



ANNUAL REPORT 2013

April 1, 2012 - March 31, 2013

mitsui & co. (u.s.a.), inc.



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

We have audited the accompanying consolidated financial statements of Mitsui & Co. (U.S.A.), Inc. and its subsidiaries (collectively, the "Company"), which comprise the consolidated balance sheets as of March 31, 2013 and 2012, and the related consolidated statements of comprehensive income, stockholder's equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of Game Changer Holdings Inc., a wholly-owned subsidiary, which statements reflect total assets constituting 5% of consolidated total assets at March 31, 2013 and 2012, respectively, and total revenues constituting 0% of consolidated total revenues and net income constituting 13% and 7%, respectively, of consolidated total net income attributable to Mitsui & Co. (U.S.A.), Inc. for the years then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Game Changer Holdings Inc., is based solely on the report of the other auditors. 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2013 and 2012, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the consolidated financial statements, the Company changed its method for presenting comprehensive income resulting from the adoption of the new accounting standard.

Deloitte & Touche LLP

New York, NY
July 10, 2013



MITSUI & CO. (U.S.A.), INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2013 AND 2012

	March 31,	
	2013	2012
	(In Thousands)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 182,276	\$ 180,388
Accounts and notes receivables:		
Customers (Note 6)	619,090	1,083,152
Parent and affiliated companies (Notes 6 and 15)	797,888	449,396
Allowance for doubtful receivables (Note 6)	(7,117)	(11,658)
Inventories (Note 2)	1,224,884	1,095,038
Deferred income taxes (Note 10)	57,979	31,739
Other current assets (Notes 12 and 15)	328,611	275,555
Assets of discontinued operations (Note 4)	28,870	114,359
Total current assets	<u>3,232,481</u>	<u>3,217,969</u>
INVESTMENTS:		
Investments in and advances to associated companies (Notes 5 and 6)	816,932	800,573
Financing leases (Notes 6 and 11)	288,438	338,515
Other investments (Note 5)	87,789	135,412
Total investments	<u>1,193,159</u>	<u>1,274,500</u>
PROPERTY AND EQUIPMENT—NET (Notes 7 and 11)	<u>1,004,148</u>	<u>812,327</u>
GOODWILL (Note 8)	<u>93,851</u>	<u>88,814</u>
INTANGIBLE ASSETS—NET (Note 8)	<u>124,507</u>	<u>100,068</u>
NONCURRENT ADVANCES, RECEIVABLES AND OTHER (Notes 6, 13 and 15)	<u>120,489</u>	<u>156,621</u>
Total assets	<u>\$5,768,635</u>	<u>\$5,650,299</u>

See Notes to Consolidated Financial Statements.

(continued)



MITSUI & CO. (U.S.A.), INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2013 AND 2012

	March 31,	
	2013	2012
	(In Thousands)	
LIABILITIES AND SHAREHOLDER'S EQUITY		
CURRENT LIABILITIES:		
Notes, acceptances and accounts payable:		
Trade creditors	\$ 413,532	\$ 639,503
Parent and affiliated companies (Note 15)	705,484	636,928
Notes and loans payable (Note 9)	847,020	670,105
Current maturities of long-term debt (Note 9)	365,248	515,286
Accrued expenses and other (Notes 12 and 15)	217,055	241,367
Liabilities of discontinued operations (Note 4)	28,870	37,153
Total current liabilities	<u>2,577,209</u>	<u>2,740,342</u>
LONG-TERM DEBT, LESS CURRENT MATURITIES (Note 9)	1,193,649	1,096,090
CAPITAL LEASE OBLIGATIONS (Note 11)	64,854	93,321
DEFERRED INCOME TAXES (Note 10)	309,114	257,304
OTHER LIABILITIES (Notes 10, 12 and 15)	131,546	114,655
CONTINGENT LIABILITIES (Notes 13 and 14)		
Total liabilities	<u>4,276,372</u>	<u>4,301,712</u>
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	<u>117,153</u>	<u>117,153</u>
Retained earnings	<u>744,665</u>	<u>628,828</u>
Accumulated other comprehensive (loss) income:		
Foreign currency translation adjustments	(4,729)	(5,708)
Unrealized loss on derivatives used as cash flow hedges, net of taxes (Note 15)	(2,578)	(1,752)
Unrealized gain on marketable securities, net of taxes (Note 5)	3,611	17,529
Defined benefit plans, net of taxes (Note 12)	(33,979)	(29,693)
Total accumulated other comprehensive loss	<u>(37,675)</u>	<u>(19,624)</u>
Total Mitsui & Co. (U.S.A.), Inc. shareholder's equity	1,174,143	1,076,357
Noncontrolling interests	<u>318,120</u>	<u>272,230</u>
Total shareholder's equity	<u>1,492,263</u>	<u>1,348,587</u>
Total liabilities and shareholder's equity	<u>\$5,768,635</u>	<u>\$5,650,299</u>

See Notes to Consolidated Financial Statements.

(concluded)



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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

MARCH 31, 2013 AND 2012

	March 31,	
	2013	2012
	(In Thousands)	
REVENUES:		
SALES OF PRODUCTS	\$7,406,941	\$12,819,516
SALES OF SERVICES	63,542	105,498
OTHER SALES (Note 11)	232,968	162,250
TOTAL REVENUES	<u>7,703,451</u>	<u>13,087,264</u>
COST OF REVENUES:		
COST OF PRODUCTS SOLD (NOTES 2 AND 15)	6,934,151	12,244,360
COST OF SERVICES SOLD	15,735	34,437
COST OF OTHER SALES (Note 11)	146,342	100,769
TOTAL COST OF REVENUES	<u>7,096,228</u>	<u>12,379,566</u>
GROSS PROFIT	607,223	707,698
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 7 and 11)	(480,265)	(474,743)
IMPAIRMENT LOSS ON INTANGIBLE ASSETS (Note 8)	—	(2,000)
INTEREST EXPENSE (NET OF INTEREST INCOME OF \$27,307 IN 2013 AND \$30,707 IN 2012)	(8,756)	(5,059)
OTHER INCOME—NET (Notes 5, 15 and 17)	99,928	63,865
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND EQUITY IN EARNINGS OF ASSOCIATED COMPANIES	218,130	289,761
PROVISION FOR INCOME TAXES (Note 10)	92,206	133,229
INCOME FROM CONTINUING OPERATIONS BEFORE EQUITY IN EARNINGS OF ASSOCIATED COMPANIES	125,924	156,532
EQUITY IN EARNINGS OF ASSOCIATED COMPANIES—NET (Note 5)	61,779	87,590
INCOME FROM CONTINUING OPERATIONS	187,703	244,122
LOSS FROM DISCONTINUED OPERATIONS—NET OF TAXES (Notes 4 and 10)	(38,141)	(9,425)
NET INCOME	149,562	234,697
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(34,703)	(48,144)
NET INCOME ATTRIBUTABLE TO MITSUI & Co. (U.S.A.), INC.	<u>\$ 114,859</u>	<u>\$ 186,553</u>
COMPREHENSIVE INCOME:		
NET INCOME	\$ 149,562	\$ 234,697
OTHER COMPREHENSIVE INCOME (LOSS)—NET OF TAXES:		
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS	1,303	(3,087)
UNREALIZED (LOSS) GAIN ON DERIVATIVES USED AS CASH FLOW HEDGES	(1,256)	22
UNREALIZED (LOSS) GAIN MARKETABLE SECURITIES	(13,918)	12,535
DEFINED BENEFIT PLANS	(4,131)	(7,608)
TOTAL OTHER COMPREHENSIVE (LOSS) INCOME—NET OF TAXES	<u>(18,002)</u>	<u>1,862</u>
COMPREHENSIVE INCOME	131,560	236,559
COMPREHENSIVE INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(34,752)	(46,193)
COMPREHENSIVE INCOME ATTRIBUTABLE TO MITSUI & Co. (U.S.A.), INC	<u>\$ 96,808</u>	<u>\$ 190,366</u>

See Notes to Consolidated Financial Statements.



MITSUI & CO. (U.S.A.), INC. AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF SHAREHOLDER'S EQUITY
 MARCH 31, 2013 AND 2012

(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, 2011	\$350,000	\$117,153	\$442,275	\$(23,437)	\$ 885,991	\$239,447	\$1,125,438
Comprehensive income (loss):							
Net income			186,553		186,553	48,144	234,697
Other comprehensive (loss) income:							
Foreign currency translation adjustments				(2,089)	(2,089)	(998)	(3,087)
Unrealized (loss) gain on derivatives used as cash flow hedges, net of taxes of \$528				(105)	(105)	17	(88)
Reclassification adjustments on cash flow hedges, net of taxes of \$59				72	72	38	110
Unrealized gain (loss) on marketable securities, net of taxes of \$7,531				11,261	11,261	(5)	11,256
Reclassification adjustments on marketable securities, net of taxes of \$852				1,279	1,279	—	1,279
Defined benefit plans, net of taxes of \$4,506				(6,605)	(6,605)	(1,003)	(7,608)
Total other comprehensive income (loss)					3,813	(1,951)	1,862
Total comprehensive income					190,366	46,193	236,559
Distributions to noncontrolling interests						(39,816)	(39,816)
Capital contributions by noncontrolling interests						15,917	15,917
Liquidation of subsidiaries						10,489	10,489
Balance, March 31, 2012	\$350,000	\$117,153	\$628,828	\$(19,624)	\$1,076,357	\$272,230	\$1,348,587
Comprehensive income (loss):							
Net income			114,859		114,859	34,703	149,562
Other comprehensive income (loss):							
Foreign currency translation adjustments				979	979	324	1,303
Unrealized loss on derivatives used as cash flow hedges, net of taxes of \$94				(56)	(56)	(16)	(72)
Reclassification adjustments on cash flow hedges, net of taxes of \$637				(770)	(770)	(414)	(1,184)
Unrealized loss on marketable securities, net of taxes of \$7,386				(11,076)	(11,076)	—	(11,076)
Reclassification adjustments on marketable securities, net of taxes of \$1,894				(2,842)	(2,842)	—	(2,842)
Defined benefit plans, net of taxes of \$1,975				(4,286)	(4,286)	155	(4,131)
Total other comprehensive (loss) income					(18,051)	49	(18,002)
Total comprehensive income					96,808	34,752	131,560
Distributions to noncontrolling interests						(29,805)	(29,805)
Capital contributions by noncontrolling interests						41,070	41,070
Liquidation of subsidiaries			978		978	(127)	851
Balance, March 31, 2013	\$350,000	\$117,153	\$744,665	\$(37,675)	\$1,174,143	\$318,120	\$1,492,263

See Notes to Consolidated Financial Statements.



MITSUI & CO. (U.S.A.), INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
MARCH 31, 2013 AND 2012

	March 31,	
	2013	2012
	(In Thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 149,562	\$ 234,697
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	71,015	63,506
Provision for losses on receivables	26,855	3,170
Gain on disposal and sales of property and equipment—net	(13,920)	(16,646)
Impairment loss	56,779	19,770
Gain on sales of investments in associated companies and other investments—net	(37,966)	(6,137)
Financing leases	(17,775)	(23,321)
Equity in earnings of associated companies—net, less dividends received	(19,745)	(15,125)
Deferred income taxes	33,197	33,797
Changes in operating assets and liabilities:		
Accounts and notes receivables	162,602	(25,598)
Inventories	2,267	16,481
Other current assets	(79,820)	119,725
Noncurrent advances, receivables and other	14,642	29,006
Notes, acceptances and accounts payable	(268,033)	(168,227)
Accrued expenses and other	(4,765)	(10,928)
Other liabilities	(15,207)	(14,287)
Net cash provided by operating activities	<u>59,688</u>	<u>239,883</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of marketable securities and other investments	(20,538)	(5,747)
Proceeds from sales and maturities of investments in associated companies and other investments	84,619	9,212
Contributions and advances to associated companies	(38,139)	(30,017)
Acquisitions of businesses	(175,227)	(38,448)
Proceeds from financing leases	32,297	44,794
Proceeds from sales of property and equipment	81,307	39,831
Capital expenditures	(190,048)	(166,884)
Net cash used in investing activities	<u>(225,729)</u>	<u>(147,259)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Short-term borrowings of three months or less—net	181,012	256,753
Issuance of debt	947,609	1,012,145
Payments on debt	(979,779)	(1,348,261)
Proceeds from capital lease financing transactions	10,400	3,000
Distributions to noncontrolling interests	(29,805)	(39,816)
Contributions from noncontrolling interests	41,070	15,917
Other financing activities	(363)	(445)
Net cash provided by (used in) financing activities	<u>170,144</u>	<u>(100,707)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>1,013</u>	<u>588</u>
NET (INCREASE) DECREASE IN CASH AND CASH EQUIVALENTS OF DISCONTINUED OPERATIONS	<u>(3,228)</u>	<u>6,997</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>1,888</u>	<u>(498)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>180,388</u>	<u>180,886</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 182,276</u>	<u>\$ 180,388</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	\$ 37,888	\$ 39,257
Income taxes paid, net	\$ 42,786	\$ 71,394
Equipment acquired through capital lease obligations	\$ 10,658	\$ —
Capital expenditures included in accounts payable and accrued expenses	\$ 2,045	\$ 6,411

See Notes to Consolidated Financial Statements.



1. NATURE OF OPERATIONS

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

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

USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH EQUIVALENTS

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

ALLOWANCE FOR CREDIT LOSSES

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

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

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

Other credit related policies are provided below:

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

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



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

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

INVENTORIES

Commodities, except for grains and certain petroleum products, 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 \$19.5 million and \$16.7 million for the years ended March 31, 2013 and 2012, respectively, in cost of products sold in the accompanying consolidated statements of comprehensive income. Grain inventories are valued on the basis of current market price with provisions for direct merchandising costs. Certain petroleum products are recorded at cost since they are purchased at direction of a related party and reimbursed at cost irrespective of market conditions under a service agreement discussed in Note 17.

Inventories include real estate under development and held for sale which is carried at cost and consists of land, buildings and related improvements, and pre-acquisition 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. Pre-acquisition 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.” There is no impairment charge for the years ended March 31, 2013 and 2012.

The following table provides a breakdown of inventories by accounting method at March 31, 2013 and 2012:

	March 31,	
	2013	2012
	(In Thousands)	
Lower of cost or market	\$ 958,549	\$ 948,968
Fair value	72,461	71,465
Cost—petroleum products	114,324	—
Cost—real estate	79,550	74,605
	<u>\$1,224,884</u>	<u>\$1,095,038</u>

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

LEASING

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

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

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

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost. Depreciation of property and equipment is provided over the estimated useful lives (ranging from 3 to 40 years) of the property and equipment using primarily the



straight-line method. Leasehold improvements are amortized using the straight-line method over the lesser of the useful life of the improvement or the remaining term of the underlying lease. Significant renewals and additions are capitalized at cost. Expenditures for improvements and betterments of operating rental properties are capitalized. Maintenance, repairs, and minor renewals and betterments are charged to expense as incurred.

GOODWILL AND INTANGIBLE ASSETS

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

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

RECOVERABILITY OF LONG-LIVED ASSETS

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

FOREIGN CURRENCY TRANSLATION

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

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 comprehensive income.

CONCENTRATION OF CREDIT RISK

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

REVENUES

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



collectability is reasonably assured. In addition to this general policy, the following are specific revenue recognition policies:

Sales of products

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

Sales of services

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

INCOME TAXES

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

Mitsui USA files its Federal income tax return on a consolidated basis. Novus International, Inc. ("Novus"), a 65% owned subsidiary of the Company, and its subsidiaries file a separate Federal income tax return. Provision for income taxes on undistributed earnings of associated companies accounted for under the equity method has been made on the assumption that the earnings were distributed on a current basis as dividends. The Company has not recognized a deferred tax liability for undistributed earnings of certain foreign subsidiaries at March 31, 2013 and 2012 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 comprehensive income. 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 (loss) income, 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 2012 consolidated financial statements to conform to the current year presentation.

NEW ACCOUNTING STANDARDS

Determination of troubled debt restructuring

In April 2011, the Financial Accounting Standard Board ("FASB") issued Accounting Standards Update ("ASU") 2011-02, "A Creditor's Determination of Whether a Restructuring Is a Troubled Debt Restructuring," which provides guidance to assist creditors in determining whether a restructuring of a receivable meets the criteria to be considered a troubled debt restructuring and requires additional disclosure. Effective April 1, 2012, the Company adopted this guidance and had no impact on the Company's financial position, results of operations or cash flows.

Impairment test on goodwill

In September 2011, the FASB issued ASU 2011-08, "Testing Goodwill for Impairment," which provides entities an option to first assess qualitative factors to determine whether it is necessary to perform the current two-step test. If an entity believes, as a result of its qualitative assessment, that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, the quantitative impairment test is required. Otherwise, no further testing is required. Effective April 1, 2012, the Company adopted this guidance. The adoption had no impact on the Company's financial position, results of operations or cash flows.

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

In May 2011, the FASB issued ASU 2011-04, "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards ("IFRS')." This amendment intends to improve the comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with U.S. GAAP and IFRS. Effective April 1, 2012, the Company adopted this guidance. The adoption had no impact on the Company's financial position, results of operations or cash flows.

Presentation of comprehensive income

In June 2011, the FASB issued ASU 2011-05, "Presentation of Comprehensive Income," which eliminates the option to present components of other comprehensive income as part of the statement of changes in stockholder's equity and requires it to be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The Company adopted the single statement approach effective with its full year 2012 financial statements. There was no impact in the consolidated financial results as the amendments related only to changes in the financial statement presentation.



In February 2013, the FASB issued ASU 2013-02, "Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income," which adds new disclosure requirement for items reclassified out of accumulated other comprehensive income. The new guidance requires entities to present information about reclassifications out of accumulated other comprehensive income in a single note or on the face of the financial statements. This guidance is effective for the Company for fiscal years beginning April 1, 2013 and will have no impact on the Company's financial position, results of operations or cash flows.

Disclosures about offsetting assets and liabilities

In December 2011, the FASB issued ASU 2011-11, "Disclosures about Offsetting Assets and Liabilities," which requires an entity to disclose both gross information and net information about both instruments and transactions eligible for offset in the financial position and instruments and transactions subject to an agreement similar to a master netting arrangement. In January 2013, the FASB issued ASU 2013-01, "Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities," to further clarify which instruments and transactions are subject to the offsetting disclosure requirements established by ASU 2011-11. This guidance is effective for the Company for fiscal years beginning April 1, 2013. It requires new disclosures only and will have no impact on the Company's financial position, results of operations or cash flows.

Testing indefinite-lived intangible assets for impairment

In July 2012, the FASB issued ASU 2012-02, "Testing Indefinite-Lived Intangible Assets for Impairment," which simplifies how entities test indefinite-lived intangible assets other than goodwill for impairment. After an assessment of certain qualitative factors, if it is determined to be more likely than not an indefinite-lived intangible asset is impaired, entities must perform the quantitative impairment test. Otherwise, the quantitative test is optional. This guidance is effective for the Company for fiscal years beginning April 1, 2013 and is not expected to have a material impact on the Company's financial position, results of operations or cash flows.

Parent's accounting for the cumulative translation adjustment

In March 2013, the FASB issued ASU 2013-05, "Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity," which requires the parent to release any related cumulative translation adjustment into net income when a parent either sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business (other than a sale of in substance real estate or conveyance of oil and gas mineral rights) within a foreign entity. This guidance is effective for the Company for the fiscal years beginning April 1, 2014 and is not expected to have a material impact on the Company's financial position, results of operations or cash flows.

3. ACQUISITIONS

On October 4, 2012, the Company acquired all the limited partnership interest in Cinco Pipe & Supply, LLC ("Cinco"). Cinco is in the business of distributing oil country tubular goods and related services. During the year ended March 31, 2013, MBK Real Estate, LLC ("MRE"), in which the Company holds an 80% indirect ownership interest through MBK Real Estate Holdings Inc., a wholly-owned subsidiary of the Company, acquired four senior living facilities located in Arizona, California and Colorado.



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

	Cinco	MRE
	(In Thousands)	
Cash and cash equivalents	\$ 5,804	\$ —
Accounts receivables	12,275	—
Inventories	130,162	—
Other current assets	2,322	—
Property and equipment	527	100,897
Goodwill	1,439	13,543
Intangible assets*	28,700	3,751
Total assets acquired	<u>181,229</u>	<u>118,191</u>
Accounts payable—trade and other	(34,879)	(1,595)
Short-term debt	(81,915)	—
Total liabilities assumed	<u>(116,794)</u>	<u>(1,595)</u>
Net cash used in acquisitions	<u>\$ 64,435</u>	<u>\$ 116,596</u>

*Intangible assets mainly include in-place lease values and customer relationships.

On May 6, 2011, MRE acquired four senior living facilities located in Utah.

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

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

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

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

4. DISCONTINUED OPERATIONS

During the year ended March 31, 2013, the Company committed to sell SunWize Technologies, Inc. ("SunWize"), a wholly-owned subsidiary of the Company, and has been negotiating certain key provisions related to the sale of SunWize with a third party. The Company expects that the sale will be finalized in the near future. SunWize was engaged in the business of development, assembly, manufacturing, marketing and resale of photovoltaic products and systems. The Company recorded an impairment loss of approximately \$54.0 million during the year ended March 31, 2013 in order to record SunWize's assets at the lower of carrying amount



or estimated fair value less costs to sell. The Company recorded an impairment loss on goodwill of approximately \$5.8 million related to SunWize based on its annual assessment of goodwill during the year ended March 31, 2012.

During the year ended March 31, 2012, Tri-Net Logistics Management, Inc. (“Tri-Net”), an 80% owned subsidiary of the Company, ceased its business operations of freight-forwarding services. In April 2012, the Company completed the sale of Cornerstone Research & Development, Inc. (“CRD”), a wholly-owned subsidiary of the Company, to a third party for the price of approximately \$27.7 million. CRD was engaged in the business of developing and manufacturing nutritional supplements and vitamins. The Company recorded an impairment loss of approximately \$8.5 million during the year ended March 31, 2012 to record CRD’s assets at the lower of carrying amount or estimated fair value less costs to sell.

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

The results from discontinued operations for the years ended March 31, 2013 and 2012 are summarized as follows:

	March 31,	
	2013	2012
	(In Thousands)	
Revenues	\$ 153,316	\$ 250,452
Cost of revenues	(135,890)	(215,231)
Gross profit	17,426	35,221
Expenses	(21,942)	(41,161)
Write down of assets on expected sale of SunWize	(39,903)*	—
Impairment loss on property and equipment	(2,461)	(3,499)
Impairment loss on goodwill and intangible assets	(11,614)	(10,750)
Loss from discontinued operations before income tax benefits . .	(58,494)	(20,189)
Income tax benefits	(20,353)	(10,764)
Loss from discontinued operations—net of taxes	<u>\$ (38,141)</u>	<u>\$ (9,425)</u>
Loss from discontinued operations—net of taxes attributable to Mitsui USA	<u>\$ (38,141)</u>	<u>\$ (9,107)</u>

The assets and liabilities from discontinued operations at March 31, 2013 and 2012 are summarized as follows:

	March 31,	
	2013	2012
	(In Thousands)	
ASSETS:		
Cash and cash equivalents	\$ 8,208	\$ 4,980
Accounts receivable—net	20,662*	38,125
Inventories	—*	45,414
Property and equipment—net	—	11,775
Intangible assets—net	—	10,930
Other	—*	3,135
Total assets	<u>\$28,870</u>	<u>\$114,359</u>
LIABILITIES—Accounts payable—trade and other	<u>\$28,870</u>	<u>\$ 37,153</u>

* SunWize impairment loss of \$39.9 million out of \$54.0 million is applied to accounts receivables—net, inventories, and other in the amount of \$9.7 million, \$26.0 million and \$4.2 million, respectively.

**5. INVESTMENTS**

Investments in and advances to associated companies at March 31, 2013 and 2012 consist of the following:

	March 31,	
	2013	2012
	(In Thousands)	
Equity method investments	\$765,159	\$752,967
Advances	51,773	47,606
Total	<u>\$816,932</u>	<u>\$800,573</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 LLC (50%), MED3000 Group, Inc. ("MED3000") (46.1%), Brazos Wind Ventures, LLC (50%), and Wilsey Foods Inc. (20%). Associated companies are engaged primarily in the investment in steel-related business, healthcare management, the development of natural resources, and the manufacturing and distribution of various products.

Investments in associated companies include marketable equity securities carried at approximately \$45.6 million and \$40.7 million at March 31, 2013 and 2012, respectively. Corresponding aggregate quoted market values were approximately \$103.8 million and \$76.6 million, respectively.

In December 2012, the Company sold its ownership in MED3000 to a third party for the selling price of approximately \$81.0 million. The Company recorded a per-tax gain of approximately \$35.0 million, which was included in other income—net in the accompanying consolidated statements of comprehensive income.

Summarized financial information for significant associated companies at March 31, 2013 and 2012 and for the years then ended is as follows:

	March 31,	
	2013	2012
	(In Thousands)	
Total assets	<u>\$9,443,882</u>	<u>\$8,434,020</u>
Total liabilities	<u>\$6,894,406</u>	<u>\$5,872,253</u>
Shareholders' equity	<u>2,549,476</u>	<u>2,561,767</u>
Total liabilities and shareholders' equity	<u>\$9,443,882</u>	<u>\$8,434,020</u>
The Company's equity in the net assets of associated companies.	<u>\$ 724,086</u>	<u>\$ 678,743</u>

	March 31,	
	2013	2012
	(In Thousands)	
Revenues	\$18,137,137	\$16,534,907
Net income	384,869	490,282

The carrying value of the investments in associated companies exceeded the Company's equity in underlying net assets of such associated companies by approximately \$41.1 million and \$74.2 million at March 31, 2013 and 2012, 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 franchise rights which are not amortized because of their indefinite useful life and acquired distributor relationships amortized over a weighted-average amortization period of approximately 20 years based on the ratio of annual discounted cash flows to total discounted cash flows associated with each group of acquired assets.



Other investments at March 31, 2013 and 2012 consist of the following:

	March 31,	
	2013	2012
	(In Thousands)	
Time deposits with original maturities over three months	\$ —	\$ 39,602
Available-for-sale securities	25,762	53,589
Other investments	62,027	42,221
Total	<u>\$87,789</u>	<u>\$135,412</u>

Time deposits are restricted under certain lease agreements.

At March 31, 2013 and 2012, the cost, fair value and gross unrealized gains on available-for-sale securities are as follows:

	(In Thousands)		
	Cost	Fair Value	Unrealized Gains
March 31, 2013:			
Marketable equity securities	<u>\$19,743</u>	<u>\$25,762</u>	<u>\$ 6,019</u>
March 31, 2012:			
Marketable equity securities	<u>\$24,372</u>	<u>\$53,589</u>	<u>\$29,217</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 comprehensive income, for the years ended March 31, 2013 and 2012 are shown below:

	March 31,	
	2013	2012
	(In Thousands)	
Proceeds from sales	<u>\$7,737</u>	<u>\$4,744</u>
Realized gains	<u>\$3,106</u>	<u>\$2,986</u>

Other investments include industrial development revenue bonds of approximately \$36.8 million and \$26.4 million at March 31, 2013 and 2012, respectively. The Company purchased industrial development revenue bonds in conjunction with the construction of a new manufacturing facility under a capital lease financing arrangement. The revenue bonds have a 20 years term and are accounted for as held-to-maturity securities. The fair value of revenue bonds is \$40.1 million and \$28.8 million at March 31, 2013 and 2012, respectively. If measured at fair value in the financial statements, these revenue bonds would be classified as Level 2 of the fair value hierarchy as discussed in Note 16.

The remainder of other investments consists primarily of non-marketable investments that are carried at cost.

The Company recorded an impairment loss on other investments of approximately \$1.9 million and \$2.3 million for the years ended March 31, 2013 and 2012, respectively, which is included in other income—net in the consolidated statements of comprehensive income.

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

Financing receivables defined in ASU 2010-20, “Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses,” include loans and lease receivables portfolios. Loans and lease receivables are individually reviewed as each recorded investment is large and with a corporate customer or a government agency. The following table represents loans and lease receivables on a gross basis, excluding the allowance for credit losses and residual value, and related allowance for credit losses at March 31, 2013 and 2012:

	<u>Loans</u>	<u>Lease Receivables</u>	<u>Total</u>
	(In Thousands)		
March 31, 2013:			
Financing receivables, individually evaluated	<u>\$102,115</u>	<u>\$189,149</u>	<u>\$291,264</u>
Allowance for credit losses:			
Balance at April 1, 2012	\$ —	\$ (1,376)	\$ (1,376)
Provisions—net	—	(25,262)	(25,262)
Write-offs	—	25,377	25,377
Balance at March 31, 2013	<u>\$ —</u>	<u>\$ (1,261)</u>	<u>\$ (1,261)</u>
March 31, 2012:			
Financing receivables, individually evaluated	<u>\$156,480</u>	<u>\$222,979</u>	<u>\$379,459</u>
Allowance for credit losses:			
Balance at April 1, 2011	\$ —	\$ (9,083)	\$ (9,083)
Provisions—net	—	(972)	(972)
Write-offs	—	8,679	8,679
Balance at March 31, 2012	<u>\$ —</u>	<u>\$ (1,376)</u>	<u>\$ (1,376)</u>

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.

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

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

All of the loans and lease receivables are classified as performing and there were no impaired loans at March 31, 2013 and 2012. In addition, there were no past due or non-accrual loans and lease receivables at March 31, 2013 and 2012.

During the year ended March 31, 2013, in conjunction with certain lease term modifications involving reduced payments and cancellation options, the Company recorded a provision for credit loss of approximately \$25.4 million and reclassified related leases from direct financing leases to operating leases. See Note 11 for further discussions.

**7. PROPERTY AND EQUIPMENT**

Property and equipment, including those under capital leases and property leased to others under operating leases (see Note 11), at March 31, 2013 and 2012 consist of the following:

	March 31,	
	2013	2012
	(In Thousands)	
Land and land improvements	\$ 68,124	\$ 46,746
Buildings, structures and improvements	1,150,340	985,003
Equipment and fixtures, including leasehold improvements	400,031	362,440
Total—at cost	1,618,495	1,394,189
Less—accumulated depreciation and amortization	(614,347)	(581,862)
Property and equipment—net	<u>\$1,004,148</u>	<u>\$ 812,327</u>

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 \$0.9 million and \$1.3 million for the years ended March 31, 2013 and 2012, respectively, which are included in selling, general and administrative expenses in the consolidated statements of comprehensive income.

Depreciation and amortization expense from continuing operations on the Company's property and equipment for the years ended March 31, 2013 and 2012 was approximately \$53.8 million and \$49.3 million, respectively.

8. GOODWILL AND INTANGIBLE ASSETS

The changes in carrying value of goodwill by the related operating segments for the years ended March 31, 2013 and 2012 are as follows:

(In Thousands)	2013				
	Iron & Steel Products	Chemicals	Food & Retail	Consumer Service	Total
Balance at beginning of year:					
Goodwill	\$3,916	\$33,952	\$ 4,934	\$55,267	\$ 98,069
Accumulated impairment losses	—	—	(4,934)	(4,321)	(9,255)
	<u>3,916</u>	<u>33,952</u>	<u>—</u>	<u>50,946</u>	<u>88,814</u>
Goodwill acquired during the year	1,439	—	—	13,543	14,982
Goodwill disposed during the year:					
Goodwill	—	(311)	(4,934)	(9,606)	(14,851)
Accumulated impairment losses	—	—	4,934	—	4,934
	<u>—</u>	<u>(311)</u>	<u>—</u>	<u>(9,606)</u>	<u>(9,917)</u>
Foreign currency translation adjustments for the year	(28)	—	—	—	(28)
Balance at end of year:					
Goodwill	5,327	33,641	—	59,204	98,172
Accumulated impairment losses	—	—	—	(4,321)	(4,321)
	<u>\$5,327</u>	<u>\$33,641</u>	<u>\$ —</u>	<u>\$54,883</u>	<u>\$ 93,851</u>



NOTE TO CONSOLIDATED FINANCIAL STATEMENTS—(continued)

(In Thousands)	2012				
	Iron & Steel Products	Chemicals	Food & Retail	Consumer Service	Total
Balance at beginning of year:					
Goodwill	\$3,952	\$33,952	\$ 4,934	\$34,522	\$77,360
Accumulated impairment losses	—	—	(4,934)	(4,321)	(9,255)
	<u>3,952</u>	<u>33,952</u>	<u>—</u>	<u>30,201</u>	<u>68,105</u>
Goodwill acquired during the year	—	—	—	20,745	20,745
Foreign currency translation adjustments for the year	(36)	—	—	—	(36)
Balance at end of year:					
Goodwill	3,916	33,952	4,934	55,267	98,069
Accumulated impairment losses	—	—	(4,934)	(4,321)	(9,255)
	<u>\$3,916</u>	<u>\$33,952</u>	<u>\$ —</u>	<u>\$50,946</u>	<u>\$88,814</u>

Intangible assets subject to amortization at March 31, 2013 and 2012 consist of the following:

	2013		
	Gross Carrying Amount	Accumulated Amortization	Net
			(In Thousands)
Customer relationships	\$ 66,433	\$ 17,290	\$ 49,143
Trademarks	10,893	5,355	5,538
Non-compete agreements	20,554	11,413	9,141
Sales/supply agreements	43,584	43,575	9
Patents	81,982	79,027	2,955
Software	76,197	30,217	45,980
Unpatented technologies	12,000	7,750	4,250
In-place lease values	9,057	3,883	5,174
Other	3,376	1,059	2,317
Total	<u>\$324,076</u>	<u>\$199,569</u>	<u>\$124,507</u>

	2012		
	Gross Carrying Amount	Accumulated Amortization	Net
			(In Thousands)
Customer relationships	\$ 40,146	\$ 14,279	\$ 25,867
Trademarks	9,979	4,712	5,267
Non-compete agreements	20,583	10,917	9,666
Sales/supply agreements	43,184	43,159	25
Patents	81,982	78,629	3,353
Software	70,712	22,502	48,210
Unpatented technologies	12,250	7,425	4,825
In-place lease values	5,876	3,254	2,622
Other	761	528	233
Total	<u>\$285,473</u>	<u>\$185,405</u>	<u>\$100,068</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. Based on the Company's evaluations, the Company recorded an impairment loss of \$2.0 million on certain intangible assets for the year ended March 31, 2012.

Total amortization expense from continuing operations on the Company's intangible assets for the year ended March 31, 2013 and 2012 was approximately \$15.6 million and \$9.2 million, respectively.

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

	(In Thousands)
2014	\$ 15,775
2015	15,118
2016	13,994
2017	13,387
2018	11,752
Thereafter	54,481
Total	<u>\$124,507</u>

9. DEBT

Notes and loans payable at March 31, 2013 and 2012 are comprised of the following:

	March 31,	
	2013	2012
	(In Thousands)	
Short-term debt from financial institutions	\$ 3,420	\$ 43,059
Commercial paper	843,600	627,046
Total	<u>\$847,020</u>	<u>\$670,105</u>

The weighted-average interest rates on short-term debt from financial institutions at March 31, 2013 and 2012 were 0.20% and 1.04%, 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 0.19% to 0.39% at March 31, 2013 and 0.20% to 0.30% at March 31, 2012.

Long-term debt at March 31, 2013 and 2012, including adjustments related to fair value hedges, is comprised of the following:

	March 31,	
	2013	2012
	(In Thousands)	
Parent and affiliated companies—maturing through the year ending March 31, 2018, at rates of 1.00% to 2.71%	\$ 870,800	\$ 501,020
Other:		
Financial institutions—maturing primarily through the year ending March 31, 2025, at rates of 0.34% to 7.34%	614,391	1,004,292
Medium-term notes—maturing through the year ending March 31, 2015, at rates of 0.64% to 1.95%	73,706	106,064
	<u>1,558,897</u>	<u>1,611,376</u>
Less—current maturities	(365,248)	(515,286)
Long-term debt, less current maturities	<u>\$1,193,649</u>	<u>\$1,096,090</u>

Above long-term debt includes debt denominated in Japanese Yen, amounting to U.S. dollar equivalents of approximately \$166.0 million and \$216.4 million at March 31, 2013 and 2012, respectively.



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

	(In Thousands)
2014	\$ 364,891
2015	550,563
2016	349,126
2017	36,062
2018	181,645
Thereafter	<u>71,123</u>
Total	<u>\$1,553,410</u>

10. INCOME TAXES

The components of the provision for income taxes (benefit) for the years ended March 31, 2013 and 2012 are as follows:

	March 31,	
	2013	2012
	(In Thousands)	
Continuing operations:		
Current:		
Federal	\$ 22,597	\$ 72,830
State	5,667	6,732
Foreign	<u>10,392</u>	<u>9,027</u>
Total current	38,656	88,589
Deferred	53,550	44,640
Total income tax expenses from continuing operations	<u>\$ 92,206</u>	<u>\$133,229</u>
Discontinued operations:		
Current:		
State	\$ —	\$ 79
Deferred	<u>(20,353)</u>	<u>(10,843)</u>
Total income tax benefit from discontinued operations	<u>\$(20,353)</u>	<u>\$(10,764)</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, 2013 and 2012 are as follows:

	March 31,	
	2013	2012
Statutory U.S. Federal tax rate	35.0%	35.0%
Change in tax rate resulting from:		
State income taxes—net of Federal benefit	2.8	1.5
Foreign income taxes—net	0.5	0.1
Non-deductible expenses	1.7	0.9
Non-taxable income	(1.4)	(1.7)
Prior year permanent difference true-up	1.0	(1.8)
U.S. business credits	(3.7)	(3.5)
Valuation allowances	1.6	2.4
Reserves for tax contingencies	(4.1)	1.4
Additional tax effect on current year's undistributed earnings	(0.4)	1.8
Others—net	(0.1)	(0.8)
Effective tax rate	<u>32.9%</u>	<u>35.3%</u>

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at March 31, 2013 and 2012 are as follows:

	March 31,	
	2013	2012
(In Thousands)		
Deferred tax assets:		
Allowance for doubtful receivables	\$ 5,702	\$ 6,010
Inventories	7,315	10,827
Derivative instruments	3,051	5,935
Impairment loss on long-lived assets	31,407	40,237
Net operating loss and credit carryforwards	123,915	94,692
Accrued expenses	11,362	12,556
Liabilities for defined benefit plans	15,706	19,414
Others	4,384	18,150
Total gross deferred tax assets	<u>202,842</u>	<u>207,821</u>
Valuation allowances	(71,355)	(64,096)
Net deferred tax assets	<u>131,487</u>	<u>143,725</u>
Deferred tax liabilities:		
Depreciation and amortization	(293,340)	(290,806)
Undistributed earnings of foreign subsidiaries	(29,319)	(21,955)
Investments	(59,963)	(56,529)
Total gross deferred tax liabilities	<u>(382,622)</u>	<u>(369,290)</u>
Net deferred tax liabilities	<u>\$(251,135)</u>	<u>\$(225,565)</u>

At March 31, 2013, the Company has Federal net operating loss carryforwards of approximately \$34.5 million which will expire starting after the year ending March 31, 2029. The Company has state net operating loss carryforwards of approximately \$392.1 million which will expire primarily between the years ending March 31, 2016 and March 31, 2034. The Company has foreign net operating loss carryforwards of approximately \$69.8 million which have no expiration and foreign net operating loss carryforwards of approximately \$15.9 million, which will expire after the year ending March 31, 2023. At March 31, 2013, the Company also has tax credit carryforwards of approximately \$68.1 million. If not used, these credits will expire between the years ending March 31, 2015 and March 31, 2034.



At March 31, 2013 and 2012, 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, 2013 and 2012 were increases of approximately \$7.3 million and \$21.0 million, respectively.

Certain foreign subsidiaries had undistributed earnings amounting to approximately \$72.6 million and \$106.5 million at March 31, 2013 and 2012, 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, 2013 and 2012 is as follows:

	(In Thousands)
Balance at April 1, 2011	\$ 38,822
Additions for tax positions of prior years	1,455
Reductions for tax positions of prior years	(18)
Additions based on tax positions related to the year ended March 31, 2012	2,994
Settlements with tax authorities	<u>(194)</u>
Balance at March 31, 2012	43,059
Additions for tax positions of prior years	2,824
Reductions for tax positions of prior years	(19,241)
Additions based on tax positions related to the year ended March 31, 2013	5,776
Lapse of statute of limitations during the year ended March 31, 2013	<u>(735)</u>
Balance at March 31, 2013	<u>\$ 31,683</u>

The total amounts of unrecognized tax benefits that, if recognized, would affect the effective tax rate were approximately \$28.8 million and \$40.2 million at March 31, 2013 and 2012, respectively.

For the years ended March 31, 2013 and 2012, the Company recorded interest and penalties related to unrecognized tax benefits of approximately (\$0.2) million and \$1.1 million, respectively, in the provision for income taxes. Included in other liabilities in the consolidated balance sheets were accrued interest and penalties of approximately \$6.3 million and \$6.5 million at March 31, 2013 and 2012, respectively.

Due to the potential for resolution of examinations and the expiration of various statutes of limitations, it is reasonably possible that the Company's unrecognized tax benefits balance may decrease within the next twelve months by approximately \$2.3 million.

The Company is subject to income taxes in the U.S. and various foreign jurisdictions. With a few exceptions, the Company is no longer subject to U.S. Federal, state, local and foreign income tax examinations for the years before March 31, 2008. The Internal Revenue Service is currently auditing the Company's tax returns for the years ended March 31, 2009 through 2011.

11. LEASES

The Company is engaged, as a lessor, in lease financing consisting of certain direct financing, sales-type and leveraged leases.

Effective September 1, 2012, in conjunction with certain lease term modifications, the Company reclassified related leases from direct financing leases to operating leases. The Company removed the net investment in direct financing leases and recognized property leased to others at the fair value at September 1, 2012. The net adjustment of approximately \$25.4 million was charged to selling, general and administrative expenses in the accompanying consolidated statements of comprehensive income for the year ended March 31, 2013.

In May 2012, the Company began providing waste water treatment services in Mexico. This service agreement expires in November 2029 and is accounted for as sales-type lease. The Company recorded sales and cost of sales of approximately \$45.7 million and \$40.2 million, respectively, at the inception of the lease.



Investments in financing leases (primarily collateralized by aircrafts, railcars and water treatment plant) are comprised of the following:

	March 31,	
	2013	2012
	(In Thousands)	
Direct financing and sales-type leases:		
Minimum lease payments	\$ 272,628	\$301,452
Estimated unguaranteed residual value of leased assets	65,882	88,390
Unearned income	(105,252)	(98,546)
Allowance for doubtful accounts	(1,261)	(1,376)
Net investment in direct financing and sales-type leases	231,997	289,920
Current portion	(14,479)	(20,374)
Long-term portion of direct financing and sales-type leases	<u>\$ 217,518</u>	<u>\$269,546</u>
Leveraged leases:		
Minimum lease payments—(net of principal and interest on third party nonrecourse debt)	\$ 39,286	\$ 39,287
Estimated unguaranteed residual value of leased assets	47,194	47,195
Unearned income	(17,513)	(19,214)
Investments in leveraged leases	68,967	67,268
Current portion	1,953	1,701
Long-term portion of leveraged leases	70,920	68,969
Deferred tax liabilities arising from leveraged leases	(49,666)	(55,469)
Net investment in leveraged leases	<u>\$ 21,254</u>	<u>\$ 13,500</u>

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

	Direct Financing and Sales-Type Leases	Leveraged Leases
	(In Thousands)	
2014	\$ 31,294	\$ 680
2015	31,104	4,514
2016	31,104	10,106
2017	31,104	15,310
2018	30,030	6,862
Thereafter	117,992	1,814
Total minimum payments	<u>\$272,628</u>	<u>\$39,286</u>



The Company is also engaged, as a lessor, in various operating leases. The Company's property leased to others under operating leases, by asset class, at March 31, 2013 and 2012 are as follows:

	Cost	Accumulated Depreciation (In Thousands)	Net
March 31, 2013			
Tanks and pipelines	\$379,003	\$(157,532)	\$221,471
Real estate properties	258,785	(17,223)	241,562
Aircrafts	45,300	(2,941)	42,359
Total	<u>\$683,088</u>	<u>\$(177,696)</u>	<u>\$505,392</u>
March 31, 2012			
Tanks and pipelines	\$344,997	\$(149,150)	\$195,847
Real estate properties	190,377	(16,968)	173,409
Total	<u>\$535,374</u>	<u>\$(166,118)</u>	<u>\$369,256</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)
2014	\$100,431
2015	63,313
2016	37,154
2017	27,672
2018	22,677
Thereafter	41,886
Total minimum payments to be received	<u>\$293,133</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, 2013 and 2012:

	March 31,	
	2013	2012
	(In Thousands)	
Equipment and fixtures	\$ 84,392	\$ 71,591
Less—accumulated amortization	(41,142)	(38,018)
Net	<u>\$ 43,250</u>	<u>\$ 33,573</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)	
2014	\$ 2,378	\$ 34,758
2015	2,359	21,021
2016	2,345	18,622
2017	2,303	15,336
2018	2,275	9,727
Thereafter	86,505	23,418
Total minimum payments required*	98,165	<u>\$122,882</u>
Less—amount representing interest	(32,981)	
	65,184	
Less—current portion	(330)	
Long-term obligations	<u>\$ 64,854</u>	

* Minimum payments have not been reduced by aggregate minimum sublease rentals of approximately \$4.6 million under operating leases due in the future under noncancelable subleases.

Rental expense relating to operating leases from continuing operations was approximately \$56.2 million and \$104.2 million for the years ended March 31, 2013 and 2012, respectively. Sublease rental income from continuing operations was approximately \$7.2 million and \$25.5 million for the years ended March 31, 2013 and 2012, 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. In addition to providing pension benefits, Mitsui USA and Novus provide certain healthcare benefits for retired employees.



Changes in benefit obligations, plan assets and funded status are comprised of the following for the years ended March 31, 2013 and 2012:

	Pension Benefits March 31,		Postretirement Benefits March 31,	
	2013	2012	2013	2012
	(In Thousands)		(In Thousands)	
Changes in benefit obligations:				
Benefit obligations at beginning of year . . .	\$126,692	\$107,757	\$ 11,230	\$ 9,560
Service cost	3,806	3,247	442	292
Interest cost	6,173	6,203	523	484
Plan participants' contributions	—	—	268	244
Benefits paid	(6,255)	(3,493)	(819)	(481)
Actuarial loss	8,963	12,978	4,312	1,131
Settlement of pension plan	(55)	—	—	—
Benefit obligations at end of year	<u>139,324</u>	<u>126,692</u>	<u>15,956</u>	<u>11,230</u>
Changes in plan assets:				
Fair value of plan assets at beginning of year	92,527	82,828	—	—
Actual return on plan assets	9,019	5,254	—	—
Employer contributions	9,941	7,938	551	237
Plan participants' contributions	—	—	268	244
Benefits paid	(6,255)	(3,493)	(819)	(481)
Fair value of plan assets at end of year . . .	<u>105,232</u>	<u>92,527</u>	<u>—</u>	<u>—</u>
Funded status at end of year	<u>\$ (34,092)</u>	<u>\$ (34,165)</u>	<u>\$ (15,956)</u>	<u>\$ (11,230)</u>
Amounts recognized in the consolidated balance sheets at March 31:				
Other current assets	\$ 2,061	\$ 2,019	\$ —	\$ —
Accrued expenses and other	—	—	510	359
Other liabilities	36,153	36,184	15,446	10,871
Amounts recognized in accumulated other comprehensive (loss) income at March 31:				
Net transition obligation	—	—	(273)	(477)
Prior service cost	(56)	(67)	453	479
Net actuarial loss	<u>(52,012)</u>	<u>(49,913)</u>	<u>(6,079)</u>	<u>(1,883)</u>
Balance prior to income taxes and noncontrolling interests	<u>\$ (52,068)</u>	<u>\$ (49,980)</u>	<u>\$ (5,899)</u>	<u>\$ (1,881)</u>

The accumulated benefit obligations for the pension plans were approximately \$127.9 million and \$116.6 million at March 31, 2013 and 2012, respectively.



Net periodic benefit cost is comprised of the following for the years ended March 31, 2013 and 2012:

	Pension Benefits March 31,		Postretirement Benefits March 31,	
	2013	2012	2013	2012
	(In Thousands)		(In Thousands)	
Service cost	\$ 3,806	\$ 3,247	\$ 442	\$292
Interest cost	6,173	6,203	523	484
Expected return on plan assets	(6,951)	(6,225)	—	—
Amortization of transition obligation	—	—	204	204
Amortization of prior service cost	12	12	(27)	(27)
Recognized actuarial loss (gain)	3,801	2,818	117	(40)
Recognized loss on settlement	940	—	—	—
Net periodic benefit cost	<u>\$ 7,781</u>	<u>\$ 6,055</u>	<u>\$1,259</u>	<u>\$913</u>

The amounts recognized in other comprehensive loss (income) before income taxes and noncontrolling interests during the years ended March 31, 2013 and 2012 were as follows:

	Pension Benefits March 31,		Postretirement Benefits March 31,	
	2013	2012	2013	2012
	(In Thousands)		(In Thousands)	
Net actuarial loss incurred during the year	\$ 6,841	\$13,950	\$4,312	\$1,131
Amortization of transition obligation	—	—	(204)	(204)
Amortization of prior service cost	(12)	(12)	27	27
Recognized actuarial (gain) loss	(3,801)	(2,818)	(117)	40
Recognized loss on settlement	(940)	—	—	—
	<u>\$ 2,088</u>	<u>\$11,120</u>	<u>\$4,018</u>	<u>\$ 994</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	\$3,878	\$390
Transition obligation	—	21
Prior service cost	12	(27)
	<u>\$3,890</u>	<u>\$384</u>



Significant assumptions for the Company's pension and other postretirement benefit plans for the years ended March 31, 2013 and 2012 are as follows:

	Pension Benefits		Postretirement Benefits	
	2013	2012	2013	2012
Weighted average assumptions at year end:				
Discount rate	4.15% to 4.72%	4.41% to 5.14%	4.15% to 4.79%	4.00% to 4.54%
Rate of compensation increase	3.00%	3.00%	—	—
Weighted average assumptions used to determine net periodic benefit cost:				
Discount rate	4.41 to 5.14%	5.65% to 5.90%	4.00% to 4.54%	5.40% to 5.69%
Expected long-term rate of return on plan assets	7.25 to 7.50%	7.25 to 7.50%	—	—
Rate of compensation increase	3.00%	3.00%	—	—

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

Assumed health care cost trend rates have been used in the valuation of postretirement health care benefits. During the year ended March 31, 2013, the medical health care cost trend rate was 10.0%, decreasing to 4.0% to 4.65% through 2018, and the dental health care cost trend rate was 5.0%. Increasing the health care cost trend rate by 1.0% would increase the accumulated benefit obligations to \$18.4 million or by 15.3%, and the aggregate of the service and interest cost components of the net periodic benefit cost would increase from \$1.0 million to \$1.1 million or by 18.7%, including life insurance. Decreasing the health care cost trend rate by 1.0% would decrease the accumulated benefit obligations to \$14.0 million or by 12.1%, and the aggregate of the service and interest cost components of the net periodic benefit cost would decrease from \$1.0 million to \$0.8 million or by 14.3%, including life insurance. During the year ended March 31, 2012, the medical health care cost trend rate was 10.0% and the dental health care cost trend rate was 4.5%.

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

The target allocations for the pension assets at March 31, 2013 and 2012, by asset class, are as follows:

	March 31, 2013		March 31, 2012	
	Percentage of plan assets	Target allocation	Percentage of plan assets	Target allocation
Equity securities	60%	50%-70%	59%	50%-70%
Debt securities	32	30%-50%	31	30%-50%
Insurance contract—fixed income	7	0%-14%	8	0%-14%
Other	1	0%-20%	2	0%-20%
Total	<u>100%</u>		<u>100%</u>	

The following table presents the Company's pension plan assets using the fair value hierarchy as of March 31, 2013 and 2012. 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, 2013 Using			Total
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	
	(In Thousands)			
Collective trust funds:				
U.S. equity	\$—	\$33,375	\$ —	\$ 33,375
Non-U.S. equity	—	13,718	—	13,718
Government, corporate and other non-government debt	—	21,982	—	21,982
Pooled separate accounts:				
U.S. equity	—	13,579	—	13,579
Non-U.S. equity	—	2,682	—	2,682
Government and corporate debt	—	11,826	—	11,826
Insurance contract	—	—	7,503	7,503
Other	30	537	—	567
Total plan assets	<u>\$30</u>	<u>\$97,699</u>	<u>\$7,503</u>	<u>\$105,232</u>

	Fair Value Measurements at March 31, 2012 Using			Total
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	
	(In Thousands)			
Collective trust funds:				
U.S. equity	\$—	\$25,557	\$ —	\$25,557
Non-U.S. equity	—	12,217	—	12,217
Government, corporate and other non-government debt	—	19,307	—	19,307
Pooled separate accounts:				
U.S. equity	—	14,125	—	14,125
Non-U.S. equity	—	2,586	—	2,586
Government and corporate debt	—	9,437	—	9,437
Insurance contract	—	—	7,679	7,679
Other	30	1,589	—	1,619
Total plan assets	<u>\$30</u>	<u>\$84,818</u>	<u>\$7,679</u>	<u>\$92,527</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, 2011	\$7,881
Actual return on plan assets	377
Benefit payments	(579)
Balance, March 31, 2012	7,679
Actual return on plan assets	396
Benefit payments	(572)
Balance, March 31, 2013	<u>\$7,503</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 \$12.2 million and \$0.5 million to the pension and other postretirement benefit plans, respectively, for the year ending March 31, 2014.

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

	Pension Benefits
	(In Thousands)
2014	\$ 4,468
2015	4,788
2016	5,159
2017	5,415
2018	5,735
2019-2023	34,815

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

	Postretirement Benefits
	(In Thousands)
2014	\$ 510
2015	556
2016	623
2017	669
2018	730
2019-2023	4,440

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 \$4.2 million and \$6.9 million for the years ended March 31, 2013 and 2012, respectively.

13. COMMITMENTS AND CONTINGENCIES

At March 31, 2013 and 2012, the Company had commercial letters of credit outstanding of approximately \$20.6 million and \$67.4 million, respectively.

It is a customary practice of the Company to guarantee, severally or jointly with Mitsui Japan, indebtedness of mainly associated companies of Mitsui USA which are consolidated subsidiaries of Mitsui Japan to facilitate the trading activities of the associated companies. In addition, the Company entered into agreements with



certain associated companies of Mitsui USA which are consolidated subsidiaries of Mitsui Japan to guarantee and indemnify each third party for any liabilities arising from certain trading transactions. At March 31, 2013 and 2012, the aggregate amount of outstanding guarantees was approximately \$304.5 million and \$327.0 million, respectively, with a maximum potential guarantee amount of approximately \$3,212.6 million (through 2029) and \$3,029.2 million (through 2029), respectively. The maximum potential guarantee amount represents the amounts, without consideration of possible recoveries under recourse provisions or from collateral held or pledged, that the Company could be obliged to pay if there were defaults by guaranteed parties or there were changes in an underlying collateral which would cause triggering events under market value guarantees and indemnification contracts. Currently, the Company does not anticipate any losses related to such guarantees.

The Company customarily enters into long-term purchase contracts (usually with related sales contracts) for certain inventories. At March 31, 2013 and 2012, long-term purchase contracts at fixed or basic purchase prices amounted to approximately \$1,275.2 million (through 2021) and \$1,404.1 million (through 2021), respectively. For the years ended March 31, 2013 and 2012, approximately 11.4% and 7.4% of the Company's total revenues, respectively, were derived from one key raw material that was purchased from a sole supplier. This situation represents a significant operational risk if the supplier of this key raw material was interrupted. To secure a supply of certain inventories through 2021, the Company has prepaid for a portion of the cost of such inventories in the amount of approximately \$91.9 million and \$104.7 million at March 31, 2013 and 2012, respectively, which are recorded in noncurrent advances, receivables and other in the accompanying consolidated balance sheets.

The Company has extended approximately \$100.0 million and \$130.0 million of line of credit at March 31, 2013 and 2012, respectively (of which approximately \$39.5 million and \$92.5 million was outstanding at March 31, 2013 and 2012, respectively) to an affiliate, which will expire on April 1, 2014.

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.

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 into hedge the underlying business exposures, market risks in those derivative instruments are basically offset by equal and opposite movements in the underlying exposures. The Company has a risk management department which independently monitors and analyzes the positions of derivative transactions and reports the analysis to management, strengthening the Company's ability to manage derivative risks comprehensively. In addition, the Company sets position limits based on accumulated notional amounts with each counterparty and changes these limits based on the counterparty's current rating by independent institutions.

The Company designates certain interest rate and foreign currency swap contracts and petroleum-related futures and forward physical contracts as fair value hedges when the hedging instrument is highly effective in offsetting the risk of changes in the fair value of hedged item. The hedging strategies represent fair value hedges of interest rate and foreign currency exchange rate exposures related to long-term debt, and the variable price risk associated with exposure to fluctuations in the prices of petroleum-related products (inventories). For all derivative instruments designated as fair value hedges, the Company documents the relationship between the hedging instrument and the hedged item, as well as the risk management objective and strategy for using the hedging instrument. The Company assesses whether a change in the value of the designated derivative instrument is highly effective in achieving offsetting changes in fair value of hedged item both at the inception of the hedge and on an ongoing basis. The Company utilizes regression analysis



and pricing models to determine hedge effectiveness. Changes in the fair value of such derivative instruments and changes in the fair value of hedged assets and liabilities attributable to the hedged risk, which are determined to be effective, are recorded currently in earnings. No fair value hedges were discontinued during the years ended March 31, 2013 and 2012.

The Company designates certain foreign currency forward and option contracts as cash flow hedges when the hedging instrument is highly effective in offsetting the exposure of fluctuations in future cash flows from the forecasted sales transactions and payments denominated in foreign currencies. Anticipated transactions must be probable of occurrence, and their significant terms and characteristics must be identified. For all hedging instruments used in cash flow hedges, the Company documents the relationship between the hedging instrument and the hedged item as well as the risk management objective and strategy for using the hedging instrument. The Company assesses whether a change in the value of the designated derivative instrument is highly effective in achieving offsetting cash flows attributing to the hedged item, both at the inception of the hedge and on an ongoing basis. Any changes in fair value of derivative instruments that are considered highly effective are reported in accumulated other comprehensive (loss) income, while changes in fair value of derivative instruments that are not effective are recognized currently in earnings as other income—net in the accompanying consolidated statements of comprehensive income. No significant amount of the unrealized gain (loss) included in accumulated other comprehensive loss at March 31, 2013 is expected to be recognized in earnings during the next 12 months. The maximum term over which the Company is hedging exposures to the variability of cash flow for forecasted transactions excluding variable interest payments on existing financial instruments is 12 months. No cash flow hedges were discontinued during the years ended March 31, 2013 and 2012.



NOTE TO CONSOLIDATED FINANCIAL STATEMENTS—(continued)

The following table represents the fair value of the Company's derivative instruments recorded in the consolidated balance sheets at March 31, 2013 and 2012:

Gross Derivative Assets			Gross Derivative Liabilities		
Balance Sheet Location	Fair Value at March 31,		Balance Sheet Location	Fair Value at March 31,	
	2013	2012		2013	2012
	(In Thousands)			(In Thousands)	
Derivatives designated as hedging instruments:			Derivatives designated as hedging instruments:		
Interest rate contracts	\$ —	\$ —	Interest rate contracts:		
			Accrued expenses and other . . .	\$ 1,148	\$ 944
			Other liabilities	4,538	2,933
Foreign exchange contracts:			Foreign exchange contracts—		
Other current assets	4,902	8,149	Accrued expenses and other . . .	865	478
Noncurrent advances, receivables and other	21,730	49,132	Commodity contracts:		
Commodity contracts—			Other current assets	—	101
Other current assets	—	295	Accrued expenses and other . . .	—	164
Total	<u>\$ 26,632</u>	<u>\$ 57,576</u>	Total	<u>\$ 6,551</u>	<u>\$ 4,620</u>
Derivatives not designated as hedging instruments:			Derivatives not designated as hedging instruments:		
Interest rate contracts—			Interest rate contracts:		
Other current assets	\$ —	\$ 4,162	Accrued expenses and other . . .	\$ —	\$ 9,114
Foreign exchange contracts—			Other liabilities	5,211	—
Other current assets	944	2,139	Foreign exchange contracts:		
Commodity contracts:			Other current assets	3	28
Other current assets	65,388	214,429	Accrued expenses and other . . .	907	345
Accrued expenses and other . . .	22,704	1,740	Commodity contracts:		
Accounts and noted receivables—Parent and affiliated companies	10,311	3,564	Other current assets	11,286	152,470
Note, acceptances and accounts payable—Parent and affiliated companies	10,530	—	Accrued expenses and other . . .	42,405	75,564
Noncurrent advances, receivables and other	346	398	Note, acceptances and accounts payable—Parent and affiliated companies	21,687	11,654
Total	<u>\$110,223</u>	<u>\$226,432</u>	Other liabilities	187	656
			Total	<u>\$81,686</u>	<u>\$249,831</u>

The following table represents the effects of fair value hedges on the Company's consolidated statements of comprehensive income for the years ended March 31, 2013 and 2012:

	Location of (Loss) Gain Recognized in Earnings	Amount of (Loss) Gain Recognized in Earnings					
		2013			2012		
		Derivatives	Hedged Items	Hedge Ineffectiveness	Derivatives	Hedged Items	Hedge Ineffectiveness
		(In Thousands)			(In Thousands)		
Foreign exchange contracts	Other income—net	\$(30,934)	\$32,496	\$1,562	\$(43,787)	\$44,669	\$882
Commodity contracts	Cost of products sold	—	—	—	2,652	(2,673)	(21)
Total		<u>\$(30,934)</u>	<u>\$32,496</u>	<u>\$1,562</u>	<u>\$(41,135)</u>	<u>\$41,996</u>	<u>\$861</u>



NOTE TO CONSOLIDATED FINANCIAL STATEMENTS—(continued)

The following table represents the effects of derivative instruments not designated as hedging instruments on the Company's consolidated statements of comprehensive income for the years ended March 31, 2013 and 2012:

	Location of Gain (Loss) Recognized in Earnings	Amount of Gain (Loss) Recognized in Earnings	
		2013	2012
(In Thousands)			
Interest rate contracts	Other income—net	\$ 2,140	\$ 3,663
Foreign exchange contracts	Other income—net	(4,657)	(144)
Commodity contracts	Cost of products sold	2,615	(112,322)
Commodity contracts	Other income—net	99	1,035
Total		<u>\$ 197</u>	<u>\$(107,768)</u>

The following table represents the effects of cash flow hedges on the Company's other comprehensive income (loss) and consolidated statements of comprehensive income for the years ended March 31, 2013 and 2012:

	Amount of Gain (Loss) Recognized in Other Comprehensive (Loss) Income (Effective Portion)		Location of Gain Reclassified from Accumulated Other Comprehensive (Loss) Income into Earnings	Amount of Gain Reclassified from Accumulated Other Comprehensive (Loss) Income into Earnings (Effective Portion)		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)	
	2013	2012		2013	2012		2013	2012
(In Thousands)								
Interest rate contracts	\$(1,695)	\$(2,550)	Other income—net	\$ —	\$ —	Other income—net	\$—	\$(18)
Foreign exchange contracts	1,717	1,934	Other income—net	(1,821)	169	Other income—net	—	—
Total	<u>\$ 22</u>	<u>\$ (616)</u>		<u>\$(1,821)</u>	<u>\$169</u>		<u>\$—</u>	<u>\$(18)</u>

The Company had the following outstanding derivative instruments at March 31, 2013 and 2012:

	Notional Amount or Number of Units	
	2013	2012
Derivative instruments designated as hedging instruments:		
Interest rate swaps	\$ 24 million	\$ 23 million
Foreign currency swaps	\$ 159 million	\$ 207 million
Foreign currency forward contracts	\$ 88 million	\$ 66 million
Petroleum forward contracts—sales	—	156,000 bbl
Petroleum futures—short	—	10,000 bbl
Derivative instruments not designated as hedging instruments:		
Interest rate swaps	\$ 59 million	\$ 161 million
Foreign currency forward contracts	\$ 84 million	\$ 105 million
Petroleum forward contracts—purchases	—	3,694,000 bbl
Petroleum forward contracts—sales	—	3,918,000 bbl
Petroleum futures and swaps—long	9,998,000 bbl	20,896,000 bbl
Petroleum futures and swaps—short	13,903,000 bbl	22,902,000 bbl
Agricultural commodity forward contracts—purchases	3,891,000 MT	2,104,000 MT
Agricultural commodity forward contracts—sales	3,068,000 MT	2,162,000 MT
Agricultural commodity futures—long	126,000 MT	494,000 MT
Agricultural commodity futures—short	1,907,000 MT	852,000 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, 2013 and 2012, cash in broker accounts, included in other current assets in the accompanying consolidated balance sheets, amounted to approximately \$56.0 million and \$59.0 million, respectively.

16. RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

ASC 820, "Fair Value Measurement," 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, 2013 and 2012. As required by ASC 820, assets and liabilities are classified based on the lowest level of input that is a significant component of the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the classification of assets and liabilities within fair value hierarchy levels.

	Fair Value Measurements at March 31, 2013 Using:			
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total
	(In Thousands)			
Assets:				
Grain inventories	\$ —	\$ 72,461	\$ —	\$ 72,461
Marketable securities	25,762	—	—	25,762
Derivative assets:				
Foreign currency exchange contracts	—	27,576	—	27,576
Commodity contracts	21,770	84,849	2,660	109,279*
Total assets	<u>\$47,532</u>	<u>\$184,886</u>	<u>\$2,660</u>	<u>\$235,078</u>
Liabilities:				
Derivative liabilities:				
Foreign currency exchange contracts	\$ —	\$ 1,775	\$ —	\$ 1,775
Interest rate contracts	—	10,897	—	10,897
Commodity contracts	9,534	63,714	2,317	75,565*
Total liabilities	<u>\$ 9,534</u>	<u>\$ 76,386</u>	<u>\$2,317</u>	<u>\$ 88,237</u>

* See following page.



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

* 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 \$44.5 million and \$154.3 million at March 31, 2013 and 2012, respectively.

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

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

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

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



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

(In Thousands)	Balance at April 1, 2012	Total Realized Gains Included in Earnings	Purchases, Issuance, and Settlements	Transfers in/out of Level 3	Balance at March 31, 2013	Total Change in Unrealized Gains Relating to Assets Still Held at March 31, 2013
Derivative assets—net commodity contracts . . .	<u>\$2,708</u>	<u>\$4,178</u>	<u>\$(6,543)</u>	<u>\$—</u>	<u>\$343</u>	<u>\$—</u>

(In Thousands)	Balance at April 1, 2011	Total Realized/Unrealized Losses Included in Earnings	Purchases, Issuances, and Settlements	Transfers in/out of Level 3	Balance at March 31, 2012	Total Change in Unrealized Gains Relating to Assets Still Held at March 31, 2012
Derivative (liabilities) assets—net commodity contracts	<u>\$(130)</u>	<u>\$16,970</u>	<u>\$(14,165)</u>	<u>\$33</u>	<u>\$2,708</u>	<u>\$12,216</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, 2013 and 2012:

	Fair Value Measurements during the Year Ended March 31, 2013 Using				Total Losses for the Year Ended March 31, 2013
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total	
	(In Thousands)				
Property and equipment	\$—	\$—	\$47,872	\$47,872	\$(28,717)*
Intangible assets	—	—	—	—	(11,614)*
Other non-marketable investments	—	—	—	—	(1,922)
Total	<u>\$—</u>	<u>\$—</u>	<u>\$47,872</u>	<u>\$47,872</u>	<u>\$(42,253)</u>

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

* Includes amounts related to discontinued operations as discussed in Note 4.

Property and equipment, goodwill and intangible assets: The assets are primarily valued based on independent appraisal or discounted future cash flows whichever management considers most appropriate. Independent appraisals mainly used a market approach considering historical market transactions, market share, and overall age and conditions of properties. Inputs used in discounted cash flows included rates of return on investments, estimated risk premiums as well as other economic variables.

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. If measured at fair value in the financial statements, these financial instruments would be classified as Level 3 in the fair value hierarchy.



Noncurrent advances, receivables and other and advances to associated companies: The carrying amounts of noncurrent trade receivables, including long-term loans receivable, approximate fair value as the interest rates of these assets are based on current rates. If measured at fair value in the financial statements, these financial instruments would be classified as Level 3 in the fair value hierarchy.

Long-term debt: The fair values of long-term debt 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. If measured at fair value in the financial statements, long-term debt (including the current portion) would be classified as Level 2 in the fair value hierarchy.

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, 2013 and 2012, the fair value of guarantees issued by the Company was not material.

17. BUSINESS SEGMENTS AND RELATED PARTY TRANSACTIONS INFORMATION

The Company's principal business activities are classified into the following operating segments: "Iron & Steel Products," "Mineral & Metal Resources," "Infrastructure Business," "Motor Vehicles & Construction Machinery," "Chemicals," "Energy," "Food & Retail," "Consumer Service," and others. Business segments are based on products and services for sale. The following are the amounts which are based on products and services for sale and are used by the Company in managing its business for the years ended March 31, 2013 and 2012:

(In Thousands)	Iron & Steel Products	Mineral & Metal Resources	Infrastructure Business	Motor Vehicles & Construction Machinery	Chemicals	Energy	Food & Retail	Consumer Service	Others	Corporate, Adjustments & Eliminations	Total
March 31, 2013:											
Total revenues	\$1,338,469	\$104,557	\$ 74,986	\$ 29,967	\$1,768,005	\$ 1,968,437	\$2,197,544	\$171,852	\$ 44,665	\$ 4,969	\$ 7,703,451
Gross profit (loss)	99,686 ¹	3,137	9,945	1,821 ¹	410,381 ¹	(6,643) ¹	31,955	47,236	5,526	4,179	607,223
Net income (loss) attributable to Mitsui USA	36,161	9,990	5,438	16,346	43,684 ^{2,3}	(13,346)	(611)	22,892	(13,394) ⁴	7,699	114,859
Total assets	1,203,244	65,002	249,211	119,475	1,686,984 ³	647,794	829,062	553,057 ³	364,801	50,005	5,768,635
March 31, 2012:											
Total revenues	\$1,256,905	\$ 99,109	\$ 33,474	\$ 35,641	\$2,096,097	\$ 7,190,613	\$2,158,689	\$177,421	\$ 30,614	\$ 8,701	\$13,087,264
Gross profit (loss)	102,986	2,574	8,046	1,434	508,754 ¹	(30,413) ¹	59,623 ¹	41,599	5,249	7,846	707,698
Net income (loss) attributable to Mitsui USA	38,964	11,787	10,634	17,124	103,333 ^{2,3}	(24,987)	14,024	1,045 ^{2,3}	11,826 ³	2,803	186,553
Total assets	941,711	56,879	253,290	106,481	1,765,879 ³	698,505	704,314	530,788 ³	539,078 ³	53,374	5,650,299

¹ Includes inventory lower of cost or market change as discussed in Note 2.

² Includes impairment loss on goodwill and other intangible assets as discussed in Note 4.

³ Includes discontinued operations as discussed in Note 4.

⁴ Includes charges related to modification of certain direct financing leases as discussed in Note 11.

During the year ended March 31, 2013, Westport Petroleum, Inc. ("Westport"), an 80% owned subsidiary of the Company, changed its business model. Prior to July 2012, Westport was primarily engaged in trading, wholesaling, blending, and transporting petroleum products and components domestically and in major international energy markets. Effective July 1, 2012, Westport entered into a service agreement with a related party headquartered in Singapore and started to operate as a procurement arm for the entity. As a result of this business model change, Westport's trading volume decreased significantly during the year ended March 31, 2013 and its revenue was decreased from approximately \$7.2 billion for the year ended March 31, 2012 to \$1.9 billion for the year ended March 31, 2013. Under the service agreement, Westport recognized service revenue of approximately \$10.0 million, included in other income—net in the consolidated statements of comprehensive income, during the year ended March 31, 2013.

For the years ended March 31, 2013 and 2012, total revenues with Mitsui Japan and its affiliates were approximately \$1,753.6 million and \$780.2 million, respectively. For the years ended March 31, 2013 and 2012, total purchases from Mitsui Japan and its affiliates were approximately \$921.1 million and \$596.3 million, respectively. In addition, other income—net includes service fees from Mitsui Japan of approximately \$46.5 million and \$39.2 million for the years ended March 31, 2013 and 2012, respectively.



MITSUI & CO. (U.S.A.), INC. AND SUBSIDIARIES
NOTE 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, 2013 and 2012:

	March 31,	
	2013	2012
	(In Thousands)	
United States	\$3,325,629	\$ 6,692,193
Singapore	1,399,138	1,626,358
China	1,193,321	106,836
Japan	488,034	836,140
Other foreign countries	1,297,329	3,825,737
Total	<u>\$7,703,451</u>	<u>\$13,087,264</u>

18. SUBSEQUENT EVENTS

Subsequent events have been evaluated through July 10, 2013, which is the date that the consolidated financial statements were available to be issued. As a result of this evaluation, the Company noted no subsequent events that require disclosure in the consolidated financial statements.



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

NEW YORK—Headquarters
200 Park Avenue
New York, New York 10166
212-878-4000
212-878-4800-Fax

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

CLEVELAND
4125 Highlander Parkway
Suite 220
Richfield, OH 44286
330-659-2920
330-659-3196-Fax

DETROIT
101 W. Big Beaver Road
Suite 820
Troy, MI 48084
248-457-4000
248-457-4067-Fax

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

LOS ANGELES
350 South Grand Avenue
Suite 3900
Los Angeles, CA 90071
213-896-1100
213-688-1138-Fax

NASHVILLE
25 Century Blvd.
Suite 310
Nashville, TN 37214
615-885-5318
615-885-5483-Fax

SEATTLE
1201 Third Avenue
Suite 1560
Seattle, WA 98101
206-223-5604
206-223-5651-Fax

SILICON VALLEY
535 Middlefield Road
Suite 100
Menlo Park, CA 94025
650-234-5000
650-234-5029-Fax

WASHINGTON, D.C.
750 17th Street, N.W.
Suite 400
Washington, D.C. 20006
202-861-0660
202-861-0437-Fax

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



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