ANNUAL REPORT 2008
April 1, 2007 - March 31, 2008

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

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of Mitsui & Co. (U.S.A.), Inc. and subsidiaries (collectively, the "Company") as of March 31, 2008 and 2007, and the related consolidated statements of income, shareholder's equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mitsui & Co. (U.S.A.), Inc. and subsidiaries at March 31, 2008 and 2007, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Deloitte + Touche LLP

New York, NY
June 26, 2008

CONSOLIDATED BALANCE SHEETS

MARCH 31, 2008 AND 2007

	March 31, 2008	March 31, 2007
	(In Thousands)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents (Note 2)	$ 337,696	$ 98,155
Accounts and notes receivable:		
Customers	1,458,107	872,475
Parent and affiliated companies	829,631	755,310
Allowance for doubtful receivables	(18,631)	(6,776)
Inventories (Note 2)	1,279,929	1,306,037
Other current assets	280,925	213,928
Assets of discontinued operations (Note 4)	—	64,784
Total current assets	4,167,657	3,303,913
INVESTMENTS:		
Investment in and advances to associated companies (Notes 2 and 5)	689,020	630,520
Financing leases (Note 10)	416,007	454,166
Other investments (Notes 2, 5 and 15)	133,902	146,485
Property leased to others—net (Note 10)	221,103	194,366
Total investments	1,460,032	1,425,537
PROPERTY AND EQUIPMENT—NET (Notes 2, 6 and 10)	572,102	323,306
GOODWILL AND OTHER INTANGIBLE ASSETS—NET (Notes 2 and 7)	392,609	208,240
NONCURRENT ADVANCES, RECEIVABLES AND OTHER—NET (Notes 12 and 15)	335,305	234,489
Total	$6,927,705	$5,495,485

See Notes to Consolidated Financial Statements.

(continued)

CONSOLIDATED BALANCE SHEETS

MARCH 31, 2008 AND 2007

	March 31, 2008	March 31, 2007
	(In Thousands)	
LIABILITIES AND SHAREHOLDER'S EQUITY		
CURRENT LIABILITIES:		
Notes, acceptances and accounts payable:		
Trade creditors	$ 901,179	$ 569,274
Parent and affiliated companies	1,083,081	646,361
Other	145	257
Notes and loans payable (Notes 8 and 15)	603,028	448,330
Advances received on contracts	17,544	8,623
Current maturities of long-term debt (Notes 8 and 15)	337,996	432,388
Accrued taxes on income (Note 9)	11,764	4,080
Accrued expenses and sundry	279,528	263,207
Liabilities of discontinued operations (Note 4)	—	14,087
Total current liabilities	3,234,265	2,386,607
LONG-TERM DEBT, LESS CURRENT MATURITIES (Notes 8 and 15)	2,407,507	1,825,393
CAPITAL LEASE OBLIGATIONS (NOTE 10)	81,413	74,274
DEFERRED INCOME TAXES (NOTE 9)	225,345	209,311
OTHER LIABILITIES (NOTES 9 and 11)	65,513	76,105
COMMITMENTS AND CONTINGENCIES (Notes 9, 10, 12, 13, 14 and 15)		
MINORITY INTEREST IN SUBSIDIARIES	138,466	172,131
Total liabilities	6,152,509	4,743,821
SHAREHOLDER'S EQUITY:		
Capital stock, no par value—authorized 2,000 shares and 1,000 shares; issued 1,050 shares and 1,000 shares at March 31, 2008 and 2007, respectively	350,000	350,000
Additional paid-in capital (Note 5)	90,776	79,752
Retained earnings (Note 5)	342,751	328,933
Accumulated other comprehensive loss (Notes 2, 5, 11 and 14)	(8,331)	(7,021)
Total shareholder's equity	775,196	751,664
Total	$6,927,705	$5,495,485

See Notes to Consolidated Financial Statements. (concluded)

CONSOLIDATED STATEMENTS OF INCOME

MARCH 31, 2008 AND 2007

	March 31, 2008	March 31, 2007
	(In Thousands)	
REVENUES (NOTES 2 AND 16)		
SALES OF PRODUCTS	$10,487,565	$7,140,269
SALES OF SERVICES	148,687	155,278
OTHER SALES	106,442	105,387
TOTAL REVENUES	10,742,694	7,400,934
[TOTAL TRADING TRANSACTIONS 2008—$16,873,746 2007—$12,938,691]		
COST OF REVENUES (Notes 2, 5 and 14)		
COST OF PRODUCTS SOLD	10,216,006	6,720,926
COST OF SERVICES SOLD	4,104	13,547
COST OF OTHER SALES	68,527	91,113
TOTAL COST OF REVENUES	10,288,637	6,825,586
GROSS PROFIT (Notes 2 and 16)	454,057	575,348
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	(417,162)	(378,847)
INTEREST EXPENSE (NET OF INTEREST INCOME OF $85,549 AND $74,608 for the Years Ended March 31, 2008 and 2007, respectively)	(124,964)	(85,677)
OTHER INCOME—NET (Notes 5, 6 and 14)	47,093	35,654
(LOSS) INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES, MINORITY INTEREST IN EARNINGS OF SUBSIDIARIES AND EQUITY IN EARNINGS OF ASSOCIATED COMPANIES	(40,976)	146,478
(BENEFIT) PROVISION FOR INCOME TAXES (Notes 2 and 9)	(23,363)	45,534
(LOSS) INCOME FROM CONTINUING OPERATIONS BEFORE MINORITY INTEREST IN EARNINGS OF SUBSIDIARIES AND EQUITY IN EARNINGS OF ASSOCIATED COMPANIES	(17,613)	100,944
MINORITY INTEREST IN EARNINGS OF SUBSIDIARIES	(4,476)	(31,432)
EQUITY IN EARNINGS OF ASSOCIATED COMPANIES—NET (AFTER INCOME TAX EFFECT) (Note 2)	60,390	55,931
INCOME FROM CONTINUING OPERATIONS	38,301	125,443
DISCONTINUED OPERATIONS (Notes 4 and 6)		
INCOME FROM DISCONTINUED OPERATIONS BEFORE MINORITY INTEREST IN EARNINGS OF SUBSIDIARIES AND INCOME TAXES	13,025	55,419
PROVISION FOR INCOME TAXES (Notes 2 and 9)	6,068	18,857
INCOME FROM DISCONTINUED OPERATIONS BEFORE MINORITY INTEREST IN EARNINGS OF SUBSIDIARIES	6,957	36,562
MINORITY INTEREST IN EARNINGS OF SUBSIDIARIES	—	(12,926)
INCOME FROM DISCONTINUED OPERATIONS—NET OF TAXES	6,957	23,636
NET INCOME	$ 45,258	$ 149,079

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDER'S EQUITY

MARCH 31, 2008 AND 2007

(In Thousands)

	Comprehensive Income	Capital Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholder's Equity
Balance April 1, 2006 (Note 5)		$350,000	$70,108	$195,951	$(4,072)	$611,987
Comprehensive income:						
Net income	$149,079			149,079		149,079
Other comprehensive income (loss):						
Foreign currency translation adjustments	(745)				(745)	(745)
Unrealized gain on derivatives used as cash flow hedges, net of tax of $211	380				380	380
Reclassification adjustments on cash flow hedge, net of tax of $639	772				772	772
Unrealized gain on marketable securities, net of tax of $1,933	2,900				2,900	2,900
Reclassification adjustments on marketable securities, net of tax of $296	(598)				(598)	(598)
Defined benefit plan, net of tax of $636	(593)				(593)	(593)
Comprehensive income	$151,195					
Dividends declared				(45,000)		(45,000)
Adjustment recognized upon adoption of SFAS No. 158, net of tax of $4,248 and minority interest of $644 (Note 11)					(5,065)	(5,065)
Reorganization of certain affiliates, etc. (Note 5)			9,644	28,903		38,547
Balance, March 31, 2007		350,000	79,752	328,933	(7,021)	751,664
Comprehensive income:						
Net income	$ 45,258			45,258		45,258
Other comprehensive income (loss):						
Foreign currency translation adjustments	469				469	469
Unrealized loss on derivatives used as cash flow hedges, net of tax of $1,599	(3,258)				(3,258)	(3,258)
Reclassification adjustments on cash flow hedge net of taxes of $496	997				997	997
Unrealized gain on marketable securities, net of tax of $2,207	3,286				3,286	3,286
Reclassification adjustments on marketable securities, net of tax of $2,868	(4,301)				(4,301)	(4,301)
Defined benefit plan, net of tax of $1,707	1,497				1,497	1,497
Comprehensive income	$ 43,948					
Dividends declared				(40,000)		(40,000)
Adoption of FIN 48, net of minority interest (Note 9)				(4,038)		(4,038)
Reorganization of certain affiliates, etc. (Note 5)			11,024	12,598		23,622
Balance, March 31, 2008		$350,000	$90,776	$342,751	$(8,331)	$775,196

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

MARCH 31, 2008 AND 2007

	March 31, 2008	March 31, 2007
	(In Thousands)	
Cash Flows From Operating Activities:		
Net income	$ 45,258	$ 149,079
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	77,836	72,163
Provision for losses on receivables, etc.	3,253	2,100
Impairment loss on real estate and land deposits	84,724	3,542
Gain on sales of marketable securities and other—net	(23,609)	(8,602)
Impairment loss of other investments carried at cost	2,326	2,032
Financing leases	(24,488)	(29,544)
Equity in earnings of associated companies—net, less dividends received	6,414	(47,545)
Deferred income taxes	(30,566)	42,123
Minority interest in subsidiaries	4,476	44,358
Gain on sales of property and equipment	(247)	(3,220)
Gain on sales of businesses	(11,012)	(44,341)
Loss on disposal and sales of property and equipment	417	1,955
Impairment loss on property and equipment	2	—
Changes in operating assets and liabilities:		
Increase in accounts and notes receivable	(460,807)	(15,589)
Decrease (increase) in inventories	178,122	(101,741)
Increase in other current assets	(30,587)	(4,786)
Increase in goodwill and other intangible assets	(10,832)	(61,854)
Decrease in noncurrent advances, receivables and other	40,464	32,839
Increase in notes, acceptances and accounts payable	471,628	62,912
Increase (decrease) in advances received on contracts	8,920	(9,750)
Increase (decrease) in accrued taxes on income	11,676	(5,340)
Decrease in accrued expenses and sundry	(72,594)	(26,431)
Decrease in noncurrent other liabilities	(11,124)	(53,385)
Net cash provided by operating activities	259,650	975
Cash Flows From Investing Activities:		
Purchases of marketable securities and other investments	(2,190)	(50,074)
Proceeds from sales and maturities of marketable securities and other investments	18,306	25,872
Decrease (increase) in investments in and advances to associated companies	8,851	(177,408)
Acquisitions of businesses, net of cash and cash equivalents held by the acquired entities	(420,991)	(83,956)
Proceeds from financing leases	62,647	79,820
Proceeds from sales of property and equipment	1,976	21,116
Proceeds from sales of businesses	61,765	112,614
Capital expenditures	(138,030)	(123,419)
Net cash used in investing activities	(407,666)	(195,435)
Cash Flows From Financing Activities:		
Increase in short-term notes and loans payable	285,514	103,953
Issuance of long-term debt	908,723	956,235
Payments on long-term debt	(773,501)	(870,773)
Proceeds from building financing transactions	4,000	—
Contribution from (dividends to) minority interest in subsidiaries	2,821	(33,494)
Dividends paid	(40,000)	(45,000)
Net cash provided by financing activities	387,557	110,921
Net Increase (Decrease) in Cash and Cash Equivalents	239,541	(83,539)
Cash and Cash Equivalents, Beginning of Year	98,155	181,694
Cash and Cash Equivalents, End of Year	$ 337,696	$ 98,155
Supplemental Cash Flow Information:		
Interest paid	$ 214,560	$ 155,329
Income taxes paid	$ 43,703	$ 36,155

See Notes to Consolidated Financial Statements.

1. Nature of Operations

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

2. Summary of Significant Accounting Policies

BASIS OF PRESENTATION

The accompanying consolidated financial statements include the accounts of Mitsui USA and all of its significant subsidiaries. As discussed in more detail in Note 5 to the consolidated financial statements, Mitsui Japan entered into certain common control transactions with the Company. During early January 2008, Mitsui Japan transferred 55% of its ownership interest in Novus International, Inc. (''Novus'') to the Company. Also, effective April 1, 2007, MBK Laguna Inc., a wholly-owned subsidiary of Mitsui Japan, sold 50% of its ownership interest in MBK Real Estate, LLC (''MRE'') to MBK Real Estate Holdings Inc. (''MREH'', formerly Bussan Newport Inc.), a wholly-owned subsidiary of the Company. The Company accounted for both of these transactions in accordance with Statement of Financial Accounting Standards (''SFAS'') No. 141, ''Business Combinations,'' in a manner that is consistent with transactions between entities under common control. The Company's consolidated financial statements for periods prior to these transactions have been presented on an ''as if'' pooling basis, which assumes that the transactions had occurred at the beginning of the first period presented (which is April 1, 2006). Significant intercompany items have been eliminated in consolidation.

Total trading transactions, as presented in the accompanying consolidated statements of income, is a voluntary disclosure and represents the gross transaction volume or the aggregate nominal value of the sales contracts in which the Company acts as principal and transactions in which the Company serves as agent. Total trading transactions should not be construed as equivalent to, or a substitute or a proxy for, revenues, or as an indicator of the Company's operating performance, liquidity or cash flows generated by operating, investing or financing activities. The Company has included the gross transaction volume information because similar Japanese trading companies have generally used it as an industry benchmark. As such, management believes that total trading transactions is a useful supplement to the results of operations information for users of the consolidated financial statements.

USE OF ESTIMATES

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

CASH EQUIVALENTS

Cash equivalents are highly liquid short-term investments with an original maturity of three months or less and are readily convertible into cash and have no significant risk of change in value. Such cash equivalents include time deposits and commercial papers with original maturities of three months or less.

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.

Real estate under development and held for sale is carried at cost and consists of land, buildings and related improvements, and preacquisition costs. Costs, including interest, incurred during the development stage for projects under development, if any, are capitalized until the related projects are substantially complete and ready for their intended use. Real estate under development and held for sale is not depreciated. Preacquisition costs are capitalized to the related project upon the acquisition of the property or charged to expense once it is probable the property will not be acquired.

INVESTMENTS AND MARKETABLE SECURITIES

The Company classifies certain investments in marketable securities as ''available-for-sale,'' which are carried at fair value with any unrealized gains and losses excluded from earnings and reported as a separate component of accumulated other comprehensive income (loss) on a net-of-tax basis in accordance with SFAS No. 115, ''Accounting for Certain Investments in Debt and Equity Securities.'' Non-marketable equity securities are carried at cost. When an other-than-temporary decline in the value of a non-marketable equity security below its cost occurs, the investment is reduced to its fair market value and an impairment loss is recognized. Various factors, such as the financial condition and the near-term prospects of the issuer, are reviewed to judge whether it is an other-than-temporary decline. Equity interests in associated companies are accounted for on the equity method of accounting when the Company and its parent have a generally combined equity interest in these companies of 20 to 50%. Investments in which combined ownership is less than 20% are carried at cost.

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 Derivatives 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 Company enters into agreements for derivative commodity instruments, such as futures, forwards, options and swap contracts, as a part of its trading activities principally for non-ferrous metals, petroleum products and agricultural products that are traded on a terminal (futures) market. These derivative instruments are marked-to-market and gains or losses resulting from these contracts are reported in earnings as sales of products or cost of products sold when the hedged transactions affect earnings. Changes in the fair value of the ineffective portion of the hedges, as well as in commodity derivative instruments that do not meet the hedge requirements of SFAS No. 133, as amended, are recognized in sales of products or cost of products sold immediately.

The Company enters into derivative financial instruments, such as interest rate swap agreements, foreign exchange forward contracts, currency swap agreements, and interest rate and currency swap agreements as a means of hedging its interest rate and foreign exchange rate exposures. Changes in the fair value of interest rate swap agreements, designated and effective as fair value hedges for changes in the value of fixed-rate financial assets or liabilities attributable to changes in the designated benchmark interest rate are recognized in interest expense as offsets to changes in the fair value of the hedged items. Changes in the fair value of the ineffective portion of the hedges are recognized in interest expense immediately.

Changes in the fair value of foreign exchange forward contracts and currency swap agreements, designated and effective as cash flow hedges for changes in 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 (loss) and reclassified into earnings as foreign exchange gains or losses when the hedged transactions affect earnings. Changes in the fair value of the ineffective portion of the hedges are recognized in foreign exchange gains or losses immediately.

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

PROPERTY AND EQUIPMENT

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

GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill and other intangible assets arise principally from business acquisitions. Goodwill represents the excess of the purchase price over the fair value of identifiable net assets acquired. Other intangible assets include primarily customer relationships, trade names and trademarks, non-compete agreements, sales/supply agreements, patents, software and others. The fair value of identifiable intangible assets is estimated based upon discounted future cash flow projections. 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 on a straight-line basis over their estimated useful lives (ranging from 1 to 40 years) and reviewed for impairment in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." 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.

RECOVERABILITY OF LONG-LIVED ASSETS

In accordance with SFAS No. 144, the Company periodically evaluates the carrying values and periods over which long-lived tangible and intangible assets are depreciated or amortized to determine if events have occurred which would require adjustment to the carrying values or modification to the useful lives. In evaluating useful lives and carrying values of long-lived assets, the Company reviews certain indicators for potential impairment, such as future undiscounted cash flows, profitability and other factors, such as business plans. When the carrying value is greater than the undiscounted cash flows, the fair value of the related asset is determined, and the Company would record a charge to earnings calculated by comparing the asset's carrying value to the estimated fair value. The Company estimates fair value based on the best information available, making whatever estimates, judgments, and projections are considered necessary.

REVENUE PRESENTATION

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

Sales of products

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

Sales of services

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

Other sales

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

INCOME TAXES

Income tax expense (benefit) 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 recognized.

The Company's Federal income tax return is prepared on a consolidated basis. Provision for income taxes on undistributed earnings of associated companies accounted for under the equity method has been made on the assumption that the earnings were distributed on a current basis as dividends. The Company has not recognized a deferred tax liability for the undistributed earnings of its certain foreign subsidiaries at March 31, 2008 and 2007 since it does not expect these unremitted earnings to be repatriated in the foreseeable future. If these earnings are repatriated in the future, such repatriations will be done in the most effective tax manner.

COMPREHENSIVE INCOME

In accordance with SFAS No. 130, "Reporting Comprehensive Income," the Company has included amounts for comprehensive income (which consists of net income and other comprehensive income (loss) in the consolidated statements of shareholder's equity). Other comprehensive income (loss) consists of all changes to shareholder's equity other than those resulting from net income (loss), shareholder transactions or, for the year ended March 31, 2007, the net of tax adjustment recognized upon the adoption of 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)." For the Company, other comprehensive income (loss) consists of foreign currency translation adjustments, defined benefit plans, unrealized gains (losses) on derivatives accounted for as cash flow hedges and unrealized gains (losses) on marketable securities (net of reclassification adjustments) on a net of tax basis where applicable. Accumulated other comprehensive income (loss), which is the cumulative amount of other comprehensive income (loss), is a separate component of total shareholder's equity.

GUARANTEES

In accordance with Financial Accounting Standards Board ("FASB") Interpretation ("FIN") No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others—an interpretation of FASB Statements No. 5, 57 and 107 and rescission FASB Interpretation No. 34," the Company recognizes, at the inception of a guarantee, a liability for the fair value of the obligation undertaken for the guarantee.

RECLASSIFICATIONS

Certain reclassifications have been made to the 2007 consolidated financial statements to conform to the current year presentation.

NEW ACCOUNTING STANDARDS

Inventory costs

During the year ended March 31, 2007, the Company 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 the adoption of this statement on the Company's consolidated financial position and results of operations was immaterial.

Share-based payment

During the year ended March 31, 2007, the Company adopted SFAS No. 123 (revised 2004), "Share-Based Payment" ("SFAS No. 123(R)"). SFAS No. 123(R) 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 the adoption of this statement on the Company's consolidated financial position and results of operations was immaterial.

Accounting for certain hybrid financial instruments

During the year ended March 31, 2008, the Company adopted 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 entirely with changes in fair value recognized in earnings, in which the hybrid financial instrument contains an embedded derivative that otherwise would require bifurcation. The effect of the adoption of this statement on the Company's consolidated financial position and results of operations was immaterial.

Accounting for servicing of financial assets

During the year ended March 31, 2008, the Company adopted 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. The effect of the adoption of this statement on the Company's consolidated financial position and results of operations was 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. This statement is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim period within those fiscal years. In February 2008, the FASB issued SFAS Staff Position ("FSP") Financial Accounting Standard ("FAS") No. 157-1, "Application of FASB Statement No. 157 to FASB Statement No. 13 and Its Related Interpretive Accounting Pronouncements That Address Leasing Transactions," and FSP FAS No. 157-2, "Effective Date of FASB Statement No. 157." FSP FAS No. 157-1 amends SFAS No. 157 to remove certain leasing transactions from the scope of SFAS No. 157. FSP FAS No. 157-2 delays the effective date of SFAS No. 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis, to fiscal years beginning after November 15, 2008. The effect of the adoption of these statements on the Company's consolidated financial position and results of operations is expected to be immaterial.

Employers' accounting for defined benefit pension and other postretirement plans

During the year ended March 31, 2007, the Company adopted SFAS No. 158, which requires an entity to recognize in its balance sheet an asset for a defined benefit postretirement plan's overfunded status or a liability for a plan's underfunded status. See Note 11 for the effect of the adoption of this statement on the Company's consolidated financial statements.

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 recognition threshold and measurement attributes for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN No. 48

is effective for fiscal years beginning after December 15, 2006. See Note 9 for the effect of the adoption of this statement on the Company's consolidated financial statements.

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 the adoption of this statement on the Company's consolidated financial position and results of operations is expected to be immaterial.

Business combinations

In December 2007, the FASB issued SFAS No. 141 (revised 2007), ''Business Combinations'' (''SFAS No. 141(R)''). SFAS No. 141(R) will become effective in 2009 via prospective application to new business combinations. SFAS No. 141(R) requires that the acquisition method of accounting be applied to a broader set of business combinations, amends the definition of a business combination, provides a definition of a business, requires an acquirer to recognize an acquired business at its fair value at the acquisition date and requires the assets and liabilities assumed in a business combination to be measured and recognized at their fair values as of the acquisition date (with limited exceptions). SFAS No. 141(R) applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The effects of the adoption of this statement on future periods will depend on the nature and significance of any acquisitions subject to this statement.

Noncontrolling interests in consolidated financial statements

In December 2007, the FASB issued SFAS No. 160, ''Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51.'' SFAS No. 160 requires that the noncontrolling interest in the equity of a subsidiary be accounted for and reported as equity, provides revised guidance on the treatment of net income and losses attributable to the noncontrolling interest and changes in ownership interests in a subsidiary and requires additional disclosure that identify and distinguish between the interests of the controlling and noncontrolling owners. SFAS No. 160 is effective for fiscal years beginning on or after December 15, 2008. Other than reclassifying minority interest in subsidiaries from a liability account to a component of shareholder's equity, the effect of the adoption of this statement on the Company's consolidated financial position and results of operations is expected to be immaterial.

Disclosures about derivative instruments and hedging activities

In March 2008, the FASB issued SFAS No. 161 ''Disclosures about Derivative Instruments and Hedging Activities—An Amendment of FASB Statement No. 133.'' SFAS No. 161 establishes the disclosure requirements for derivative instruments and for hedging activities with the intent to provide financial statement users with an enhanced understanding of the entity's use of derivative instruments, the accounting of derivative instruments and related hedged items under SFAS No. 133 and its related interpretations, and the effects of these instruments on the entity's financial position, financial performance, and cash flows. This statement is effective for financial statements issued for fiscal years beginning after November 15, 2008. The effect of the adoption of this statement on the Company's financial position and results of operations is not currently known and cannot be reasonably estimated until further analysis is completed.

The Hierarchy of Generally Accepted Accounting Principles

In May 2008, the FASB issued SFAS No. 162, ''The Hierarchy of Generally Accepted Accounting Principles.'' SFAS No. 162 is intended to improve financial reporting by identifying a consistent framework, or hierarchy, for selecting accounting principles to be used in preparing financial statements that are presented in conformity with U.S. generally accepted accounting principles (GAAP) for nongovernmental entities. SFAS No. 162 is effective 60 days following the United States Securities and Exchange Commission's approval of the Public Company Accounting Oversight Board Auditing amendments to AU Section 411, ''The Meaning of Present Fairly in Conformity with Generally Accepted

Accounting Principles.'' The Company does not expect the adoption of this statement to have a material effect on the Company's consolidated financial statements.

3. Business Combinations

On February 28, 2007, Mitsui USA entered into an agreement with Steel Technologies Inc. (''Steel Tech'') to acquire all of its outstanding shares. After obtaining the approval of its shareholders and all the necessary regulatory approvals, Mitsui USA completed the acquisition on June 1, 2007. The total amount paid for the acquisition was approximately $393.6 million. On January 1, 2008, Mitsui USA contributed its 50% ownership interest in Mi-Tech Steel, Inc., which had a carrying value of $27.2 million, to Steel Tech. As a result, Mi-Tech Steel, Inc. became a wholly-owned subsidiary of Steel Tech. Steel Tech operates 25 steel processing facilities, including certain joint venture operations, throughout the United States, Canada and Mexico, delivering processing capabilities and value-added services to customers in a variety of industries by leveraging its broad geographic network of facilities. Mitsui USA focuses on the creation of higher value-added marketing and logistics services in the steel industry as a core strategy and actively invests resources in this area. Through this acquisition, the Company obtained an important business platform in North America to utilize as its base for steel product value chain management.

The purchase price was determined based on the expected future cash flows Steel Tech will generate. The excess of the purchase price over the fair value of net assets of Steel Tech was recorded as goodwill. The primary factors that contributed to the determination of the purchase price that caused the recognition of goodwill include the following: (1) Steel Tech's broad geographic network facilities in North America and ability to provide value-added services, (2) synergies that might be achieved with the companies' marketing and logistics services in the steel business. In connection with this acquisition, $68.0 million and $46.1 million were classified as goodwill and intangible assets, respectively. The intangible assets (subject to amortization) consist primarily of customer relationships of $28.9 million with an amortization period of 19 to 25 years. The intangible assets not subject to amortization consist of trademarks of $11.3 million. The goodwill is non-deductible for tax purposes. The Company's annual impairment test did not indicate any impairment of goodwill at March 31, 2008.

On April 27, 2007, Mitsui USA entered into a purchase agreement with the owner group of Affiliated Financial Corporation and BayQuest Capital Corporation to ultimately acquire 87.5% of the outstanding equity interests of Affiliated Financial Corporation and BayQuest Capital Corporation. Prior to closing of the purchase agreement, Affiliated Financial Corporation and BayQuest Capital Corporation merged with and into AFC LLC and BCC LLC, respectively. On September 21, 2007, after the closing conditions were met, Mitsui USA, through AFC HoldCo, LLC, acquired 87.5% of the outstanding shares of AFC LLC and BCC LLC for an aggregate purchase price of approximately $62.7 million. Immediately after the acquisition, AFC HoldCo, LLC caused BCC LLC to merge into AFC LLC. As a result of these transactions, Mitsui USA owns 87.5% equity interest in AFC HoldCo, LLC and the remaining 12.5% equity interest in AFC HoldCo, LLC is owned by an entity controlled by one of the former shareholders of Affiliated Financial Corporation and BayQuest Capital Corporation, who remains as President & CEO of AFC HoldCo, LLC and AFC LLC.

AFC LLC is in the business of purchasing, selling, securitizing and servicing retail automobile installment contracts originated by franchised and selected independent dealers in approximately 40 states. Through its loan purchases, AFC LLC serves as a source of financing for more than 4,000 dealerships, providing financing to consumers indirectly. The Company has considerable experience in automobile related businesses worldwide, including logistics, assembly, distribution, dealerships, automotive parts and retail finance. This acquisition is intended to enhance the Company's automobile value chain in the United States and is consistent with the Company's core strategy.

The purchase price was determined based on the expected future cash flows AFC HoldCo, LLC will generate. The excess of the purchase price over the fair value of net assets of AFC HoldCo, LLC was recorded as goodwill. The primary factors that contributed to the determination of the purchase price that caused the recognition of goodwill were the following: (1) AFC's network and experience in the automobile financing business in the United States, (2) synergies that might be achieved with the companies' automobile value chain in the United States.

In connection with this acquisition, approximately $58.2 million and $2.4 million were provisionally classified as goodwill and intangible assets (subject to amortization), respectively. The intangible asset subject to amortization consists of non-compete agreements with an amortization period of 8 years. The goodwill is deductible for tax purposes. The Company's annual impairment test did not indicate any impairment of goodwill at March 31, 2008.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the dates of Steel Tech (including 100% of Mi-Tech Steel, Inc.) and AFC HoldCo, LLC acquisitions:

	Steel Technologies	AFC HoldCo, LLC
	(In Millions)	
Current assets	$ 433.0	$ 27.0
Property and equipment	215.4	1.3
Investment and other noncurrent assets	65.3	55.6
Goodwill	68.0	58.2
Intangibles:		
Customer relationships	28.9	—
Trademarks	11.3	—
Non-compete agreements	5.9	2.4
Total assets acquired	827.8	144.5
Current liabilities	(326.4)	(17.9)
Long-term liabilities	(76.8)	(55.1)
Minority interest in subsidiaries	(3.8)	(8.8)
Total liabilities assumed	(407.0)	(81.8)
Net assets acquired	$ 420.8	$ 62.7

The Company continues to gather additional information about the fair value of AFC HoldCo, LLC's acquired assets and liabilities. Accordingly, the allocation of the purchase price of AFC HoldCo, LLC is subject to adjustment in the next fiscal year.

The consolidated financial statements for the year ended March 31, 2008 include the operating results of Steel Tech and AFC HoldCo, LLC from their respective date of acquisition.

The following unaudited pro forma financial information of the Company for the years ended March 31, 2008 and 2007 have been presented as if the acquisitions of Steel Tech and AFC HoldCo, LLC had occurred as of the beginning of each period. The pro forma information does not necessarily reflect the results of operations if the business had been managed by the Company during these periods and is not indicative of results that may be obtained in the future:

	March 31,	
	2008	2007
	(In Thousands)	
Revenues—pro forma	$10,983,013	$8,313,470
Net income—pro forma	$ 51,692	$ 168,030

On October 26, 2006, SunWize Technologies, Inc., newly established in the United States by Mitsui USA, 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 $84.0 million. After completion of the regulatory review, the acquisition was completed on November 30, 2006. SunWize is a solar technology company that specializes in the design and manufacture of integrated solar power systems and associated project development and product distribution. SunWize offers photovoltaic power solutions from preassembled and custom-engineered systems to the manufacture of specialty solar modules for original equipment manufactured battery-operated products. SunWize provides its solar power systems for industrial, commercial, governmental and residential applications.

The purchase price was determined based on the expected future cash flows SunWize will generate. In connection with this acquisition, approximately $53.1 million and $16.7 million were classified as goodwill and intangible assets, respectively. The intangible assets subject to amortization consist primarily of customer relationships of $13.8 million with an amortization period of 15 years. The Company's annual impairment test did not indicate any impairment of goodwill at March 31, 2008 and 2007.

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

	(In Millions)
Current assets	$20.9
Property and equipment	2.6
Goodwill	53.1
Intangibles	
Customer relationships	13.8
Trade names and trademarks	2.4
Non-compete agreements	0.3
Unpatented technologies	0.2
Total assets acquired	93.3
Current liabilities	(9.3)
Total liabilities assumed	(9.3)
Net assets acquired	$84.0

The operating results of SunWize have been included in the Company's consolidated financial statements from the date of acquisition.

Pro forma results of operations for the SunWize acquisition have not been presented because the effects were not material to the consolidated financial statements.

4. Discontinued Operations

The Company presents the results of operations and financial position of discontinued operations that have either been sold or that meet the criteria for "held for sale accounting" as discontinued operations. At the time an operation qualifies for held for sale accounting, the operation is evaluated to determine whether or not the carrying value exceeds its fair value less cost to sell. Any loss as a result of carrying value in excess of fair value, less cost to sell, is recorded in the period the operation meets the criteria for held for sale accounting. Management judgment is required to: (1) assess the criteria required to meet held for sale accounting, and (2) estimate fair value.

During the year ended March 31, 2008, the Company sold substantially all of the net assets of Hannibal Industries, Inc. ("Hannibal") for a price of approximately $61.8 million, which resulted in a gain of approximately $11.0 million. In accordance with SFAS No. 144, the Company presented these transactions as discontinued operations in the consolidated financial statements and footnotes for all periods presented. The carrying value of the discontinued businesses was approximately $50.7 million at March 31, 2007. The major classes of assets and liabilities of Hannibal included in the consolidated balance sheet at March 31, 2007 are summarized as follows:

	(In Thousands)
ASSETS:	
Cash and cash equivalents	$ 449
Accounts and notes receivable:	
Customers	13,887
Allowance for doubtful receivables	(275)
Inventories	24,349
Other current assets	930
Total current assets	39,340
Investment in and advances to associated companies	1,128
Property and equipment—net	22,335
Noncurrent advances, receivables and other—net	1,981
Total assets	$64,784
LIABILITIES:	
Notes, acceptances and accounts payable—trade creditors	$ 5,274
Accrued expenses and sundry	6,444
Other liabilities	2,369
Total liabilities	$14,087

During the year ended March 31, 2007, the Company sold substantially all of the net assets of Nutriscience Technologies, Inc. and JIT Steel, Inc. for an aggregate price of approximately $79.5 million, which resulted in a gain of approximately $22.5 million. In addition, Transloading Terminal Partners, L.P., a 51% owned subsidiary of Tri-Net Logistics Management, ceased its business operations in the warehouse leasing business and sold certain property, including a warehouse building and land, directly associated with this business for approximately $33.1 million and a resulting gain on this sale of $21.8 million was recognized.

Included in net income from discontinued operations in the consolidated statements of income for the years ended March 31, 2008 and 2007 are the following:

	2008	2007
	(In Thousands)	
Total revenues	$ 80,063	$ 182,481
Total cost of revenues	(70,005)	(149,402)
Gross profit	10,058	33,079
Selling, general, and administrative expenses	(6,524)	(20,339)
Interest expense—net	(1,563)	(2,631)
Other income—net	11,054	45,310
	$ 13,025	$ 55,419

Income from discontinued operations includes tax expense of $6.1 million and $18.9 million for the years ended March 31, 2008 and 2007, respectively.

5. Investments And Marketable Securities

Other investments at March 31, 2008 and 2007 consist of the following:

	March 31, 2008	March 31, 2007
	(In Thousands)	
Available-for-sale securities	$ 21,474	$ 16,020
Other investments carried at cost	112,428	130,465
Total	$133,902	$146,485

At March 31, 2008 and 2007, the cost, fair value and gross unrealized holding gains and losses on available-for-sale securities are as follows:

	(In Thousands)				
			Unrealized Holding Gains (Losses)		
	Cost	Fair value	Gains	Losses	Net
March 31, 2008					
Marketable equity securities	$10,356	$17,298	$7,470	$(528)	$6,942
Debt securities	4,176	4,176	—	—	—
Total	$14,532	$21,474	$7,470	$(528)	$6,942
March 31, 2007					
Marketable equity securities	$ 997	$10,007	$9,010	$ —	$9,010
Debt securities	6,013	6,013	—	—	—
Total	$ 7,010	$16,020	$9,010	$ —	$9,010

The proceeds from sales of available-for-sale securities and the gross realized gains and losses on those sales, which are recorded in other income—net on the consolidated statements of income, determined using the specific identification method, for the years ended March 31, 2008 and 2007 are shown below:

	March 31, 2008	March 31, 2007
	(In Thousands)	
Proceeds from sales	$7,293	$1,844
Gross realized gains	1,980	799
Gross realized losses	(624)	(27)
Net realized gains	$1,356	$ 772

The net gains on sales of other investments carried at cost which are included in other income - net on the consolidated statements of income are $22.3 million and $7.8 million for the years ended March 31, 2008 and 2007.

The Company recorded an impairment loss of other investments carried at cost of approximately $2.3 million and $2.0 million for the years ended March 31, 2008 and 2007, respectively.

Investments in and advances to associated companies at March 31, 2008 and 2007 consist of the following:

	March 31, 2008	March 31, 2007
	(In Thousands)	
Equity method investments	$669,784	$612,173
Advances, etc.	19,236	18,347
Total	$689,020	$630,520

Investments in associated companies (investees owned 20% to 50% and other investees over which the Company has the ability to exercise significant influence) are accounted for under the equity method. In addition, noncontrolling investments in general partnerships, limited partnerships and limited liability companies are also accounted for under the equity method. Such investments include, but are not limited to, the Company's investments in Mitsui E&P (USA) LLC (''MEP'') (50%), Mitsui & Co. Venture Partners II, L. P. (50%), Brazos Wind Ventures, LLC (50%), United Harvest, LLC (40%) and Mitsui & Co. Energy Risk Management Ltd. (14.75%). Associated companies are engaged primarily in the development of natural resources and the manufacturing and distribution of various products.

During the year ended March 31, 2007, the Company paid $175.0 million to MEP for the acquisition of the oil and gas leasehold interests of Pogo Producing Company (''Pogo'') located in the Gulf of Mexico. The agreement was signed between Pogo and MitEnergy Upstream LLC, in which MEP holds a 70% ownership interest.

Additionally, during the year ended March 31, 2007, Mitsui Japan transferred 15% of its ownership interest in Westport Petroleum, Inc. and 30% of its ownership interest in Raw Materials Development Corp. and Mitsui Automotive North America, Inc. to the Company. As a result of these transfers, the Company's ownership interest in Westport Petroleum, Inc. increased to 80% and its ownership interest in both Raw Material Development Corp. and Mitsui Automotive North America, Inc. increased to 50%. The Company accounted for these transfers in accordance with SFAS No. 141 in a manner that is consistent with transactions between entities under common control. The carrying amount of $9.6 million associated with the ownership interests transferred by Mitsui Japan to the Company is reflected in additional paid-in capital. In addition, the Company recorded $20.1 million directly to retained earnings, representing the carryover retained earnings attributable to the additional ownership interest transferred by Mitsui Japan.

During the year ended March 31, 2008, Mitsui Japan transferred 55% of its ownership interest in Novus to the Company. As a result of this transfer, the Company's ownership interest in Novus increased to 65%. The Company accounted for this transfer in accordance with SFAS No. 141 in a manner that is consistent with transactions between entities under common control. As of April 1, 2006, the carrying amount of $70.1 million associated with the ownership interest in Novus transferred by Mitsui Japan is reflected in additional paid-in capital. In addition, the Company recorded approximately $26.4 million directly to retained earnings, representing the carryover retained earnings attributable to the additional ownership interest in Novus transferred by Mitsui Japan as of April 1, 2006. In addition, for the year ended March 31, 2008, the Company accounted for a deemed equity distribution to Mitsui Japan of $5 million related to the Novus transaction.

Additionally, during the year ended March 31, 2008, MBK Laguna Inc., a wholly-owned subsidiary of Mitsui Japan, sold 50% of its ownership interest in MRE to MREH, formerly Bussan Newport Inc., a wholly-owned subsidiary of Mitsui USA, for the sales price of approximately $134.5 million. As a result of this transaction, MREH's ownership interest in MRE increased to 80%. The Company accounted for this transaction in accordance with SFAS No. 141 in a manner that is consistent with transactions between entities under common control. The excess purchase price of approximately $43.2 million over the carrying amount of 50% ownership interest in MRE was deducted from retained earnings as a deemed equity distribution as of April 1, 2006. In addition, for the year ended March 31, 2007, the Company recorded $10.1 million directly to retained earnings representing the carryover retained earnings attributable to Mitsui USA transferred by Mitsui Japan. MREH is subject to risks incidental to the ownership, development, and operation of commercial and residential real estate. Those include, among others, the risks normally associated with changes in the general economic climate, trends in the real estate industry, ability of the land for development, creditworthiness of the tenants, competition for tenants, changes in tax laws, interest rate levels, availability of financing, and the potential liability under environmental and other laws. Subsequent to the acquisition and in connection with the housing decline in the United States, MREH had recorded impairments related to several of their real estate development projects. Such impairments of approximately $84.7 million for the year ended March 31, 2008 were included in cost of products sold in the consolidated statement of income.

On October 1, 2007, Mitsui Steel Holdings, Inc. (''MSH''), an 80% owned subsidiary of Mitsui USA, merged with and into Mitsui USA. Prior to the merger, Mitsui USA amended the Certificate of Incorporation to increase the number of authorized shares from 1,000 shares to 2,000 shares. Mitsui USA received the 20% minority ownership interest in MSH from Mitsui Japan in exchange for issuing additional 50 shares of Mitsui USA common stock at no par value. The carrying value of approximately $11.0 million associated with the 20% ownership interest in MSH transferred by Mitsui Japan is reflected in additional paid-in capital. In addition, the Company recorded approximately $18.9 million directly to retained earnings, representing the carryover retained earnings attributable to the additional ownership interest in MSH transferred by Mitsui Japan.

In connection with the acquisition of Steel Tech in June 2007, the Company acquired an equity interest in a joint venture (''JV''). Subsequent to the acquisition, the JV was notified by its sole customer that it would not be retaining a portion of business that it awarded to another supplier. Since the JV's carrying value exceeded the Company's proportional share of the JV's estimated future discounted cash flows, an impairment charge of approximately $28.7 million was recognized for the year ended March 31, 2008 and is classified in equity in earnings of associated companies in the consolidated statements of income. In August 2007, the Company acquired an additional 12.3% equity interest in The Andersons Clymers Ethanol, LLC (''TACE'') for a purchase price of approximately $18.3 million. As a result, the Company owns 22.8% equity interest of TACE for the carrying value of approximately $29.8 million at March 31, 2008.

Summarized financial information for associated companies at March 31, 2008 and 2007, and for the years then ended are as follows:

	March 31, 2008	March 31, 2007
	(In Thousands)	
Current assets	$ 8,712,255	$6,575,123
Property and equipment—net	2,201,806	1,837,476
Other assets	1,321,631	1,151,827
Total assets	$12,235,692	$9,564,426
Current liabilities	$ 8,046,839	$5,828,496
Long-term liabilities	1,786,674	1,952,287
Shareholders' equity	2,402,179	1,783,643
Total liabilities and shareholders' equity	12,235,692	9,564,426
The Company's equity in the net assets of associated companies	$ 614,911	$ 534,292

	March 31, 2008	March 31, 2007
	(In Thousands)	
Revenues	$19,217,609	$15,524,028
Gross profit	2,860,651	2,510,577
Net income	524,992	466,326

The carrying value of the investments in associated companies exceeded the Company's equity in underlying net assets of such associated companies by $54.9 million and $77.9 million at March 31, 2008 and 2007, respectively. The excess is attributed first to certain fair value adjustments on a net-of-tax basis at the time of the initial investment and subsequent investments in those companies, with the remaining portion considered as equity method goodwill. The fair value adjustments are generally attributed to intangible assets which consist primarily of intellectual property and trademarks amortized over their respective estimated useful lives (principally 6 years) using the straight-line method, and franchise rights which are not amortized because of their indefinite useful lives.

6. Property And Equipment

Property and equipment, including those under capital leases (see Note 10), consist of the following:

	March 31, 2008	March 31, 2007
	(In Thousands)	
Land and land improvements	$ 44,436	$ 27,224
Building, structures and improvements	555,330	433,819
Equipment and fixtures, including leasehold improvements	460,717	303,239
Total	1,060,483	764,282
Less—Accumulated depreciation and amortization	(488,381)	(440,976)
Net	$ 572,102	$ 323,306

During the year ended March 31, 2007, the Company sold a building, land, machinery and equipment in Tulare, California, which resulted in a gain of approximately $3.5 million, a warehouse and land in Carson, California, which resulted in a gain of approximately $21.8 million and land in the United Kingdom which resulted in a gain of approximately $10.3 million which is included in discontinued operations on the consolidated statement of income.

In accordance with SFAS No. 144, the Company evaluated the carrying values of its long-lived assets to determine if any changes have occurred which would require an adjustment to the carrying values. Based on the Company's evaluation, it was determined that there was no indication of impairment of its long-lived assets that required an adjustment for the years ended March 31, 2008 and 2007.

Depreciation and amortization expense for property and equipment for the years ended March 31, 2008 and 2007 was $62.9 million and $39.6 million, respectively.

7. Goodwill And Other Intangible Assets

At March 31, 2008 and 2007, the Company had goodwill of $259.3 million and $118.0 million, respectively. Based on its annual impairment test, management does not believe goodwill to be impaired as of March 31, 2008 and 2007, respectively.

At March 31, 2008 and 2007, the carrying amount of intangible assets not subject to amortization (excluding goodwill) is $11.4 million and $0.1 million, respectively.

Intangible assets subject to amortization at March 31, 2008 and 2007 consist of the following:

	2008		
	Gross Carrying Amount	Accumulated Amortization	Net
		(In Thousands)	
Customer relationships	$105,091	$ 26,057	$ 79,034
Trademarks	11,871	4,144	7,727
Non-compete agreements	31,925	13,011	18,914
Sales/supply agreements	43,184	42,663	521
Patents	78,139	78,022	117
Unpatented technologies	7,695	7,265	430
Software	34,782	22,956	11,826
In-place lease value	3,891	1,091	2,800
Other	967	421	546
Total	$317,545	$195,630	$121,915

	2007		
	Gross Carrying Amount	Accumulated Amortization	Net
		(In Thousands)	
Customer relationships	$ 74,133	$ 18,570	$55,563
Trademarks	11,867	3,579	8,288
Non-compete agreements	24,748	9,961	14,787
Sales/supply agreements	43,184	42,500	684
Patents	78,139	78,015	124
Unpatented technologies	7,350	7,159	191
Software	29,863	22,732	7,131
In-place lease value	3,210	541	2,669
Other	1,291	577	714
Total	$273,785	$183,634	$90,151

Total amortization expense from continuing operations on the Company's intangible assets for the years ended March 31, 2008 and 2007 was $15.0 million and $10.8 million, respectively.

Estimated future amortization expense is as follows:

	(In Thousands)
2009	$ 16,389
2010	12,403
2011	11,565
2012	10,735
2013	10,621
Thereafter	60,202
Total	$121,915

8. Debt and Other Financing Agreements

The Company had commercial paper of approximately $453.0 million and $207.8 million outstanding at March 31, 2008 and 2007, respectively. Such commercial paper can be sold at a discount or interest bearing basis in denominations of not less than the equivalent of $100,000, with maturities of not more than 270 days. Interest rates on such debt ranged from 2.38% to 3.07% at March 31, 2008 and 5.26% to 5.28% at March 31, 2007, respectively.

The Company had short-term loans payable of approximately $150.0 million and $240.5 million at March 31, 2008 and 2007, respectively. The weighted-average interest rates on short-term loans payable outstanding at March 31, 2008 and 2007 were 4.50% and 6.44%, respectively.

Long-term debt is comprised of the following:

	March 31, 2008	March 31, 2007
	(In Thousands)	
Parent and affiliated companies—maturing through 2013, principally at rates of 5.27% to 6.03%	$ 110,600	$ 101,600
Other:		
Financial institutions—maturing through 2018, principally at rates of 2.73% to 5.35%	1,808,141	1,302,410
Medium-term notes—maturing through 2016, principally at rates of 0.36% to 5.20%	826,762	853,771
Total principal amount	2,745,503	2,257,781
Less—Current maturities	(337,996)	(432,388)
Net	$2,407,507	$1,825,393

The Company has Japanese yen denominated liabilities, which are included in long-term debt (U.S. dollar equivalent of approximately $880.0 million and $884.2 million at March 31, 2008 and 2007, respectively).

Maturities of long-term debt outstanding at March 31, 2008 were as follows:

	(In Thousands)
2009	$ 337,996
2010	457,578
2011	366,149
2012	496,568
2013	421,966
Thereafter	665,246
Total	$2,745,503

9. Income Taxes

At March 31, 2008 and 2007, the total of all deferred tax assets was $181.3 million and $80.3 million, respectively, and the total of all deferred tax liabilities was $360.5 million and $267.4 million, respectively. At March 31, 2008 and 2007, deferred tax assets consisted primarily of the tax effects of reserves recorded for financial statement purposes (principally losses on receivables and investments) that are not currently deductible for tax purposes. At March 31, 2008 and 2007, deferred tax liabilities consisted primarily of the tax effects of accelerated tax depreciation and financing leases.

The provision (benefit) for income taxes consists of the following for the years ended March 31, 2008 and 2007:

	March 31, 2008	March 31, 2007
	(In Thousands)	
CONTINUING OPERATIONS:		
Current:		
Federal	$(12,443)	$ 1,268
State	8,226	8,479
Foreign	11,420	5,903
Total current	7,203	15,650
Deferred	(30,566)	29,884
Total income taxes	(23,363)	45,534
DISCONTINUED OPERATIONS:		
Current:		
Federal	5,351	7,117
State	717	174
Foreign	—	(673)
Total current	6,068	6,618
Deferred	—	12,239
Total income taxes	6,068	18,857
TOTAL INCOME TAXES	$(17,295)	$64,391

For the years ended March 31, 2008 and 2007, the effective tax rate for the reported amount of income tax expense (benefit) differs from the domestic Federal statutory rate of 35% mainly due to state and local income taxes and certain non-deductible expenses.

The Company adopted the provisions of FIN No. 48 on April 1, 2007. As a result of the implementation of FIN No. 48, the Company recognized approximately $4.7 million increase in the liability for unrecognized tax benefits. The adjustment to beginning retained earnings of approximately $4.0 million (after minority interest of approximately $0.7 million) was recorded in the consolidated statements of shareholder's equity. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	(In thousands)
Balance at April 1, 2007	$29,481
Additions for tax positions of prior years	485
Reductions for tax positions of prior years	(7,305)
Additions based on tax positions related to the current year	12,910
Lapse of statute of limitations	(1,192)
Balance at March 31, 2008	$34,379

If the Company were to prevail on all uncertain tax positions, the net benefit to our effective tax rate would be approximately $34.4 million.

The Company has elected under FIN No. 48 to continue with its prior policy to classify interest and penalties related to unrecognized tax benefits as income taxes in the Company's financial statements. For the year ended March 31, 2008, the Company recognized $0.2 million of interest and penalties expense related to unrecognized tax benefits in the consolidated statement of income. The Company has approximately $0.9 million for payment of interest and penalties accrued at March 31, 2008.

The Company and one of its subsidiaries files income tax returns in the U.S. Federal jurisdiction, and various states and foreign jurisdictions. With few exceptions, the Company is no longer subject to U.S.

Federal, state and local or non-U.S. income tax examinations by tax authorities for years before March 31, 2003.

It is expected that the amount of unrecognized tax benefits will change in the next fiscal year due to the currently ongoing Federal, state and local tax audits. It is expected that the Internal Revenue Services will propose certain adjustments. The Company does not anticipate the adjustments would result in a material change to its financial position.

10. LEASES

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

	March 31, 2008	March 31, 2007
	(In Thousands)	
Direct financing leases:		
Net minimum lease payments—(approximately $196,492,000 collectible through March 31, 2013 on an approximately ratable annual basis; the remaining balance is collectible through 2021)	$ 459,075	$ 512,596
Estimated unguaranteed residual value of leased assets	103,087	122,872
Less—Unearned income	(190,634)	(225,693)
Allowance for doubtful accounts	(6,469)	(6,496)
Investment in direct financing leases	365,059	403,279
Less—Current portion	(15,476)	(15,408)
Net investment in direct financing leases	$ 349,583	$ 387,871
Leveraged leases:		
Minimum lease payments—(net of principal and interest on third party nonrecourse debt—approximately $545,000 collectible through March 31, 2013 on an approximately ratable annual basis; the remaining balance is collectible through 2022)	$ 39,832	$ 39,832
Estimated unguaranteed residual value of leased assets	47,195	47,195
Less—Unearned income	(20,603)	(20,732)
Investment in leveraged leases	66,424	66,295
Less—Deferred tax liabilities arising from leveraged leases	(69,662)	(66,664)
Net investment in leveraged leases	$ (3,238)	$ (369)

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

	Direct Financing and Leveraged Leases
	(In Thousands)
2009	$ 39,298
2010	39,703
2011	39,430
2012	39,309
2013	39,297
Thereafter	301,870
Total minimum payments	$498,907

The Company's property leased to others under operating leases, by asset class, as of March 31, 2008 and 2007 is as follows:

	March 31, 2008			March 31, 2007		
	Cost	Accumulated Depreciation	Net	Cost	Accumulated Depreciation	Net
		(In Thousands)			(In Thousands)	
Real estate properties	$166,545	$ (7,701)	$158,844	$133,179	$ (4,195)	$128,984
Terminal elevator facilities	78,187	(41,343)	36,844	77,301	(38,786)	38,515
Railcars	19,553	(3,618)	15,935	19,553	(2,407)	17,146
Factory facilities	13,660	(7,617)	6,043	13,660	(6,715)	6,945
Other miscellaneous equipment	5,890	(2,453)	3,437	4,738	(1,962)	2,776
Total	$283,835	$(62,732)	$221,103	$248,431	$(54,065)	$194,366

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

	Operating Leases
	(In Thousands)
2009	$ 5,551
2010	3,336
2011	3,206
2012	2,604
2013	2,409
Thereafter	23,007
Total minimum payments to be received	$40,113

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

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

	March 31,	
	2008	2007
	(In Thousands)	
Equipment and fixtures, including leasehold improvements	$ 54,335	$ 41,502
Less—Accumulated amortization	(33,116)	(25,884)
Net	$ 21,219	$ 15,618

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

	Capital Leases	Operating Leases
	(In Thousands)	
2009	$ 4,704	$143,632
2010	29,267	102,205
2011	14,226	63,542
2012	2,542	50,748
2013	2,214	35,218
Thereafter	45,496	78,321
Total minimum payments required*	98,449	$473,666
Less: Amount representing interest	(17,036)	
Long-term obligations	$ 81,413	

* Minimum payments have not been reduced by aggregate minimum sublease rentals of $57.5 million under operating leases due in the future under noncancelable subleases.

Rental expenses relating to operating leases from continuing operations were $177.5 million and $137.5 million for the years ended March 31, 2008 and 2007, respectively. Sublease rental income from continuing operations was $97.8 million and $65.0 million for the years ended March 31, 2008 and 2007, respectively.

11. Benefit Plans

Mitsui USA sponsors a defined benefit pension plan covering substantially all employees (except Japanese nationals assigned in the United States by Mitsui Japan) of Mitsui USA and certain subsidiaries and affiliated companies. Mitsui USA amended the pension plan, effective January 1, 2007, to freeze participation in the plan. Since Mitsui USA treated Novus as a consolidated subsidiary effective April 1, 2006, Novus was included in the consolidated financial statements (see Note 2). Novus' noncontributory defined pension plans covered most of its employees in the U.S. Novus also provides a nonqualified supplemental executive defined benefit pension plan to provide supplementary retirement benefits primarily to higher-level, longer service U.S. employees. In addition to providing pension benefits, Mitsui USA provides certain healthcare benefits for retired employees.

On March 31, 2007, the Company adopted the provisions of SFAS No. 158, which required recognition of an asset or liability in the consolidated balance sheets reflecting the funded status of pension and other postretirement benefit plans, with current-year changes in the funded status recognized in the shareholder's equity. The following table shows the incremental effects of the adoption of SFAS No. 158 on the consolidated balance sheet as of March 31, 2007:

	Balance before adoption of SFAS No. 158	Adjustments	Balance after adoption of SFAS No. 158
		(In Thousands)	
Total current assets	$ —	$ —	$ —
Other long-term assets	511	(511)	—
Total assets	$ 511	$ (511)	$ —
Other liabilities	$ 16,976	$ 8,770	$ 25,746
Accumulated other comprehensive income	(16,561)	(9,957)	(26,518)
Total liabilities and shareholder's equity	$ 415	$(1,187)	$ (772)

Amounts recognized in accumulated other comprehensive income as a result of the adoption of SFAS No. 158 consist of:

	Pension Benefits	Postretirement Benefits
	March 31, 2007 (In Thousands)	
Net actuarial gain	$(8,843)	$ (299)
Prior service (credit) cost	(393)	704
Transition obligation (assets)	—	(1,126)
	$(9,236)	$ (721)

Changes in the benefit obligation, plan assets and funded status are comprised of the following for the years ended March 31, 2008 and 2007, respectively:

	Pension Benefits March 31,		Postretirement Benefits March 31,	
	2008	2007	2008	2007
	(In Thousands)		(In Thousands)	
Changes in benefit obligation:				
Benefit obligation at beginning of year	81,113	$ 75,051	$ 6,029	$ 5,147
Service cost	2,778	2,656	333	387
Interest cost	4,771	4,490	360	312
Plan participants' contributions	—	—	177	158
Benefits paid	(2,968)	(2,621)	(708)	(525)
Change in plan provisions	294	—	—	—
Change in discount rate	(9,107)	(109)	—	—
Transition obligation	—	—	903	—
Actuarial (gain) loss	(543)	1,646	(1,123)	550
Benefit obligation at end of year	76,338	81,113	5,971	6,029
Changes in plan assets:				
Fair value of plan assets at beginning of year	61,396	56,115	—	—
Actual return on plan assets	(1,706)	3,902	—	—
Employer contributions	4,680	4,000	531	367
Plan participants' contributions	—	—	177	158
Benefits paid	(2,968)	(2,621)	(708)	(525)
Fair value of plan assets at end of year	61,402	61,396	—	—
Funded status at end of year	$(14,936)	$(19,717)	$(5,971)	$(6,029)
Amounts recognized in the consolidated balance sheets at March 31:				
Other liabilities	$(14,936)	$(19,717)	$(5,971)	$(6,029)
Amounts recognized in accumulated other comprehensive loss at March 31:				
Net transition obligation	$ —	$ —	$ 939	$ 1,126
Prior service cost (credit)	574	510	193	(704)
Net actuarial loss (gain)	21,103	25,287	(823)	299
Balance prior to income taxes and minority interest	$ 21,677	$ 25,797	$ 309	$ 721

The accumulated benefit obligation for the pension plans was $69.7 million and $72.4 million at March 31, 2008 and 2007, respectively.

Net periodic benefit cost is comprised of the following for the years ended March 31, 2008 and 2007, respectively:

	Pension Benefits March 31,		Postretirement Benefits March 31,	
	2008	2007	2008	2007
	(In Thousands)		(In Thousands)	
Service cost	$ 2,778	$ 2,656	$333	$387
Interest cost	4,770	4,490	360	312
Expected return on plan assets	(5,350)	(4,850)	—	—
Amortization of transition obligation	—	—	187	187
Amortization of prior service cost (credit)	162	151	6	(73)
Recognized actuarial loss (gain)	1,659	1,753	(1)	(5)
Net periodic benefit cost	$ 4,019	$ 4,200	$885	$808

The amounts recognized in other comprehensive income (loss) prior to income tax and minority interest during the year ended March 31, 2008 were as follows:

	Pension Benefits	Postretirement Benefits
	March 31, 2008 (In Thousands)	
Prior service cost incurred during the year due to change in plan provisions	$ 294	$ —
Transition obligation incurred during the year	—	903
Net actuarial gain incurred during the year	(2,594)	(1,123)
Amortization of transition obligation	—	(187)
Amortization of prior service (cost) credit	(162)	(6)
Recognized actuarial (loss) gain	(1,659)	1
	$(4,121)	$ (412)

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

	Pension Benefits	Postretirement Benefits
	(In Thousands)	
Net actuarial loss (gain)	$1,268	$ (20)
Transition obligation	—	187
Prior service cost	167	6
	$1,435	$173

Significant assumptions for the Company's pension and other postretirement benefit plans for the years ended March 31, 2008 and 2007 were as follows:

	Pension Benefits		Postretirement Benefits	
	2008	2007	2008	2007
Weighted average assumptions at year end:				
Discount rate	6.80%	5.80%	6.67%	6.09%
Rate of compensation increase	3.00%	3.00%	—	—
Weighted average assumptions used to determine net periodic benefit cost:				
Discount rate	5.80 to 6.00%	5.75 to 6.00%	6.09%	6.09%
Expected long-term rate of return on plan assets	8.25 to 8.50%	8.50%	—	—
Rate of compensation increase	3.00%	3.00%	—	—

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

Assumed health care cost trend rates have been used in the valuation of postretirement health care benefits. During the year ended March 31, 2008, the medical health care cost trend rate was 8.0%, decreasing to 4.5% within the next four years, and the dental health care cost trend rate was 4.5%. Increasing the health care cost trend rate by 1.0% would increase the accumulated benefit obligation to $6.8 million or by 13.7%, and the aggregate of the service and interest cost components of the net periodic benefit cost would increase from $0.7 million to $0.9 million or by 23.7%, including life insurance. Decreasing the health care cost trend rate by 1.0% would decrease the accumulated benefit obligation to $5.3 million or by 11.1%, and the aggregate of the service and interest cost components of the net periodic benefit cost would decrease from $0.7 million to $0.6 million or by 13.6%, including life insurance.

The Company's pension plan weighted-average asset allocations based on the fair value of such assets as of March 31, 2008 and 2007 are as follows:

	March 31,		
	2008	2007	Target Allocation
Equity securities	56%	69%	0%-60%
Debt securities	29	16	0%-40%
Insurance contract—fixed income	14	14	0%-20%
Cash and deposits	1	1	0%-20%
Total	100%	100%	

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

The Company expects to contribute $6.9 million and $0.3 million to the pension and other postretirement benefit plans, respectively, for the year ending March 31, 2009.

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

	Pension Benefits
	(In Thousands)
2009	$ 3,205
2010	3,280
2011	3,542
2012	3,738
2013	3,984
2014-2018	24,220

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

	Estimated Gross Benefit Payment	Expected Medicare Part D Subsidy	Estimated Net Benefit Payment
2009	$ 405	$ (75)	$ 330
2010	411	(81)	330
2011	441	(88)	353
2012	452	(91)	361
2013	465	(100)	365
2014-2018	2,579	(591)	1,988

In addition to the above defined pension and other postretirement benefit plans, Mitsui USA and certain subsidiaries have defined contribution plans. The defined contribution plan expense was approximately $5.8 million and $3.8 million for the years ended March 31, 2008 and 2007, respectively.

12. Commitments and Contingencies

At March 31, 2008 and 2007, the Company had bank lines of credit outstanding of approximately $90.5 million and $172.6 million, respectively. The Company also had documentary letters of credit, banking the purchase price of goods, of approximately $0.5 million and $5.4 million at March 31, 2008 and 2007, respectively. Additionally, at March 31, 2008 and 2007, the Company had performance bond guarantees outstanding of approximately $12.7 million and $19.4 million, respectively.

It is a customary practice of the Company to guarantee, severally or jointly with others, indebtedness of certain of its customers, suppliers and affiliated companies to facilitate its trading activities. At March 31, 2008 and 2007, the aggregate amount of outstanding guarantees was approximately $209.9 million and $188.2 million, respectively, with a maximum potential guarantee amount of $462.2 million (through 2028) and $430.8 million (through 2028), respectively. The maximum potential guarantee amount represents the amounts, without consideration of possible recoveries under recourse provisions or from collateral held or pledged, that the Company could be obliged to pay if there were defaults by guaranteed parties or there were changes in an underlying collateral which would cause triggering events under market value guarantees and indemnification contracts. Currently, the Company does not anticipate any losses related to such guarantees.

The Company customarily enters into long-term purchase contracts (usually with related sales contacts) for certain inventories. At March 31, 2008 and 2007, long-term purchase contracts at fixed or basic purchase prices amounted to approximately $2,160.2 million (through 2021) and $2,250.2 million (through 2021), respectively. To secure a supply of certain inventories through 2021, the Company has prepaid for a portion of the cost of such inventories in the amount at $133.2 million and 142.6 million at March 31, 2008 and 2007, respectively, which are recorded in noncurrent advances, receivables and other—net.

13. Legal Matters

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

14. Derivatives Instruments and Hedging Activities

The Company is 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 Company uses derivative instruments, such as foreign exchange forward contracts, currency swap agreements, interest rate swap agreements, commodity futures, 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.

At March 31, 2008 and 2007, the Company had oil swap agreements maturing through December 31, 2009, with notional quantities of 405,000 metric tons and 20,094,000 barrels, and 495,000 metric tons and 15,348,000 barrels, respectively, to pay variable prices and receive fixed prices.

At March 31, 2008 and 2007, the Company also had oil swap agreements maturing through December 31, 2009, with notional quantities of 610,000 metric tons and 18,624,000 barrels, and 579,000 metric tons and 13,984,000 barrels, respectively, to pay fixed prices and receive variable prices.

The Company also had interest rate and currency swap agreements maturing through July 23, 2024 with an aggregate notional amount of approximately $1,075.2 million and $1,256.9 million at March 31, 2008 and 2007, respectively. The fair value of open swap agreements resulted in a net unrealized gain of approximately $79.8 million and a net unrealized loss of approximately $25.1 million at March 31, 2008 and March 31, 2007, respectively.

At March 31, 2008 and 2007, the Company had outstanding forward physical contracts for petroleum products purchases and sales of approximately $546.3 million and $483.8 million, and $261.1 million and $340.0 million, respectively, with an unrealized gain of approximately $0.8 million and $1.4 million, respectively. A portion of these contracts contain an option feature on the volume of purchase or sale of petroleum products. At March 31, 2007, the unrealized gain on options in the forward physical contracts for petroleum products totaled approximately $0.2 million.

At March 31, 2008 and 2007, the Company also had outstanding foreign exchange forward contracts used to manage its exposure to foreign currency fluctuation for the amount of purchases and sales of approximately $738.1 million and zero, and $431.3 million and 53.7 million, respectively, with an unrealized loss of approximately $8.1 million and $1.0 million, respectively.

At March 31, 2007, the Company also had outstanding forward physical contracts for aluminum purchase and sales of approximately $107.1 million and $84.4 million, respectively, with an unrealized loss of approximately $24.0 million.

At March 31, 2008 and 2007, the Company had net mark to market adjustments on petroleum products futures and options agreements with unrealized losses of approximately $24.6 million and $12.8 million, respectively.

Derivative instruments recorded as assets amounted to approximately $138.5 million and $65.5 million at March 31, 2008 and 2007, respectively. Derivative instruments recorded as liabilities amounted to $95.9 million and $128.7 million at March 31, 2008 and 2007, respectively.

The Company designates certain future contracts, interest rate swaps, currency swaps and forward physical contracts as fair value hedges when the hedging instrument is highly effective in offsetting the risk of changes in the fair value of hedged item. The hedge strategies represent fair value hedges of the variable price risk associated with exposure to fluctuations in the prices of forward, futures and inventory positions for commodities that have readily determinable market values and interest rate and foreign exchange rate exposure. For all derivatives designated as fair value hedges, the Company documents the relationship between the hedging instrument and the hedged item, as well as the risk management objective and strategy for using the hedging instrument. The Company assesses whether a change in the value of the designated derivative is highly effective in achieving offsetting changes in fair value of hedged items both at the inception of the hedge and on an ongoing basis. The Company utilizes regression analysis and pricing models to determine hedge effectiveness. Changes in the fair value of such derivative financial instruments and changes in the fair value of hedged assets attributable to the hedged risk which are determined to be effective are recorded in current period earnings. Accordingly, the net amount recorded in the Company's consolidated statements of income is referred to as hedge ineffectiveness.

During the years ended March 31, 2008 and 2007, the Company recognized a gain of approximately $6.9 million and a loss of approximately $1.6 million, respectively, related to hedge ineffectiveness in the accompanying consolidated statements of income. Gain and loss on the above derivative financial instruments are included in cost of products sold and other income (loss) in the accompanying consolidated statements of income.

The Company designates certain future contracts as cash flow hedges when the hedging instrument is highly effective in offsetting the exposure of variations in cash flows for the forecasted sale transactions. Anticipated transactions must be probable of occurrence, and their significant terms and characteristics must be identified. For hedging instruments used in cash flow hedges, the Company documents the relationship between the hedging instrument and the hedged item (forecasted purchases and sales of commodity products that have readily determinable market values), as well as the risk management objective and assesses whether a change in the value of the designated derivative is highly effective in achieving offsetting cash flows attributing to the hedged item, both at the inception of the hedge and on an ongoing basis. Any changes in fair value of derivatives that are considered highly effective are reported in accumulated other comprehensive income (''AOCI''), while changes in fair value of derivatives that are not effective are recognized currently in earnings as sales of products or cost of products sold. Amounts recorded in AOCI are recognized in earnings during the period that the hedged items are recognized in earnings. At March 31, 2008 and 2007, the Company had an unrealized loss of approximately $2.2 million (net of tax benefit) and $23 thousand (net of tax benefit), respectively, in AOCI related to designated cash flow hedges. The net loss of $2.2 million included in AOCI at March 31, 2008 is expected to be reclassified from AOCI and to be recognized in earnings during the next fiscal year. The actual amounts that will be recognized in earnings during the next fiscal year will vary from the expected amounts as a result of changes in market prices. Most of the designated hedging instruments as of March 31, 2008 have a term of less than twelve months. When it is determined that a derivative is not highly effective as a hedge, that it has ceased to be a highly effective hedge or a hedged forecasted transaction is no longer probable, the Company discontinues the use of hedge accounting.

15. Risk Management and Fair Value of Financial Instruments

As explained in Notes 2 and 14, the Company enters into derivative financial instruments to reduce the exposures to fluctuations in commodity prices, interest rates and foreign exchange rates. The primary categories of derivatives used are commodity futures contracts, foreign exchange forward contracts, interest rate swaps, currency swaps, and options. Since most of the Company's derivative transactions are related to qualified hedges of underlying business exposures, market risk in those derivative instruments is basically offset by equal and opposite movements in the underlying exposure. The Company has a Risk Management Department which independently monitors and analyzes the positions of derivative transactions and reports the analysis to management, strengthening the Company's ability to manage derivative risk comprehensively. In addition, the Company sets position limits based on accumulated notional amounts with each counterparty, and changes these limits based on the counterparty's current rating by independent institutions.

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

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

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

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

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

Financial Commitments: The Company provides various guarantees and financial commitments for its customers and associated companies in the ordinary course of business, which include letters of credit and financial guarantees, among others. For financial guarantees of indebtedness and financial commitments issued on or prior to December 31, 2002, liabilities are recorded when, and if, payments become probable and estimable. Pursuant to the requirements of FIN No. 45, certain guarantees and financial commitments that are issued or modified after December 31, 2002 are to be initially recorded on the balance sheet at fair value on a prospective basis. At March 31, 2008 and 2007, the fair value of guarantees issued by the Company was not material.

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

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

The following schedules summarize the carrying amount and fair market values of financial instruments as of March 31, 2008 and 2007:

	March 31, 2008	
	Carrying Amount	Estimated Fair Value
	Assets (Liabilities) (In Thousands)	
Assets:		
Other investments	$ 21,474	$ 21,474
Noncurrent advances, receivables and other—net	255,135	255,135
Liabilities:		
Debt	(3,348,531)	(3,348,531)
Derivative financial instruments:		
Assets	138,518	138,518
Liabilities	(95,878)	(95,878)

	March 31, 2007 Carrying Amount	March 31, 2007 Estimated Fair Value
	Assets (Liabilities) (In Thousands)	
Assets:		
Other investments	$ 16,020	$ 16,020
Noncurrent advances, receivables and other—net	148,764	148,764
Liabilities:		
Debt	(2,675,611)	(2,675,611)
Derivative financial instruments:		
Assets	65,529	65,529
Liabilities	(128,651)	(128,651)

16. Business Segments

The Company's principal business activities have been classified into the following operating segments: Iron & Steel Products, Mineral & Metal Resources, Machinery & Infrastructure Projects, Chemical, Energy, Foods & Retail and Lifestyle, Consumer Services & Other.

Business segments are based on products and services for sale. The following are those amounts which are based on products and services for sale and are used by the Company in managing its business for the years ended March 31, 2008 and 2007:

	Iron & Steel Products	Mineral & Metal Resources	Machinery & Infrastructure Projects	Chemical	Energy	Foods & Retail	Lifestyle, Consumer Service & Other	Corporate Adjustments & Eliminations	Total
March 31, 2008 (In Thousands)									
Total Trading Transactions*	$3,252,611	$908,579	$335,837	$3,166,466	$6,905,761	$1,837,457	$559,016	$ (91,981)	$16,873,746
Gross Profit (Loss)	172,864	3,198	17,956	210,025	80,685	5,862	(28,348)**	(8,185)	454,057
Net Income (Loss)	2,321	8,771	5,158	27,204	21,136	26,929	(54,523)**	8,262	45,258
Total Assets	979,673	136,226	626,309	1,201,682	1,079,304	388,914	806,558	1,709,039	6,927,705

	Iron & Steel Products	Mineral & Metal Resources	Machinery & Infrastructure Projects	Chemical	Energy	Foods & Retail	Lifestyle, Consumer Service & Other	Corporate Adjustments & Eliminations	Total
March 31, 2007 (In Thousands)									
Total Trading Transactions*	$2,240,913	$327,036	$376,506	$2,825,521	$5,194,225	$1,622,731	$573,328	$ (221,569)	$12,938,691
Gross Profit	150,658	6,820	21,305	155,453	178,990	27,152	63,617	(28,647)	575,348
Net Income	31,467	14,853	12,765	7,751	45,719	10,057	16,902	9,565	149,079
Total Assets	880,616	180,305	881,332	1,329,797	775,662	332,976	967,818	146,979	5,495,485

*See Note 2.

**Includes impairment of real estate development projects of MREH as discussed in Note 5.

All of the Company's segments derive a significant portion of trade transactions from Mitsui Japan and its affiliates. For the years ended March 31, 2008 and 2007, total trading transactions with Mitsui Japan and its affiliates represent approximately 18% and 22%, respectively, of total trading transactions. Other than Mitsui Japan and its affiliates, no other single customer represents a significant portion of the Company's total trading transactions.

The following table provides geographic information for total trading transactions, which is based on the location of customers for the years ended March 31, 2008 and 2007:

	March 31, 2008	March 31, 2007
	(In Thousands)	
United States	$ 9,653,682	$ 8,088,063
Japan	2,987,687	1,674,701
Other foreign countries	4,232,377	3,175,927
Total	$16,873,746	$12,938,691

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

OFFICE DIRECTORY

NEW YORK
200 Park Avenue
36th Floor
New York, NY 10166
212-878-4000
212-878-4800-Fax

NEW YORK
1114 Avenue of the Americas
Suite 2630
New York, NY 10036
212-827-1000
212-827-1058-Fax

CHICAGO
200 East Randolph Drive
Suite 5200
Chicago, IL 60601
312-540-4000
312-540-4026-Fax

CLEVELAND
4125 Highlander Parkway
Suite 420
Richfield, OH 44286
330-659-2920
330-659-3196-Fax

DETROIT
1000 Town Center
Suite 1900
Southfield, MI 48075
248-357-3300
248-355-3572-Fax

HOUSTON
1300 Post Oak Blvd.
Suite 1700
Houston, TX 77056
713-236-6100
713-236-6134-Fax

LOS ANGELES
601 South Figueroa Street
Suite 1900
Los Angeles, CA 90017
213-896-1100
213-688-1138-Fax

NASHVILLE
25 Century Blvd.
Suite 310
Nashville,TN 37214
615-885-5318
615-885-5321-Fax

SAN FRANCISCO
One Montgomery Tower
One Montgomery Street
Suite 3230
San Francisco, CA 94104
415-765-1195
415-765-1163-Fax

SEATTLE
1201 Third Avenue
Suite 5100
Seattle, WA 98101
206-223-5604
206-223-5618-Fax

SILICON VALLEY
20300 Stevens Creek Bvld.
Suite 300
Cupertino, CA 95014
408-725-8525
408-725-8527-Fax

WASHINGTON, D.C
750 17th Street, N.W.
Floor 4
Washington D.C. 20006
202-861-0660
202-861-0437-Fax

Our Home Page on the Internet: http://www.mitsui.com

MITSUI & CO. (U.S.A.), INC.
200 Park Avenue
New York, New York 10166