. and subsidiaries

Associated companies are engaged primarily in the development of natural resources and the manufacture and distribution of various products. The major geographic areas of such entities are Japan, the Americas, Europe, Asia and Oceania.

Investments in and advances to associated companies at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen	
	2007	2006
Investments in capital stock	¥1,457,519	¥1,181,219
Advances	130,052	119,368
Total	<u>¥1,587,571</u>	<u>¥1,300,587</u>

The carrying value of the investments in associated companies exceeded the companies' equity in the underlying net assets of such associated companies by ¥189,397 million and ¥113,431 million at March 31, 2007 and 2006, respectively. The excess is attributed first to certain fair value adjustments on a net-of-tax basis at the time of the initial and subsequent investments in those companies with the remaining portion considered as equity method goodwill. The fair value adjustments are generally attributed to property and equipment which consist primarily of mineral rights amortized over their respective estimated useful lives, principally 8 to 42 years, using either the straight-line or the unit-of-production method.

Investments in common stock of publicly traded associated companies include marketable equity securities carried at ¥166,437 million and ¥142,180 million at March 31, 2007 and 2006, respectively. Corresponding aggregate quoted market values were ¥240,035 million and ¥315,365 million, respectively.

Summarized financial information for associated companies at March 31, 2007 and 2006 and for the years ended March 31, 2007, 2006 and 2005 were as follows:

	Millions of Yen	
	2007	2006
Current assets	¥ 5,501,992	¥ 4,203,539
Property and equipment—net of accumulated depreciation	9,511,669	5,764,884
Other assets	2,982,977	1,904,449
Total assets	<u>¥17,996,638</u>	<u>¥11,872,872</u>
Current liabilities	¥ 3,933,269	¥ 3,326,220
Long-term liabilities	7,079,276	3,378,679
Minority interests	2,033,986	1,150,406
Shareholders' equity	4,950,107	4,017,567
Total liabilities and shareholders' equity	<u>¥17,996,638</u>	<u>¥11,872,872</u>
The companies' equity in the net assets of associated companies	<u>¥ 1,268,122</u>	<u>¥ 1,067,788</u>

	Millions of Yen		
	2007	2006	2005
Revenues	¥9,332,451	¥7,240,519	¥6,295,587
Gross profit	2,856,639	2,037,245	1,582,586
Net income	958,522	585,579	357,019

Notes to Consolidated Financial Statements—(Continued)

Mitsui & Co., Ltd. and subsidiaries

The companies' revenues and purchases from associated companies included in cost of revenues during the years ended March 31, 2007, 2006 and 2005 were as follows:

	Millions of Yen		
	2007	2006	2005
Revenues	¥108,706	¥ 89,134	¥121,283
Purchases	279,215	238,015	192,405

Dividends received from associated companies for the years ended March 31, 2007, 2006 and 2005 amounted to ¥110,072 million, ¥63,597 million and ¥32,817 million, respectively.

Consolidated unappropriated retained earnings at March 31, 2007 and 2006 included the companies' equity in net undistributed earnings of associated companies in the amount of ¥282,756 million and ¥205,811 million, respectively.

7. ALLOWANCE FOR DOUBTFUL RECEIVABLES

An analysis of the change in the allowance for doubtful receivables is as follows:

	Millions of Yen		
	Current	Non-current	Total
Year ended March 31, 2007:			
Balance at beginning of year	¥26,703	¥ 84,513	¥111,216
Credits charged off	(5,550)	(19,546)	(25,096)
Provision for doubtful receivables	7,854	5,419	13,273
Others	817	(611)	206
Balance at end of year	<u>¥29,824</u>	<u>¥ 69,775</u>	<u>¥ 99,599</u>
Year ended March 31, 2006:			
Balance at beginning of year	¥22,519	¥100,066	¥122,585
Credits charged off	(369)	(25,045)	(25,414)
Provision for doubtful receivables	2,036	(1,988)	48
Others	2,517	11,480	13,997
Balance at end of year	<u>¥26,703</u>	<u>¥ 84,513</u>	<u>¥111,216</u>
Year ended March 31, 2005:			
Balance at beginning of year	¥22,498	¥110,098	¥132,596
Credits charged off	(3,604)	(19,241)	(22,845)
Provision for doubtful receivables	6,306	2,477	8,783
Others	(2,681)	6,732	4,051
Balance at end of year	<u>¥22,519</u>	<u>¥100,066</u>	<u>¥122,585</u>

Note: "Others" principally includes the effect of consolidation of certain subsidiaries, reclassification to discontinued operations and the effect of changes in foreign exchange rates.

Notes to Consolidated Financial Statements—(Continued)

Mitsui & Co., Ltd. and subsidiaries

The recorded investment in impaired loans, as defined in SFAS No. 114 and amended by SFAS No. 118, and the allowance for doubtful receivables related to such loans at March 31, 2007 and 2006 were as follows:

	Millions of Yen			
	2007		2006	
	Impaired loans	Allowance for doubtful receivables	Impaired loans	Allowance for doubtful receivables
Impaired loans with an allowance for doubtful receivables	¥ 91,967	¥72,382	¥104,513	¥82,967
Impaired loans without an allowance for doubtful receivables	9,689	—	11,353	—
Total	<u>¥101,656</u>	<u>¥72,382</u>	<u>¥115,866</u>	<u>¥82,967</u>

The average investment in impaired loans and interest income on impaired loans for the years ended March 31, 2007, 2006 and 2005 were as follows:

	Millions of Yen		
	2007	2006	2005
Average investment in impaired loans	¥108,761	¥125,795	¥150,429
Interest income recognized on impaired loans	1,255	1,475	1,304

Interest income on impaired loans has been recognized mainly using the cash-basis method of accounting during the period that the loans were impaired.

8. LEASES

Lessor

The companies lease real estate, rolling stock, ocean transport vessels, aircraft, equipment and others.

Certain leases of aircraft, ocean transport vessels and rolling stock are classified as direct financing leases or leveraged leases, and the net investments are included as part of trade receivables—accounts and non-current receivables, less unearned interest in the accompanying Consolidated Balance Sheets. The companies have no general obligation for principal and interest on notes and other instruments related to third-party participation in leveraged leases. Such notes and other instruments have not been included in liabilities but have been offset against the related lease receivables. The residual values represent the estimate of the values of the leased assets at the end of the lease contracts and are initially recorded based on appraisals and estimates. Realization of the residual values is dependent on the companies' future ability to sell the related assets under then prevailing market conditions.

Other leases are classified as operating leases and the related assets are presented as property leased to others—at cost, less accumulated depreciation in the accompanying Consolidated Balance Sheets.

The following comprises the components of the net investment in direct financing leases as of March 31, 2007 and 2006:

	Millions of Yen	
	2007	2006
Total minimum lease payments to be received	¥140,152	¥112,701
Estimated unguaranteed residual value of leased assets	16,840	16,618
Less unearned income	(59,316)	(46,330)
Investment in direct financing leases	97,676	82,989
Less allowance for doubtful receivables	—	(1,208)
Net investment in direct financing leases	<u>¥ 97,676</u>	<u>¥ 81,781</u>

Notes to Consolidated Financial Statements—(Continued)

Mitsui & Co., Ltd. and subsidiaries

The following is a schedule by years of future minimum lease payments to be received from direct financing leases as of March 31, 2007:

	Millions of Yen
Year ending March 31:	
2008	¥ 15,364
2009	14,922
2010	14,381
2011	14,262
2012	13,614
Thereafter	67,609
Total	<u>¥140,152</u>

The following represents the components of the net investment in leveraged leases as of March 31, 2007 and 2006:

	Millions of Yen	
	2007	2006
Total minimum lease payments to be received (net of principal and interest on third-party nonrecourse debt)	¥ 4,703	¥ 4,710
Estimated unguaranteed residual value of leased assets	5,571	5,596
Less unearned income	<u>(2,479)</u>	<u>(2,560)</u>
Investment in leveraged leases	7,795	7,746
Less allowance for doubtful receivables	—	0
Less deferred tax liabilities arising from leveraged leases	<u>(7,869)</u>	<u>(7,258)</u>
Net investment in leveraged leases	<u>¥ (74)</u>	<u>¥ 488</u>

The following provides an analysis of the companies' investment in property on operating leases and property held for lease by classes as of March 31, 2007 and 2006:

	Millions of Yen					
	2007			2006		
	Cost	Accumulated depreciation	Net	Cost	Accumulated depreciation	Net
Real estate	¥200,699	¥(65,422)	¥135,277	¥187,037	¥(59,913)	¥127,124
Rolling stock	62,794	(3,016)	59,778	45,790	(2,458)	43,332
Ocean transport vessels	47,665	(9,133)	38,532	34,820	(6,590)	28,230
Aircraft	6,947	(169)	6,778	5,745	(97)	5,648
Equipment and others	32,084	(13,209)	18,875	30,775	(16,526)	14,249
Total	<u>¥350,189</u>	<u>¥(90,949)</u>	<u>¥259,240</u>	<u>¥304,167</u>	<u>¥(85,584)</u>	<u>¥218,583</u>

Notes to Consolidated Financial Statements—(Continued)

Mitsui & Co., Ltd. and subsidiaries

The following is a schedule by years of minimum future rentals on noncancelable operating leases as of March 31, 2007:

	Millions of Yen
Year ending March 31:	
2008	¥13,270
2009	10,488
2010	8,295
2011	6,776
2012	5,481
Thereafter	24,545
Total	<u>¥68,855</u>

Lessee

The companies lease equipment, real estate and others under capital leases. At March 31, 2007, approximately 60% of the capital leases are with the Company's associated company, Mitsui Leasing & Development, Ltd.

The following provides an analysis of the companies' leased assets recorded under capital leases by classes as of March 31, 2007 and 2006:

	Millions of Yen					
	2007			2006		
	Cost	Accumulated depreciation	Net	Cost	Accumulated depreciation	Net
Equipment	¥23,468	¥(12,522)	¥10,946	¥25,927	¥(14,005)	¥11,922
Real estate	8,735	(1,111)	7,624	7,747	(641)	7,106
Others	3,413	(1,933)	1,480	3,725	(1,877)	1,848
Total	<u>¥35,616</u>	<u>¥(15,566)</u>	<u>¥20,050</u>	<u>¥37,399</u>	<u>¥(16,523)</u>	<u>¥20,876</u>

The following is a schedule by years of future minimum lease payments under capital leases together with components of the present value of the net minimum lease payments as of March 31, 2007:

	Millions of Yen
Year ending March 31:	
2008	¥ 4,484
2009	4,687
2010	6,470
2011	2,945
2012	2,830
Thereafter	4,454
Total minimum lease payments	<u>25,870</u>
Less amount representing interest	<u>(2,109)</u>
Present value of net minimum lease payments	23,761
Less current capital lease obligations	4,902
Long-term capital lease obligations	<u>¥18,859</u>

Notes to Consolidated Financial Statements—(Continued)

Mitsui & Co., Ltd. and subsidiaries

The companies lease real estate, ocean transport vessels, rolling stock, aircraft, equipment and others under operating leases. Most of the ocean transport vessels, aircraft and rolling stock under operating leases are subleased to third parties.

The Company and certain subsidiaries sold real estate and others to third parties for ¥6,006 million and ¥11,622 million in total during the years ended March 31, 2007 and 2006, respectively, and leased them back with terms ranging up to 10 years. The resulting leases were classified as operating leases.

The following is a schedule by years of future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of March 31, 2007. Minimum payments have not been reduced by minimum sublease rentals of ¥63,682 million due in the future under noncancelable subleases:

	<u>Millions of Yen</u>
Year ending March 31:	
2008	¥ 36,652
2009	32,559
2010	24,621
2011	17,531
2012	12,979
Thereafter	49,182
Total	<u>¥173,524</u>

Rental expenses incurred for operating leases for the years ended March 31, 2007, 2006 and 2005 were ¥55,769 million, ¥46,511 million and ¥40,957 million, respectively. Sublease rental income for the years ended March 31, 2007, 2006 and 2005 were ¥25,716 million, ¥18,422 million and ¥18,633 million, respectively.

9. PLEDGED ASSETS AND FINANCIAL ASSETS ACCEPTED AS COLLATERAL

Pledged assets

At March 31, 2007 and 2006, the following assets (exclusive of assets covered by trust receipts discussed below) were pledged as collateral for certain liabilities of the companies:

	<u>Millions of Yen</u>	
	<u>2007</u>	<u>2006</u>
Trade receivables (current and non-current)	¥136,503	¥120,030
Inventories	61,016	38,563
Investments	108,918	83,714
Property leased to others (net book value)	52,343	30,604
Property and equipment (net book value)	57,162	67,026
Other	14,023	16,233
Total	<u>¥429,965</u>	<u>¥356,170</u>

Notes to Consolidated Financial Statements—(Continued)

Mitsui & Co., Ltd. and subsidiaries

The distribution of such collateral among short-term debt, long-term debt and guarantees of contracts and others was as follows:

	Millions of Yen	
	2007	2006
Short-term debt	¥104,586	¥ 60,754
Long-term debt	182,018	167,211
Guarantees of contracts and others	143,361	128,205
Total	<u>¥429,965</u>	<u>¥356,170</u>

Trust receipts issued under customary import financing arrangements (short-term bank loans and bank acceptances) give banks a security interest in the merchandise imported and/or the accounts receivable resulting from the sale of such merchandise. Because of the companies' large volume of import transactions, it is not practicable to determine the total amount of assets covered by outstanding trust receipts.

In addition to the above, the Company has bank borrowings under certain provisions of loan agreements which require the Company, upon the request of the bank, immediately to provide collateral, which is not specified in the loan agreements. See Note 13, "SHORT-TERM, LONG-TERM DEBT AND OTHER LONG-TERM LIABILITIES. "

Financial assets accepted as collateral

At March 31, 2007 and 2006, the fair values of financial assets that the companies accepted as security for trade receivables and that they are permitted to sell or repledge consisted of the following:

	Millions of Yen	
	2007	2006
Bank deposits	¥1,583	¥ 1,550
Promissory notes	—	2,960
Trade receivables—accounts	3,046	2,357
Stocks and bonds	8,615	11,459

Stocks and bonds of ¥593 million at March 31, 2007 and promissory notes of ¥693 million at March 31, 2006 which have been provided as collateral were repledged.

There were no financial assets accepted as collateral under security repurchase agreements at March 31, 2007 and 2006.

10. IMPAIRMENT LOSS OF LONG-LIVED ASSETS

The companies have recognized impairment loss of long-lived assets in accordance with the provisions of SFAS No. 144 during the years ended March 31, 2007, 2006 and 2005. See Note 4, "DISCONTINUED OPERATIONS," for the impairment loss of long-lived assets reported in discontinued operations.

The impairment loss of long-lived assets for the year ended March 31, 2007 consists principally of intangible assets, such as knowhow, owned by a domestic subsidiary, Mitsui Norin Co., Ltd. (Japan), which is one of the manufacturers of tea leaves in Japan; and land and buildings for certain businesses owned by a domestic subsidiary, Mitsui Foods Co., Ltd. (Japan). The impairment loss of long-lived assets also consisted principally of production facilities owned by an aluminum smelting subsidiary, Mitalco Inc. (United States); land

Notes to Consolidated Financial Statements—(Continued)

Mitsui & Co., Ltd. and subsidiaries

and buildings for certain businesses owned by domestic and foreign subsidiaries; and land held for lease owned by the Company for the year ended March 31, 2006. Production facilities owned by Mitalco Inc. (United States); land held for development and a lease owned by the Company, and gasoline stations, land and buildings for certain businesses owned by domestic subsidiaries were judged impaired for the year ended March 31, 2005.

The impairments for the year ended March 31, 2007 mainly related to declining profitability due to deterioration of operating environment such as intensifying competition in both beverage and beverage materials, and the reorganization of business structure and distribution bases. The impairments for the year ended March 31, 2006 mainly related to declining profitability resulting from deterioration in the terms of the power purchase contract during the course of renewal negotiations, and the reorganization of business structure and distribution bases. The impairments for the year ended March 31, 2005 mainly related to declining profitability resulting from the deterioration of business environment such as increasing electricity costs and to a continuous decline in the market value of land in Japan. See Note 25, "EXIT OR DISPOSAL ACTIVITIES," for the exit or disposal activities which resulted in recognition of impairment loss of long-lived assets.

Impairment loss of long-lived assets recognized by operating segment for the years ended March 31, 2007, 2006 and 2005 were as follows:

	Millions of Yen		
	2007	2006	2005
Iron & Steel Products	¥ 70	¥ 1,276	¥ 1,169
Iron & Steel Raw Materials and Non-Ferrous Metals	—	11,804	7,048
Machinery & Infrastructure Projects	602	6,725	337
Chemical	323	581	1,698
Energy	1,600	1,178	2,580
Foods & Retail	13,736	6,797	238
Lifestyle, Consumer Service and Information, Electronics & Telecommunication	335	2,068	1,472
Logistics & Financial Markets	92	254	57
Americas	12	1,911	954
Europe	—	19	—
Asia	6	13	—
All Other	1,046	2,818	5,601
Adjustments and Eliminations	(12)	(11,193)	(7,091)
Consolidated Total	<u>¥17,810</u>	<u>¥ 24,251</u>	<u>¥14,063</u>

Note : "Adjustments and Eliminations" represents impairment loss related to assets not allocated to specific operating segments. The reclassification to loss from discontinued operation—net for the years ended March 31, 2006 and 2005 are also included in "Adjustments and Eliminations."

The fair value of the assets is calculated based on independent appraisals, market value or discounted future cash flows whichever management considers the most appropriate.

In addition to the impairment loss of long-lived assets based on SFAS No. 144 shown in the above table, the impairment loss of intangible assets not subject to amortization based on SFAS No. 142 was included in impairment loss of long-lived assets in the Statements of Consolidated Income for the years ended March 31, 2007, 2006 and 2005 as discussed in Note 12, "GOODWILL AND OTHER INTANGIBLE ASSETS."

Notes to Consolidated Financial Statements—(Continued)

Mitsui & Co., Ltd. and subsidiaries

11. ASSET RETIREMENT OBLIGATIONS

The companies recognized asset retirement obligations in accordance with the provisions of SFAS No. 143.

The asset retirement obligations are principally related to the costs of dismantling and removing mining, and oil and gas production facilities owned by subsidiaries in Australia and a domestic subsidiary which has interests in oil and gas in South East Asia, which are engaged in mining operations or oil and gas producing activities.

The changes in asset retirement obligations for the years ended March 31, 2007 and 2006 were as follows:

	Millions of Yen	
	2007	2006
Balance at beginning of year	¥17,790	¥11,514
Consolidation of a subsidiary	16,814	—
Liabilities incurred	7,511	6,239
Liabilities settled	(5)	(655)
Disposition of assets	(2,691)	—
Accretion expense	1,134	496
Foreign currency translation adjustments	1,499	196
Balance at end of year	<u>¥42,052</u>	<u>¥17,790</u>

12. GOODWILL AND OTHER INTANGIBLE ASSETS

Intangible assets subject to amortization at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen			
	2007		2006	
	Gross carrying amount	Accumulated amortization	Gross carrying amount	Accumulated amortization
Software	¥ 51,108	¥27,444	¥ 48,563	¥24,600
Customer relationships	14,266	2,487	6,905	1,670
Trademarks	11,305	8,426	10,901	7,425
Patents	9,470	9,379	9,541	9,415
Unpatented technologies	5,398	5,376	15,698	4,315
Other	35,505	16,994	27,494	16,575
Total	<u>¥127,052</u>	<u>¥70,106</u>	<u>¥119,102</u>	<u>¥64,000</u>

The aggregate amortization expense of intangible assets for the years ended March 31, 2007, 2006 and 2005 was ¥14,995 million, ¥15,027 million and ¥12,853 million, respectively. The estimated aggregate amortization expense of intangible assets at March 31, 2007 for each of the next five years is as follows:

	Millions of Yen
Year ending March 31:	
2008	¥15,115
2009	11,779
2010	8,793
2011	5,665
2012	4,052

Notes to Consolidated Financial Statements—(Continued)

Mitsui & Co., Ltd. and subsidiaries

Total carrying amount of intangible assets not subject to amortization (excluding goodwill) at March 31, 2007 and 2006 consisted of:

	Millions of Yen	
	2007	2006
Land rights	¥ 7,257	¥ 7,795
Trademarks	979	2,623
Other	2,016	2,637
Total	<u>¥10,252</u>	<u>¥13,055</u>

Intangible assets subject to amortization acquired during the year ended March 31, 2007 totaled ¥25,852 million, and consisted primarily of software of ¥8,939 million and customer relationships of ¥6,587 million. The weighted average amortization periods for software and customer relationships are 5 years and 13 years, respectively. Acquisition of intangible assets not subject to amortization during the year ended March 31, 2007 was immaterial.

Intangible assets subject to amortization acquired during the year ended March 31, 2006 totaled ¥10,049 million, and consisted primarily of software of ¥7,456 million. The weighted average amortization period for software is 5 years. Acquisition of intangible assets not subject to amortization during the year ended March 31, 2006 was immaterial.

During the year ended March 31, 2007, the companies recognized impairment losses of ¥12,247 million on intangible assets subject to amortization and not subject to amortization (excluding goodwill) which are included in impairment loss of long-lived assets in the Statements of Consolidated Income. The impairment losses included in Foods & Retail Segment consisted primarily of ¥10,301 million and 1,848 million on the write-down of unpatented technology (intangible assets subject to amortization) and trademark (intangible assets not subject to amortization) which are held by Mitsui Norin Co., Ltd., a domestic subsidiary which is engaged in manufacturing tea-related beverage materials. The impairments of unpatented technologies and trademarks were mainly due to the decrease in the fair value resulting from the downturn in profitability according to the intensifying competition in the tea-related materials industry. The fair value for the basis of determining the impairment loss was calculated based on discounted future cash flows. The impairment losses recognized for intangible assets subject to amortization and not subject to amortization (excluding goodwill) for the years ended March 31, 2006 and 2005 were immaterial.

In addition to the intangible assets shown in the above tables, intangible assets in the Consolidated Balance Sheet at March 31, 2006 also included unrecognized prior service costs totaling ¥63 million, which were recorded under SFAS No. 87 as discussed in Note 14, “PENSION COSTS AND SEVERANCE INDEMNITIES.” There are no unrecognized prior service costs recognized as intangible assets in the Consolidated Balance Sheet at March 31, 2007.

Notes to Consolidated Financial Statements—(Continued)

Mitsui & Co., Ltd. and subsidiaries

The changes in the carrying amount of goodwill by operating segment for the years ended March 31, 2007 and 2006 were as follows:

	Millions of Yen							
	Iron & Steel Products	Iron & Steel Raw Materials and Non-Ferrous Metals	Machinery & Infrastructure Projects	Chemical	Foods & Retail	Lifestyle, Consumer Service and Information, Electronics & Telecommunication	Americas	Consolidated Total
Balance at April 1, 2005	¥705	¥ 2,602	¥ 1,542	¥1,614	¥ 17,088	¥4,021	¥ 4,125	¥ 31,697
Acquisition	—	222	—	—	—	748	118	1,088
Impairment losses	—	(2,838)	—	—	—	—	—	(2,838)
Others	—	236	229	118	(9)	(288)	358	644
Balance at March 31, 2006	705	222	1,771	1,732	17,079	4,481	4,601	30,591
Acquisition	167	—	12,193	1,143	591	2,038	6,664	22,796
Impairment losses	—	—	—	—	(16,528)	—	—	(16,528)
Others	—	2	423	361	—	(129)	(269)	388
Balance at March 31, 2007	¥872	¥ 224	¥14,387	¥3,236	¥ 1,142	¥6,390	¥10,996	¥ 37,247

Note: "Others" principally includes the effect of foreign currency exchange rate changes and the effect of deconsolidation of certain subsidiaries.

The impairment losses included in the Foods & Retail Segment for the year ended March 31, 2007 consisted of an impairment loss of ¥16,528 million for goodwill related to Mitsui Norin Co., Ltd., a domestic subsidiary which is engaged in manufacturing tea-related beverage materials. Because the subsidiary experienced a downturn in profitability due to the intensifying competition in the tea-related materials industry, the carrying amount of the subsidiary exceeded the fair value of the subsidiary and the impairment loss was recognized in the amount equal to the excess of the carrying amount of goodwill over the fair value of goodwill.

The impairment losses included in the Iron & Steel Raw Materials and Non-Ferrous Metals Segment for the year ended March 31, 2006 consisted of an impairment loss of ¥2,838 million for goodwill related to Mitalco Inc., an aluminum smelting subsidiary in the United States. Because of the deterioration in the terms of the power purchase contract during the course of renewal negotiations, the carrying amount of the subsidiary exceeded the fair value of the subsidiary and the impairment loss was recognized in the amount equal to the excess of the carrying amount of goodwill over the fair value of goodwill. This impairment loss has been reclassified to income (loss) from discontinued operations—net (after income tax effect) in the Statements of Consolidated Income, because this operation was discontinued for the year ended March 31, 2007, as discussed in Note 4.

The impairment losses included in the Lifestyle, Consumer Service and Information, Electronics & Telecommunication Segment for the year ended March 31, 2005 consisted primarily of an impairment loss of ¥923 million for goodwill related to a domestic subsidiary of the Company. Because the subsidiary experienced a downturn in profitability due to the deterioration of competitive environment in the information system development industry, the carrying amount of the subsidiary exceeded the fair value of the subsidiary and the impairment loss was recognized in the amount equal to the excess of the carrying amount of goodwill over the fair value of goodwill.

The fair value of the subsidiary for the basis of determining the impairment loss of goodwill was calculated based on discounted future cash flows.

Notes to Consolidated Financial Statements—(Continued)

Mitsui & Co., Ltd. and subsidiaries

13. SHORT-TERM, LONG-TERM DEBT AND OTHER LONG-TERM LIABILITIES

Short-term and long-term debt

Short-term debt at March 31, 2007 and 2006 were comprised of the following:

Millions of Yen				
		2007		2006
		Interest rate *1		Interest rate *1
Short-term bank loans and others	¥554,406	4.6%	¥405,821	4.5%
Commercial paper	93,354	3.1	70,614	1.4
Notes under medium-term note programme	10,974	0.6	67,827	0.1
Total	658,734		544,262	
SFAS No. 133 fair value adjustment *2	13		(3,465)	
Total	¥658,747		¥540,797	

*1 The interest rates represent weighted average rates in effect at March 31, 2007 and 2006 regardless of borrowing currencies, though the range of the interest rates varies by borrowing currency.

*2 In accordance with the requirements of SFAS No. 133, the portion of the companies' fixed-rate debt obligations that is designated and effective as a fair value hedge is reflected in the Consolidated Balance Sheets as an amount equal to the sum of the debt's carrying value plus an SFAS No. 133 fair value adjustment representing changes recorded in the fair value of the hedged debt obligations attributable to movements in the designated benchmark interest rates and applicable foreign currency exchange rates during the term of the hedge.

Unused lines of credit, for short-term financing outside Japan, aggregated ¥626,583 million at March 31, 2007. Certain foreign subsidiaries compensate banks for these facilities in the form of commitment fees, which were not material during the years ended March 31, 2007 and 2006.

Notes to Consolidated Financial Statements—(Continued)

Mitsui & Co., Ltd. and subsidiaries

Long-term debt at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen	
	2007	2006
Long-term debt with collateral (Note 9):		
Banks and insurance companies, maturing serially through 2016—principally 0.9% to 13%	¥ 118,203	¥ 79,186
Government-owned banks and government agencies, maturing serially through 2056—principally 0.7% to 7%	66,602	73,995
Other, maturing serially through 2018—principally 2% to 6%	5,332	6,173
Total	190,137	159,354
Long-term debt without collateral:		
Banks and others (principally insurance companies):		
Principally 0.01% to 6%, maturing serially through 2021	1,690,323	1,567,642
Principally 0.4% to 18%, maturing serially through 2021 (payable in foreign currencies)	545,689	454,894
Bonds and notes:		
Japanese yen convertible bonds (fixed rate 1.05%, due 2009)	36,577	91,382
U.S. dollar convertible bonds (zero coupon, due 2008)	1,179	1,174
Japanese yen bonds with early redemption clause (fixed rate 0.7% to 1.4%, due 2013–2015)	41,000	61,000
Japanese yen bonds with early redemption clause (fixed and floating rate: floating rate 1.3% to 1.6%, due 2016)	10,000	10,000
Japanese yen bonds (fixed rate 0.3% to 3.6%, due 2006–2019)	295,309	237,158
Japanese yen bonds (fixed and floating rate: floating rate 1.4% to 2.8%, due 2013–2024)	101,500	101,500
Japanese yen bonds (floating rate 1.1% to 2.3%, due 2010–2017)	102,000	102,000
Reverse dual currency yen/U.S. dollar bonds (fixed rate 3.0% to 3.3%, due 2007–2012)	30,000	30,000
Notes under global medium-term note programme (fixed rate 0.9% to 4.7%, due 2006–2014)	8,580	13,828
Notes under euro medium-term note programme (fixed rate 0.02% to 5.8%, due 2006–2019)	166,218	166,883
Notes under euro medium-term note programme (floating rate 0.4% to 5.8%, due 2007–2015)	17,346	15,838
Notes under euro medium-term note programme (fixed and floating rate: floating rate 0.4% to 5.4%, due 2012–2024)	10,577	8,900
Notes under euro medium-term note programme (fixed and floating rate: fixed rate 1.4%, due 2009)	1,056	—
Capital lease obligations (principally 0.3% to 7.3%, maturing serially through 2020)	23,761	24,605
Total	3,081,115	2,886,804
Total	3,271,252	3,046,158
SFAS No. 133 fair value adjustment*	(11,859)	(34,238)
Total	3,259,393	3,011,920
Less current maturities	371,865	353,185
Long-term debt, less current maturities	¥2,887,528	¥2,658,735

* In accordance with the requirements of SFAS No. 133, the portion of the companies' fixed-rate debt obligations that is designated and effective as a fair value hedge is reflected in the Consolidated Balance Sheets as an amount equal to the sum of the debt's carrying value plus an SFAS No. 133 fair value adjustment representing changes recorded in the fair value of the hedged debt obligations attributable to movements in the designated benchmark interest rates and applicable foreign currency exchange rates during the term of the hedge.

The companies have entered into currency swap agreements and interest rate swap agreements in connection with certain bonds, notes and other long-term borrowings. The floating interest rates for interest rate swap agreements are generally based on the three-month or six-month LIBOR (London Interbank Offered Rate). The three-month and six-month LIBORs for U.S. dollar denominated debt as of March 31, 2007 were 5.35% and

Notes to Consolidated Financial Statements—(Continued)

Mitsui & Co., Ltd. and subsidiaries

5.33%, respectively. The three-month and six-month LIBORs for U.S. dollar denominated debt as of March 31, 2006 were 5.00% and 5.14%, respectively. (See Note 26, “DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES,” and Note 27, “FINANCIAL INSTRUMENTS.”)

The 1.05% Convertible Bonds due 2009 may be converted into common stock at ¥876.60 per share, at the option of the holder and may be redeemed at the option of the Company at specified percentages of the principal.

The indenture, under which the bonds were issued, does not require maintenance of a prescribed amount of net assets, a minimum debt/equity ratio or limits on the payment of cash dividends by the Company.

Substantially all short-term and long-term bank borrowings are made under agreements which, as is customary in Japan, provide that under certain conditions a bank may require the borrower to provide collateral (or additional collateral) or guarantors with respect to the borrowings and that the bank may treat any collateral, whether furnished as security for short-term or long-term loans or otherwise, as collateral for all indebtedness to such bank. Default provisions of certain loan agreements grant certain rights of possession to the lenders. At March 31, 2007, bank borrowings under certain provisions of loan agreements which require the Company, upon the request of the bank, immediately to provide collateral, which is not specified in the loan agreements, aggregated ¥86,662 million.

Under certain loan agreements with government-owned banks, the creditors may require the companies to submit proposals as to the payment of dividends and other appropriations of earnings for the creditors’ review and approval before presentation to the shareholders. Certain of those agreements require the borrower, upon the request of the lender, to reduce outstanding loans before scheduled maturity dates when the lender considers that the companies are able to reduce such loans through increased earnings or through the proceeds from the sale of common stock or bonds and notes. During the years ended March 31, 2007 and 2006, the companies did not receive any such requests, and there is no expectation that any such requests will be made.

Maturities of long-term debt outstanding at March 31, 2007 were as follows, excluding the effect of the SFAS No. 133 fair value adjustment:

	<u>Millions of Yen</u>
Year ending March 31:	
2008	¥ 338,838
2009	264,630
2010	361,819
2011	259,472
2012	308,063
Thereafter	1,738,430
Total	<u>¥3,271,252</u>

Other long-term liabilities

Other long-term liabilities at March 31, 2007 and 2006 consisted of the following:

	<u>Millions of Yen</u>	
	<u>2007</u>	<u>2006</u>
Accounts payables, derivative liabilities and others due through 2019:		
Interest bearing	¥ 18,832	¥ 12,404
Non-interest bearing	264,394	239,751
Total	<u>¥283,226</u>	<u>¥252,155</u>

Notes to Consolidated Financial Statements—(Continued)

Mitsui & Co., Ltd. and subsidiaries

Maturities of other long-term liabilities outstanding at March 31, 2007 were as follows:

	<u>Millions of Yen</u>
Year ending March 31:	
2008	—
2009	¥ 79,174
2010	66,335
2011	34,054
2012	20,873
Thereafter	82,790
Total	<u>¥283,226</u>

14. PENSION COSTS AND SEVERANCE INDEMNITIES

The Company and certain subsidiaries have non-contributory defined benefit pension plans and contributory defined benefit pension plans, covering substantially all employees other than directors.

The primary pension plan is the Company's contributory Corporate Pension Fund ("CPF") under the Defined Benefit Corporate Pension Law. The benefits for CPF are based on the length of service.

Effective April 1, 1997, the Company merged a non-contributory defined benefit pension plan (the Tax Qualified Pension Plan, "TQPP") into a contributory defined benefit pension plan. Only retired employees with vested benefits as of March 31, 1997, remained in the TQPP. With the enforcement of the Defined Benefit Corporate Pension Law, the Company merged the TQPP, which had remained only for retired employees with vested benefits, into the CPF on March 31, 2005.

Effective April 1, 2006, the Company converted certain portions of the CPF into a defined contribution plan and a cash balance plan. The cash balance plan calculates its benefits using a percentage of employees' annual salary and an interest crediting rate.

The Company and certain subsidiaries have unfunded severance indemnities plans. Benefits under the plans are based on the level of compensation at retirement, or earlier termination of employment, and the length of service.

The Company and most subsidiaries use a measurement date of March 31 for their defined benefit pension plans.

Effective March 31, 2007, the companies adopted the recognition and related disclosure provisions of SFAS No. 158, which require the recognition of the overfunded or underfunded status of a defined benefit plan as an asset or liability in the statement of financial position and the recognition of changes in that funded status in comprehensive income in the year in which the changes occur. The following table sets forth the incremental effect of adoption of these provisions on the Consolidated Balance Sheets.

	<u>Millions of Yen</u>		
	<u>Before adoption of SFAS No. 158</u>	<u>Adjustments</u>	<u>After adoption of SFAS No. 158</u>
Investments in and advances to associated companies	¥ 0	¥ 2,180	¥ 2,180
Intangible assets	553	(553)	—
Other assets (prepaid pension costs)	108,027	11,138	119,165
Accrued expenses—others	—	(624)	(624)
Accrued pension costs and liability for severance indemnities	(32,733)	(476)	(33,209)
Deferred tax (liabilities) assets	3,185	(5,019)	(1,834)
Accumulated other comprehensive (income) loss	4,359	(6,646)	(2,287)

Notes to Consolidated Financial Statements—(Continued)

Mitsui & Co., Ltd. and subsidiaries

Obligations and funded status

The following table sets forth the reconciliation of benefit obligations, plan assets and funded status of the plans:

	Millions of Yen	
	2007	2006
Change in benefit obligation:		
Benefit obligation at beginning of year	¥271,966	¥261,197
Service cost	10,081	10,833
Interest cost	6,404	5,935
Plan participants' contributions	402	359
Plan amendments	8,563	—
Actuarial loss	813	10,139
Benefits paid from plan assets	(11,517)	(11,442)
Direct benefit payments	(3,718)	(2,874)
Settlements	(344)	(7,227)
Acquisitions and divestitures	(1,344)	3,986
Foreign currency translation adjustments	1,799	1,060
Benefit obligation at end of year	<u>283,105</u>	<u>271,966</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	346,506	291,645
Actual return on plan assets	20,564	63,819
Employer contribution	11,923	3,590
Plan participants' contributions	402	359
Benefits paid from plan assets	(11,517)	(11,442)
Settlements	(229)	(4,559)
Acquisitions and divestitures	(450)	2,390
Foreign currency translation adjustments	1,238	704
Fair value of plan assets at end of year	<u>368,437</u>	<u>346,506</u>
Funded status at end of year	85,332	74,540
Unrecognized prior service cost	—	(5,816)
Unrecognized net actuarial loss	—	6,146
Net amount recognized	<u>¥ 85,332</u>	<u>¥ 74,870</u>
Amounts recognized in the Consolidated Balance Sheets consist of:		
Intangible assets	—	¥ 63
Other assets (prepaid pension costs)	¥119,165	102,439
Accrued expenses—others	(624)	—
Accrued pension costs and liability for severance indemnities	(33,209)	(36,769)
Accumulated other comprehensive loss (before income tax effect)	—	9,137
Net amount recognized	<u>¥ 85,332</u>	<u>¥ 74,870</u>

Amounts recognized in accumulated other comprehensive income (loss), before income tax effect, as of March 31, 2007 are as follows:

	Millions of Yen
	2007
Unrecognized prior service cost	¥(2,910)
Unrecognized net actuarial gain	7,031
Total	<u>¥ 4,121</u>

Notes to Consolidated Financial Statements—(Continued)

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The prior service cost is amortized over the average remaining service period of employees expected to receive related benefits.

The amortization periods of the unrecognized net actuarial gain/loss are seven years for the CPF and the average remaining service period for other defined benefit pension plans.

The accumulated benefit obligation for the companies' defined benefit pension plans as of March 31, 2007 and 2006 was ¥280,737 million and ¥269,978 million, respectively.

The aggregate projected benefit obligation and aggregate fair value of plan assets for plans with projected benefit obligations in excess of plan assets were ¥56,296 million and ¥22,941 million at March 31, 2007 and ¥60,882 million and ¥23,538 million at March 31, 2006. The aggregate accumulated benefit obligation and aggregate fair value of plan assets for plans with accumulated benefit obligations in excess of plan assets were ¥54,490 million and ¥22,941 million at March 31, 2007 and ¥59,088 million and ¥23,538 million at March 31, 2006.

Components of net periodic pension costs

Net periodic pension costs of the companies' defined benefit pension plans for the years ended March 31, 2007, 2006 and 2005 included the following components:

	Millions of Yen		
	2007	2006	2005
Service cost—benefits earned during the period	¥10,081	¥10,833	¥10,798
Interest cost on projected benefit obligation	6,404	5,935	5,616
Expected return on plan assets	(9,855)	(8,361)	(6,723)
Amortization of unrecognized prior service cost	(165)	(590)	(410)
Amortization of unrecognized net actuarial loss	1,200	3,585	2,998
Settlement gain	(115)	(353)	—
Net periodic pension costs	<u>¥ 7,550</u>	<u>¥11,049</u>	<u>¥12,279</u>

The estimated prior service cost and net actuarial gain that will be amortized for the year ending March 31, 2008 are as follows:

	Millions of Yen
	<u>2008</u>
Amortization of unrecognized prior service cost	¥ (116)
Amortization of unrecognized net actuarial gain	1,058

Assumptions

Weighted-average assumptions used to determine the companies' benefit obligations as of March 31, 2007 and 2006 are set forth as follows:

	<u>2007</u>	<u>2006</u>
Discount rate	2.5%	2.5%
Rate of increase in future compensation levels	0.8	0.4

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Mitsui & Co., Ltd. and subsidiaries

Weighted-average assumptions used to determine the companies' net periodic pension costs for the years ended March 31, 2007, 2006 and 2005 are set forth as follows:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Discount rate	2.5%	2.4%	2.4%
Expected long-term rate of return on plan assets	2.7	2.6	2.5
Rate of increase in future compensation levels	0.8	0.4	0.5

The companies determine the discount rates each year as of the measurement date, based on a review of interest rates associated with long-term Japanese government bonds or high-quality fixed-income corporate bonds. The discount rates determined on each measurement date are used to calculate the benefit obligation as of that date, and are also used to calculate the net periodic pension costs for the upcoming plan year.

The rate of increase in future compensation levels was not applied in determining the projected benefit obligation of the CPF other than the cash balance plan, because the benefit formulas of these plans do not contain factors relating to compensation levels.

The Company determines the expected long-term rate of return on plan assets based on the weighted-average rate of return computed by using the expected long-term rate of return on each asset class, which is derived from an extensive study conducted by investment advisors and actuaries on a periodic basis, and the target allocations for each asset class. The study includes a review of anticipated future performance with market analysis of individual asset classes, and also gives appropriate consideration to actual historical returns achieved by the plans. The subsidiaries determine the expected long-term rates of return on plan assets mainly based on the expectations for future returns by investment advisors and actuaries.

Plan assets

The companies' pension plan weighted-average asset allocations based on the fair value of such assets as of March 31, 2007 and 2006 are set forth as follows:

<u>Asset category</u>	<u>2007</u>	<u>2006</u>
Equity securities	51%	52%
Debt securities	40	36
Life insurance company general accounts	3	3
Cash and deposits	1	1
Other	5	8
Total	<u>100%</u>	<u>100%</u>

Equity securities include securities held in the Company's employee retirement benefit trust. The fair value of those securities as of March 31, 2007 and 2006 were 29% and 32% of total fair value of plan assets, respectively. Life insurance company general accounts are pooled investment portfolios managed by insurance companies and guarantee a minimum rate of return.

The Company's investment objective is to build high quality plan assets, and the investment policy is targeted to ensure adequate returns available to provide future payments of pension benefits and severance indemnities. The basic strategy is diversified investment in various asset classes which have different risk return characteristics. The Company sometimes uses derivative instruments to hedge the exposure to changes in the fair value of debt and equity securities, but never uses them for speculation. The subsidiaries' investment strategies are mainly based on diversified investment, and are targeted to stably ensure adequate returns to provide future payments of pension benefits over the long term.

Notes to Consolidated Financial Statements—(Continued)

Mitsui & Co., Ltd. and subsidiaries

The companies' weighted-average target allocation of plan assets as of March 31, 2007 was 52% equity securities (including securities held in the employee retirement benefit trust), 47% debt securities (including life insurance company general accounts) and 1% other assets.

The fair value of equity securities of an associated company included in plan assets was ¥11,534 million (3% of the total fair value of plan assets) at March 31, 2006, and there were no such securities at March 31, 2007.

Cash flows

Contributions

The companies expect to contribute ¥8,738 million to their defined benefit pension plans for the year ending March 31, 2008.

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

	<u>Millions of Yen</u>
Year ending March 31:	
2008	¥14,736
2009	14,851
2010	15,094
2011	15,422
2012	15,908
2013–2017	80,633

In addition to the above defined benefit pension plans, the Company and certain subsidiaries have defined contribution plans. For the year ended March 31, 2007, the companies recorded ¥1,085 million as costs of defined contribution plans. The costs of defined contribution plans for the years ended March 31, 2006 and 2005 were immaterial.

The Company also provides the “Early Retirement Support Plan” to eligible employees, which guarantees, prior to normal retirement age, certain supplemental payments based on preretirement compensation levels. During the years ended March 31, 2007, 2006 and 2005, the Company recorded ¥3,368 million, ¥5,313 million and ¥3,107 million of periodic payments in excess of previous projections and projected benefits based on factors including the history of benefit payments as selling, general and administrative expenses, respectively.

15. SHAREHOLDERS' EQUITY

Effective May 1, 2006, a new corporate law of Japan (the “Corporate Law”) reformed and replaced the Commercial Code of Japan (the “Code”).

Common stock

Under the Corporate Law, certain issuances of common stock, including conversions of bonds and notes and exercises of warrants issued, are required to be credited to the common stock account for at least 50% of the amount of properties contributed by persons who become shareholders at share issue.

At March 31, 2007, 41,725,986 shares of common stock were reserved for the conversion of outstanding bonds.

Notes to Consolidated Financial Statements—(Continued)

Mitsui & Co., Ltd. and subsidiaries

Capital surplus and retained earnings

The Corporate Law provides that an amount equal to 10% of distribution must be appropriated as additional paid-in capital or a legal reserve depending on the equity account charged upon the payment of such distribution until the total aggregate amount of capital surplus and legal reserve equals 25% of the common stock. The Corporate Law also provides that common stock, additional paid-in capital, legal reserve and unappropriated retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders, while it is no longer allowed to transfer a portion of retained earnings to the common stock account. The adjustments included in the accompanying consolidated financial statements for U.S. GAAP purposes but not recorded in the general books of account have no effect on the above transfer under the Corporate Law. Additional amounts recorded as capital surplus to conform with U.S. GAAP were ¥68,297 million at March 31, 2007 and primarily relate to accounting for warrants, business combinations and expenses for the issuance of common stock. When debt securities were previously issued with detachable stock purchase warrants, the portion of the proceeds which was allocable to the warrants was credited to capital surplus under U.S. GAAP. In addition, the step acquisition of the shares held by minority shareholders of a subsidiary by selling unissued shares of the Company was accounted for by the purchase method under U.S. GAAP rather than by the pooling of interests method which was prevailing in Japan when such business combinations occurred.

Pursuant to the resolution of the Board of Directors, the Company made free distributions of common stock in prior years. Such free distributions did not result in the transfer of retained earnings to common stock or capital surplus. Corporations in the United States issuing shares in similar transactions would be required to account for them as stock dividends as of the shareholders' record date by reducing retained earnings and increasing appropriate capital accounts by an amount equal to the fair value of the shares issued. If such United States practice had been applied to the above free distributions of shares made on and after September 30, 1986, capital surplus at March 31, 2007 would have been increased by ¥87,860 million with a corresponding decrease in unappropriated retained earnings.

Dividends

Under the Corporate Law, the amount available for distribution is calculated as of the effective date which is determined by the resolution of the shareholders at the shareholders' meeting. Such amount is calculated based on the amount of capital surplus, exclusive of additional paid-in capital, and retained earnings, exclusive of retained earnings appropriated for legal reserve, recorded in the general books of account in accordance with accepted Japanese accounting practices. The adjustments included in the accompanying consolidated financial statements for U.S. GAAP purposes but not recorded in the general books of account have no effect on the calculation of the amount available for distribution under the Corporate Law. The amount of retained earnings available for dividends would amount to ¥322,058 million, if the amount were to be calculated at March 31, 2007.

The Corporate Law permits payment of dividends at any time during the fiscal year in addition to the year-end dividend upon resolution of shareholders at the shareholders' meeting. A mid-year interim dividend may be paid by resolution of the Board of Directors, subject to limitations imposed by the Corporate Law. See Note 13, "SHORT TERM, LONG-TERM DEBT AND OTHER LONG-TERM LIABILITIES," for the right of certain creditors to review and approve the companies' proposal for the payment of dividends.

Purchase by the Company of shares

The Corporate Law permits the Company to purchase and hold its own shares. The Company is allowed to decide the number, amount and others of the shares to be acquired, not to exceed the amount available for distribution, subject to the prior approval of the shareholders at the shareholders' meeting. The Corporate Law

Notes to Consolidated Financial Statements—(Continued)

Mitsui & Co., Ltd. and subsidiaries

permits the Company to purchase its own shares through market transactions or tender offer upon the approval of the Board of Directors, as far as it is permitted under the Articles of Incorporation, subject to limitations imposed by the Corporate Law. At the ordinary general meeting of shareholders held on June 24, 2004, it was approved that the Company amended the Articles of Incorporation to entitle the Board of Directors to purchase outstanding shares of the Company's common stock by its resolution.

The Company may dispose of them, subject to the approval of the Board of Directors, unless otherwise specified in the Corporate Law, or as far as the Articles of Incorporation do not require a resolution of the shareholders at the shareholders' meeting. In addition, the Corporate Law enables the Company to retire its own shares by resolution of the Board of Directors.

The Code

Effective May 1, 2006, the Corporate Law reformed and replaced the Code, while Japanese companies were subject to the Code until April 30, 2006. Under the Corporate Law, it is no longer allowed to transfer a portion of retained earnings to the common stock account, while it was allowed under the Code.

Under the Corporate Law, additional paid-in capital is allowed to be transferred to the common stock account by the approval of shareholders' meeting, on the other hand it could be transferred by the resolution of the Board of Directors.

Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. Under the Code, the aggregate amount of additional paid-in capital and legal reserve that exceeds 25% of common stock could be made available for dividends by resolution of the shareholders.

The Corporate Law permits dividends at any time during the fiscal year upon resolution at the shareholders' meeting. Under the Code, except for a mid-year interim dividend, it was permitted by approval by the ordinary general meeting of shareholders held subsequent to the fiscal year.

The amount of retained earnings available for dividends under the Code was based on the amount of retained earnings recorded in the Company's general books of account in accordance with accepted Japanese accounting practices. Retained earnings, exclusive of retained earnings appropriated for the legal reserve, shown in the Company's general books of account amounted to ¥260,336 million at March 31, 2006. The amount did not include any retained earnings to be appropriated for the legal reserve as a part of appropriations of retained earnings associated with cash outlays but included ¥28,657 million restricted as to the payment of dividends under the Code.

Notes to Consolidated Financial Statements—(Continued)

Mitsui & Co., Ltd. and subsidiaries

Accumulated other comprehensive income (loss)

Changes in each component of accumulated other comprehensive income (loss) for the years ended March 31, 2007, 2006 and 2005 are as follows:

	Millions of Yen		
	2007	2006	2005
Unrealized Holding Gains and Losses on Available-for-Sale Securities:			
Balance at beginning of year	¥216,099	¥ 100,179	¥ 69,729
Pre-tax amount of unrealized holding gains and losses on available-for-sale securities	123,931	217,516	63,409
Deferred income taxes	(66,684)	(90,263)	(26,530)
Adjustments for year (after income tax effect)	57,247	127,253	36,879
Pre-tax amount of reclassification adjustments	(24,804)	(20,025)	(12,409)
Deferred income taxes	10,380	8,692	5,980
Adjustments for year (after income tax effect)	(14,424)	(11,333)	(6,429)
Balance at end of year	¥258,922	¥ 216,099	¥ 100,179
Foreign Currency Translation Adjustments:			
Balance at beginning of year	¥ (83,279)	¥(142,787)	¥(161,454)
Pre-tax amount of translation adjustments	81,801	72,072	20,935
Deferred income taxes	(9,385)	(15,578)	(3,613)
Adjustments for year (after income tax effect)	72,416	56,494	17,322
Pre-tax amount of reclassification adjustments	2,780	2,961	1,426
Deferred income taxes	(1,326)	53	(81)
Adjustments for year (after income tax effect)	1,454	3,014	1,345
Balance at end of year	¥ (9,409)	¥ (83,279)	¥(142,787)
Minimum Pension Liability Adjustment:			
Balance at beginning of year	¥ (5,417)	¥ (5,691)	¥ (5,743)
Pre-tax amount	1,593	182	(11)
Deferred income taxes	(535)	92	63
Adjustments for year (after income tax effect)	1,058	274	52
Pre-tax amount of adjustment to initially apply SFAS No. 158	7,544	—	—
Deferred income taxes	(3,185)	—	—
Adjustments for year (after income tax effect)	4,359	—	—
Balance at end of year	—	¥ (5,417)	¥ (5,691)
Defined Benefit Pension Plans			
Balance at beginning of year	—	—	—
Pre-tax amount of adjustment to initially apply SFAS No. 158	¥ 4,121	—	—
Deferred income taxes	(1,834)	—	—
Adjustments for year (after income tax effect)	2,287	—	—
Balance at end of year	¥ 2,287	—	—
Net Unrealized Gains and Losses on Derivatives:			
Balance at beginning of year	¥ 2,439	¥ (1,252)	¥ (3,996)
Pre-tax amount of net unrealized gains and losses on derivatives	3,388	(12,580)	2,143
Deferred income taxes	447	5,863	(1,094)
Adjustments for year (after income tax effect)	3,835	(6,717)	1,049
Pre-tax amount of reclassification adjustments	4,289	17,538	2,881
Deferred income taxes	(1,633)	(7,130)	(1,186)
Adjustments for year (after income tax effect)	2,656	10,408	1,695
Balance at end of year	¥ 8,930	¥ 2,439	¥ (1,252)
Accumulated Other Comprehensive Income (Loss)—Total:			
Balance at beginning of year	¥129,842	¥ (49,551)	¥(101,464)
Pre-tax amount	192,978	277,664	78,374
Deferred income taxes	(68,736)	(98,271)	(26,461)
Other comprehensive income (loss) for year (after income tax effect)	124,242	179,393	51,913
Pre-tax amount of adjustment to initially apply SFAS No. 158	11,665	—	—
Deferred income taxes	(5,019)	—	—
Adjustments to initially apply SFAS No. 158 (after income tax effect)	6,646	—	—
Balance at end of year	¥260,730	¥ 129,842	¥ (49,551)

Notes to Consolidated Financial Statements—(Continued)

Mitsui & Co., Ltd. and subsidiaries

16. NET INCOME PER SHARE

The following is a reconciliation of basic net income per share to diluted net income per share for the years ended March 31, 2007, 2006 and 2005:

	2007			2006			2005		
	Net income (numerator)	Shares (denominator)	Per share amount	Net income (numerator)	Shares (denominator)	Per share amount	Net income (numerator)	Shares (denominator)	Per share amount
	Millions of Yen	In Thousands	Yen	Millions of Yen	In Thousands	Yen	Millions of Yen	In Thousands	Yen
Basic Net Income per Share:									
Income from continuing operations	¥298,231	1,730,214	¥172.37	¥216,019	1,603,096	¥134.75	¥118,199	1,582,473	¥74.69
Income (loss) from discontinued operations—net (after income tax effect)	3,271	1,730,214	1.89	(13,610)	1,603,096	(8.49)	2,937	1,582,473	1.86
Net income available to common shareholders	301,502	1,730,214	<u>174.26</u>	202,409	1,603,096	<u>126.26</u>	121,136	1,582,473	<u>76.55</u>
Effect of Dilutive Securities:									
1.05% Convertible Bonds due 2009	413	96,004		587	104,855		591	105,311	
Diluted Net Income per Share:									
Income from continuing operations	298,644	1,826,218	163.53	216,606	1,707,951	126.82	118,790	1,687,784	70.38
Income (loss) from discontinued operations—net (after income tax effect)	3,271	1,826,218	1.79	(13,610)	1,707,951	(7.97)	2,937	1,687,784	1.74
Net income available to common shareholders after effect of dilutive securities	<u>¥301,915</u>	<u>1,826,218</u>	<u>¥165.32</u>	<u>¥202,996</u>	<u>1,707,951</u>	<u>¥118.85</u>	<u>¥121,727</u>	<u>1,687,784</u>	<u>¥72.12</u>

17. SEGMENT INFORMATION

SFAS No. 131, “Disclosures about Segments of an Enterprise and Related Information,” requires disclosure of financial and descriptive information about operating segments, which are components of an enterprise whose operating results are regularly reviewed by the enterprise’s chief operating decision maker in deciding about resources to be allocated to the segment and assessing its performance.

The business units of the companies’ Head Office, which are organized based on “products and services,” plan overall and worldwide strategies for their products and services and conduct their worldwide operations. The business units also collaborate with overseas branches and overseas trading subsidiaries in planning and executing their strategies for products and regions. The overseas branches and overseas trading subsidiaries are separate operating units, which are delegated the business of their regions as the centers of each particular regional strategy and operate diversified business together with their subsidiaries and associated companies in collaboration with the business units.

Therefore, the companies’ operating segments consist of product-focused operating segments comprised of the business units of the Head Office and region-focused operating segments comprised of overseas branches and overseas trading subsidiaries. The companies’ operating segments have been aggregated based on the nature of the products and other criteria into eight product-focused reportable operating segments and four region-focused reportable operating segments, totaling twelve reportable operating segments.

Starting from the year ended March 31, 2007, Mitsui & Co. Financial Services (Europe) B.V., which was formerly included in “Europe,” is transferred to “All Other” in order to centralize the operation of financial services to the companies and associated companies.

Notes to Consolidated Financial Statements—(Continued)

Mitsui & Co., Ltd. and subsidiaries

The operating segment information for the year ended March 31, 2006 and 2005 has been restated to conform to the current year presentation.

A description of reportable operating segments of the Company follows.

Iron & Steel Products manufactures, sells and trades iron & steel products in Japan and abroad.

Iron & Steel Raw Materials and Non-Ferrous Metals develops raw material resources of iron and non-ferrous metals in foreign countries, and manufactures, sells and trades raw materials and metal products in Japan and abroad.

Machinery & Infrastructure Projects is engaged in the manufacture, sale and trade of machinery products, leasing, financing and promotion of certain projects such as plant constructions and infrastructure buildings in Japan and abroad.

Chemical manufactures, sells and trades chemical products in Japan and abroad.

Energy develops energy resources overseas and manufactures, sells and trades oil, gas and related products in Japan and abroad. Foods & Retail manufactures, sells and trades foods and provides support service to large retailers in Japan and abroad.

Lifestyle, Consumer Service and Information, Electronics & Telecommunication manufactures, sells and trades textiles and IT products for consumer, and is engaged in consumer-related business such as media & information, outsourcing business and real estate business in Japan and abroad.

Logistics & Financial Markets engages in logistics services, insurance and financial businesses in Japan and abroad.

Americas, Europe, Asia and Other Overseas Areas trade in various commodities and conduct related business led by overseas trading subsidiaries or offices located in each region.

Notes to Consolidated Financial Statements—(Continued)

Mitsui & Co., Ltd. and subsidiaries

The companies' operating segment information, product information and geographic area information for the years ended March 31, 2007, 2006 and 2005 presented in conformity with SFAS No. 131 are as follows:

OPERATING SEGMENT INFORMATION

Millions of Yen								
Year ended March 31, 2007:	Iron & Steel Products	Iron & Steel Raw Materials and Non-Ferrous Metals	Machinery & Infrastructure Projects	Chemical	Energy	Foods & Retail	Lifestyle, Consumer Service and Information, Electronics & Telecommunication	Logistics & Financial Markets
Total trading transactions:	¥1,398,061	¥1,695,220	¥2,224,749	¥2,392,268	¥ 1,811,897	¥1,917,825	¥ 1,457,175	¥ 180,437
Gross profit	¥ 57,766	¥ 122,284	¥ 108,003	¥ 103,073	¥ 112,561	¥ 81,336	¥ 129,983	¥ 60,489
Operating income (loss)	¥ 25,582	¥ 98,693	¥ 20,861	¥ 35,342	¥ 73,927	¥ 10,924	¥ 20,344	¥ 24,199
Equity in earnings of associated companies	¥ 3,121	¥ 60,439	¥ 21,429	¥ 4,933	¥ 44,268	¥ 3,789	¥ 8,661	¥ 1,960
Net income (loss)	¥ 20,559	¥ 103,797	¥ 33,557	¥ 19,327	¥ 70,215	¥ (12,304)	¥ 16,605	¥ 14,631
Total assets at March 31, 2007	¥ 663,682	¥1,073,142	¥1,643,151	¥ 949,091	¥ 1,573,084	¥ 696,062	¥ 861,501	¥ 681,294
Investments in and advances to associated companies at March 31, 2007	¥ 22,014	¥ 258,252	¥ 383,233	¥ 46,226	¥ 564,762	¥ 57,013	¥ 112,686	¥ 33,898
Depreciation and amortization	¥ 1,826	¥ 13,927	¥ 8,379	¥ 9,017	¥ 22,549	¥ 6,757	¥ 7,661	¥ 3,326
Additions to property leased to others and property and equipment	¥ 3,311	¥ 63,401	¥ 102,373	¥ 12,718	¥ 100,748	¥ 5,455	¥ 19,249	¥ 6,277

Millions of Yen								
Year ended March 31, 2007:	Americas	Europe	Asia	Other Overseas Areas	Total	All Other	Adjustments and Eliminations	Consolidated Total
Total trading transactions:	¥1,167,527	¥ 472,381	¥ 559,053	¥ 70,960	¥15,347,553	¥ 7,250	¥ 2,853	¥15,357,656
Gross profit	¥ 64,704	¥ 23,287	¥ 27,621	¥ 5,285	¥ 896,392	¥ 4,344	¥ 2,942	¥ 903,678
Operating income (loss)	¥ 21,348	¥ 3,064	¥ 9,558	¥ (193)	¥ 343,649	¥ (4,353)	¥ (30,396)	¥ 308,900
Equity in earnings of associated companies	¥ 3,845	¥ 300	¥ 217	¥ 478	¥ 153,440	¥ 121	¥ (456)	¥ 153,105
Net income (loss)	¥ 16,917	¥ 3,854	¥ 7,908	¥ 14,372	¥ 309,438	¥ 5,845	¥ (13,781)	¥ 301,502
Total assets at March 31, 2007	¥ 464,849	¥ 171,371	¥ 212,936	¥ 141,981	¥ 9,132,144	¥2,882,791	¥(2,201,623)	¥ 9,813,312
Investments in and advances to associated companies at March 31, 2007	¥ 39,036	¥ 14,918	¥ 8,640	¥ 35,480	¥ 1,576,158	¥ 10,456	¥ 957	¥ 1,587,571
Depreciation and amortization	¥ 4,635	¥ 962	¥ 585	¥ 178	¥ 79,802	¥ 1,084	¥ 11,726	¥ 92,612
Additions to property leased to others and property and equipment	¥ 4,594	¥ 1,075	¥ 597	¥ 100	¥ 319,898	¥ 1,901	¥ 5,557	¥ 327,356

Notes to Consolidated Financial Statements—(Continued)

Mitsui & Co., Ltd. and subsidiaries

Millions of Yen

Year ended March 31, 2006 (As restated):	Iron & Steel Products	Iron & Steel Raw Materials and Non-Ferrous Metals	Machinery & Infrastructure Projects	Chemical	Energy	Foods & Retail	Lifestyle, Consumer Service and Information, Electronics & Telecommunication	Logistics & Financial Markets
Total trading transactions:	¥1,366,834	¥1,698,658	¥2,472,604	¥2,087,042	¥ 1,730,424	¥1,849,850	¥ 1,464,310	¥ 116,178
Gross profit	¥ 54,386	¥ 110,832	¥ 90,557	¥ 97,779	¥ 84,674	¥ 79,941	¥ 128,438	¥ 51,378
Operating income (loss)	¥ 26,459	¥ 87,195	¥ 21,702	¥ 34,004	¥ 52,045	¥ 9,151	¥ 24,989	¥ 17,554
Equity in earnings of associated companies	¥ 2,943	¥ 28,728	¥ 14,571	¥ 3,233	¥ 33,827	¥ 3,472	¥ 3,485	¥ 3,951
Net income (loss)	¥ 19,354	¥ 54,667	¥ 30,581	¥ 12,068	¥ 40,929	¥ (3,214)	¥ 17,517	¥ 13,384
Total assets at March 31, 2006	¥ 563,596	¥ 833,271	¥1,309,180	¥ 866,796	¥ 1,120,303	¥ 721,222	¥ 821,315	¥ 750,748
Investments in and advances to associated companies at March 31, 2006	¥ 22,779	¥ 221,843	¥ 290,444	¥ 49,456	¥ 483,489	¥ 54,813	¥ 93,855	¥ 26,010
Depreciation and amortization	¥ 2,106	¥ 10,057	¥ 6,962	¥ 9,490	¥ 7,248	¥ 8,134	¥ 9,040	¥ 3,333
Additions to property leased to others and property and equipment	¥ 2,614	¥ 39,496	¥ 84,253	¥ 10,792	¥ 39,419	¥ 10,336	¥ 37,396	¥ 2,923

Millions of Yen

Year ended March 31, 2006 (As restated):	Americas	Europe	Asia	Other Overseas Areas	Total	All Other	Adjustments and Eliminations	Consolidated Total
Total trading transactions:	¥1,108,931	¥ 427,960	¥ 496,551	¥ 65,896	¥14,885,238	¥ 7,869	¥ (7,335)	¥14,885,772
Gross profit	¥ 61,588	¥ 22,456	¥ 27,370	¥ 4,926	¥ 814,325	¥ 7,122	¥ (3,157)	¥ 818,290
Operating income (loss)	¥ 21,723	¥ 4,286	¥ 10,667	¥ 993	¥ 310,768	¥ (3,208)	¥ (39,370)	¥ 268,190
Equity in earnings of associated companies	¥ 2,126	¥ (174)	¥ 121	¥ 633	¥ 96,916	¥ 301	¥ (2,967)	¥ 94,250
Net income (loss)	¥ 12,652	¥ 4,235	¥ 9,266	¥ 14,341	¥ 225,780	¥ 11,835	¥ (35,206)	¥ 202,409
Total assets at March 31, 2006	¥ 455,615	¥ 146,588	¥ 181,696	¥ 62,267	¥ 7,832,597	¥2,652,770	¥(1,911,789)	¥ 8,573,578
Investments in and advances to associated companies at March 31, 2006	¥ 9,714	¥ 10,039	¥ 3,897	¥ 19,988	¥ 1,286,327	¥ 12,570	¥ 1,690	¥ 1,300,587
Depreciation and amortization	¥ 4,734	¥ 896	¥ 520	¥ 162	¥ 62,682	¥ 1,087	¥ 7,997	¥ 71,766
Additions to property leased to others and property and equipment	¥ 9,747	¥ 1,381	¥ 526	¥ 425	¥ 239,308	¥ 1,788	¥ 5,958	¥ 247,054

Notes to Consolidated Financial Statements—(Continued)

Mitsui & Co., Ltd. and subsidiaries

Millions of Yen

Year ended March 31, 2005 (As restated):	Iron & Steel Products	Iron & Steel Raw Materials and Non-Ferrous Metals	Machinery & Infrastructure Projects	Chemical	Energy	Foods & Retail	Lifestyle, Consumer Service and Information, Electronics & Telecommunication	Logistics & Financial Markets
Total trading transactions:								
External customers	¥1,227,833	¥1,412,428	¥2,206,031	¥1,901,950	¥1,402,521	¥1,777,144	¥1,370,456	¥ 94,354
Intersegment	116,043	123,314	96,320	408,446	82,231	56,923	45,942	11,172
Total	¥1,343,876	¥1,535,742	¥2,302,351	¥2,310,396	¥1,484,752	¥1,834,067	¥1,416,398	¥105,526
Gross profit	¥ 47,290	¥ 74,159	¥ 82,911	¥ 87,112	¥ 72,604	¥ 85,275	¥ 121,751	¥ 46,662
Operating income (loss)	¥ 16,262	¥ 51,876	¥ 21,564	¥ 24,559	¥ 35,453	¥ 17,847	¥ 23,989	¥ 18,480
Equity in earnings of associated companies	¥ 1,730	¥ 20,714	¥ 10,035	¥ 2,450	¥ 24,480	¥ 2,167	¥ (286)	¥ 2,439
Net income (loss)	¥ 11,575	¥ 35,416	¥ 20,920	¥ (6,852)	¥ 42,759	¥ 10,594	¥ 11,805	¥ 11,835
Total assets at March 31, 2005	¥ 527,591	¥ 699,903	¥1,068,116	¥ 779,930	¥ 894,175	¥ 605,136	¥ 742,571	¥405,355

Millions of Yen

Year ended March 31, 2005 (As restated):	Americas	Europe	Asia	Other Overseas Areas	Total	All Other	Adjustments and Eliminations	Consolidated Total
Total trading transactions:								
External customers	¥1,026,282	¥403,448	¥ 643,483	¥125,779	¥13,591,709	¥ 25,014	¥ (32,815)	¥13,583,908
Intersegment	494,017	368,812	811,538	550,838	3,165,596	10,674	(3,176,270)	—
Total	¥1,520,299	¥772,260	¥1,455,021	¥676,617	¥16,757,305	¥ 35,688	¥(3,209,085)	¥13,583,908
Gross profit	¥ 49,911	¥ 20,657	¥ 21,805	¥ 4,005	¥ 714,142	¥ 12,349	¥ (18,251)	¥ 708,240
Operating income (loss)	¥ 14,737	¥ 2,578	¥ 7,828	¥ 363	¥ 235,536	¥ (632)	¥ (44,511)	¥ 190,393
Equity in earnings of associated companies	¥ 1,608	¥ 134	¥ 106	¥ 373	¥ 65,950	¥ 417	¥ (2,065)	¥ 64,302
Net income (loss)	¥ 12,343	¥ 2,664	¥ 8,015	¥ 5,750	¥ 166,824	¥ 4,677	¥ (50,365)	¥ 121,136
Total assets at March 31, 2005	¥ 445,221	¥156,190	¥ 189,068	¥ 81,169	¥ 6,594,425	¥2,502,274	¥(1,503,312)	¥ 7,593,387

- Notes: (1) The figures of “Consolidated Total” for the years ended March 31, 2006 and 2005 have been reclassified to conform to the change in current year presentation for discontinued operations in accordance with SFAS No. 144. The reclassification to income (loss) from discontinued operation—net (after income tax effect) is included in “Adjustments and Eliminations.”
- (2) “All Other” includes business activities which primarily provide services, such as financing services and operations services to external customers and/or to the companies and associated companies. Total assets of “All Other” at March 31, 2007, 2006 and 2005 consisted primarily of cash and cash equivalents and time deposits related to financing activities, and assets of certain subsidiaries related to the above services.
- (3) Net loss of “Adjustments and Eliminations” includes income and expense items that are not allocated to specific reportable operating segments, such as certain expenses of the corporate departments, and eliminations of intersegment transactions. Net loss of “Adjustments and Eliminations” for the year ended March 31, 2007 includes (a) ¥19,284 million in general and administrative expenses of the corporate departments excluding pension costs, (b) a charge of ¥1,226 million for pension related items, and (c) ¥3,846 million related to tax items includes an adjustment of a difference between actual tax rate and intercompany tax rate, and so on (all amounts are after income tax effects).

Notes to Consolidated Financial Statements—(Continued)

Mitsui & Co., Ltd. and subsidiaries

Net loss of “Adjustments and Eliminations” for the year ended March 31, 2006 includes (a) ¥19,738 million in general and administrative expenses of the corporate departments excluding pension costs, (b) a charge of ¥12,873 million for the valuation allowance for deferred tax assets as a result of reevaluation of realizability of deferred tax assets related to impairment of investment securities and allowance for doubtful receivables, and (c) a charge of ¥1,047 million for pension related items (all amounts are after income tax effects).

Net loss of “Adjustments and Eliminations” for the year ended March 31, 2005 includes (a) ¥21,722 million in general and administrative expenses of the corporate departments excluding pension costs, (b) a charge of ¥15,292 million for the valuation allowance for deferred tax assets as a result of change in a policy to sell certain investments, and (c) a gain of ¥2,432 million for pension related items (all amounts are after income tax effects).

- (4) Transfers between operating segments are made at cost plus a markup.
- (5) Operating income (loss) reflects the companies’ (a) gross profit, (b) selling, general and administrative expenses, (c) provision for doubtful receivables, and (d) government grant for transfer of substitutional portion of EPF, as presented in the Statements of Consolidated Income.

PRODUCT INFORMATION

	Millions of Yen					
	Iron and Steel	Non-Ferrous Metals	Machinery	Electronics & Information	Chemicals	Energy
Year ended March 31, 2007:						
Revenues	¥624,042	¥ 99,880	¥430,905	¥182,742	¥1,146,619	¥1,637,552
Year ended March 31, 2006:						
Revenues	¥523,717	¥102,179	¥368,042	¥164,853	¥ 886,670	¥1,360,537
Year ended March 31, 2005:						
Revenues	¥406,658	¥161,809	¥264,861	¥144,704	¥ 729,097	¥1,035,096

	Millions of Yen				
	Foods	Textiles	General Merchandise	Property and Service Business	Consolidated Total
Year ended March 31, 2007:					
Revenues	¥466,968	¥45,615	¥63,393	¥183,025	¥4,880,741
Year ended March 31, 2006:					
Revenues	¥424,634	¥42,417	¥78,796	¥163,626	¥4,115,471
Year ended March 31, 2005:					
Revenues	¥473,573	¥43,019	¥96,136	¥139,649	¥3,494,602

Note: In accordance with SFAS No. 144, revenues from discontinued operations are eliminated from each product amount and “Consolidated Total.” The figures for the years ended March 31, 2006 and 2005 have been reclassified to conform to the current year presentation.

GEOGRAPHIC AREA INFORMATION

	Millions of Yen				
	Japan	United States	China	All Other	Consolidated Total
Year ended March 31, 2007:					
Total trading transactions	¥8,932,840	¥1,160,650	¥900,157	¥4,364,009	¥15,357,656
Year ended March 31, 2006:					
Total trading transactions	¥8,554,595	¥1,265,052	¥878,965	¥4,187,160	¥14,885,772
Year ended March 31, 2005:					
Total trading transactions	¥7,719,421	¥1,091,312	¥738,720	¥4,034,455	¥13,583,908

Notes to Consolidated Financial Statements—(Continued)

Mitsui & Co., Ltd. and subsidiaries

- Notes: (1) Total trading transactions are attributed to countries based on the location of customers.
- (2) The Company provides total trading transactions instead of revenues, as certain costs related to revenues presented net in accordance with EITF No. 99-19 are not attributed to countries based on the location of customers.
- (3) In accordance with SFAS No. 144, total trading transactions from discontinued operations are eliminated from each geographic area amount and “Consolidated Total.” The figures for the years ended March 31, 2006 and 2005 have been reclassified to conform to the current year presentation.

Millions of Yen					
	Japan	Australia	United States	All Other	Consolidated Total
At March 31, 2007:					
Long-lived assets	¥481,198	¥339,768	¥162,292	¥264,282	¥1,247,540
At March 31, 2006:					
Long-lived assets	¥431,155	¥243,969	¥103,384	¥186,244	¥ 964,752
At March 31, 2005:					
Long-lived assets	¥431,236	¥177,273	¥ 99,636	¥137,718	¥ 845,863

There were no individual material customers with respect to revenues for the years ended March 31, 2007, 2006 and 2005.

18. SUPPLEMENTAL INCOME STATEMENT INFORMATION

Supplemental information related to the Statements of Consolidated Income is as follows:

				Millions of Yen		
				2007	2006	2005
Depreciation of property and equipment				¥77,617	¥54,802	¥52,921
Research and development expenses				3,935	5,136	5,647
Advertising expenses				9,892	10,029	9,012
Foreign exchange gains—net				728	2,084	4,583

19. ISSUANCE OF STOCK BY SUBSIDIARIES AND ASSOCIATED COMPANIES

Telepark Corp. (former, Mitsui & Associates Telepark Corporation), a subsidiary of the Company, which is principally engaged in sales of mobile devices and fixed telecommunication lines, issued 8,000 shares of common stock at ¥319,600 per share to third parties in a public offering on April 7, 2004 receiving total consideration of ¥2,557 million. As a result of Telepark Corp.’s public offering, the companies’ ownership of voting shares of Telepark Corp. decreased from 98.19% to 88.60%. The companies recognized a gain of ¥1,677 million on this issuance as a separate line item in the Statements of Consolidated Income under gain on issuance of stock by a subsidiary for the year ended March 31, 2005 and provided deferred income taxes of ¥688 million on such gain.

At the same time, the companies sold 19,000 shares of Telepark Corp.’s common stock to third parties at ¥319,600 per share through the stock market, and recorded a gain of ¥4,057 million on this sale. As a result, the companies’ ownership of voting shares of Telepark Corp. further decreased from 88.60% to 65.41%.

Notes to Consolidated Financial Statements—(Continued)

Mitsui & Co., Ltd. and subsidiaries

20. OTHER EXPENSE—NET

Other expense—net for the years ended March 31, 2007, 2006 and 2005 consists of the following:

	Millions of Yen		
	2007	2006	2005
Foreign exchange losses—net	¥ 3,908	¥ 1,817	¥ 5
Exploration expenses	3,415	2,170	2,458
Restructuring-related charges	3,352	1,404	1,950
Litigation charges	562	69	430
Other	(3,746)	(6,097)	2,161
Total	<u>¥ 7,491</u>	<u>¥ (637)</u>	<u>¥7,004</u>

Note: In accordance with SFAS No. 144, the expense and/or income from discontinued operations, if any, is eliminated from each line item presented in the above table. The figures for the years ended March 31, 2006 and 2005 have been reclassified to conform to the current year presentation.

21. INCOME TAXES

Income taxes in Japan applicable to the companies, imposed by the national, prefectural and municipal governments, in the aggregate resulted in a normal effective statutory tax rate of approximately 41% for the years ended March 31, 2007, 2006 and 2005. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

A reconciliation between the normal statutory tax rate in Japan applied to income from continuing operations and the effective income tax rate on income from continuing operations for the years ended March 31, 2007, 2006 and 2005 is summarized as follows:

	%		
	2007	2006	2005
Normal statutory tax rate in Japan applied to income from continuing operations before income taxes, minority interests and equity in earnings	41.0%	41.0%	41.0%
Increases (decreases) in tax rate resulting from:			
Expenses not deductible for tax purposes and income not taxable—net	1.3	1.1	2.4
Application of lower tax rates to certain taxable income	(5.2)	(3.5)	(5.4)
Effect of taxation on dividends	4.4	10.4	8.4
Changes in valuation allowance—net	4.7	1.0	11.2
Other—net	<u>2.0</u>	<u>(1.5)</u>	<u>1.7</u>
Effective income tax rate on income from continuing operations	<u>48.2%</u>	<u>48.5%</u>	<u>59.3%</u>

Notes to Consolidated Financial Statements—(Continued)

Mitsui & Co., Ltd. and subsidiaries

Amounts provided for income taxes for the years ended March 31, 2007, 2006 and 2005 are allocated as follows:

	Millions of Yen		
	2007	2006	2005
Income taxes on income from continuing operations	¥158,992	¥135,017	¥104,113
Income (loss) from discontinued operations—net	1,857	(10,441)	(62)
Equity in earnings of associated companies	59,584	46,680	18,342
Other comprehensive income	68,736	98,271	26,461
Adjustment to initially apply SFAS No. 158	5,019	—	—
Total	<u>¥294,188</u>	<u>¥269,527</u>	<u>¥148,854</u>

The tax effects of significant temporary differences and carryforwards which result in deferred tax assets and liabilities at March 31, 2007 and 2006 are as follows:

	Millions of Yen	
	2007	2006
Deferred Tax Assets:		
Accrued pension costs and liability for severance indemnities	—	¥ 9,146
Allowance for doubtful receivables	¥ 24,219	16,062
Estimated losses	23,446	33,773
Impairment loss of long-lived assets	28,396	43,919
Loss carryforwards of subsidiaries and associated companies	87,950	87,929
Unrealized intercompany profit	18,925	15,597
Foreign currency translation	8,244	9,843
Other	18,798	11,231
Total deferred tax assets	209,978	227,500
Valuation allowance	(80,345)	(74,982)
Deferred tax assets—net	<u>129,633</u>	<u>152,518</u>
Deferred Tax Liabilities:		
Accrued pension costs and liability for severance indemnities	8,264	—
Property	108,378	112,616
Investment securities	235,162	159,319
Undistributed earnings	148,009	98,883
Foreign currency translation	24,519	15,407
Other	13,792	9,321
Deferred tax liabilities	<u>538,124</u>	<u>395,546</u>
Net deferred tax liabilities	<u>¥(408,491)</u>	<u>¥(243,028)</u>

Net deferred tax liabilities at March 31, 2007 and 2006 are included in the Consolidated Balance Sheets as follows:

	Millions of Yen	
	2007	2006
Current assets—Deferred tax assets—current	¥ 21,354	¥ 32,569
Deferred tax assets—Non-current	34,972	47,947
Current liabilities—Other current liabilities	(14,636)	(4,633)
Deferred tax liabilities—Non-current	(450,181)	(318,911)
Net deferred tax liabilities	<u>¥(408,491)</u>	<u>¥(243,028)</u>

Notes to Consolidated Financial Statements—(Continued)

Mitsui & Co., Ltd. and subsidiaries

The valuation allowance is provided principally on deferred tax assets for loss carryforwards of certain subsidiaries where it is more likely than not that a tax benefit will not be realized. During the years ended March 31, 2007, 2006 and 2005, the valuation allowances were increased by ¥5,363 million, ¥30,067 million and ¥13,670 million, respectively. For the years ended March 31, 2007, 2006 and 2005, adjustments of the beginning-of-the-year balance of the valuation allowances attributable to continuing operations were ¥1,297 million (loss), ¥9,528 million (profit) and ¥17,910 million (loss), respectively. With respect to the remaining deferred tax assets, the companies believe it is more likely than not that such benefits will be realized through the reduction of future taxable income.

The tax benefits of operating loss carryforwards attributable to continuing operations for the years ended March 31, 2007, 2006 and 2005 were ¥15,669 million, ¥26,887 million and ¥8,795 million, respectively.

Deferred tax liabilities are recognized for undistributed earnings of foreign subsidiaries and foreign corporate joint ventures, less available tax credits, when it becomes apparent that the earnings will be remitted to the companies in the foreseeable future; and therefore, the earnings are not considered to be indefinitely reinvested in the operations of such subsidiaries and corporate joint ventures. The amounts of undistributed earnings, which have been considered to be indefinitely reinvested into foreign subsidiaries and foreign corporate joint ventures, and for which deferred tax liabilities have not been recognized, were ¥443,227 million and ¥354,789 million at March 31, 2007 and 2006, respectively. Determination of the amount of unrecognized deferred income taxes with respect to these foreign earnings is not practicable. The domestic undistributed earnings would not, under present Japanese tax laws, be subject to additional taxation.

At March 31, 2007, certain subsidiaries had aggregate operating loss carryforwards of ¥167,843 million, which are available to reduce taxable income in subsequent periods. If not utilized, such loss carryforwards expire as follows:

	Millions of Yen
Within 5 years	¥ 65,122
After 5 to 10 years	37,710
After 10 to 15 years	8,051
After 15 years	56,960
Total	<u>¥167,843</u>

Income from continuing operations before income taxes, minority interests and equity in earnings for the years ended March 31, 2007, 2006 and 2005 comprised the following:

	Millions of Yen		
	The Company and its domestic subsidiaries	Foreign subsidiaries	Total
Year ended March 31, 2007	¥96,560	¥233,580	¥330,140
Year ended March 31, 2006	¥96,234	¥182,092	¥278,326
Year ended March 31, 2005	¥54,240	¥121,330	¥175,570

Notes to Consolidated Financial Statements—(Continued)

Mitsui & Co., Ltd. and subsidiaries

Income taxes on income from continuing operations for the years ended March 31, 2007, 2006 and 2005 comprised the following:

	Millions of Yen		
	The Company and its domestic subsidiaries	Foreign subsidiaries	Total
Year ended March 31, 2007:			
Current	¥52,893	¥ 89,083	¥141,976
Deferred	19,903	(2,887)	17,016
Total	<u>¥72,796</u>	<u>¥ 86,196</u>	<u>¥158,992</u>
Year ended March 31, 2006:			
Current	¥36,321	¥ 70,196	¥106,517
Deferred	44,037	(15,537)	28,500
Total	<u>¥80,358</u>	<u>¥ 54,659</u>	<u>¥135,017</u>
Year ended March 31, 2005:			
Current	¥32,843	¥ 30,498	¥ 63,341
Deferred	29,738	11,034	40,772
Total	<u>¥62,581</u>	<u>¥ 41,532</u>	<u>¥104,113</u>

22. COMPENSATION AND OTHER CHARGES RELATED TO DPF INCIDENT

The Company discovered in November 2004, that false data of a performance test were produced and submitted to authorities for diesel particulate filters (“DPF”s) manufactured by PUREarth Incorporated, wholly owned by the Company and has been dissolved during the year ended March 31, 2007. The DPFs were subsidized by the Tokyo Metropolitan Government and seven other prefectural and municipal governments, as well as the Ministry of Land, Infrastructure and Transport, the Ministry of the Environment, and related industry associations. The Company sold approximately 21,500 units of the product.

The Company has carried out a three-part user response plan as a top priority, that involves: (1) the free replacement of DPFs, (2) the reimbursement of the amount paid for purchasing the Company’s DPFs upon their redemption following the scrapping or resale of vehicles, and (3) a support program for the purchase of alternative vehicles. The Company has completed recall of all DPFs except ones not-listed under the compensation plan and not-needed to recall. In addition, the Company completed the full compensation of relevant subsidies during the year ended March 31, 2006.

The Company recorded ¥36,000 million as compensation and other charges related to DPF incident in the Statements of Consolidated Income for the year ended March 31, 2005, consisting of a user response charge of approximately ¥28,000 million and subsidy compensation of approximately ¥8,000 million. Subsequently, the Company reviewed the expected costs of each user response plan based on the changes of requests from users of the Company’s DPFs, and recorded an additional user response charge of ¥9,000 million for the year ended March 31, 2006. Since the recall of DPFs was completed in the year ended March 31, 2007, the estimated amount to be paid for the compensation and other charges was substantially fixed. Therefore, during the year ended March 31, 2007, the Company has recorded a credit to income of ¥3,864 million as a result of the reversal of the provision made in prior years.

Notes to Consolidated Financial Statements—(Continued)

Mitsui & Co., Ltd. and subsidiaries

23. COMMITMENTS AND CONTINGENT LIABILITIES

I. LONG-TERM PURCHASE CONTRACTS AND FINANCING COMMITMENTS

The companies customarily enter into long-term purchase contracts for certain items, principally ocean transport vessels, oil products, chemical materials, metals, and machinery and equipment, either at fixed prices or at basic purchase prices adjustable to market. In general, customers of the companies are also parties to the contracts or by separate agreements are committed to purchase the items from the companies; such customers are generally large Japanese industrial companies and shipping firms. Long-term purchase contracts at fixed or basic purchase prices amounted to ¥3,132,966 million at March 31, 2007. Scheduled deliveries are at various dates through 2021.

The companies had financing commitments totaling ¥2,272 million at March 31, 2007, principally for financing, on a deferred-payment basis, the cost of ocean transport vessels and equipment to be purchased by their customers.

II. GUARANTEES

The table below summarizes the companies' guarantees as defined in FIN No. 45 at March 31, 2007 and 2006. The maximum potential amount of future payments represents the amounts without consideration of possible recoveries under recourse provisions or from collateral held or pledged that the companies could be obliged to pay if there were defaults by guaranteed parties or there were changes in an underlying which would cause triggering events under market value guarantees and indemnification contracts. Such amounts bear no relationship to the anticipated losses on these guarantees and indemnifications, and they greatly exceed anticipated losses.

Millions of Yen							
	Expire within 1 year	Expire after 1 year	Total amount outstanding	Recourse provisions/ collateral	Maximum potential amount of future payments	Carrying amount of liabilities	Expire no later than
March 31, 2007:							
Type of guarantees:							
Financial guarantees:							
Guarantees for third parties	¥12,405	¥ 77,761	¥ 90,166	¥18,688	¥116,559	¥4,769	2040
Guarantees for associated companies	24,301	42,783	67,084	6,852	86,617	668	2022
Guarantees to financial institutions for employees' housing loans	—	9,408	9,408	—	9,408	—	2031
Total	¥36,706	¥129,952	¥166,658	¥25,540	¥212,584	¥5,437	
Performance guarantees	¥ 9,533	¥ 15,464	¥ 24,997	¥ 5,045	¥ 24,997	¥ 414	2013
Market value guarantees:							
Obligation to repurchase bills of exchange	¥45,468	¥ 6,065	¥ 51,533	¥42,263	¥ 51,533	—	2009
Minimum purchase price guarantees . .	—	3,506	3,506	—	3,506	—	2013
Residual value guarantees of leased assets	—	3,195	3,195	—	3,195	—	2008
Total	¥45,468	¥ 12,766	¥ 58,234	¥42,263	¥ 58,234	—	
Derivative instruments	¥30,109	¥ 10,434	¥ 40,543	—	¥ 40,543	¥2,396	

Notes to Consolidated Financial Statements—(Continued)

Mitsui & Co., Ltd. and subsidiaries

Millions of Yen							
	Expire within 1 year	Expire after 1 year	Total amount outstanding	Recourse provisions/ collateral	Maximum potential amount of future payments	Carrying amount of liabilities	Expire no later than
March 31, 2006:							
Type of guarantees:							
Financial guarantees:							
Guarantees for third parties	¥14,018	¥ 61,108	¥ 75,126	¥21,799	¥ 81,680	¥1,074	2040
Guarantees for associated companies	7,378	47,591	54,969	6,927	60,901	3,129	2022
Guarantees to financial institutions for employees' housing loans	—	11,610	11,610	—	11,610	—	2031
Total	¥21,396	¥120,309	¥141,705	¥28,726	¥154,191	¥4,203	
Performance guarantees	¥ 6,498	¥ 26,244	¥ 32,742	¥ 5,278	¥ 32,742	¥ 331	2013
Market value guarantees:							
Obligation to repurchase bills of exchange	¥57,935	¥ 3,067	¥ 61,002	¥46,946	¥ 61,002	—	2008
Minimum purchase price guarantees . .	—	3,489	3,489	—	3,489	—	2013
Residual value guarantees of leased assets	—	10,571	10,571	—	10,571	—	2008
Total	¥57,935	¥ 17,127	¥ 75,062	¥46,946	¥ 75,062	—	
Derivative instruments	¥27,842	¥ 23,040	¥ 50,882	—	¥ 50,882	¥2,081	

(1) Financial guarantees

The companies provide various types of guarantees to the benefit of third parties and related parties principally to enhance their credit standings, and would be required to execute payments if a guaranteed party failed to fulfill its obligation with respect to a borrowing or trade payable.

Categories of financial guarantees are as follows:

Guarantees for third parties

The companies guarantee, severally or jointly with others, indebtedness of certain customers and suppliers in the furtherance of their trading activities.

Guarantees for associated companies

The companies, severally or jointly with others, issue guarantees for associated companies for the purpose of furtherance of their trading activities and credit enhancement of associated companies.

Guarantees to financial institutions for employees' housing loans

As a part of the benefits program for its employees, the Company issues guarantees to financial institutions for employees' housing loans. The maximum duration of the guarantees is 25 years. The Company obtains a mortgage on the employees' assets, if necessary.

Notes to Consolidated Financial Statements—(Continued)

Mitsui & Co., Ltd. and subsidiaries

At March 31, 2007 and 2006, the following table sets forth the major parties who have received the companies' financial guarantees. The amounts shown below were calculated by offsetting the recourse provisions and collateral against outstanding balance of the guarantee provided to each guaranteed party.

	<u>Millions of Yen</u>
March 31, 2007:	
Guaranteed party:	
SUMIC Nickel Netherlands	¥ 9,338
Nippon Asahan Aluminium	8,078
Pagardewa Project Finance	7,742
Mitsui Power Projects	7,204
Petro21 Intertrade Company	6,521
Usinas Siderurgicas de Minas Gerais	5,135
ITM Investment Company	4,378
Stybarrow MV16	4,265
Cameleer Shipping	4,057
Mitsui Oil (Asia)	3,766
Others	80,634
Total	<u>¥141,118</u>
March 31, 2006:	
Guaranteed party:	
Nippon Asahan Aluminium	¥ 9,559
Usinas Siderurgicas de Minas Gerais	6,813
Petro21 Intertrade Company	6,489
Pagardewa Project Finance	6,346
KDDI (former POWERDCOM)	4,712
SUMIC Nickel Netherlands	4,405
Project Finance BLRE	4,003
ITM Investment Company	3,105
Siam Cement	2,920
Leeward Navigation	2,256
Others	62,371
Total	<u>¥112,979</u>

(2) Performance guarantees

Main items of performance guarantees are contractual guarantees of Toyo Engineering Corporation regarding plant construction contracts executed under the name of the guaranteed party in the Middle East and other regions. The Company has pledged bank guarantees and performance bonds to the project owners, and in case that Toyo Engineering Corporation failed to fulfill the contractual obligation, the project owners would execute bank guarantees and performance bonds to claim compensation for damages.

(3) Market value guarantees

Obligation to repurchase bills of exchange

In connection with export transactions, the Company issues bills of exchange, some of which are discounted by its negotiating banks. If a customer failed to fulfill its obligation with respect to the bills, the Company would

Notes to Consolidated Financial Statements—(Continued)

Mitsui & Co., Ltd. and subsidiaries

be obligated to repurchase the bills based on the banking transaction agreement. The maximum potential amount of future payments is represented by the aggregate par value of the bills discounted by the banks, and the recourse provisions and collateral are represented by the amount backed by letters of credit from the issuing banks of the customers.

Minimum purchase price guarantees

The companies provide marketing services of aircraft for domestic and overseas airline companies, and as a part of such businesses, the companies issue market value guarantees of the aircraft for certain customers.

Residual value guarantees of leased assets

As lessees in operating lease contracts, certain subsidiaries have issued residual value guarantees of the leased aircraft and ocean transport vessels, and on the date of expiration of operating lease contracts, such subsidiaries will either purchase the leased assets at a fixed price or be responsible for making up any shortfall between an actual sales price and the guaranteed price.

(4) Derivative instruments

Certain derivative contracts, including written put options and credit default swaps, meet the accounting definition of guarantees under FIN No. 45 when it is probable that the counterparties have underlying assets or liabilities related to the derivative contracts.

The companies consider the business relationship with counterparties and other circumstances in deciding whether it is probable that the counterparties have underlying assets or liabilities, and did not include the derivative contracts with certain financial institutions and traders.

FIN No. 45 does not require disclosure about derivative contracts if such contracts permit or require net settlement and the companies have no basis for concluding that it is probable that the counterparties have underlying assets or liabilities.

The companies have written put options as a part of their various derivative transactions related to energy, non-ferrous metals and grain. The aggregation of notional amounts computed based on the strike prices and quantities of written options are disclosed as the total amount outstanding and the maximum potential amount of future payments. The carrying amount of liabilities is represented by the fair value of such written options recorded in the consolidated financial statements.

The companies manage the market and credit risks on these derivative instruments by monitoring fair values against loss limits and credit lines, and generally the maximum potential amount of future payments as stated above greatly overstates the companies' exposure to market and credit risks.

(5) Indemnification contracts

Indemnification issued through corporate reorganization

The companies divested certain of their businesses through a sale to a third-party purchaser and a spin-off to an associated company. In connection with these transactions, the companies have provided certain indemnities and the terms and conditions of indemnifications differ by contracts. The maximum potential amount of future payments could not be quantified because the limits of those indemnifications are often indefinite. No liabilities have been recorded for such indemnifications at March 31, 2007 and 2006.

Notes to Consolidated Financial Statements—(Continued)

Mitsui & Co., Ltd. and subsidiaries

Joint obligation under membership agreement in commodity exchanges

The companies are members of major commodity exchanges in Japan and overseas. In connection with these memberships, the companies provide guarantees to the exchanges. Under the membership agreements, if a member becomes unable to satisfy its obligations to the exchange, the other members would be required to meet such shortfalls apportioned among the non-defaulting members in the prescribed manner. The companies' maximum potential amount of future payments related to these joint obligations is not quantifiable and the probability of being required to make any payments under these obligations is remote.

(6) Product warranties

Certain subsidiaries provide product warranties, in relation to their sales of assets, including machinery and equipment and residential houses, for the performance of such products during specified warranty periods, and they are responsible for mending or payments of compensation against the claims by the customers regarding defects in performance or function. Estimated warranty costs are accrued at the time the products are sold based on the historical claim experiences.

Mitsui Bussan House-Techno, Inc., a 100% subsidiary engaged in the custom-made house building business, decided to exit from its business due to the downturn of the business environment caused by declining demand. The Company appropriated the provision for the future maintenance service, because it guarantees the periodical inspection and repair service for a certain period after the completion.

A tabular reconciliation of changes in such liabilities for the product warranties for the years ended March 31, 2007, 2006 and 2005 is as follows:

	Millions of Yen		
	2007	2006	2005
Balance at beginning of year	¥2,450	¥2,531	¥1,754
Payments made in cash or in kind	(775)	(306)	(562)
Accrual for warranties issued during the year	6,754	1,020	2,075
Changes in accrual related to pre-existing warranties	(340)	(795)	(736)
Balance at end of year	<u>¥8,089</u>	<u>¥2,450</u>	<u>¥2,531</u>

III. LITIGATION

Various claims and legal actions are pending against the companies in respect of contractual obligations and other matters arising out of the conduct of the companies' business. Appropriate provision has been recorded for the estimated loss on claims and legal actions. In the opinion of management, any additional liability will not materially affect the consolidated financial position, results of operations, or cash flows of the Company.

IV. OTHERS

The Company was audited by the Tokyo Regional Taxation Bureau with regard to a transfer price taxation in connection with the LNG Project in Western Australia for the six fiscal years from the year ended March 31, 2000 to the year ended March 31, 2005. On June 30, 2006, the Company received a notice of tax assessment from the Tokyo Regional Taxation Bureau for the year ended March 31, 2000. Based on the notice of assessment, the taxable income was corrected by ¥4,863 million and the additional liabilities for income taxes were ¥2,375 million. The Company has paid the additional taxes and recorded the amount as income taxes-current. The Company disagrees with the assessment and registered its protest in August 2006, and in addition,

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lodged an application in November, 2006, for the mutual agreement procedure pursuant to a provision in the tax treaty between Japan and Australia in order to settle the double taxation.

The Company believes that it is probable that double taxation will be avoided by the mutual agreement procedure, and the amount of the correction for the year ended March 31, 2000 and the final correction and tax liabilities for the period from the year ended March 31, 2001 to the year ended March 31, 2005, if any, will be affected by the result of the mutual agreement procedure. Because the mutual agreement procedure has not been agreed yet, it is not possible at this time to reasonably estimate the amount of potential impact on the Company's financial position and results of operations. Accordingly, except for payment based on the received assessment, the amount of potential loss and the related allowance are not reflected in the financial statements for the year ended March 31, 2007.

24. VARIABLE INTEREST ENTITIES

The companies are involved with VIEs which mainly engage in leasing and financing activities within the Machinery & Infrastructure Projects, Energy and Logistics & Financial Markets Segments.

The VIEs that have been consolidated by the companies in accordance with FIN No. 46R are described as follows (excluding VIEs of which the companies also hold a majority voting interest):

As lessees in operating lease contracts concluded with lessors that have been established for those lease contracts in Europe and Latin America, certain subsidiaries have issued residual value guarantees of the leased vessels. On the date of expiration of operating lease contracts, such subsidiaries will either purchase the leased assets at a fixed price or be responsible for making up any shortfall between an actual sales price and the guaranteed value. The lessors of the leased vessels are VIEs and the companies have consolidated the lessors as the primary beneficiary. Total assets of the lessors as of March 31, 2007 and 2006 were ¥20,258 million and ¥20,812 million, respectively.

A portion of the leased assets, which are consolidated, is collateral for the VIEs' obligations. The carrying amounts of those assets as of March 31, 2007 and 2006 were ¥5,869 million and ¥6,426 million, respectively, and were classified as property leased to others—at cost, less accumulated depreciation in the Consolidated Balance Sheets.

The creditors or beneficial interest holders of the consolidated VIEs do not have recourse to the general credit of the companies, except for the aforementioned residual value guarantees.

The companies hold senior investment securities and beneficial interest, both without voting rights of VIEs whose operations are real estate development and investment management for the year ended March 31, 2006, and also hold beneficial interest without voting rights of VIEs whose operations are investment management for the year ended March 31, 2007. The companies have consolidated the VIEs as the primary beneficiary. Total assets of the VIEs as of March 31, 2007 and 2006 were ¥14,916 million and ¥9,261 million, respectively.

The consolidated real-estate which includes land and buildings is collateral for the VIE's obligations, and the carrying amounts as of March 31, 2006 was ¥4,411 million, and was classified as real-estate for sale, included in inventories in the Consolidated Balance Sheets.

The creditors or beneficial interest holders of the consolidated VIEs do not have recourse to the general credit of the companies.

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In addition, the VIEs that are not consolidated because the companies are not the primary beneficiary, but in which the companies have significant variable interests, are described as follows:

The companies are involved with and have significant variable interests in a number of VIEs that have been established to finance crude oil and LNG producing plants and equipment or to finance subordinated debts by providing guarantees or subordinated loans to the VIEs. Those VIEs provide financing for customers located principally in Latin America, Middle East and Southeast Asia in the form of leases and loans. Total assets of the VIEs as of March 31, 2007 and 2006 were ¥1,417,841 million and ¥1,089,410 million, respectively, and the maximum exposure to loss as a result of the companies' involvement with the VIEs as of March 31, 2007 and 2006 were ¥119,434 million and ¥80,857 million, respectively.

The amount of maximum exposure to loss represents a loss that the companies could incur from the variability in value of the leased assets, from financial difficulties of the customers or from other causes without consideration of possible recoveries through insurance and the like. In addition, the amount bears no relation to the loss anticipated to be incurred from the companies' involvement with the VIEs and is considered to exceed greatly the anticipated loss.

25. EXIT OR DISPOSAL ACTIVITIES

The Company focuses on the maximization of its consolidated corporate value. To achieve this objective, the Company is trying to strengthen its consolidated capabilities through optimal group management. The Company actively restructures its businesses to make them more efficient by regularly reassessing the business environment and operational objectives of each of its businesses.

In addition to these restructurings, the companies have disposed of certain long-lived assets based on reviews of whether the companies should keep holding those assets from the standpoint of profitability. For the year ended March 31, 2007, the companies recorded total exit or disposal costs of ¥7,157 million, which are defined by SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." The costs consisted of losses on disposal and impairment of long-lived assets of ¥3,805 million, one-time termination benefits of ¥1,993 million, and other associated costs of ¥1,359 million. These exit or disposal costs were recorded in the Foods & Retail Segment of ¥3,801 million, and the Lifestyle, Consumer Service and Information, Electronics & Telecommunication Segment of ¥1,763 million for the year ended March 31, 2007. For the year ended March 31, 2006, the companies recorded total exit or disposal costs defined by SFAS No. 146 of ¥30,600 million, which consisted of losses on disposal and impairment of long-lived assets of ¥28,337 million, one-time termination benefits of ¥1,678 million, and other associated costs of ¥585 million. These exit or disposal costs were recorded in the Iron & Steel Raw Materials and Non-Ferrous Metals Segment of ¥11,804 million, the Machinery & Infrastructure Projects Segment of ¥7,901 million, the Foods & Retail Segment of ¥4,955 million, the Americas Segment of ¥2,960 million, the All Other Segment of ¥1,784 million and the Lifestyle, Consumer Service and Information, Electronics & Telecommunication Segment of ¥1,196 million for the year ended March 31, 2006. For the year ended March 31, 2005, the companies recorded total exit or disposal costs defined by SFAS No. 146 of ¥4,161 million, which consisted of a contract termination cost of ¥1,950 million, losses on disposal and impairment of long-lived assets of ¥1,680 million, and other associated costs of ¥531 million. These exit or disposal costs were recorded principally in the Lifestyle, Consumer Service and Information, Electronics & Telecommunication Segment of ¥1,950 million, the Energy Segment of ¥609 million, the Europe Segment of ¥531 million and the Americas Segment of ¥462 million for the year ended March 31, 2005.

Exit or disposal activities for the year ended March 31, 2007 are expected to complete within the year ending March 31, 2008. Exit or disposal activities for the year ended March 31, 2006 were substantially

Notes to Consolidated Financial Statements—(Continued)

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completed within the year ended March 31, 2007. Exit or disposal activities for the year ended March 31, 2005 commenced and were substantially completed within the same fiscal year. The ending balances of liabilities for the exit or disposal costs were immaterial at March 31, 2007, 2006 and 2005.

The primary exit or disposal activities for the year ended March 31, 2007 were as follows:

Mitsui Foods Co., Ltd., a subsidiary reported in the Foods & Retail Segment, is mainly engaged in the wholesale of food products in Japan. It restructured the domestic distribution facilities and the companies recorded ¥1,317 million in impairment loss of long-lived assets and other associated costs of ¥1,217 million in other expense—net in the Statements of Consolidated Income for the year ended March 31, 2007.

Hokushuren Co., Ltd., a subsidiary reported in the Foods & Retail Segment, is mainly engaged in the wholesale of food products in Japan. Due to restructurings, the companies recorded ¥598 million in impairment loss of long-lived assets and other associated costs of ¥633 million in other expense—net in the Statements of Consolidated Income for the year ended March 31, 2007.

Mitsui Bussan House-Techno, Inc., a subsidiary reported in the Lifestyle, Consumer Service and Information, Electronics & Telecommunication Segment, is mainly engaged in the detached custom-built house business. Due to demand decline, the Company decided to exit from this business field and recorded ¥199 million in impairment loss of long-lived assets, ¥151 million in loss on disposal or sales of property and equipment—net and other associated costs of ¥1,413 million in other expense—net in the Statements of Consolidated Income for the year ended March 31, 2007.

The primary exit or disposal activities for the year ended March 31, 2006 were as follows:

Mitalco Inc., a subsidiary reported in the Iron & Steel Raw Materials and Non-Ferrous Metals Segment, was engaged in aluminum smelting in the United States. Because of the deterioration in the terms of the power purchase contract during the course of renewal negotiations, which would have significant adverse effect on its smelting cost, the companies recorded ¥11,804 million in impairment loss of long-lived assets in the Statements of Consolidated Income for the year ended March 31, 2006.

Mitsui Foods Co., Ltd., a subsidiary reported in the Foods & Retail Segment, is mainly engaged in the wholesale of food products in Japan. Due to the termination of the transactions with The Daiei, Inc., it restructured the domestic distribution facilities and recorded ¥4,096 million in impairment loss of long-lived assets and other associated costs of ¥859 million in selling, general and administrative in the Statements of Consolidated Income for the year ended March 31, 2006.

Nst Inc., a subsidiary reported in the Americas Segment, was mainly engaged in the pet food and feed ingredients businesses in the United States and United Kingdom. Due to the increased competition in the industry, the companies decided to exit from this business field and recorded ¥1,556 million in impairment loss of long-lived assets and other associated costs of ¥1,404 million in other expense—net in the Statements of Consolidated Income for the year ended March 31, 2006.

The primary exit or disposal activity for the year ended March 31, 2005 was as follows:

The Company had compensated losses on defects arising from the ceramic building materials and fiberboard business in the Lifestyle, Consumer Service and Information, Electronics & Telecommunication Segment, which were sold in October 2001, pursuant to the indemnification agreement between the Company and the buyer of the business as of 2001. During the year ended March 31, 2005, the Company terminated the agreement as a result of the negotiation with the buyer. In connection with this termination of the agreement, the Company recorded an associated cost of ¥1,950 million in other expense—net in the Statements of Consolidated Income for the year ended March 31, 2005 and reversed the remaining liability previously recorded under the indemnification.

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26. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The companies are exposed to market risks related to foreign currency exchange rates, interest rates and commodity prices in the ordinary course of business.

In order to offset or reduce these risks, the companies use derivative instruments, such as foreign exchange forward contracts, currency swap agreements, interest rate swap agreements, commodity future, forward, option and swap contracts, to hedge the exposure to changes in the fair value or expected future cash flows of recognized assets and liabilities, unrecognized firm commitments and forecasted transactions. The companies also use non-derivative financial instruments, such as foreign-currency-denominated debt, to hedge the foreign currency exposure in the net investment in a foreign operation.

Foreign currency exchange rate risk hedging activities

The companies use derivative instruments, such as foreign exchange forward contracts, currency swap agreements and interest rate and currency swap agreements, to fix the expected future cash flows from foreign-currency-denominated receivables and payables resulting from selling and purchasing activities in currencies other than the local currency and long-term financing transactions as part of the companies' global operations in many countries. The companies also use non-derivative financial instruments, such as foreign-currency-denominated debt, in order to hedge the foreign currency exposure in the net investment in a foreign operation.

Interest rate risk hedging activities

The companies use interest rate swap agreements and interest rate and currency swap agreements to diversify the sources of fund raising, reduce fund-raising costs, fix the expected future cash flows from long-term financial assets and liabilities with floating interest rates and reduce the exposure to changes in the fair value of long-term financial assets and liabilities with fixed interest rates.

Commodity price risk hedging activities

The companies use derivative instruments, such as commodity future, forward, option and swap contracts, to reduce the exposure to changes in the fair value of inventories and unrecognized firm commitments and to fix the expected future cash flows from forecasted transactions in marketable commodities, such as non-ferrous metals, crude oil and agricultural products.

Risk management policy

The companies have strictly segregated the trading sections from the sections that record the results and positions of derivative instruments and are responsible for cash settlement and account confirmation with counterparties. Risk management sections classify the derivative transactions into trading transactions and hedging transactions. The distinction between trading and hedging transactions is strictly managed by affirming the correspondence with the hedged items for transactions for hedging purposes. Furthermore, these risk management sections comprehensively monitor, evaluate and analyze the positions of derivative instruments and report the results periodically to the Company's executive officers in charge of risk management. Based on these reports, the executive officers assess derivative instruments and the market risks surrounding these instruments, and establish the companies' policy regarding derivative instruments.

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Fair value hedges

Changes in the fair value of derivative instruments designated as hedging the exposure to changes in the fair value of recognized assets or liabilities or unrecognized firm commitments are recorded in earnings together with changes in the fair value of the corresponding hedged items.

The net gain or loss recognized in earnings representing the amount of the hedges' ineffectiveness and the component of the derivative instruments' gain or loss excluded from the assessment of hedge effectiveness were immaterial for the years ended March 31, 2007, 2006 and 2005.

The amount of net gain or loss recognized in earnings when a hedged firm commitment no longer qualifies as a fair value hedge was immaterial for the years ended March 31, 2007, 2006 and 2005.

Cash flow hedges

Changes in the fair value of foreign exchange forward contracts, currency swap agreements and interest rate and currency swap agreements designated as hedging instruments to hedge the exposure to variability in expected future cash flows of recognized assets or liabilities, unrecognized firm commitments and forecasted transactions denominated in foreign currencies are initially recorded as other comprehensive income. The amounts in accumulated other comprehensive income are reclassified into earnings when earnings are affected by the hedged items.

Changes in the fair value of interest rate swap agreements designated as hedging instruments to reduce the exposure to variability in expected future cash flows of floating-rate financial assets and liabilities are initially recorded as other comprehensive income. The amounts in accumulated other comprehensive income are reclassified into earnings as interest income and expense when earnings are affected by the hedged items.

Changes in the fair value of commodity forward and swap contracts designated as hedging instruments to hedge the exposure to variability in expected future cash flows of the marketable commodities are initially recorded as other comprehensive income. The amounts in accumulated other comprehensive income are reclassified into earnings as sales of products or cost of products sold when earnings are affected by the hedged transactions.

The ineffective portion of the hedging instruments' gain or loss and the component of the derivative instruments' gain or loss excluded from the assessment of hedge effectiveness are reported in earnings immediately. If the hedged forecasted transaction will not occur by the end of the originally specified time period, gain or loss on the hedging instrument reported in accumulated other comprehensive income is reclassified into earnings. These amounts were immaterial for the years ended March 31, 2007, 2006 and 2005.

The estimated net amount of the existing gains or losses in accumulated other comprehensive income at March 31, 2007 that is expected to be reclassified into earnings within the next 12 months is a net gain of ¥5,176 million.

The maximum length of time over which the companies are hedging their exposure to the variability in expected future cash flows for forecasted transactions (excluding those forecasted transactions related to the payment of variable interest on existing financial instruments) is 39 months. Foreign exchange forward contracts are used as hedging instruments for the forecasted transactions.

Notes to Consolidated Financial Statements—(Continued)

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Hedges of the net investment in a foreign operation

The foreign currency transaction gain or loss on the derivative instrument and the non-derivative financial instrument that is designated as, and is effective as, hedging instruments to hedge the foreign currency exposure of a net investment in a foreign operation is recorded as foreign currency translation adjustments within other comprehensive income to the extent it is effective as a hedge. The net amount of gains or losses included in the foreign currency translation adjustments at March 31, 2007 was net loss of ¥2,818 million. The net amount of gains or losses included in the foreign currency translation adjustments was immaterial for the years ended March 31, 2006 and 2005.

Derivative instruments for trading purposes and risk management policy

The Company and certain subsidiaries use derivative instruments such as foreign exchange forward contracts, interest rate swap agreements and commodity future, forward, swap and option contracts for trading purposes. The Company's executive officers in charge of risk management have set strict position and loss limits for these instruments. Independent back offices and middle offices strictly separated from trading sections (front offices) monitor, evaluate and analyze the position of trading transactions and market risks. Those results are periodically reported to the executive officers. Among others, VaR (Value at Risk: Statistical measure of the potential maximum loss in the fair value of a portfolio resulting from adverse market movements in the underlying risk factors such as foreign currency exchange rates, interest rates and commodity prices, over a defined period, within a certain confidence level) is used to measure the market risks of derivative instruments for trading purposes.

27. FINANCIAL INSTRUMENTS

FAIR VALUE OF FINANCIAL INSTRUMENTS

In accordance with the requirements of SFAS No. 107, the companies have provided the following fair value estimates and information about valuation methodologies.

Quoted market prices, where available, are used to estimate fair values of financial instruments. However, quoted market prices are not available for a substantial portion of the financial instruments. Accordingly, fair values for such financial instruments are estimated using discounted cash flow analysis or other valuation techniques.

Current financial assets other than marketable securities and current financial liabilities

The carrying amount is believed to approximate the fair value of the majority of these instruments because of their short maturities.

Marketable securities and other investments

See Note 5, "MARKETABLE SECURITIES AND OTHER INVESTMENTS."

Non-current receivables and advances to associated companies

The fair values of non-current receivables, including fixed rate, long-term loans receivable, are estimated by discounted cash flow analysis, using interest rates currently being offered for loans or accounts receivable with similar terms to borrowers or customers of similar credit quality and remaining maturities. It is believed that the carrying amounts of loans with floating rates approximate the fair value.

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Long-term debt

The fair values for long-term debt, except for debt with floating rates whose carrying amounts approximate fair value, are estimated by discounted cash flow analysis, using rates currently available for similar types of borrowings with similar terms and remaining maturities.

Financial guarantees and financing commitments

The fair values of financial guarantees are estimated based on the present values of expected future cash flows, considering the remaining terms of the arrangements and the counterparties' credit standings.

The companies have not estimated the fair values of financing commitments because management does not believe it is practicable to estimate the fair values due to uncertainty involved in attempting to assess the likelihood and timing of commitments being drawn upon, coupled with the lack of an established market. However, management believes the likelihood is remote that material payments will be required under these financing commitments.

Currency and interest rate swap agreements

The fair values of currency and interest rate swap agreements are estimated by discounted cash flow analysis, using rates currently available for similar types of swap agreements at the reporting date. Currency swap agreements include certain derivatives with both foreign exchange and interest rate exposures. Fair values of those agreements consist of foreign exchange and interest rate factors.

Foreign exchange forward contracts

The fair values of foreign exchange forward contracts are estimated based on market prices for contracts with similar terms.

The estimated fair values of certain financial instruments and derivative financial instruments at March 31, 2007 and 2006 were as follows:

	Millions of Yen			
	2007		2006	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial Assets (other than derivative financial instruments):				
Current financial assets other than marketable securities	¥ 3,982,150	¥ 3,982,150	¥ 3,561,620	¥ 3,561,620
Non-current receivables and advances to associated companies (less allowance for doubtful receivables)	719,369	719,701	616,161	616,908
Financial Liabilities (other than derivative financial instruments):				
Current financial liabilities	(3,073,053)	(3,073,053)	(2,800,794)	(2,800,794)
Long-term debt (including current maturities)	(3,444,437)	(3,514,347)	(3,175,355)	(3,266,276)
Derivative Financial Instruments (Assets):				
Interest rate swap agreements	3,773	3,773	10,321	10,321
Currency swap agreements	649	649	2,091	2,091
Foreign exchange forward contracts	55,004	55,004	14,369	14,369
Derivative Financial Instruments (Liabilities):				
Interest rate swap agreements	(7,806)	(7,806)	(31,510)	(31,510)
Currency swap agreements	(11,501)	(11,501)	(24,700)	(24,700)
Foreign exchange forward contracts	(10,980)	(10,980)	(7,748)	(7,748)

CONCENTRATION OF CREDIT RISK

The companies' global operations include a variety of businesses with diverse customers and suppliers which reduces concentrations of credit risks. The companies deal with selective international financial

Notes to Consolidated Financial Statements—(Continued)

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institutions to minimize the credit risk exposure of derivative financial instruments. Credit risk represents the likelihood that the counterparties may be unable to meet the terms of the agreements. Management does not expect any losses as a result of counterparty default on financial instruments. Credit risk is managed through credit line approval by management and by periodically monitoring the counterparties.

28. SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental information related to the Statements of Consolidated Cash Flows is as follows:

	Millions of Yen		
	2007	2006	2005
Cash paid during the year for:			
Interest	¥ 96,208	¥63,492	¥45,226
Income taxes (Note 21)	99,115	81,475	56,927
Non-cash investing and financing activities:			
Exchange of shares in connection with a business combination of investees (Note 5):			
Fair market value of shares received	3,987	48,288	4,810
Cost of shares surrendered	1,179	40,769	2,029
Acquisitions of subsidiaries (Note 3):			
Fair value of assets acquired	444,032	—	32,857
Fair value of liabilities assumed	277,691	—	15,021
Acquisition costs of subsidiaries	166,341	—	17,836
Pre-acquisition carrying amount of equity method investment	107,892	—	—
Non-cash acquisition cost	—	—	8,982
Cash acquired	46,975	—	3,621
Acquisitions of subsidiaries, net of cash acquired	11,474	—	5,233

29. SUBSEQUENT EVENTS

On June 22, 2007, the shareholders approved the payment of a cash dividend to shareholders of record on March 31, 2007 of ¥17 per share or a total of ¥30,342 million at the Company's ordinary general meeting of shareholders.

On April 23, 2007, Earlyguard Ltd., a wholly owned subsidiary of the Company signed an agreement with Vedanta Resources plc and sold 100% of its investment in Finsider International Company Ltd. located in the United Kingdom for ¥116,719 million (U.S. \$981 million). Finsider International Company Ltd. held 51% of the issued shares of an Indian iron ore mining company, Sesa Goa Ltd. Gain on sales of securities from this sale was ¥93,164 million (before tax) and recorded on April 23, 2007.

30. UNAUDITED SUBSEQUENT EVENT

As discussed in Note 23, "COMMITMENTS AND CONTINGENT LIABILITIES," IV. OTHERS, the Company is currently under an audit by the Tokyo Regional Taxation Bureau with regard to transfer price taxation in connection with the North West Shelf LNG Project in Western Australia for the period of six fiscal years from the year ended March 31, 2000 to the year ended March 31, 2005.

On June 29, 2007, the Company received a notice of tax assessment from the Tokyo Regional Taxation Bureau for the one year ended March 31, 2001.

According to the notice of tax assessment, the taxable income was corrected by ¥8,224 million and the additional tax liabilities for the Corporation Tax, Enterprise Tax and Inhabitant Tax, including penalties and interests, are ¥3,840 million.

SUPPLEMENTAL INFORMATION ON OIL AND GAS PRODUCING ACTIVITIES (UNAUDITED)

In accordance with Statement of Financial Accounting Standards (“SFAS”) No. 69, “Disclosures about Oil and Gas Producing Activities,” this section provides supplemental information on oil and gas exploration and producing activities of the companies in five separate tables. Tables 1 through 3 provide historical cost information pertaining to costs incurred for property acquisitions, exploration and development; capitalized costs; and results of operations. Tables 4 and 5 present information on the companies’ estimated net proved reserve quantities and standardized measure of estimated discounted future net cash flows related to proved reserves. The amounts for investments that are accounted for by the equity method are separately presented as “Associated Companies,” for which the companies’ share of the investees’ information on oil and gas producing activities is presented in the following tables. The “Consolidated Companies” column includes activities in “Oceania and Asia” (Australia, New Zealand and Thailand), “Middle East” (Qatar and Oman) and “Others” (North America and Africa). The “Associated Companies” column includes activities in “Oceania” (Australia) and “Others” (Sakhalin/ Russia and Thailand). The “Associated Companies” column of the following tables includes information on liquefied natural gas (“LNG”) producing activities as an integral part of natural gas producing activities.

TABLE 1. COSTS INCURRED FOR PROPERTY ACQUISITION, EXPLORATION AND DEVELOPMENT *

	Millions of Yen					
	Consolidated Companies			Associated Companies		
	Oceania and Asia	Middle East	Others	Oceania	Others	Worldwide
Year Ended March 31, 2007:						
Acquisition of Proved Properties	¥ 7,609	—	¥53,835	—	—	¥ 61,444
Acquisition of Unproved Properties	1,204	—	27	—	—	1,231
Exploration	2,232	¥ 417	797	¥ 714	¥ 1,187	5,347
Development	30,304	19,691	1,195	15,173	103,370	169,733
Total Costs Incurred	<u>¥41,349</u>	<u>¥20,108</u>	<u>¥55,854</u>	<u>¥15,887</u>	<u>¥104,557</u>	<u>¥237,755</u>
Year Ended March 31, 2006:						
Acquisition of Proved Properties	—	—	—	—	—	—
Acquisition of Unproved Properties	¥ 888	—	—	—	—	¥ 888
Exploration	1,911	¥ 737	—	¥ 17	¥ 403	3,068
Development	28,937	3,512	—	5,504	114,257	152,210
Total Costs Incurred	<u>¥31,736</u>	<u>¥ 4,249</u>	<u>—</u>	<u>¥ 5,521</u>	<u>¥114,660</u>	<u>¥156,166</u>
Year Ended March 31, 2005:						
Acquisition of Proved Properties	¥20,944	—	—	—	¥ 323	¥ 21,267
Acquisition of Unproved Properties	26,403	—	—	—	—	26,403
Exploration	2,365	¥ 93	—	¥ 30	535	3,023
Development	15,909	6,466	—	5,432	91,464	119,271
Total Costs Incurred	<u>¥65,621</u>	<u>¥ 6,559</u>	<u>—</u>	<u>¥ 5,462</u>	<u>¥ 92,322</u>	<u>¥169,964</u>

* Includes costs incurred whether capitalized or expensed and capitalized asset retirement costs incurred in accordance with SFAS No. 143 “Accounting for Asset Retirement Obligations.”

TABLE 2. CAPITALIZED COSTS RELATED TO OIL AND GAS PRODUCING ACTIVITIES

	Millions of Yen					
	Consolidated Companies			Associated Companies		
	Oceania and Asia	Middle East	Others	Oceania	Others	Worldwide
Year Ended March 31, 2007:						
Proved Properties*	¥400,053	¥61,351	¥60,262	¥172,191	¥434,247	¥1,128,104
Unproved Properties	17,673	—	924	—	—	18,597
Gross Capitalized Properties	417,726	61,351	61,186	172,191	434,247	1,146,701
Accumulated Depreciation, Depletion, Amortization and Valuation Allowances . .	217,104	19,704	4,685	88,119	26,547	356,159
Net Capitalized Costs	<u>¥200,622</u>	<u>¥41,647</u>	<u>¥56,501</u>	<u>¥ 84,072</u>	<u>¥407,700</u>	<u>¥ 790,542</u>
Year Ended March 31, 2006:						
Proved Properties*	¥ 96,328	¥38,420	—	¥124,683	¥417,849	¥ 677,280
Unproved Properties	30,252	—	—	—	2,430	32,682
Gross Capitalized Properties	126,580	38,420	—	124,683	420,279	709,962
Accumulated Depreciation, Depletion, Amortization and Valuation Allowances . .	14,900	13,433	—	73,594	97,485	199,412
Net Capitalized Costs	<u>¥111,680</u>	<u>¥24,987</u>	<u>—</u>	<u>¥ 51,089</u>	<u>¥322,794</u>	<u>¥ 510,550</u>
Year Ended March 31, 2005:						
Proved Properties*	¥ 60,775	¥26,191	—	¥126,618	¥277,034	¥ 490,618
Unproved Properties	26,346	—	—	—	4,818	31,164
Gross Capitalized Properties	87,121	26,191	—	126,618	281,852	521,782
Accumulated Depreciation, Depletion, Amortization and Valuation Allowances . .	14,261	5,710	—	69,435	85,830	175,236
Net Capitalized Costs	<u>¥ 72,860</u>	<u>¥20,481</u>	<u>—</u>	<u>¥ 57,183</u>	<u>¥196,022</u>	<u>¥ 346,546</u>

* Includes capitalized asset retirement costs in accordance with SFAS No. 143.

TABLE 3. RESULTS OF OPERATIONS FOR OIL AND GAS PRODUCING ACTIVITIES

The companies' results of operations from oil and gas producing activities are shown in the following table. In accordance with SFAS No. 69, income taxes are based on statutory tax rates. Interest income and expense are excluded from the results reported.

	Millions of Yen					
	Consolidated Companies			Associated Companies		
	Oceania and Asia	Middle East	Others	Oceania	Others	Worldwide
Year Ended March 31, 2007:						
Sales to Unaffiliated Enterprises	¥26,014	¥ 4,688	¥9,862	¥57,719	¥61,369	¥159,652
Transfers to Affiliated Enterprises	24,374	34,135	—	7,654	2,127	68,290
Total Revenues	50,388	38,823	9,862	65,373	63,496	227,942
Production Costs	5,463	3,409	2,863	20,116	18,444	50,295
Exploration Expenses	1,031	97	395	308	2,983	4,814
Depreciation, Depletion, Amortization, Accretion and Valuation Allowances	11,317	6,141	4,809	3,754	9,638	35,659
Income Tax Expenses	13,742	16,473	633	12,320	17,917	61,085
Results of Operations for Oil and Gas Producing Activities	<u>¥18,835</u>	<u>¥12,703</u>	<u>¥1,162</u>	<u>¥28,875</u>	<u>¥14,514</u>	<u>¥ 76,089</u>
Year Ended March 31, 2006:						
Sales to Unaffiliated Enterprises	¥ 315	¥ 4,107	—	¥45,534	¥44,934	¥ 94,890
Transfers to Affiliated Enterprises	4,681	26,324	—	8,557	3,967	43,529
Total Revenues	4,996	30,431	—	54,091	48,901	138,419
Production Costs	2,061	2,862	—	17,295	10,229	32,447
Exploration Expenses	1,911	258	—	252	403	2,824
Depreciation, Depletion, Amortization, Accretion and Valuation Allowances	526	3,901	—	3,837	6,913	15,177
Income Tax (Benefits) Expenses	(240)	11,969	—	9,844	15,550	37,123
Results of Operations for Oil and Gas Producing Activities	<u>¥ 738</u>	<u>¥11,441</u>	<u>—</u>	<u>¥22,863</u>	<u>¥15,806</u>	<u>¥ 50,848</u>
Year Ended March 31, 2005:						
Sales to Unaffiliated Enterprises	—	¥ 2,686	—	¥29,805	¥30,631	¥ 63,122
Transfers to Affiliated Enterprises	¥ 4,028	14,330	—	7,791	—	26,149
Total Revenues	4,028	17,016	—	37,596	30,631	89,271
Production Costs	2,369	2,393	—	11,123	6,687	22,572
Exploration Expenses	2,365	93	—	126	535	3,119
Depreciation, Depletion, Amortization, Accretion and Valuation Allowances	436	3,252	—	3,669	5,562	12,919
Income Tax Expenses	5	5,240	—	6,247	9,045	20,537
Results of Operations for Oil and Gas Producing Activities	<u>¥(1,147)</u>	<u>¥ 6,038</u>	<u>—</u>	<u>¥16,431</u>	<u>¥ 8,802</u>	<u>¥ 30,124</u>

TABLE 4. PROVED RESERVE QUANTITY INFORMATION

The following table describes proved oil and gas reserves and changes thereto for the years ended March 31, 2007, 2006 and 2005. The definitions used herein are in accordance with SFAS No. 25, "Suspension of Certain Accounting Requirements for Oil and Gas Producing Companies."

Proved Developed and Undeveloped Reserves:

	Crude Oil, Condensate and Natural Gas Liquids*1						Natural Gas*1,*3					
	Millions of Barrels						Billions of Cubic Feet					
	Consolidated Companies			Associated Companies			Consolidated Companies			Associated Companies		
	Oceania and Asia*4	Middle East	Others	Oceania	Others	Worldwide	Oceania and Asia*4	Middle East	Others	Oceania	Others	Worldwide
Reserves at April 1, 2004	10	23	—	39	127	199	27	84	—	846	965	1,922
Changes Attributable to:												
Revision of Previous Estimates (includes improved recovery)	—	3	—	(6)	(32)	(35)	—	—	—	(26)	4	(22)
Extensions and Discoveries	2	1	—	—	—	3	42	—	—	—	437	479
Purchases	39	—	—	—	2	41	—	—	—	—	21	21
Sales	—	—	—	—	—	—	—	—	—	—	—	—
Production	(1)	(3)	—	(5)	(5)	(14)	—	(9)	—	(49)	(34)	(92)
Reserves at March 31, 2005	50	24	—	28	92	194	69	75	—	771	1,393	2,308
Changes Attributable to:												
Revision of Previous Estimates (includes improved recovery)	3	1	—	16	16	36	13	(31)	—	87	(11)	58
Extensions and Discoveries	3	1	—	—	—	4	—	2	—	—	432	434
Purchases	—	—	—	—	1	1	—	—	—	—	14	14
Sales	—	—	—	—	—	—	—	—	—	—	—	—
Production	(1)	(3)	—	(5)	(5)	(14)	(2)	(6)	—	(57)	(39)	(104)
Reserves at March 31, 2006	55	23	—	39	104	221	80	40	—	801	1,789	2,710
Changes Attributable to:												
Consolidation of a subsidiary	36	—	—	—	(17)	19	404	—	—	—	(191)	213
Revision of Previous Estimates (includes improved recovery)	(29)	1	—	4	1	(23)	(78)	(3)	—	(16)	38	(59)
Extensions and Discoveries	16	2	—	—	—	18	7	—	1	—	—	8
Purchases	5	—	16	—	7	28	27	—	40	—	38	105
Sales	—	—	—	—	—	—	—	—	—	—	—	—
Production	(11)	(3)	(1)	(6)	(4)	(25)	(96)	(6)	(3)	(45)	(6)	(156)
Reserves at March 31, 2007	72	23	15	37	91	238	344	31	38	740	1,668	2,821
Proved Developed Reserves*2:												
Reserves at April 1, 2004	7	23	—	14	19	63	—	84	—	330	69	483
Reserves at March 31, 2005	6	24	—	14	18	62	—	75	—	356	82	513
Reserves at March 31, 2006	7	18	—	13	25	63	56	39	—	263	67	425
Reserves at March 31, 2007	46	18	11	21	24	120	299	19	24	385	11	738

*1 1 barrel of crude oil = 5,800 cubic feet of natural gas

*2 The proportion of Proved Developed Reserves to Proved Developed and Undeveloped Reserves is about 34 percent as of March 31, 2007 and relatively low. The expected costs to develop these undeveloped reserves are estimated to be ¥501,900 million in total as of March 31, 2007, which is included in "Future Development Cost" in Table 5. The major undeveloped reserves are attributable to an associated company in Russia and an associated company in Australia. It is expected to commence the production of crude oil in 2007 and LNG in 2008, for the associated company in Russia. In relation to the associated company in Australia, the production of crude oil and LNG has already commenced at the existing facilities. The drilling of additional development wells will be performed over the project life according to the drilling program of the project.

*3 The proved gas reserves are restricted to those volumes that are related to firm sales commitments.

*4 Includes total proved reserves attributable to Mitsui Oil Exploration Co., Ltd. of 19 million barrels of Crude oil, Condensate and Natural Gas Liquids and 265 billions of cubic feet of Natural Gas in March 2007, as well as proved developed reserves of 18 million barrels of Crude oil, Condensate and Natural Gas Liquids and 227 billions of cubic feet of Natural Gas in March 2007, in which there is a 49.7 percent minority interest.

TABLE 5. STANDARDIZED MEASURE OF DISCOUNTED FUTURE NET CASH FLOWS RELATED TO PROVED OIL AND GAS RESERVES

The standardized measure of discounted future cash flows, related to the preceding proved oil and gas reserves, is calculated in accordance with SFAS No. 69. Estimated future cash inflows from production are computed by applying year-end prices to year-end quantities of estimated net proved reserves. Future development and production costs are those estimated future expenditures necessary to develop and produce year-end estimated proved reserves based on year-end cost indices, assuming continuation of year-end economic conditions. Estimated future income taxes are calculated by applying appropriate year-end statutory tax rates. Discounted future net cash flows are calculated using a discount factor of 10 percent. The information provided does not represent management's estimate of the companies' expected future cash flows or value of proved oil and gas reserves. Estimates of proved reserve quantities shall change over time as new information becomes available. Moreover, probable and possible reserves, which may become proved in the future, are excluded from the calculations. The arbitrary valuation prescribed under SFAS No. 69 requires assumptions as to the timing of future development and production costs. The calculations are made as of each fiscal year-end and should not be relied upon as an indication of the companies' future cash flows or value of their oil and gas reserves.

1) Standardized Measure of Discounted Future Net Cash Flows

	Millions of Yen					
	Consolidated Companies			Associated Companies		
	Oceania and Asia*	Middle East	Others	Oceania	Others	Worldwide
At March 31, 2007:						
Future Cash Inflows from Production	¥ 605,040	¥ 256,299	¥126,713	¥ 756,082	¥1,525,078	¥3,269,212
Future Production Costs	(171,335)	(21,705)	(19,409)	(118,426)	(380,078)	(710,953)
Future Development Costs	(133,323)	(19,418)	(22,099)	(84,309)	(286,254)	(545,403)
Future Income Taxes	(101,264)	(115,547)	(12,990)	(176,844)	(153,647)	(560,292)
Undiscounted Future Net Cash Flows	199,118	99,629	72,215	376,503	705,099	1,452,564
10% Annual Discount for Timing of Estimated Cash Flows	(40,074)	(34,671)	(18,229)	(178,396)	(431,453)	(702,823)
Standardized Measure of Discounted Future Net Cash Flows	¥ 159,044	¥ 64,958	¥ 53,986	¥ 198,107	¥ 273,646	¥ 749,741
At March 31, 2006:						
Future Cash Inflows from Production	¥ 342,585	¥ 228,044	—	¥ 672,116	¥1,644,418	¥2,887,163
Future Production Costs	(124,615)	(26,924)	—	(205,686)	(369,594)	(726,819)
Future Development Costs	(27,206)	(7,291)	—	(114,152)	(437,194)	(585,843)
Future Income Taxes	(25,763)	(104,206)	—	(115,459)	(202,793)	(448,221)
Undiscounted Future Net Cash Flows	165,001	89,623	—	236,819	634,837	1,126,280
10% Annual Discount for Timing of Estimated Cash Flows	(46,925)	(32,936)	—	(135,169)	(463,532)	(678,562)
Standardized Measure of Discounted Future Net Cash Flows	¥ 118,076	¥ 56,687	—	¥ 101,650	¥ 171,305	¥ 447,718
At March 31, 2005:						
Future Cash Inflows from Production	¥ 206,903	¥ 180,308	—	¥ 392,005	¥1,021,275	¥1,800,491
Future Production Costs	(39,241)	(20,760)	—	(161,141)	(240,064)	(461,206)
Future Development Costs	(42,915)	(9,467)	—	(98,020)	(267,650)	(418,052)
Future Income Taxes	(37,675)	(80,860)	—	(62,292)	(141,239)	(322,066)
Undiscounted Future Net Cash Flows	87,072	69,221	—	70,552	372,322	599,167
10% Annual Discount for Timing of Estimated Cash Flows	(35,103)	(27,902)	—	(28,197)	(275,684)	(366,886)
Standardized Measure of Discounted Future Net Cash Flows	¥ 51,969	¥ 41,319	—	¥ 42,355	¥ 96,638	¥ 232,281

* Includes discounted future net cash flows attributable to Mitsui Oil Exploration Co., Ltd. of ¥61,214 million in March 2007 in which there is a 49.7 percent minority interest.

2) Details of Changes for the Year

	Millions of Yen								
	Consolidated Companies			Associated Companies			Worldwide		
	2007	2006	2005	2007	2006	2005	2007	2006	2005
Present Value at April 1	¥174,763	¥ 93,288	¥ 35,800	¥272,955	¥138,993	¥ 32,441	¥ 447,718	¥ 232,281	¥ 68,241
Consolidation of a subsidiary	24,213	—	—	(11,464)	—	—	12,749	—	—
Sales/Transfers of Oil and Gas Produced, Net of Production									
Costs	(87,338)	(30,504)	(16,282)	(90,309)	(75,468)	(50,417)	(177,647)	(105,972)	(66,699)
Development Costs Incurred	51,190	31,993	22,375	118,543	119,761	96,896	169,733	151,754	119,271
Purchases of Reserves in Place . .	74,203	—	23,150	15,286	1,633	1,578	89,489	1,633	24,728
Extensions and Discoveries	22,012	5,734	11,117	—	87,361	124,122	22,012	93,095	135,239
Sales of Reserves	24	—	—	—	—	—	24	—	—
Net Changes in Prices, Development and Production									
Cost	91,332	51,594	23,033	84,037	(57,345)	(37,454)	175,369	(5,751)	(14,421)
Revisions of Previous Quantity Estimates*1	(91,821)	(11,786)	—	51,275	49,653	(33,933)	(40,546)	37,867	(33,933)
Accretion of Discount	17,476	9,329	3,580	27,296	13,899	3,244	44,772	23,228	6,824
Net Changes in Income Taxes . .	18,381	4,698	(11,387)	(51,066)	(23,129)	1,839	(32,685)	(18,431)	(9,548)
Others*2	(16,447)	20,417	1,902	55,200	17,597	677	38,753	38,014	2,579
Net Changes for the Year	103,225	81,475	57,488	198,798	133,962	106,552	302,023	215,437	164,040
Present Value at March 31	¥277,988	¥174,763	¥ 93,288	¥471,753	¥272,955	¥138,993	¥ 749,741	¥ 447,718	¥232,281

*1 Includes amounts resulting from changes in the timing of production.

*2 Main portion of "Others" is foreign currency translation adjustments.

SIGNATURE

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

MITSUI & CO., LTD.
(Registrant)

Date: September 26, 2007

by /s/ KAZUYA IMAI
Kazuya Imai
Executive Vice President and
Chief Financial Officer