



ANNUAL REPORT 2011

April 1, 2010 - March 31, 2011

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, 2011 and 2010, and the related consolidated statements of operations, shareholder's equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company at March 31, 2011 and 2010, 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 30, 2011



MITSUI & CO. (U.S.A.), INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2011 AND 2010

	March 31,	
	2011	2010
	(In Thousands)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 192,863	\$ 188,125
Accounts and notes receivables:		
Customers (Note 6)	989,779	911,463
Parent and affiliated companies (Notes 6 and 15)	560,342	571,660
Allowance for doubtful receivables (Note 6)	(13,054)	(36,095)
Inventories (Note 2)	1,156,933	1,357,235
Deferred income taxes (Note 10)	36,816	47,203
Other current assets (Notes 12 and 15)	397,152	292,221
Assets of discontinued operations (Note 4)	—	23,322
Total current assets	<u>3,320,831</u>	<u>3,355,134</u>
INVESTMENTS:		
Investments in and advances to associated companies (Notes 3, 5 and 6)	775,878	494,813
Financing leases (Notes 6 and 11)	361,050	385,251
Other investments (Note 5)	96,759	102,940
Total investments	<u>1,233,687</u>	<u>983,004</u>
PROPERTY AND EQUIPMENT—NET (Notes 7 and 11)	<u>727,782</u>	<u>830,077</u>
GOODWILL (Note 8)	<u>73,874</u>	<u>57,184</u>
OTHER INTANGIBLE ASSETS—NET (Note 8)	<u>79,145</u>	<u>75,655</u>
NONCURRENT ADVANCES, RECEIVABLES AND OTHER—NET (Notes 6, 13 and 15)	<u>185,925</u>	<u>186,557</u>
Total assets	<u>\$5,621,244</u>	<u>\$5,487,611</u>

See Notes to Consolidated Financial Statements.

(continued)



MITSUI & CO. (U.S.A.), INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2011 AND 2010

	March 31,	
	2011	2010
	(In Thousands)	
LIABILITIES AND SHAREHOLDER'S EQUITY		
CURRENT LIABILITIES:		
Notes, acceptances and accounts payable:		
Trade creditors	\$ 773,817	\$ 563,137
Parent and affiliated companies (Note 15)	702,113	1,142,732
Notes and loans payable (Note 9)	660,698	405,938
Current maturities of long-term debt (Note 9)	512,592	353,966
Accrued expenses and other (Notes 12 and 15)	269,362	244,666
Liabilities of discontinued operations (Note 4)	—	3,571
Total current liabilities	2,918,582	2,714,010
LONG-TERM DEBT, LESS CURRENT MATURITIES (Note 9)	1,142,523	1,544,425
CAPITAL LEASE OBLIGATIONS (Note 11)	88,770	73,335
DEFERRED INCOME TAXES (Note 10)	224,036	151,907
OTHER LIABILITIES (Notes 10, 12 and 15)	121,895	121,471
CONTINGENT LIABILITIES (Notes 13 and 14)		
Total liabilities	4,495,806	4,605,148
SHAREHOLDER'S EQUITY:		
Mitsui & Co. (U.S.A.), Inc. shareholder's equity:		
Capital stock, no par value—authorized 2,000 shares; issued 1,050 shares	350,000	350,000
Additional paid-in capital	117,153	117,153
Retained earnings	442,275	253,877
Accumulated other comprehensive (loss) income:		
Foreign currency translation adjustments, net of taxes	(3,619)	(19,199)
Unrealized (loss) gain on derivatives used as cash flow hedges, net of taxes (Note 15)	(1,719)	1,339
Unrealized gain on marketable securities, net of taxes (Note 5)	4,989	3,328
Defined benefit plans, net of taxes (Note 12)	(23,088)	(23,939)
Total accumulated other comprehensive loss	(23,437)	(38,471)
Total Mitsui & Co. (U.S.A.), Inc. shareholder's equity	885,991	682,559
Noncontrolling interests	239,447	199,904
Total shareholder's equity	1,125,438	882,463
Total liabilities and shareholder's equity	\$5,621,244	\$5,487,611

See Notes to Consolidated Financial Statements.

(concluded)



MITSUI & CO. (U.S.A.), INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
MARCH 31, 2011 AND 2010

	March 31,	
	2011	2010
	(In Thousands)	
REVENUES:		
SALES OF PRODUCTS	\$8,230,900	\$ 8,111,790
SALES OF SERVICES	88,191	84,520
OTHER SALES	167,630	153,561
TOTAL REVENUES	<u>8,486,721</u>	<u>8,349,871</u>
[TOTAL TRADING TRANSACTIONS (Note 2) 2011—\$11,835,872 2010—\$10,393,737]		
COST OF REVENUES:		
COST OF PRODUCTS SOLD (Notes 2 and 15)	7,627,449	7,610,658
COST OF SERVICES SOLD	25,175	31,415
COST OF OTHER SALES	97,100	86,885
TOTAL COST OF REVENUES	<u>7,749,724</u>	<u>7,728,958</u>
GROSS PROFIT	736,997	620,913
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 7)	(483,381)	(508,032)
IMPAIRMENT LOSS ON GOODWILL AND OTHER INTANGIBLE ASSETS (Note 8)	(9,649)	(52,075)
INTEREST EXPENSE (NET OF INTEREST INCOME OF \$28,369 IN 2011 AND \$28,891 IN 2010)	(8,291)	(11,148)
OTHER INCOME—NET (Notes 3, 5, 15 and 17)	96,784	67,137
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND EQUITY IN EARNINGS OF ASSOCIATED COMPANIES	332,460	116,795
PROVISION FOR INCOME TAXES (Note 10)	169,151	50,795
INCOME FROM CONTINUING OPERATIONS BEFORE EQUITY IN EARNINGS OF ASSOCIATED COMPANIES	163,309	66,000
EQUITY IN EARNINGS OF ASSOCIATED COMPANIES—NET (Note 5)	84,493	9,008
INCOME FROM CONTINUING OPERATIONS	<u>247,802</u>	<u>75,008</u>
LOSS FROM DISCONTINUED OPERATIONS—NET OF TAXES (Notes 4 and 10)	(3,365)	(49,847)
NET INCOME	244,437	25,161
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(62,510)	(59,562)
NET INCOME (LOSS) ATTRIBUTABLE TO MITSUI & Co. (U.S.A.), INC.	<u>\$ 181,927</u>	<u>\$ (34,401)</u>

See Notes to Consolidated Financial Statements.



MITSUI & CO. (U.S.A.), INC. AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF SHAREHOLDER'S EQUITY
 MARCH 31, 2011 AND 2010

(In Thousands)

	Capital Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total Mitsui & Co. (U.S.A.), Inc. Shareholder's Equity	Noncontrolling Interests	Total Shareholder's Equity
Balance, April 1, 2009	\$350,000	\$118,446	\$286,142	\$(54,929)	\$699,659	\$171,333	\$ 870,992
Comprehensive (loss) income:							
Net (loss) income			(34,401)		(34,401)	59,562	25,161
Other comprehensive (loss) income:							
Foreign currency translation adjustments, net of taxes of \$4,538				10,978	10,978	281	11,259
Unrealized gain on derivatives used as cash flow hedges, net of taxes of \$187				602	602	98	700
Reclassification adjustments on cash flow hedges, net of taxes of \$1,028				1,242	1,242	669	1,911
Unrealized gain on marketable securities, net of taxes of \$2,333				3,509	3,509	6	3,515
Defined benefit plans, net of taxes of \$75				(1,057)	(1,057)	1,430	373
Total other comprehensive income					15,274	2,484	17,758
Total comprehensive (loss) income					(19,127)	62,046	42,919
Distributions to noncontrolling interests						(26,829)	(26,829)
Reorganization of subsidiaries and affiliates		(1,293)	2,136	1,184	2,027	(6,646)	(4,619)
Balance, March 31, 2010	350,000	117,153	253,877	(38,471)	682,559	199,904	882,463
Comprehensive income (loss):							
Net income			181,927		181,927	62,510	244,437
Other comprehensive income (loss):							
Foreign currency translation adjustments				1,744	1,744	296	2,040
Reclassification adjustment for foreign currency translation, net of taxes of \$4,538				13,836	13,836	—	13,836
Unrealized loss on derivatives used as cash flow hedges, net of taxes of \$2,547				(3,969)	(3,969)	(2,138)	(6,107)
Reclassification adjustments on cash flow hedges, net of taxes of \$755				911	911	491	1,402
Unrealized gain on marketable securities, net of taxes of \$1,118				1,661	1,661	4	1,665
Defined benefit plans, net of taxes of \$46				851	851	56	907
Total other comprehensive income (loss)					15,034	(1,291)	13,743
Total comprehensive income					196,961	61,219	258,180
Distributions to noncontrolling interests						(37,212)	(37,212)
Capital contributions by noncontrolling interests						10,891	10,891
Acquisitions of majority-owned subsidiaries						4,663	4,663
Reorganization of subsidiaries and affiliates			6,471		6,471	(18)	6,453
Balance, March 31, 2011	\$350,000	\$117,153	\$442,275	\$(23,437)	\$885,991	\$239,447	\$1,125,438

See Notes to Consolidated Financial Statements.



MITSUI & CO. (U.S.A.), INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
MARCH 31, 2011 AND 2010

	March 31,	
	2011	2010
	(In Thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 244,437	\$ 25,161
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	56,568	82,708
Provision for losses on receivables	4,932	39,928
Gain on disposal and sales of property and equipment—net	(8,140)	(171)
Impairment loss	18,904	103,967
Gain from investments in associated companies and other investments—net	(36,929)	(7,196)
Financing leases	(16,836)	(25,534)
Equity in earnings of associated companies—net, less dividends received	(25,315)	124,029
Deferred income taxes	80,610	(59,196)
Changes in operating assets and liabilities:		
Accounts and notes receivables	(164,385)	(350,151)
Inventories	(80,784)	38,064
Other current assets	(79,295)	(9,739)
Noncurrent advances, receivables and other	29,602	55,436
Notes, acceptances and accounts payable	(142,315)	296,567
Accrued expenses and other	15,324	(32,867)
Noncurrent other liabilities	(4,151)	46,605
Net cash (used in) provided by operating activities	<u>(107,773)</u>	<u>327,611</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of marketable securities and other investments	(30,699)	(15,855)
Proceeds from sales and maturities of investments in associated companies and other investments	270,576	42,085
Repayments on loans from associated companies	42,885	4,193
Contributions and advances to associated companies	(60,128)	(31,335)
Acquisitions of businesses, net of cash and cash equivalents held by the acquired entities	(43,030)	(5,508)
Proceeds from financing leases	43,557	38,737
Proceeds from sales of property and equipment	26,923	3,836
Capital expenditures	<u>(134,661)</u>	<u>(89,068)</u>
Net cash provided by (used in) investing activities	<u>115,423</u>	<u>(52,915)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Short-term borrowings (repayments) of three months or less—net	4,760	(15,808)
Issuance of debt	942,860	127,567
Payments on debt	(944,556)	(648,604)
Proceeds from capital lease financing transactions	18,370	5,030
Dividends to noncontrolling interests	(37,212)	(26,829)
Other financing activities	11,828	(6,315)
Net cash used in financing activities	<u>(3,950)</u>	<u>(564,959)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(112)</u>	<u>(3,702)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS OF DISCONTINUED OPERATIONS	<u>1,150</u>	<u>1,348</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>4,738</u>	<u>(292,617)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>188,125</u>	<u>480,742</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 192,863</u>	<u>\$ 188,125</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	\$ 36,345	\$ 48,517
Income taxes paid, net	\$ 75,949	\$ 113,385
Capital expenditures included in accounts payable and accrued expenses	\$ 11,077	\$ 7,830
Effect of foreclosure on property leased to others	\$ 10,508	\$ —
Effect of extinguishment of debt	\$ (11,192)	\$ —

See Notes to Consolidated Financial Statements.



1. NATURE OF OPERATIONS

Mitsui & Co. (U.S.A.), Inc. (“Mitsui USA”) is a wholly-owned subsidiary of Mitsui & Co., Ltd. (“Mitsui Japan”) (a Japanese corporation). Mitsui USA and all of its significant subsidiaries (collectively, the “Company”), as Sogo Shosha or general trading companies, are engaged in business activities such as trading in various commodities, financing for customers and suppliers relating to such trading activities, and organizing and coordinating industrial projects through their business networks. The Company conducts sales, export, import, offshore trades and product manufacturing in the areas of “Iron & Steel Products,” “Energy & Mineral Resources,” “Infrastructure Businesses,” “Motor Vehicles,” “Chemicals,” “Financial Markets,” “Foods, 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. The Company has significant transactions with Mitsui Japan and its subsidiaries and affiliates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

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

Total trading transactions, as presented in the accompanying consolidated statements of operations, is a voluntary disclosure and represents the gross transaction volume or the aggregate nominal value of the sales contracts. Also included in the total trading transactions is the amount of commission received on the sales transactions in which the Company is not a party to the sales contracts. 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 GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH EQUIVALENTS

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

ALLOWANCE FOR CREDIT LOSSES

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

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



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

Other credit related policies are provided below:

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

Non-accrual—The Company may place impaired loans and lease receivables on non-accrual status. Interest earnings of impaired loans and lease receivables are recognized on a cash-basis when appropriate. The Company may resume the accrual of interest earnings, if appropriate, based upon changes in borrower circumstances.

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

INVENTORIES

Commodities and materials for resale are stated at the lower of cost or market. Cost is determined using the specific identification method or average cost. The Company recorded inventory lower of cost or market charges totaling approximately \$25.3 million and \$40.2 million for the years ended March 31, 2011 and 2010, respectively, in cost of products sold in the accompanying consolidated statements of operations.

Inventories include real estate under development and held for sale which is carried at cost and consists of land, buildings and related improvements, and preacquisition costs. Costs, including interest, incurred during the development stage for projects under development, if any, are capitalized until the related projects are substantially complete and ready for their intended use. Preacquisition costs are capitalized to the related project upon the acquisition of the property or charged to expense once it is probable the property will not be acquired. Real estate under development and held for sale is not depreciated but reviewed for impairment in accordance with Accounting Standards Codification ("ASC") 360, "Property, Plant, and Equipment." The Company recorded impairment charges of approximately \$8.3 million and \$2.4 million for the years ended March 31, 2011 and 2010, respectively. These charges were included in cost of products sold in the accompanying consolidated statements of operations.

DEBT AND MARKETABLE EQUITY SECURITIES

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

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

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

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

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

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

NON-MARKETABLE EQUITY SECURITIES

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



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

INVESTMENTS IN ASSOCIATED COMPANIES

Investments in associated companies over which the Company has the ability to exercise significant influence and noncontrolling investments in general partnerships, limited partnerships and limited liability companies are accounted for under the equity method, after appropriate adjustments for intercompany profits and dividends.

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

DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

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

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

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

LEASING

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

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

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

PROPERTY AND EQUIPMENT

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



GOODWILL AND 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, trademarks, non-compete agreements, sales/supply agreements, patents, unpatented technologies, software, and in-place lease values. In accordance with ASC 350, "Intangibles—Goodwill and Others," goodwill is not amortized, but tested for impairment annually or more frequently if impairment indicators arise. Identifiable intangible assets with a finite useful life are amortized on a straight-line basis over their estimated useful lives (ranging from 1 to 40 years) and reviewed for impairment in accordance with ASC 360. Any identifiable intangible assets determined to have indefinite useful lives are not amortized, but instead tested for impairment in accordance with ASC 350 until the useful life is determined to be no longer indefinite.

RECOVERABILITY OF LONG-LIVED ASSETS

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

FOREIGN CURRENCY TRANSLATION

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

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

CONCENTRATION OF CREDIT RISK

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

REVENUES

The Company recognizes revenues when they are realized or realizable and earned. Revenues are realized or realizable and earned when the Company has persuasive evidence of an arrangement, the goods have been delivered or the services have been rendered to the customer, the sales price is fixed or determinable and 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 is transferred.

Sales of services

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

INCOME TAXES

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

Mitsui USA files its Federal income tax return on a consolidated bases. Novus International, Inc. ("Novus"), a 65% owned subsidiary of the Company, and its subsidiaries file a separate Federal income tax return. Provision for income taxes on undistributed earnings of associated companies accounted for under the equity method has been made on the assumption that the earnings were distributed on a current basis as dividends. The Company has not recognized a deferred tax liability for undistributed earnings of certain foreign subsidiaries at March 31, 2011 and 2010 since it does not expect these unremitted earnings to be repatriated in the foreseeable future. If these earnings are repatriated in the future, such repatriations will be done in the most effective tax manner.

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

COMPREHENSIVE INCOME (LOSS)

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



GUARANTEES

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

RECLASSIFICATIONS AND FINANCIAL STATEMENT PRESENTATION

Certain reclassifications have been made to the 2010 consolidated financial statements to conform to the current year presentation.

NEW ACCOUNTING STANDARDS

Fair value measurements

In January 2010, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2010-06, "Improving Disclosures about Fair Value Measurements," which amends ASC 820, "Fair Value Measurements and Disclosures." According to the guidance, the fair value hierarchy disclosures are to be further disaggregated by class of assets and liabilities. In addition, it requires a reporting entity to disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and also requires more detailed disclosure about the activity within Level 3 fair value measurements. Effective April 1, 2010, the Company adopted this guidance except for the requirements related to Level 3 disclosures which are effective April 1, 2011. This guidance requires new disclosures only, and will have no impact on the Company's financial position, results of operations or cash flows. See Note 16 for additional information regarding fair value measurements.

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

In July 2010, the FASB issued amendments to the disclosure requirements about the credit quality of financing receivables and the allowance for credit losses (ASU 2010-20, "Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses"). ASU 2010-20 requires enhanced disclosures regarding the nature of the credit risk inherent in the entity's financing receivables, how that credit risk is analyzed and assessed in calculating the allowance for credit losses, and the reasons for changes in such allowance. It also requires disclosures relating to the accounting policies for financing receivables and allowance for credit losses. On March 31, 2011, the Company adopted the guidance except for the disclosures about activity that occurred during a year. The required disclosures are presented earlier in this section and in Note 6. The disclosures about activity that occurred during a year are required to be included in the fiscal year beginning April 1, 2011. This guidance requires new disclosures only, and will have no impact on the Company's financial position, results of operations or cash flows.

Variable interest entities

In December 2009, the FASB issued ASU 2009-17, "Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities (VIEs)," which amends ASC 810, "Consolidation." The new guidance eliminates the quantitative approach previously required for determining the primary beneficiary of a variable interest entity and requires ongoing qualitative reassessments of whether an enterprise has a controlling financial interest in a VIE. The amendments in this update also require additional disclosures about a reporting entity's involvement in VIEs. The Company adopted the amendment on April 1, 2010. The adoption of the amendment had no impact on the Company's financial position, results of operations or cash flows.

Impairment test on goodwill and other intangibles

In December 2010, the FASB issued ASU 2010-28, "When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts," which amends ASC 350, "Intangibles—Goodwill and Other." The amendment modifies step 1 of the goodwill impairment test for reporting unit with zero or negative carrying amounts. For those reporting units, an entity is required to perform step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In making that determination, an entity should consider whether there are any adverse qualitative factors indicating that an impairment



may exist. The amendments are effective for fiscal years beginning April 1, 2011 and are not expected to have a material impact on the Company's financial position, results of operations or cash flows.

Business combinations

In December 2010, the FASB issued ASU 2010-29, "Disclosure of Supplementary Pro Forma Information for Business Combinations," which amends ASC 805, "Business Combinations." This update clarifies the acquisition date that should be used for disclosing pro-forma financial information for business combinations. If comparative financial statements are presented, the pro-forma revenue and earnings of the combined entity for the comparable prior reporting period should be reported as though the acquisition date for all business combinations that occurred during the current year had been as of the beginning of the comparable prior annual report period. The amendment also expands the supplemental pro-forma disclosures to include a description of the nature and amount of material, nonrecurring pro-forma adjustments directly attributable to the business combination. The amendment in this guidance is effective for fiscal years beginning April 1, 2011. It requires new disclosures only and will have no impact on the Company's financial position, results of operations or cash flows.

3. DECONSOLIDATION OF SUBSIDIARY

On April 6, 2010, the Company deconsolidated Steel Technologies Inc. ("Steel Tech") by contributing its 100% interest in Steel Tech to NuMit LLC ("NuMit"), a newly formed wholly owned subsidiary, and subsequently sold a 50% interest in NuMit to Nucor Corporation for the selling price of approximately \$221.3 million. Through this transaction, the Company recognized a pre-tax gain of approximately \$8.3 million, which was included in other income—net in the consolidated statements of operations. Included in approximately \$8.3 million was a gain of approximately \$4.1 million which was a result of the remeasurement of retained investment in the former subsidiary to its fair value using primarily the discounted cash flow method under the income approach. The retained investment is accounted for under the equity method. The Company has also extended an approximately \$97.5 million line of credit (of which approximately \$42.5 million was outstanding at March 31, 2011) to Steel Tech, which will expire on April 1, 2012.

4. DISCONTINUED OPERATIONS

During the year ended March 31, 2011, AFC HoldCo, LLC ("AFC") ceased its business operations of purchasing, selling, securitizing and servicing retail automobile installment contracts. The Company presented AFC's operations as discontinued operations in the consolidated balance sheets and statements of operations for all periods presented.

The results from discontinued operations of AFC for the years ended March 31, 2011 and 2010 are summarized as follows:

	March 31,	
	2011	2010
	(In Thousands)	
Revenues	\$ 582	\$ 8,468
Cost of revenues	516	2,500
Gross profit	66	5,968
Expenses	(5,564)	(46,278)
Impairment loss on goodwill and intangible assets	—	(34,943)
Loss from discontinued operations	(5,498)	(75,253)
Income taxes benefit	(2,133)	(25,406)
Loss from discontinued operations—net of taxes	<u>\$(3,365)</u>	<u>\$(49,847)</u>
Loss from discontinued operations—net of taxes attributable to Mitsui USA	<u>\$(3,365)</u>	<u>\$(47,182)</u>



The assets and liabilities from discontinued operations at March 31, 2010 are summarized in the below table. AFC had no significant assets and liabilities at March 31, 2011.

	2010
	(In Thousands)
ASSETS:	
Cash and cash equivalents	\$ 1,150
Short-term investments	2,824
Accounts and notes receivables—net	7,791
Noncurrent advances, receivables and other—net	9,522
Other	2,035
Total assets	<u>\$23,322</u>
LIABILITIES—Accrued expenses and other	<u>\$ 3,571</u>

5. INVESTMENTS

Investments in and advances to associated companies at March 31, 2011 and 2010 consist of the following:

	March 31,	
	2011	2010
	(In Thousands)	
Equity method investments	\$726,330	\$473,544
Advances	49,548	21,269
Total	<u>\$775,878</u>	<u>\$494,813</u>

Investments in associated companies (investees over which the Company has the ability to exercise significant influence) are accounted for under the equity method. In addition, noncontrolling investments in general partnerships, limited partnerships and limited liability companies are also accounted for under the equity method. Such investments include, but are not limited to, the Company's investments in NuMit (50%), Brazos Wind Ventures, LLC (50%), MED3000 Group, Inc. (46.5%), United Harvest, LLC ("United Harvest") (40%), MEPGOM LLC (50%), and Wilsey Foods Inc. (20%). Associated companies are engaged primarily in the investment in steel-related business, the development of natural resources, healthcare management, and the manufacturing and distribution of various products.

United Harvest, which was a joint venture between United Grain Corporation of Oregon, an 80% owned subsidiary of the Company, and a third party, ceased operations at March 31, 2011. United Harvest engaged in grain merchandising for international export and its total members' equity at March 31, 2011 was approximately \$77.7 million before dividends payable. United Harvest began liquidating the net assets on April 1, 2011. Each joint venture partner will share 50% of the joint venture's assets and liabilities.

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

The Company received a distribution of approximately \$7.6 million and \$96.3 million for the years ended March 31, 2011 and 2010, respectively, from MEPGOM LLC, in which the Company holds a 50% ownership interest. MEPGOM LLC received distributions from MitEnergy Upstream LLC, a 70% owned subsidiary of MEPGOM LLC, as a result of sales of certain assets to a third party.

In March 2010, the Company sold its ownership of 14.75% in Mitsui & Co. Energy Risk Management Ltd. to Mitsui Japan. The carrying amount of the investment was approximately \$32.4 million.



Summarized financial information, excluding goodwill and certain intangible assets, for significant associated companies at March 31, 2011 and 2010 and for the years then ended are as follows:

	March 31,	
	2011	2010
	(In Thousands)	
Current assets	\$4,675,821	\$3,420,532
Property and equipment—net	1,780,955	1,651,496
Other assets	1,664,722	1,557,109
Total assets	<u>\$8,121,498</u>	<u>\$6,629,137</u>
Current liabilities	\$3,951,908	\$3,195,124
Long-term liabilities	1,868,291	1,785,081
Shareholders' equity	2,301,299	1,648,932
Total liabilities and shareholders' equity	<u>\$8,121,498</u>	<u>\$6,629,137</u>
The Company's equity in the net assets of associated companies	<u>\$ 644,859</u>	<u>\$ 390,624</u>

	March 31,	
	2011	2010
	(In Thousands)	
Revenues	\$16,802,820	\$13,163,925
Gross profit	2,639,652	2,141,615
Net income	389,557	174,434

The carrying value of the investments in associated companies exceeded the Company's equity in underlying net assets of such associated companies by approximately \$81.5 million and \$82.9 million at March 31, 2011 and 2010, 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 (ranging from 3 to 25 years) using the straight-line method, and franchise rights which are not amortized because of their indefinite useful lives.

Other investments at March 31, 2011 and 2010 consist of the following:

	March 31,	
	2011	2010
	(In Thousands)	
Time deposits with maturities over three months	\$39,215	\$ 38,812
Available-for-sale securities	15,733	13,253
Other investments	41,811	50,875
Total	<u>\$96,759</u>	<u>\$102,940</u>

Time deposits are restricted under certain lease agreements.



At March 31, 2011 and 2010, the cost, fair value and gross unrealized gains and losses on available-for-sale securities are as follows:

	(In Thousands)		
	Cost	Fair value	Unrealized gains
March 31, 2011:			
Marketable equity securities	<u>\$7,434</u>	<u>\$15,733</u>	<u>\$8,299</u>
March 31, 2010:			
Marketable equity securities	<u>\$7,737</u>	<u>\$13,253</u>	<u>\$5,516</u>

The proceeds from sales of available-for-sale securities and the gross realized gains and losses on those sales, which are recorded in other income—net in the consolidated statements of operations, determined using the specific identification method, for the years ended March 31, 2011 and 2010 are shown below:

	March 31,	
	2011	2010
	(In Thousands)	
Proceeds from sales	<u>\$8,285</u>	<u>\$3,371</u>
Gross realized gains	\$ —	\$1,595
Gross realized losses	(345)	—
Net realized (losses) gains	<u>\$ (345)</u>	<u>\$1,595</u>

The Company recorded an impairment loss on available-for-sale securities of approximately \$5.3 million for the year ended March 31, 2010, which is included in other income—net in the consolidated statements of operations.

Other investments include industrial development revenue bonds of approximately \$23.4 million and \$5.0 million at March 31, 2011 and 2010, respectively. The Company purchased industrial development revenue bonds in conjunction with the construction of a new manufacturing facility under capital lease financing arrangement. The revenue bonds have a 20 years term and are accounted for as held-to-maturity securities. The fair value of revenue bonds is \$21.4 million and \$4.5 million at March 31, 2011 and 2010, respectively.

Other investments also include deferred compensation plan investments of approximately \$10.4 million at March 31, 2010, which are stated at fair value. During the year ended March 31, 2011, the plan was terminated and the plan investments are scheduled to be distributed to the participants during the year ending March 31, 2012. The deferred compensation plan investments of approximately \$14.6 million were included in the other current assets at March 31, 2011.

The rest of other investments consisted primarily of non-marketable investments that are carried at cost. The Company recorded net gains on sales of other investments of approximately \$4.9 million and \$2.9 million for the years ended March 31, 2011 and 2010, respectively, which are included in other income—net in the consolidated statements of operations.

The Company recorded an impairment loss on other investments of approximately \$0.9 million and \$1.5 million for the years ended March 31, 2011 and 2010, respectively, which is included in other income—net in the consolidated statements of operations.

**6. FINANCING RECEIVABLES AND ALLOWANCE FOR CREDIT LOSSES**

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

	March 31, 2011		
	Loans	Lease Receivables	Total
	(In Thousands)		
Financing receivables, individually evaluated	\$149,681	\$236,981	\$386,662
Allowance for credit losses	\$ —	\$ 9,083	\$ 9,083

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

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

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

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

7. PROPERTY AND EQUIPMENT

Property and equipment, including capital leases and property leased to others under operating leases (see Note 11), at March 31, 2011 and 2010 consist of the following:

	March 31,	
	2011	2010
	(In Thousands)	
Land and land improvements	\$ 46,135	\$ 41,096
Buildings, structures and improvements	861,202	907,041
Equipment and fixtures, including leasehold improvements	384,157	477,599
Total—at cost	1,291,494	1,425,736
Less—accumulated depreciation and amortization	(563,712)	(595,659)
Property and equipment—net	\$ 727,782	\$ 830,077

In accordance with ASC 360, the Company evaluated the carrying amounts of its long-lived assets to determine if any changes have occurred which would require an adjustment to the carrying amounts. Based on this evaluation, the Company recorded an impairment loss on property and equipment of approximately \$7.8 million for the year ended March 31, 2010, which is included in selling, general and administrative expenses in the consolidated statements of operations.

Depreciation and amortization expense from continuing operations on the Company's property and equipment for the years ended March 31, 2011 and 2010 was approximately \$47.0 million and \$70.4 million, respectively.

**8. GOODWILL AND OTHER INTANGIBLE ASSETS**

The changes in carrying value of goodwill for the years ended March 31, 2011 and 2010 are as follows:

	March 31,	
	2011	2010
	(In Thousands)	
Balance at beginning of year:		
Goodwill	\$ 238,109	\$ 237,506
Accumulated impairment losses	(180,925)	(140,444)
	<u>57,184</u>	<u>97,062</u>
Goodwill acquired during the year	23,864	339
Impairment losses recognized during the year	(7,241)	(40,481)
Foreign currency translation adjustments for the year	67	264
Balance at end of year:		
Goodwill	262,040	238,109
Accumulated impairment losses	(188,166)	(180,925)
	<u>\$ 73,874</u>	<u>\$ 57,184</u>

On May 20, 2010, Novus acquired the shares of Investigaciones Quimicas y Farmaceuticas, S.A., Carotenoid Technologies, S.A., IQF—ENAMEX, S.A. de C.V. and Operadora ENAMEX, S.A. de C.V. (collectively the “IQF Group”). The IQF Group is a supplier of feed additives, carotenoid pigments, essential oils, premixes and food carotenoids and is located in Spain, Mexico and China. Novus acquired the shares of the IQF Group as well as certain property owned by the sellers for a total cash acquisition price of approximately \$49.8 million. In connection with this acquisition, Novus recorded approximately \$21.2 million of goodwill and \$19.6 million of intangible assets subject to amortization.

For the year ended March 31, 2011, based on its annual impairment test, the Company recorded an impairment loss on goodwill of approximately \$7.2 million, of which approximately \$4.9 million related to Cornerstone Research & Development, Inc. (“Cornerstone”), and approximately \$2.3 million related to Mitsui Foods, Inc. (“MFI”).

For the year ended March 31, 2010, based on its annual impairment test, the Company recorded an impairment loss on goodwill of approximately \$40.5 million, of which approximately \$32.7 million related to SunWize Technologies, Inc., approximately \$7.1 million related to Cornerstone, and approximately \$0.7 million related to MFI.

At March 31, 2010, the net carrying amount of intangible assets not subject to amortization (excluding goodwill) was approximately \$9.0 million related to Steel Tech. Due to the reorganization related to Steel Tech made during the year ended March 31, 2011 (see Note 3), the Company no longer recognizes the intangible assets associated with Steel Tech at March 31, 2011.



Intangible assets subject to amortization at March 31, 2011 and 2010 consist of the following:

	2011		
	Gross Carrying Amount	Accumulated Amortization	Net
	(In Thousands)		
Customer relationships	\$ 71,132	\$ 22,303	\$48,829
Trademarks	16,094	6,597	9,497
Non-compete agreements	22,068	11,513	10,555
Sales/supply agreements	43,184	43,120	64
Patents	82,121	78,213	3,908
Unpatented technologies	7,900	7,775	125
Software	32,952	28,649	4,303
In-place lease values	2,976	2,312	664
Other	1,760	560	1,200
Total	<u>\$280,187</u>	<u>\$201,042</u>	<u>\$79,145</u>

	2010		
	Gross Carrying Amount	Accumulated Amortization	Net
	(In Thousands)		
Customer relationships	\$ 54,809	\$ 18,002	\$36,807
Trademarks	13,794	5,663	8,131
Non-compete agreements	24,670	11,963	12,707
Sales/supply agreements	43,184	42,990	194
Patents	78,461	78,052	409
Unpatented technologies	8,393	7,974	419
Software	31,222	25,504	5,718
In-place lease values	3,935	2,542	1,393
Other	1,472	575	897
Total	<u>\$259,940</u>	<u>\$193,265</u>	<u>\$66,675</u>

In accordance with ASC 360, the Company evaluated the carrying amounts of its intangible assets subject to amortization to determine if any changes have occurred, which would require an adjustment to the carrying amounts. The Company recorded an impairment loss of approximately \$2.4 million on certain intangible assets for the year ended March 31, 2011. Based on the Company's evaluation, the Company recorded an impairment loss on customer relationships of approximately \$11.6 million related to Cornerstone for the year ended March 31, 2010.

Total amortization expense from continuing operations on the Company's intangible assets for the years ended March 31, 2011 and 2010 was approximately \$9.6 million and \$11.2 million, respectively.

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

	(In Thousands)
2012	\$ 9,527
2013	9,270
2014	7,703
2015	6,952
2016	5,310
Thereafter	<u>40,383</u>
Total	<u>\$79,145</u>

**9. DEBT**

Notes and loans payable at March 31, 2011 and 2010 are comprised of the following:

	March 31,	
	2011	2010
	(In Thousands)	
Short-term debt from financial institutions	\$ 25,664	\$ 6,145
Commercial paper	635,034	399,793
Total	<u>\$660,698</u>	<u>\$405,938</u>

The weighted-average interest rates on short-term debt from financial institutions at March 31, 2011 and 2010 were 0.93% and 0.64%, respectively.

Commercial paper is issued at a discount or on an interest-bearing basis in denominations of not less than \$100,000, with maturities of not more than 270 days. Interest rates on commercial paper ranged from 0.24% to 0.32% at March 31, 2011 and 0.21% to 0.25% at March 31, 2010.

Long-term debt at March 31, 2011 and 2010 is comprised of the following:

	March 31,	
	2011	2010
	(In Thousands)	
Parent and affiliated companies—maturing through the year ending March 31, 2013, at rates of 0.81% to 6.03%	\$ 176,807	\$ 107,788
Other:		
Financial institutions—maturing primarily through the year ending March 31, 2025, at rates of 0.36% to 7.43%	1,230,495	1,501,704
Medium-term notes—maturing through the year ending March 31, 2015, at rates of 0.40% to 4.57%	242,610	284,678
	1,649,912	1,894,170
Adjustments related to fair value hedges	5,203	4,221
	1,655,115	1,898,391
Less—current maturities (including adjustments related to fair value hedges)	(512,592)	(353,966)
Long-term debt, less current maturities	<u>\$1,142,523</u>	<u>\$1,544,425</u>

Above long-term debt includes debt denominated in Japanese Yen, amounting to U.S. dollar equivalents of approximately \$359.4 million and \$367.9 million at March 31, 2011 and 2010, respectively.

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

	(In Thousands)
2012	\$ 511,239
2013	513,271
2014	398,866
2015	126,758
2016	1,720
Thereafter	98,058
Total	<u>\$1,649,912</u>

**10. INCOME TAXES**

The components of the provision for income taxes for the years ended March 31, 2011 and 2010 are as follows:

	March 31,	
	2011	2010
	(In Thousands)	
Continuing operations:		
Current:		
Federal	\$ 39,450	\$ 84,557
State	5,894	3,514
Foreign	28,442	7,881
Total current	<u>73,786</u>	<u>95,952</u>
Deferred	95,365	(45,157)
Total income taxes from continuing operations	<u>\$169,151</u>	<u>\$ 50,795</u>
Discontinued operations:		
Current:		
Federal	\$ 12,622	\$(11,367)
State	—	—
Foreign	—	—
Total current	<u>12,622</u>	<u>(11,367)</u>
Deferred	(14,755)	(14,039)
Total income tax benefit from discontinued operations	<u>\$ (2,133)</u>	<u>\$(25,406)</u>

A reconciliation of the statutory U.S. federal income tax rate to the Company's continuing operations effective tax rate for the years ended March 31, 2011 and 2010 are as follows:

	March 31,	
	2011	2010
Statutory U.S. federal tax rate	35.0%	35.0%
Change in tax rate resulting from		
State income taxes—net of federal benefit	0.8	1.1
Foreign income taxes—net	1.0	—
Non-deductible expenses	0.4	3.8
Non-taxable income	(1.2)	(2.5)
Prior year permanent difference true-up	0.1	(3.3)
U.S. business credits	(0.1)	(8.3)
Valuation allowance	1.8	6.1
Reserves for tax contingencies	(0.8)	8.7
Additional tax effect on current year's undistributed earnings	2.0	8.4
Sale of interest in NuMit	2.8	—
Others—net	<u>(1.2)</u>	<u>(8.6)</u>
Effective tax rate	<u>40.6%</u>	<u>40.4%</u>



The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at March 31, 2011 and 2010 are as follows:

	March 31,	
	2011	2010
	(In Thousands)	
Deferred tax assets:		
Allowance for doubtful receivables	\$ 9,251	\$ 17,320
Inventories	12,940	5,933
Investments	—	30,359
Derivative instruments	3,179	24,692
Impairment loss on long-lived assets	43,106	36,744
Net operating loss and credit carryforwards	54,664	85,256
Accrued expenses	16,818	14,140
Liabilities for defined benefit plans	16,073	16,036
Others	1,504	17,405
Total gross deferred tax assets	157,535	247,885
Less—valuation allowances	(43,146)	(37,179)
Net deferred tax assets	114,389	210,706
Deferred tax liabilities:		
Depreciation and amortization	(272,387)	(291,500)
Undistributed earnings of foreign subsidiaries	(19,217)	(23,681)
Investments	(10,005)	—
Others	—	(229)
Total gross deferred tax liabilities	(301,609)	(315,410)
Net deferred tax liabilities	<u>\$(187,220)</u>	<u>\$(104,704)</u>

At March 31, 2011, the Company has federal net operating loss carryforwards of approximately \$23.7 million which will expire between the years ending March 31, 2029 and March 31, 2031. The Company has state net operating loss carryforwards of approximately \$307.2 million which will primarily expire between the years ending March 31, 2016 and March 31, 2032. At March 31, 2011, the Company also has tax credit carryforwards of approximately \$39.2 million. If not used, these credits will expire between the years ending March 31, 2015 and March 31, 2031.

At March 31, 2011 and 2010, valuation allowances are provided against deferred tax assets because it is more likely than not that certain state net operating loss carryforwards and foreign tax credit carryforwards will not be realized. The net changes in the valuation allowances for the years ended March 31, 2011 and 2010 were increases of approximately \$6.0 million and \$11.7 million, respectively.

Certain foreign subsidiaries had undistributed earnings amounting to approximately \$98.6 million and \$86.4 million at March 31, 2011 and 2010, respectively. These amounts are considered to be permanently reinvested and, accordingly, no provision for income taxes has been provided. It is not practicable to determine the deferred tax liabilities for temporary differences related to these undistributed earnings.



A reconciliation of the beginning and ending balances of unrecognized tax benefits for the years ended March 31, 2011 and 2010 is as follows:

	(In Thousands)
Balance at April 1, 2009	\$31,970
Additions for tax positions of prior years	6,243
Reductions for tax positions of prior years	(6,671)
Additions based on tax positions related to the year ended March 31, 2010	12,416
Lapse of statute of limitations during the year ended March 31, 2010	(148)
Settlements with tax authorities	<u>(352)</u>
Balance at March 31, 2010	43,458
Additions for tax positions of prior years	1,091
Reductions for tax positions of prior years	(4,040)
Additions based on tax positions related to the year ended March 31, 2011	2,814
Lapse of statute of limitations during the year ended March 31, 2011	(237)
Settlements with tax authorities	<u>(4,264)</u>
Balance at March 31, 2011	<u>\$38,822</u>

The total amounts of unrecognized tax benefits that, if recognized, would affect the effective tax rate were approximately \$36.2 million and \$38.3 million at March 31, 2011 and 2010, respectively.

For the years ended March 31, 2011 and 2010, the Company recorded interest and penalties related to unrecognized tax benefits of approximately \$1.1 million and \$2.5 million, respectively, in the provision for income taxes. Included in other liabilities in the consolidated balance sheets were accrued interest and penalties of approximately \$5.4 million and \$4.3 million at March 31, 2011 and 2010, respectively.

The Company does not expect any significant changes to the amount of unrecognized tax benefits through the next twelve months.

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

**11. LEASES**

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

	March 31,	
	2011	2010
	(In Thousands)	
Direct financing leases:		
Minimum lease payments	\$ 345,766	\$ 389,189
Estimated unguaranteed residual value of leased assets	103,087	103,087
Unearned income	(127,961)	(144,457)
Allowance for doubtful accounts	(9,083)	(9,083)
Net investment in direct financing leases	311,809	338,736
Current portion	(18,025)	(19,856)
Long-term portion of direct financing leases	<u>\$ 293,784</u>	<u>\$ 318,880</u>
Leveraged leases:		
Minimum lease payments—(net of principal and interest on third party nonrecourse debt)	\$ 39,288	\$ 39,422
Estimated unguaranteed residual value of leased assets	47,195	47,195
Unearned income	(20,112)	(20,452)
Investment in leveraged leases	66,371	66,165
Current portion	895	206
Long-term portion of leveraged leases	67,266	66,371
Deferred tax liabilities arising from leveraged leases	(60,850)	(66,072)
Net investment in leveraged leases	<u>\$ 6,416</u>	<u>\$ 299</u>

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

	Direct Financing Leases	Leveraged Leases
	(In Thousands)	
2012	\$ 42,350	\$ 1
2013	40,288	1
2014	48,185	680
2015	35,073	4,514
2016	35,073	10,106
Thereafter	144,797	23,986
Total minimum payments	<u>\$345,766</u>	<u>\$39,288</u>



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

	March 31, 2011		
	Cost	Accumulated Depreciation	Net
		(In Thousands)	
Tanks and pipelines	\$307,598	\$(141,535)	\$166,063
Real estate properties	150,985	(15,957)	135,028
Terminal elevator facilities	81,215	(48,053)	33,162
Total	<u>\$539,798</u>	<u>\$(205,545)</u>	<u>\$334,253</u>

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

	(In Thousands)
2012	\$ 76,979
2013	52,435
2014	39,622
2015	23,866
2016	16,912
Thereafter	<u>45,856</u>
Total minimum payments to be received	<u>\$255,670</u>

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

The Company is a lessee in certain capital and operating leases involving primarily equipment, shipping vessels, storage tanks, and office space. The following is a summary of property and equipment held under capital leases at March 31, 2011 and 2010:

	March 31,	
	2011	2010
	(In Thousands)	
Equipment and fixtures	\$ 73,669	\$ 61,275
Less—accumulated amortization	<u>(35,861)</u>	<u>(36,917)</u>
Net	<u>\$ 37,808</u>	<u>\$ 24,358</u>



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

	Capital Leases	Operating Leases
	(In Thousands)	
2012	\$ 3,418	\$ 94,135
2013	3,365	52,866
2014	42,851	36,117
2015	1,655	21,387
2016	1,632	14,109
Thereafter	68,252	34,459
Total minimum payments required*	121,173	<u>\$253,073</u>
Less—amount representing interest	(30,415)	
	90,758	
Less—current portion	(1,988)	
Long-term obligations	<u>\$ 88,770</u>	

* Minimum payments have not been reduced by aggregate minimum sublease rentals of approximately \$27.4 million under operating leases due in the future under noncancelable subleases.

Rental expense relating to operating leases from continuing operations was approximately \$120.4 million and \$169.1 million for the years ended March 31, 2011 and 2010, respectively. Sublease rental income from continuing operations was approximately \$33.4 million and \$71.5 million for the years ended March 31, 2011 and 2010, respectively.

12. BENEFIT PLANS

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

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

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



Changes in the benefit obligation, plan assets and funded status are comprised of the following for the years ended March 31, 2011 and 2010:

	Pension Benefits March 31,		Postretirement Benefits March 31,	
	2011	2010	2011	2010*
	(In Thousands)		(In Thousands)	
Changes in benefit obligations:				
Benefit obligations at beginning of year	\$112,875	\$ 82,020	\$ 9,339	\$ 7,401
Service cost	3,019	2,702	509	290
Interest cost	6,453	5,942	624	488
Plan participants' contributions	—	—	259	380
Benefits paid	(20,011)	(4,493)	(769)	(751)
Change in plan provisions	—	—	(1,107)	337
Actuarial loss	5,421	26,704	705	1,194
Benefit obligations at end of year	<u>107,757</u>	<u>112,875</u>	<u>9,560</u>	<u>9,339</u>
Changes in plan assets:				
Fair value of plan assets at beginning of year	70,246	50,511	—	—
Actual return on plan assets	8,399	15,485	—	—
Employer contributions	24,194	8,743	510	324
Plan participants' contributions	—	—	259	427
Benefits paid	(20,011)	(4,493)	(769)	(751)
Fair value of plan assets at end of year	<u>82,828</u>	<u>70,246</u>	<u>—</u>	<u>—</u>
Funded status at end of year	<u>\$ (24,929)</u>	<u>\$ (42,629)</u>	<u>\$ (9,560)</u>	<u>\$ (9,339)</u>
Amounts recognized in the consolidated balance sheets at March 31:				
Other current assets	\$ 6,352	\$ 2,572	\$ —	\$ —
Accrued expenses and other	—	(15,781)	(401)	(426)
Other liabilities	(31,281)	(29,420)	(9,159)	(8,913)
Amounts recognized in accumulated other comprehensive (loss) income at March 31:				
Net transition obligation	\$ —	\$ —	\$ 681	\$ 565
Prior service cost	79	176	(506)	964
Net actuarial loss	<u>38,781</u>	<u>38,916</u>	<u>712</u>	<u>79</u>
Balance prior to income taxes and noncontrolling interests	<u>\$ 38,860</u>	<u>\$ 39,092</u>	<u>\$ 887</u>	<u>\$ 1,608</u>

* The Company included Novus' postretirement benefit information for the year ended March 31, 2010, which was not included in the Company's previously issued 2010 financial statements. Novus' postretirement benefit obligation was approximately \$1.3 million at March 31, 2010.

The accumulated benefit obligations for the pension plans were approximately \$100.0 million and \$105.4 million at March 31, 2011 and 2010, respectively.



Net periodic benefit cost is comprised of the following for the years ended March 31, 2011 and 2010:

	Pension Benefits March 31,		Postretirement Benefits March 31,	
	2011	2010	2011	2010
	(In Thousands)		(In Thousands)	
Service cost	\$ 3,019	\$ 2,702	\$ 509	\$290
Interest cost	6,453	5,942	624	488
Expected return on plan assets	(5,303)	(3,960)	—	—
Amortization of transition obligation	—	—	204	187
Amortization of prior service cost	97	232	44	84
Recognized actuarial loss (gain)	2,460	3,283	71	(58)
Recognition loss on curtailment	—	13,315	—	—
Net periodic benefit cost	<u>\$ 6,726</u>	<u>\$21,514</u>	<u>\$1,452</u>	<u>\$991</u>

The amounts recognized in other comprehensive income (loss) prior to income tax and noncontrolling interests during the years ended March 31, 2011 and 2010 were as follows:

	Pension Benefits March 31,		Postretirement Benefits March 31,	
	2011	2010	2011	2010
	(In Thousands)		(In Thousands)	
Prior service cost	\$ —	\$ —	\$(1,107)	\$ —
Net actuarial loss incurred during the year	2,325	15,179	705	1,194
Amortization of transition obligation	—	—	(204)	(204)
Amortization of prior service cost	(97)	(232)	(44)	(67)
Recognized actuarial (loss) gain	(2,460)	(3,283)	(71)	58
	<u>\$ (232)</u>	<u>\$11,664</u>	<u>\$ (721)</u>	<u>\$ 981</u>

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

	Pension Benefits	Postretirement Benefits
	(In Thousands)	
Net actuarial loss	\$2,790	\$ (10)
Transition obligation	—	204
Prior service cost	<u>32</u>	<u>(27)</u>
	<u>\$2,822</u>	<u>\$167</u>



Significant assumptions for the Company's pension and other postretirement benefit plans for the years ended March 31, 2011 and 2010 are as follows:

	Pension Benefits		Postretirement Benefits	
	2011	2010	2011	2010
Weighted average assumptions at year end:				
Discount rate	5.65% to 5.90%	6.00% to 6.10%	5.40% to 5.69%	6.00% to 6.04%
Rate of compensation increase . .	3.00%	3.00%	—	—
Weighted average assumptions used to determine net periodic benefit cost:				
Discount rate	6.00% to 6.10%	6.80% to 7.50%	5.40% to 6.00%	6.80% to 7.34%
Expected long-term rate of return on plan assets	7.25 to 7.50%	7.25 to 8.30%	—	—
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, 2011, the medical health care cost trend rate was 8.0% to 10.0%, decreasing to 4.0% to 4.5% through 2015, and the dental health care cost trend rate was 4.5%. Increasing the health care cost trend rate by 1.0% would increase the accumulated benefit obligations to \$10.6 million or by 11.3%, and the aggregate of the service and interest cost components of the net periodic benefit cost would increase from \$1.1 million to \$1.4 million or by 19.7%, including life insurance. Decreasing the health care cost trend rate by 1.0% would decrease the accumulated benefit obligations to \$8.7 million or by 9.2%, and the aggregate of the service and interest cost components of the net periodic benefit cost would decrease from \$1.1 million to \$1.0 million or by 15.2%, including life insurance. During the year ended March 31, 2010, the medical health care cost trend rate was 9.2% to 10.0% and the dental health care cost trend was 4.5%.

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

The target allocations for the plan assets for the pension plans at March 31, 2011 and 2010, by asset class, are as follows:

	March 31, 2011		March 31, 2010	
	Percentage of plan assets	Target allocation	Percentage of plan assets	Target allocation
Equity securities	59%	50%-70%	57%	50%-70%
Debt securities	29	30%-50%	30	29%-50%
Insurance contract—fixed income	10	0%-14%	12	0%-17%
Other	2	0%-20%	1	0%-20%
Total	<u>100%</u>		<u>100%</u>	



The following table presents the Company's pension plan assets using the fair value hierarchy at March 31, 2011 and 2010. The fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value. Level 1 refers to fair values determined based on quoted prices in active markets for identical assets. Level 2 refers to fair values estimated using significant other observable inputs, and Level 3 includes fair values estimated using significant non-observable inputs.

	Fair Value Measurements at March 31, 2011 Using			
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total
	(In Thousands)			
Collective trust funds:				
U.S. equity	\$—	\$19,471	\$ —	\$19,471
Non-U.S. equity	—	14,474	—	14,474
Government, corporate and other non-government debt	—	15,697	—	15,697
Pooled separate accounts:				
U.S. equity	—	12,711	—	12,711
Non-U.S. equity	—	2,496	—	2,496
Government and corporate debt	—	8,442	—	8,442
Insurance contract	—	—	7,881	7,881
Other	27	1,629	—	1,656
Total plan assets	<u>\$27</u>	<u>\$74,920</u>	<u>\$7,881</u>	<u>\$82,828</u>
	Fair Value Measurements at March 31, 2010 Using			
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total
	(In Thousands)			
Collective trust funds:				
U.S. equity	\$—	\$15,957	\$ —	\$15,957
Non-U.S. equity	—	12,234	—	12,234
Government, corporate and other non-government debt	—	14,805	—	14,805
Pooled separate accounts:				
U.S. equity	—	10,125	—	10,125
Non-U.S. equity	—	1,922	—	1,922
Government and corporate debt	—	6,504	—	6,504
Insurance contract	—	—	8,077	8,077
Other	30	592	—	622
Total plan assets	<u>\$30</u>	<u>\$62,139</u>	<u>\$8,077</u>	<u>\$70,246</u>

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



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

	Insurance Contract
	(In Thousands)
Balance, April 1, 2009	\$8,210
Actual return on plan assets	510
Benefit payments	(643)
Balance, March 31, 2010	8,077
Actual return on plan assets	433
Benefit payments	(629)
Balance, March 31, 2011	<u>\$7,881</u>

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

The Company expects to contribute approximately \$7.0 million and \$0.5 million to the pension and other postretirement benefit plans, respectively, for the year ending March 31, 2012.

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

	Pension Benefits
	(In Thousands)
2012	\$ 4,220
2013	4,475
2014	4,664
2015	4,864
2016	5,058
2017-2021	29,753

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

	Estimated Gross Benefit Payments	Estimated Retiree Contributions	Estimated Net Benefit Payments
	(In Thousands)		
2012	\$ 834	\$ (360)	\$ 474
2013	875	(376)	499
2014	907	(393)	514
2015	943	(408)	535
2016	978	(423)	555
2017-2021	5,529	(2,304)	3,225

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 \$4.9 million and \$7.2 million for the years ended March 31, 2011 and 2010, respectively.



13. COMMITMENTS AND CONTINGENCIES

At March 31, 2011 and 2010, the Company had commercial letters of credit outstanding of approximately \$251.7 million and \$186.1 million, respectively. Additionally, at March 31, 2011 and 2010, the Company had surety bond guarantees outstanding of approximately \$5.5 million and \$7.7 million, respectively.

It is a customary practice of the Company to guarantee, severally or jointly with Mitsui Japan, indebtedness of mainly associated companies of Mitsui USA which are consolidated subsidiaries of Mitsui Japan to facilitate the trading activities of the associated companies. At March 31, 2011 and 2010, the aggregate amount of outstanding guarantees was approximately \$360.7 million and \$328.1 million, respectively, with a maximum potential guarantee amount of approximately \$2,807.2 million (through 2030) and \$2,417.3 million (through 2029), respectively. In addition, the Company entered into agreements with certain associated companies of Mitsui USA which are consolidated subsidiaries of Mitsui Japan to guarantee and indemnify each third party for any liabilities arising from certain trading transactions. 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 contracts) for certain inventories. At March 31, 2011 and 2010, long-term purchase contracts at fixed or basic purchase prices amounted to approximately \$1,608.1 million (through 2021) and \$1,805.2 million (through 2021), respectively. For the years ended March 31, 2011 and 2010, approximately 9.7% and 8.5% of the Company's total revenues, respectively, were derived from one key raw material that is purchased from a sole supplier. This situation represents a significant operational risk if the supplier of this key raw material was interrupted. To secure a supply of certain inventories through 2021, the Company has prepaid for a portion of the cost of such inventories in the amount of approximately \$108.0 million and \$114.3 million at March 31, 2011 and 2010, respectively, which are recorded in noncurrent advances, receivables and other—net in the accompanying consolidated balance sheets.

14. LEGAL MATTERS

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

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

15. DERIVATIVES INSTRUMENTS AND HEDGING ACTIVITIES

The Company is exposed to market risks related to interest rates, foreign currency exchange rates, and commodity prices in the ordinary course of business. In order to offset or reduce these risks, the Company uses derivative instruments, such as interest rate swap contracts, foreign currency forward, option and swap contracts, and commodity futures, forward, options and swap contracts to hedge the exposures to changes in the fair value or expected future cash flows of recognized assets and liabilities, unrecognized firm commitments and forecasted transactions. Since most of the Company's derivative transactions are entered to hedge the underlying business exposures, market risks in those derivative instruments are basically offset by equal and opposite movements in the underlying exposures. The Company has a risk management department which independently monitors and analyzes the positions of derivative transactions and reports the analysis to management, strengthening the Company's ability to manage derivative risks comprehensively. In addition, the Company sets position limits based on accumulated notional amounts with each counterparty and changes these limits based on the counterparty's current rating by independent institutions.



The Company designates certain interest rate and foreign currency swap contracts and petroleum-related futures and forward physical contracts as fair value hedges when the hedging instrument is highly effective in offsetting the risk of changes in the fair value of hedged item. The hedging strategies represent fair value hedges of interest rate and foreign currency exchange rate exposures related to long-term debt, and the variable price risk associated with exposure to fluctuations in the prices of petroleum-related products (inventories). For all derivative instruments designated as fair value hedges, the Company documents the relationship between the hedging instrument and the hedged item, as well as the risk management objective and strategy for using the hedging instrument. The Company assesses whether a change in the value of the designated derivative instrument is highly effective in achieving offsetting changes in fair value of hedged item both at the inception of the hedge and on an ongoing basis. The Company utilizes regression analysis and pricing models to determine hedge effectiveness. Changes in the fair value of such derivative instruments and changes in the fair value of hedged assets and liabilities attributable to the hedged risk, which are determined to be effective, are recorded currently in earnings. No fair value hedges were discontinued during the years ended March 31, 2011 and 2010.

The Company designates certain foreign currency forward and option contracts as cash flow hedges when the hedging instrument is highly effective in offsetting the exposure of fluctuations in future cash flows from the forecasted sales transactions and payments denominated in foreign currencies. Anticipated transactions must be probable of occurrence, and their significant terms and characteristics must be identified. For all hedging instruments used in cash flow hedges, the Company documents the relationship between the hedging instrument and the hedged item as well as the risk management objective and strategy for using the hedging instrument. The Company assesses whether a change in the value of the designated derivative instrument is highly effective in achieving offsetting cash flows attributing to the hedged item, both at the inception of the hedge and on an ongoing basis. Any changes in fair value of derivative instruments that are considered highly effective are reported in accumulated other comprehensive income (loss), while changes in fair value of derivative instruments that are not effective are recognized currently in earnings as other income—net in the consolidated statements of operations. The majority of the unrealized gain (loss) included in accumulated other comprehensive loss at March 31, 2011 is expected to be recognized in earnings during the next fiscal year. Most of the designated hedging instruments at March 31, 2011 have terms of less than twelve months. No cash flow hedges were discontinued during the years ended March 31, 2011 and 2010.



The following table represents the fair value of the Company's derivative instruments recorded on the consolidated balance sheets at March 31, 2011 and 2010:

Gross Derivative Assets			Gross Derivative Liabilities		
Balance Sheet Location	Fair Value at March 31,		Balance Sheet Location	Fair Value at March 31,	
	2011	2010		2011	2010
(In Thousands)			(In Thousands)		
Derivatives designated as hedging instruments:			Derivatives designated as hedging instruments:		
Interest rate contracts—			Interest rate contracts—		
Other current assets	\$ —	\$ 168	Accrued expenses and other	\$ 671	\$ —
Foreign exchange contracts:			Other liabilities		
Other current assets	39,860	13,662	Foreign exchange contracts:	756	—
Noncurrent advances, receivables and other—net	60,977	61,782	Other current assets	—	25
Commodity contracts:			Accrued expenses and other		
Other current assets	—	791	Commodity contracts:	2,347	231
Accrued expenses and other	—	373	Other current assets	—	98
Total	<u>\$100,837</u>	<u>\$ 76,776</u>	Accrued expenses and other	4,347	1,034
Derivatives not designated as hedging instruments:			Total		
Interest rate contracts—			\$ 8,121		
Foreign exchange contracts:			\$ 1,388		
Other current assets	2,133	2,309	Derivatives not designated as hedging instruments:		
Noncurrent advances, receivables and other—net	492	—	Interest rate contracts—		
Commodity contracts:			Accrued expenses and other		
Other current assets	73,547	18,090	Foreign exchange contracts:	\$ 8,616	\$ 11,120
Accrued expenses and other	228,367	74,065	Other current assets	—	20
Accounts and noted receivables—Parent and affiliated companies	17,068	6,772	Accrued expenses and other	2,876	24,204
Noncurrent advances, receivables and other—net	60	9	Commodity contracts:		
Total	<u>\$321,667</u>	<u>\$101,245</u>	Other current assets	8,757	5,010
			Accrued expenses and other	331,441	134,438
			Note, acceptances and accounts payable—Parent and affiliated companies	39,696	412
			Other liabilities	41	79
			Total	<u>\$391,427</u>	<u>\$175,283</u>

The following table represents the effects of fair value hedges on the Company's consolidated statements of operations for the years ended March 31, 2011 and 2010:

Location of (Loss) Gain Recognized in Earnings	Amount of (Loss) Gain Recognized in Earnings						
	2011			2010			
	Derivatives	Hedged Items	Hedge Ineffectiveness	Derivatives	Hedged Items	Hedge Ineffectiveness	
(In Thousands)							
Interest rate contracts	Other income—net	\$ (168)	\$ 168	\$ —	\$ (246)	\$ 215	\$ (31)
Foreign exchange contracts	Other income—net	28,415	(32,450)	(4,035)	(2,726)	7,572	4,846
Commodity contracts	Cost of products sold	(33,364)	33,207	(157)	(18,642)	18,245	(397)
Total		<u>\$ (5,117)</u>	<u>\$ 925</u>	<u>\$(4,192)</u>	<u>\$(21,614)</u>	<u>\$26,032</u>	<u>\$4,418</u>



The following table represents the effects of derivative instruments not designated as hedging instruments on the Company's consolidated statements of operations for the years ended March 31, 2011 and 2010:

	Location of Gain (Loss) Recognized in Earnings	Amount of Gain (Loss) Recognized in Earnings	
		2011	2010
(In Thousands)			
Interest rate contracts	Other income—net	\$ 2,503	\$ 6,158
Foreign exchange contracts	Other income—net	7,334	(21,295)
Commodity contracts	Cost of products sold	(60,698)	(165,253)
Total		<u>\$(50,861)</u>	<u>\$(180,390)</u>

The following table represents the effects of cash flow hedges on the Company's other comprehensive income (loss) and consolidated statements of operations for the years ended March 31, 2011 and 2010:

	Amount of (Loss) Gain Recognized in Other Comprehensive Income (Loss) (Effective Portion)		Location of Gain (Loss) Reclassified from Accumulated Other Comprehensive Income (Loss) into Earnings	Amount of Gain (Loss) Reclassified from Accumulated Other Comprehensive Income (Loss) into Earnings (Effective Portion)		Location of Loss Recognized in Earnings (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Loss Recognized in Earnings (Ineffective Portion and Amount Excluded from Effectiveness Testing)	
	2011	2010		2011	2010		2011	2010
(In Thousands)								
Interest rate contracts	\$(1,404)	\$ —	Other income—net	\$ —	\$ —	Other income—net	\$(23)	\$ —
Foreign exchange contracts	(7,270)	495	Other income—net	2,157	(5,501)	Other income—net	—	(14)
Total	<u>\$(8,674)</u>	<u>\$495</u>		<u>\$2,157</u>	<u>\$(5,501)</u>		<u>\$(23)</u>	<u>\$(14)</u>

The Company had the following outstanding derivative instruments at March 31, 2011 and 2010:

	Notional Amount or Number of Units	
	2011	2010
Derivative instruments designated as hedging instruments:		
Interest rate swaps	\$ 24 million	\$ 10 million
Foreign currency swaps	\$ 343 million	\$ 362 million
Foreign currency forward contracts	\$ 74 million	\$ 73 million
Petroleum forward contracts—sales	385,000 bbl	650,000 bbl
Petroleum futures—short	637,000 bbl	700,000 bbl
Derivative instruments not designated as hedging instruments:		
Interest rate swaps	\$ 110 million	\$ 162 million
Foreign currency forward contracts	\$ 108 million	\$ 764 million
Oil swaps—long	—	160,000 bbl
Oil swaps—short	32,000 bbl	587,000 bbl
Petroleum forward contracts—purchases	3,699,000 bbl	5,654,000 bbl
Petroleum forward contracts—sales	2,296,000 bbl	4,870,000 bbl
Petroleum futures—long	30,647,000 bbl	21,280,000 bbl
Petroleum futures—short	32,806,000 bbl	24,610,000 bbl
Agricultural commodity forward contracts	1,522,000 MT	1,152,000 MT
Agricultural commodity futures	1,246,000 MT	778,000 MT

The Company maintains margin accounts for the purpose of entering into futures contracts. Long and short positions are valued based on their respective contractual margins to determine net exposure, the total value of which is the required margin deposits with various broker accounts. At March 31, 2011 and 2010, cash in



broker accounts, included in other current assets in the accompanying consolidated balance sheets, amounted to approximately \$108.1 million and \$70.7 million, respectively.

16. RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

The following table sets forth by level within the fair value hierarchy the Company's assets and liabilities that were accounted for at fair value on a recurring basis at March 31, 2011 and 2010. As required by ASC 820, assets and liabilities are classified into their entirety based on the lowest level of input that is a significant component of the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the classification of assets and liabilities with fair value hierarchy levels.

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



	Fair Value Measurements at March 31, 2010 Using:			
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total
(In Thousands)				
Assets:				
Marketable securities and other investments	\$23,618	\$ —	\$ —	\$ 23,618
Derivative assets:				
Foreign exchange contracts	—	77,753	—	77,753
Interest rate contracts	—	168	—	168
Commodity contracts	27,366	59,264	13,470	100,100*
Total assets	\$50,984	\$137,185	\$13,470	\$201,639
Liabilities:				
Derivative liabilities:				
Foreign exchange contracts	\$ —	\$ 24,480	\$ —	\$ 24,480
Interest rate contracts	—	11,120	—	11,120
Commodity contracts	32,764	82,100	26,207	141,071*
Total liabilities	\$32,764	\$117,700	\$26,207	\$176,671

* Certain commodity contracts contain master netting agreements that allow the Company to settle positive and negative positions and also cash collateral held or placed with the same counterparties. The reported amounts on the consolidated balance sheets are reduced by such netting adjustments of approximately \$237.1 million and \$79.5 million at March 31, 2011 and 2010, respectively.

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

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

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



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

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

(In Thousands)	Balance at April 1, 2009	Total Realized/Unrealized Losses Included in Earnings	Purchases, Issuances, and Settlements	Transfers in (out) of Level 3	Balance at March 31, 2010	Total Change in Unrealized Losses Relating to Assets Still Held at March 31, 2010
Marketable securities and other investments	\$ 5,056	\$ (3,399)	\$ (1,650)	\$ (7)	\$ —	\$ —
Derivative assets (liabilities)—net						
Commodity contracts . . .	<u>7,741</u>	<u>(22,184)</u>	<u>1,269</u>	<u>437</u>	<u>(12,737)</u>	<u>(21,930)</u>
Total	<u>\$12,797</u>	<u>\$(25,583)</u>	<u>\$ (381)</u>	<u>\$ 430</u>	<u>\$(12,737)</u>	<u>\$(21,930)</u>

The following table sets forth the Company's assets and liabilities that were accounted for at fair value on a non-recurring basis during the years ended March 31, 2011 and 2010:

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

	Fair Value Measurements during the Year Ended March 31, 2010 Using				Total Losses for the Year Ended March 31, 2010
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total	
	(In Thousands)				
Real estate included in inventories	\$—	\$—	\$ 1,705	\$ 1,705	\$ (2,379)
Property leased to others	—	—	10,362	10,362	(445)
Property and equipment	—	—	5,498	5,498	(7,357)
Goodwill and other intangible assets . . .	—	—	20,682	20,682	(87,018)
Other non-marketable investments	—	—	1,369	1,369	(1,503)
Total	<u>\$—</u>	<u>\$—</u>	<u>\$ 39,616</u>	<u>\$ 39,616</u>	<u>\$(98,702)</u>

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

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



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

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

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

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

Financial commitments: The Company provides various guarantees and financial commitments for its customers and associated companies in the ordinary course of business, which include letters of credit and financial guarantees, among others. Pursuant to the requirements of ASC 460, certain guarantees and financial commitments that are issued or modified after December 31, 2002 are to be initially recorded on the balance sheet at fair value on a prospective basis. At March 31, 2011 and 2010, the fair value of guarantees issued by the Company was not material.

17. BUSINESS SEGMENTS AND RELATED PARTY TRANSACTIONS INFORMATION

Effective January 1, 2011, the Company partially changed the structure of internal organization. During the year ended March 31, 2011, the Company used revenue for operating segment and geographic information, instead of total trading transactions (see note 2) which were used during the previous years. The related operating segment information for the year ended March 31, 2010 has been changed to conform to the current year presentation.

The Company's principal business activities are classified into the following operating segments: "Iron & Steel Products," "Energy & Mineral Resources," "Infrastructure Business," "Motor Vehicles," "Chemicals," "Financial Markets," and "Foods, Consumer Service & Other." Business segments are based on products and services for sale. The following are the amounts which are based on products and services for sale and are used by the Company in managing its business for the years ended March 31, 2011 and 2010:

(In Thousands)	Iron & Steel Products	Energy & Mineral Resources	Infrastructure Business	Motor Vehicles	Chemicals	Financial Markets	Foods, Consumer Service & Other	Corporate & Other-Adjustments & Eliminations	Total
March 31, 2011									
Total revenues	\$ 918,502	\$4,924,844	\$ 65,811	\$ 21,229	\$2,006,734	\$ —	\$ 540,497	\$ 9,104	\$8,486,721
Gross profit	79,671*	18,001*	21,457	1,231	538,443*	—	72,268*	5,926	736,997
Net income (loss) attributable to Mitsui									
USA	33,725**	16,325	7,735	1,405	114,135**	(4,901)	23,390**	(9,887)	181,927
Total assets	891,204	886,484	673,326	83,576	1,801,984	116,667	1,127,918	40,085	5,621,244
March 31, 2010									
Total revenues	\$1,877,243	\$4,159,852	\$ 67,664	\$ 19,731	\$1,722,314	\$ —	\$ 496,884	\$ 6,183	\$8,349,871
Gross profit (loss)	41,926*	(53,248)*	21,984	1,989	533,030*	—	72,854*	2,378	620,913
Net (loss) income attributable to Mitsui									
USA	(59,463)	(32,469)	11,936	(16,757)**	108,821**	(49,672)**	(8,600)**	11,803	(34,401)
Total assets	1,142,011	768,148	664,072	99,260	1,646,337	166,753***	990,880	10,150	5,487,611

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

** Includes impairment loss on goodwill and other intangible assets as discussed in Note 8.

***Includes assets of discontinued operations as discussed in Note 4.

For the years ended March 31, 2011 and 2010, total revenues with Mitsui Japan and its affiliates were approximately \$148.3 million and \$170.5 million, respectively. In addition, other income includes service fee from Mitsui Japan of approximately \$41.5 million and \$31.1 million for the years ended March 31, 2011 and 2010, respectively.



MITSUI & CO. (U.S.A.), INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table provides geographic information for total revenues, which is based on the location of customers, for the years ended March 31, 2011 and 2010:

	March 31,	
	2011	2010
	(In Thousands)	
United States	\$5,460,456	\$5,862,921
Japan	142,118	140,972
Other foreign countries	2,884,147	2,345,978
Total	<u>\$8,486,721</u>	<u>\$8,349,871</u>

18. SUBSEQUENT EVENTS

The Company evaluated the subsequent events after the consolidated balance sheet date through June 30, 2011, the date that the consolidated financial statements were available to be issued. The Company noted no material subsequent events that require adjustment to or disclosure in its consolidated financial statements.



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