MITSUI & CO LTD
Form 6-K
May 07, 2008

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Private Issuer

Consolidated Financial Results for the Year Ended March 31, 2008

Pursuant to Rule 13a-16 or 15d-16

of the Securities Exchange Act of 1934

For the month of May 7, 2008

Commission File Number 09929

Mitsui & Co., Ltd.

(Translation of registrant s name into English)

2-1, Ohtemachi 1-chome Chiyoda-ku, Tokyo 100-0004 Japan

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form 20-F __X__ Form 40-F ______

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): ______

Note: Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): ______

Note: Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant s home country), or under the rules of the home country exchange on which the registrant s securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant s security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes ______ No __X__

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-_____

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: May 7, 2008

MITSUI & CO., LTD.

By: /s/ Junichi Matsumoto
Name: Junichi Matsumoto
Title: Executive Director
Executive Vice President
Chief Financial Officer

Consolidated Financial Results for the Year Ended March 31, 2008

[Based on accounting principles generally accepted in the United States of America (U.S. GAAP)]

Tokyo, May 2, 2008 Mitsui & Co., Ltd. announced its consolidated financial results for the year ended March 31, 2008.

Mitsui & Co., Ltd. and subsidiaries

(Web Site : http://www.mitsui.co.jp)

President and Chief Executive Officer : Shoei Utsuda

Investor Relations Contacts : Katsurao Yoshimori, General Manager, Investor Relations Division

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1. Consolidated financial results (Unaudited)

(1) Consolidated operating results information for the year ended March 31, 2008

		Year ended March 31,			
		2008	**change(%)**	**2007**	**change(%)**
Revenues	Millions of yen	5,738,878	19.7	4,793,597	19.0
Income from continuing operations before income taxes, minority interests and equity in earnings	Millions of yen	402,004	30.0	309,174	15.1
Net income	Millions of yen	410,061	36.0	301,502	49.0
Net income per share, basic	Yen	227.20		174.26	
Net income per share, diluted	Yen	224.82		165.32	
Return on equity	%	19.1		15.9	

(*): Equity in earnings of associated companies - net (after income tax effect) for the years ended March 31, 2008 and 2007 were ¥154,268 million and ¥153,094 million, respectively.

Notes:

1. Percentage figures for Revenues, Income from continuing operations before income taxes, minority interests and equity in earnings, and Net income represent changes from the previous year.
2. In accordance with Statement of Financial Accounting Standards (SFAS) No.144, Accounting for the Impairment or Disposal of Long-Lived Assets, the figures for the year ended March 31, 2007 relating to discontinued operations have been reclassified from income from continuing operations.

(2) Consolidated financial position information

		Year ended March 31,	
		2008	**2007**
Total assets	Millions of yen	9,690,879	9,813,312
Shareholders equity	Millions of yen	2,183,660	2,110,279
Shareholders equity ratio	%	22.5	21.5
Shareholders equity per share	Yen	1,202.03	1,182.48

(3) Consolidated cash flow information

		Year ended March 31, 2008	2007
Operating activities	Millions of yen	415,791	239,275
Investing activities	Millions of yen	(104,778)	(418,028)
Financing activities	Millions of yen	(185,129)	272,289
Cash and cash equivalents at the end of year	Millions of yen	899,264	800,032

2. Dividend information

		Year ended March 31, 2008	2007	(*) Year ending March 31, 2009
Interim dividend per share	Yen	23	17	25
Year-end dividend per share	Yen	23	17	25
Annual dividend per share	Yen	46	34	50
Annual dividend (total)	Millions of yen	83,521	59,631	
Consolidated dividend payout ratio	%	20.2	19.5	19.7

(*) The company has set the dividend payout ratio at around 20%, reflecting consolidated financial results. The forecast dividend per share for the year ending March 31, 2009 is computed assuming forecast annual net income of ¥460 billion for the year ending March 31, 2009 and the numbers of shares issued as of March 31, 2008. (The forecast net income per share for the year ending March 31, 2009 is calculated as ¥253.21.)

4. Others

(1) Change in accounting principles applied :

See the Basis of Consolidated Financial Statements for details.

(2) Number of shares outstanding as of March 31, 2008 and 2007 were 1,820,183,809 and 1,787,538,428, respectively. Numbers of treasury stock as of March 31, 2008 and 2007 were 3,543,891 and 2,911,367, respectively.

A Cautionary Note on Forward-Looking Statements:

This report contains statements (including figures) regarding Mitsui & Co., Ltd. (Mitsui) s corporate strategies, objectives, and views of future developments that are forward-looking in nature and are not simply reiterations of historical facts. These statements are presented to inform stakeholders of the views of Mitsui s management but should not be relied on solely in making investment and other decisions. You should be aware that a number of important risk factors could lead to outcomes that differ materially from those presented in such forward-looking statements. These include, but are not limited to, (i) changes in economic conditions that may lead to unforeseen developments in markets for products handled by Mitsui, (ii) fluctuations in currency exchange rates that may cause unexpected deterioration in the value of transactions, (iii) adverse political developments that may create unavoidable delays or postponement of transactions and projects, (iv) changes in laws, regulations, or policies in any of the countries where Mitsui conducts its operations that may affect Mitsui s ability to fulfill its commitments, and (v) significant changes in the competitive environment. In the course of its operations, Mitsui adopts measures to control these and other types of risks, but this does not constitute a guarantee that such measures will be effective.

I. Highlights of Consolidated Financial Results for the Year Ended March 31, 2008

1. Summary of Financial Results for the Year Ended March 31, 2008

(1) Operating environment

The global economy continued to expand vigorously supported by generally sound fundamentals and strong momentum in the Asian economy, led by China, and resilient activities in Europe and Japan, despite increasing uncertainty about the outlook of the United States with concerns that financial market strains could deepen and trigger a more pronounced economic slowdown.

Continued run-up of prices of internationally traded commodities such as metals and crude oil, as well as continued strong growth of domestic demand in emerging countries including BRICs for capital investment and consumption were the two major factors influencing the operating results and businesses of Mitsui and its subsidiaries. These factors particularly boosted operating results of Mitsui & Co., Ltd. and its subsidiaries mineral resources and energy related activities and supported steady business performance in steel products, machinery & infrastructure and chemicals.

On a regional basis, the business sentiment in the United States, which enjoyed a moderate growth during the first half as a result of healthy consumer spending reflecting robust performance in the business sector and growth in real disposable income, deteriorated significantly in the second half reflecting financial stress which erupted in August 2007 as the subprime mortgage market was derailed leading to tightening of credit conditions, considerable deceleration of consumer spending due to sharp increases in the prices of crude oil and food products, as well as softening of the labor market. European economy slowed down moderately as construction investments peaked out in the region. In Japan, export to emerging economies of automotive as well as steel and chemical products supported high level of industrial production. On the other hand, uncertainties increased in corporate and household sectors reflecting decline in construction investments caused by revision of the Japanese building standards law as well as rising material costs and consumer goods including foodstuff.

Looking into monetary and foreign exchange markets, the Federal Reserve Board of the United States implemented a series of interest rate cuts to stabilize financial market. In foreign exchange markets, the U.S. Dollar continued to depreciate against most major currencies, and fell below ¥100/ U.S. Dollar in March 2008, the lowest value in 13 years. Furthermore, stock markets worldwide saw falling share prices in the latter half of the fiscal year.

(2) Key Performance Measures under Management s Discussion

Management of Mitsui & Co., Ltd. (Mitsui) believes that the following indicators can be usefully employed to discuss trends in our performance, financial condition and cash flow as of the end of the fiscal year under review.

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

Mitsui and its subsidiaries (We) undertake worldwide business activities, involving diversified risk-return profiles, ranging from intermediary services as agent to development and production activities of mineral resources and energy. In this context, management focuses on analysis regarding changes in gross profit, operating income and equity in earnings of associated companies by operating segment which reflect the overall progress of our business.

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

In recent years, management has observed a rapid growth in operating results from our mineral resources and energy producing activities. Fluctuation in market prices and our equity production volume of these products will affect our future operating results. These results are brought by rising prices as well as increased production in these operations, reflecting globally tightened supply-demand balance and increased price of mineral resources and energy that have been driven by strong demand from emerging countries in commodity consumption in recent years. Furthermore, our investments in developing projects in those activities, which management decides under certain outlook on future market prices and supply-demand conditions, occupy important positions in our total assets and cash flow.

Investment plans and cash flow from investing activities; and financial leverage

According to our Medium-term Management Outlook announced in May 2006, we have engaged in establishing a group-wide strategic business portfolio, particularly by leveraging from proactive investment activities in the four business areas of Mineral Resources and Energy Area; Global Marketing Networks Area, including steel products and chemicals; Infrastructure Area, including power generation; and Consumer Services Area, including outsourcing services and content businesses. In parallel, management monitors the progress of investment plans quarterly and addresses divestitures of existing assets in order to generate cash flows as a source for the above-mentioned investments and also to maintain an optimum portfolio structure. Mitsui is monitoring and managing a group-wide financial leverage seeking to securing an efficient return on equity as well as maintaining and improving credit ratings and financial stability in order to secure necessary capital resources for investments and to refinance our interest bearing debt.

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

(3) Summary of Operating Results, Financial Condition and Cash Flow

We posted a consolidated net income of ¥410.1 billion, a significant increase of ¥108.6 billion, or up 36 %, from ¥301.5 billion for the year ended March 31, 2007. In regards to the individual businesses, the Mineral & Metal Resources and the Energy made an outstanding performance reflecting substantial one-off gains on divestitures such as Sesa Goa Limited in India and Sakhalin II in Russia as well as increases in energy equity production and mineral resource prices. The Iron & Steel Products, the Chemicals and the Machinery and Infrastructure Projects continued to post robust results, and the Foods and Retail which had recorded significant impairment losses in the previous years has improved its performance substantially with the restructuring efforts paying off. On the other hand, the Americas recorded a downturn from write downs on inventories in residential home business and slowdown in its businesses in the United States, triggered by the subprime mortgage issues. In addition, several business units including the Automotive and the Financial Markets recorded write downs on domestic listed securities.

Total assets as of March 31, 2008 were ¥9.7 trillion, a decrease of ¥0.1 trillion from ¥9.8 trillion as of March 31, 2007. Combined sum of investments and plant, property and equipment (PPE) decreased by ¥0.2 billion due to a partial divestiture of our stake in the Sakhalin II project and impact from a decline in the domestic stock market and appreciation of Japanese Yen against U.S. Dollar, despite active investing activities mainly at the Machinery & Infrastructure Projects, the Mineral & Metal Resources, the Energy and the Americas segments. As of March 31, 2008, shareholders equity was ¥2.2 trillion as a result of increased retained earnings and Net Debt-to-Equity Ratio (Net DER) was 1.27 times, 0.20 times lower than that of March 31, 2007. Return on Equity (ROE) during the period on an annualized basis is computed as 19.1%.

Net cash provided by operating activities for the fiscal period ended March 31, 2008 was ¥415.8 billion, reflecting steady growth on operating income. Net cash used by investing activities was ¥104.8 billion, reflecting above-mentioned various new investments and expansion project while large scale divestitures of interests in Sakhalin II, Sesa Goa, and other assets. As a result, free cash flow for the fiscal period ended March 31, 2008 was a net inflow of ¥311.0 billion.

2. Results of Operations

(1) *Analysis on consolidated income statements*

Gross Profit

Gross profit for the year ended March 31, 2008 was ¥988.1 billion, an increase of ¥121.8 billion, or 14.1%, from ¥866.3 billion for the year ended March 31, 2007 as a result of the followings:

Contributions coming from Mitsui Oil Exploration Co., Ltd. (Japan) (MOECO[*1]) which was consolidated in the fourth quarter of the year ended March 31, 2007; and a full year contribution from the Enfield oil field which started up a commercial production in Australia in July 2006 both at the Energy Segment. In addition, gross profit of Mitsui Iron Ore Development Pty. Ltd. (Australia) increased reflecting an increase in iron ore price[*2]. These contributions were partly offset by a decline of gross profit at Mitsui Coal Holdings Pty. Ltd. (Australia) reflecting a lower coal price, the Australian Dollar appreciation against the U.S. Dollar and cost increase related to various operational troubles at its mining expansion project. In short, the energy and oil and gas producing activities led the overall growth of our gross profit.

Machinery businesses including automotive, ocean vessels, rolling stock leasing; and basic materials such as steel products and chemical products continued to show solid performance and increased their gross profit.

The Americas Segment recorded a substantial decrease over the year ended March 31, 2008. MBK Real Estate LLC. (United States), which engages in development and sale of residential homes in the West Coast market, recorded a sharp fall in sales and a loss from write-down on inventories reflecting a deterioration in the residential market triggered by the problems in the U.S. subprime mortgage sector. Moreover, Westport Petroleum Inc. (United States) decreased its profit from oil products trading and so did steel products subsidiaries mainly in oil tubular products reflecting lower margins.

(*1) In March 2007, Mitsui acquired 3% stake in MOECO, formerly an associated company, increasing its voting interest in MOECO to 50.3% and re-classifying MOECO as a subsidiary of Mitsui.

(*2) As a result of Mitsui s divestiture of Sesa Goa, the operating results of Sesa Goa for the year ended March 31, 2008 and 2007 are presented as income from discontinued operations (after income tax effect).

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the year ended March 31, 2008 were ¥605.2 billion, an increase of ¥33.6 billion from ¥571.6 billion for the year ended March 31, 2007. The table below provides selling, general and administrative expenses for the years ended March 31, 2008 and 2007 by operating segment.

	Billions of Yen		
	Years Ended March 31,		Change
	2008	2007	(2008 2007)
Iron & Steel Products	¥ 35.7	¥ 33.1	¥ 2.6
Mineral & Metal Resources	16.6	19.8	(3.2)
Machinery & Infrastructure Projects	94.8	79.9	14.9
Chemical	64.6	65.3	(0.7)
Energy	46.2	38.3	7.9
Foods & Retail	65.1	69.6	(4.5)
Consumer Service & IT	98.4	109.4	(11.0)
Logistics & Financial Markets	32.9	35.9	(3.0)
Americas	51.3	43.2	8.1
Europe, the Middle East and Africa	24.9	22.4	2.5
Asia Pacific	25.3	21.2	4.1
Total	555.8	538.1	17.7
All Other	7.2	8.5	(1.3)
Adjustments and Eliminations	42.2	25.0	17.2
Consolidated Total	¥ 605.2	¥ 571.6	¥ 33.6

The table below provides breakdown of selling, general and administrative expenses according to the items for our internal review showing the change from 2007 to 2008.

	Billions of Yen		
	Years ended March 31,		
	2008	2007	Change
Personnel	¥ 294.5	¥ 283.3	¥ 11.2
Welfare	12.2	10.3	1.9
Travel	35.1	32.0	3.1
Entertainment	10.8	10.5	0.3
Communication	48.5	43.9	4.6
Others	204.1	191.6	12.5
Total	¥ 605.2	¥ 571.6	¥ 33.6

As illustrated by the above tables, in most items selling, general and administrative expenses increased led by segments such as the Machinery & Infrastructure, the Americas, and the Energy. This was mainly attributable to acquisitions of subsidiaries such as Ellison Technologies Inc. (United States) at Machinery & Infrastructure Projects, MOECO at the Energy and Steel Technologies, Inc. (United States) at the Americas segments. On the other hand, expenses at the Consumer Service & IT Segment and the Foods & Retail Segment decreased as a result of business reorganizations including exit and disposal of domestic businesses.

Provision for Doubtful Receivables

Provision for doubtful receivables for the year ended March 31, 2008 was ¥8.1 billion, a decrease of ¥3.8 billion, from ¥11.9 billion for the year ended March 31, 2007. Provisions for the both periods consisted of miscellaneous individually small receivables.

Interest Expense, Net of Interest Income

Interest expense, net of interest income for the year ended March 31, 2008 was ¥48.9 billion, an increase of ¥6.2 billion from ¥42.7 billion for the year ended March 31, 2007.

Interest expense for the Sakhalin II project declined by ¥7.2 billion as a result of the transfer of our 50% stake in the project and subsequent decrease in related interest bearing debt.

Mitsui recorded a ¥5.5 billion increase reflecting higher Japanese Yen interest rates.

Reflecting increased interest bearing debt used to fund various investments, interest expense at overseas subsidiaries increased by ¥6.6 billion, out of which a ¥5.6 billion increase was attributable to the Americas Segment.

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

Interest rates trends for the years ended March 31, 2008 and 2007 regarding Japanese yen and the U.S. Dollar were as follows:

Periodic average of 3 month Libor (%p.a.)

	Year Ended March 31, 2008	2007
Japanese Yen	0.87	0.45
U.S. Dollar	4.66	5.35

The Bank of Japan decided to terminate its zero interest rate policy in July 2006 and raised the policy interest rate 0.5% in February 2007 but has kept policy interest rates on hold since then.

The Federal Reserve Board raised the Federal Funds target rate to 5.25% in June 2006 and kept the rate level thereafter. However, it gradually lowered the rate from September 2007 in response to a concern towards economic slowdown triggered by subprime mortgage crisis, to 2.25% in March 2008, showing its attitude to provide actual money rate of zero.

Dividend Income

Dividend income for the year ended March 31, 2008 was ¥50.1 billion, an increase of ¥0.9 billion from ¥49.2 billion for the year ended March 31, 2007. Dividends from LNG projects in Abu Dhabi, Qatar and Oman amounted to ¥23.4 billion, a decrease of ¥3.2 billion over the year ended March 31, 2007 offset by significantly increased dividends from other investees including INPEX Holdings Inc. held by Mitsui Oil Exploration Co., Ltd.

Gain on Sales of Securities

Gain on sales of securities for the year ended March 31, 2008 was ¥92.3 billion, a substantial increase of ¥33.5 billion from ¥58.8 billion for the year ended March 31, 2007. Since the year ended March 31, 2007, Mitsui continuously conducted scrutiny on the assets held by operating segments to optimize its business portfolio, and consequently it recorded gains on the sales of shares mainly in listed companies.

For the year ended March 31, 2008, the largest part of the gains came from the transfer of a part of its stake in the Sakhalin II project and sales of its whole stake in Empreendimentos Brasileiros de Mineração S.A. (EBM) in Brazil. In addition, the Consumer Service & IT Segment recorded gains in exchange of shares in Mitsui Knowledge Industry Co., Ltd. (Japan) and on sales of shares in telecommunication companies such as two cable television providers and Jupiter Telecommunications Co., Ltd. Other operating segments also recorded gains on sales of shares of listed companies such as Quintiles Transnational Corp. in the United States and BALtrans Holdings Limited in Hong Kong, China in the Logistics & Financial Market Segment.

For the year ended March 31, 2008, we recorded a ¥15.6 billion gain from Toho Titanium Co., Ltd. (Japan) shares. Mitsui also gained on sale of shares in Telepark Corp. (Japan), a subsidiary engaged in sales of mobile devices and telecommunication lines.

Loss on Write-Down of Securities

Loss on write-down of securities for the year ended March 31, 2008 was ¥36.7 billion, an increase of ¥25.0 billion from ¥11.7 billion for the year ended March 31, 2007.

For the year ended March 31, 2007 the Nikkei Stock Average recorded the low of ¥14,218.60 in June 2006, reflecting appreciation of the yen and correction of global stock markets. However, such pessimistic sentiment faded and the Nikkei Stock Average recovered to ¥17, 287.65 as of March 31, 2007.

For the year ended March 31, 2008, the Nikkei Stock Average recorded high of ¥18,261.98 on the rise of expectations for expanding Japanese corporate earnings, but retreated from highs reflecting declines in global stock prices and Japanese Yen appreciation, triggered by subprime mortgage crisis, and recorded ¥12,525.54 as of March 31, 2008.

The losses for the year ended March 31, 2008 included write-downs on listed shares for ¥28.0 billion, including ¥4.5 billion for Seven & i Holdings Co., Ltd. at the Foods & Retail Segment and ¥4.5 billion for Central Finance Co., Ltd. at the Logistics & Financial Markets Segment. In addition, reflecting overall decline at domestic stock markets, we recorded write-down losses at the Machinery& Infrastructure Segment in ¥8.6 billion for Yamaha Motor Co., Ltd share and at the Chemical Segment in ¥2.8 billion for Kaneka Corporation share(*).

Losses for the year ended March 31, 2007 consisted of miscellaneous small losses, including those on listed shares amounting to ¥3.1 billion.

(*) Mitsui s Management principally recognizes that a 50% or more decline in fair value of a listed security leads to the conclusion that the security has an other-than-temporary impairment. In addition, management recognizes that decline both by 30% or more also leads to the same conclusion, considering materiality of declined value.

Gain on Disposal or Sales of Property and Equipment Net

Gain on disposal or sales of property and equipment net for the year ended March 31, 2008 was loss of ¥0.2 billion, an decrease of ¥5.5 billion from ¥5.3 billion for the year ended March 31, 2007. Loss for the year ended March 31, 2008 consisted of miscellaneous small items. For the year ended March 31, 2007, major gains resulted from disposal of warehouses and land at Tri-Net Logistics Management, Inc. (United States) and NST, Inc. (United States).

Impairment Loss of Long-Lived Assets

Impairment loss of long-lived assets for the year ended March 31, 2008 was ¥24.4 billion, an increase of ¥5.0 billion from ¥19.4 billion for the year ended March 31, 2007.

For the year ended March 31, 2008, we recorded a ¥13.9 billion loss on real estate which we possess in Saito International Culture Park (SICP), located in the north area of Osaka Prefecture (*). Other major losses were those related to impairment on power producing equipment at GTF Green Power Co., Ltd., a domestic power producing operation; and on Mitsui s corporate residences and dormitories.

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

As of March 31, 2008, we did not identify any material assets analyzed for impairment for which an impairment charge has not yet been recorded.

(*) In March 2008, Urban Renaissance Agency (URA), an implementing body of land readjustment of SICP, announced to unveil its policy that it would be difficult for URA to execute the project as the implement body considering a conclusion on the project provided by special appraisal and monitoring committee; and the project plan should be fundamentally revised. As a result of the URA s new decision, uncertainties about progress and profitability of the land readjustment project in SICP related to us has increased and Mitsui recognized ¥13.9 billion impairment loss on land, by re-examining value to realize in future based on the current prices in the nearby block.

Impairment Loss of Goodwill

For the year ended March 31, 2008, Mitsui Knowledge Industry Co., Ltd. (Japan) which is listed at the second section of the Tokyo Stock Exchange reported a 2.0 billion impairment loss on its goodwill, reflecting decline in its share price. For the year ended March 31, 2007, Mitsui Norin Co., Ltd. reported a ¥16.5 billion impairment loss on all of its goodwill.

Compensation and Other Charges Related to Diesel Particulate Filter (DPF) Incident

For the year ended March 31, 2007, Mitsui recorded a credit to income of ¥3.9 billion as a result of the reversal of the accrued cost which had been set up based on estimated cost for compensation and other charges related to the DPF incident during past years as a result of completion of redemption of the relevant DPFs.

Other Expense Net

Other expense net for the year ended March 31, 2008 was a ¥3.0 billion expense, an increase of ¥2.5 billion, from loss of ¥0.5 billion expenses for the year ended March 31, 2007. Major component of other expenses net for the year ended March 31, 2008 was exploration expenses, mainly at Mitsui E&P Australia Pty. Ltd. (Australia). For the year ended March 31, 2007, restructuring-related charges were reported mainly by MITSUI FOODS CO., LTD. (Japan) and Hokushuren Company Limited (Japan).

Minority Interests in Earnings of Subsidiaries

Minority interests in earnings of subsidiaries for the year ended March 31, 2008 were ¥46.0 billion, an increase of ¥28.1 billion from ¥17.9 billion for the year ended March 31, 2007. Minority interests in earnings of subsidiaries increased due to the following factors:

The Energy Segment recorded minority interests in earnings of ¥20.6 billion and 1.7 billion for the years ended March 31, 2008 and 2007. As a result of acquisition of the additional voting shares in Mitsui Oil Exploration Co., Ltd. (Japan) (with a minority interest of 48.5%) during the fourth quarter of the year ended March 31, 2007, Mitsui Oil Exploration Co., Ltd. was consolidated with presenting minority interest and no longer was accounted for as an associated company for the years ended March 31, 2008.

In the Foods & Retail Segment, for the year ended March 31, 2007 Mitsui Norin Co., Ltd. (Japan) (with a minority interest of 48.1%) recorded a loss from continuing operations before minority interests and equity in earnings, reflecting significant impairment losses on long-lived assets and goodwill, contributing ¥8.3 billion minority interest in income for the year ended March 31, 2007. For the year ended March 31, 2008, its operating results improved to a marginally positive amount of income from continuing operations before minority interests and equity in earnings, which resulted in a reversal effect to ¥ zero billion minority interest (in expense).

The Mineral & Metal Resources Segment recorded minority interests in earnings of ¥7.2 billion and 7.3 billion for the years ended March 31, 2008 and 2007, Japan Collahuasi Resources B.V. (Netherlands) (with a minority interest of 38.1%) which owns an interest in a copper mine joint venture, Compania Minera Dona Ines de Collahuasi SCM (Chile).

Equity in Earnings of Associated Companies Net

Equity in earnings of associated companies net (after income tax effect) for the year ended March 31, 2008 was ¥154.3 billion, a slight increase of ¥1.2 billion from ¥153.1 billion for the year ended March 31, 2007. Out of a slight net movement, major factors for improved earnings were as below:

For the year ended March 31, 2008, the Mineral & Metal Resources Segment reported ¥71.2 billion equity in earnings, an increase of ¥10.9 billion, from ¥60.3 billion for the year ended March 31, 2007. Earnings increased at Valepar S.A. (Brazil) [*1] due to strong operating results of Companhia Vale do Rio Doce in Brazil (Vale) reflecting higher iron prices and contributions from Inco Limited (currently Vale Inco Limited) following the acquisition by Vale during the fourth quarter of the year ended March 31, 2007.

For the year ended March 31, 2008, the Energy Segment reported ¥36.8 billion equity in earnings, a decrease of ¥7.6 billion, from ¥44.4 billion for the year ended March 31, 2007. Operating results of Mitsui Oil Exploration Co., Ltd. (Japan) were reported as earnings of an associated company up to the third quarter of the year ended March 31, 2007. However upon Mitsui s acquisition of the additional voting shares in the fourth quarter of the year ended March 31, 2007, its operating results are now reported within line items of the consolidated statement of income for the year ended March 31, 2008. On the other hand, An LNG and oil development associated company Japan Australia LNG (MIMI) Pty. Ltd. (Australia) recorded a slight increase in earnings.

For the year ended March 31, 2008, the Machinery & Infrastructure Projects Segment reported ¥20.3 billion equity in earnings, a decrease of ¥1.1 billion, from ¥21.4 billion for the year ended March 31, 2007. This segment recorded a loss reflecting an other-than-temporary decline in share price of ASAHI TEC CORPORATION (Japan), a manufacturer of ductile iron cast parts and aluminum forged parts. In addition, IPM Eagle LLP (United Kingdom) and others recorded a sum of ¥5.8 billion mark-to-market evaluation loss on long-term swap agreement at their overseas power operations for the year ended March 31, 2008[*2], while Brazilian gas distribution associated companies reported improved earnings.

Other operating segments also recorded improvement in general, mainly in the Lifestyle, Consumer Service and Information, Electronics & Telecommunication Segment.

(*1) Valepar S.A. is a controlling shareholder of Vale, a mineral resources company in Brazil previously abbreviated as Companhia Vale do Rio Doce to CVRD .

(*2) An Australian power producing operation of IPM Eagle had concluded a long term power price swap contract, corresponding to a power supply contract until 2016. Reflecting fluctuations in Australian open electricity market, it recognizes mark-to-market evaluation profit and loss. See also Machinery & Infrastructure Projects Segment of Operating Results by Operating Segment for further information.

Income from Discontinued Operations Net

Income from discontinued operations net (after income tax effect) for the year ended March 31, 2008 was ¥71.0 billion, a significant increase of ¥68.6 billion from ¥2.4 billion for the year ended March 31, 2007. Major components of discontinued operations for the year ended March 31, 2008 and 2007 were as follows:

For the year ended March 31, 2008, we divested our entire stake in Sesa Goa Limited (India) and recorded a ¥55.2 billion gain in income in line with an on-going optimization initiative of the business portfolio in our worldwide iron ore mining operations. We also divested our entire oil and gas producing interest in Wandoo Petroleum Pty Limited (Australia) and recorded ¥9.6 billion gain in income. For the year ended March 31, 2007, Sesa Goa Limited reported ¥1.4 billion in net income and Wandoo Petroleum Pty Limited reported ¥0.2 billion in net income. In addition, for the year ended March 31, 2008, we liquidated an air-craft leasing company of Tombo Aviation (United States) after divesting all its aircraft and recorded a ¥4.4 billion in income, while it reported ¥0.3 billion in income for the year ended March 31, 2007.

For the year ended March 31, 2007, we recorded ¥3.1 billion gain in income on selling our stake in aluminum smelters which Mitalco, Inc. (United States), an aluminum smelting subsidiary.

(2) ***Operating Results by Operating Segment***

Iron & Steel Products Segment

Gross profit for the year ended March 31, 2008 was ¥61.3 billion, an increase of ¥3.5 billion from ¥57.8 billion for the year ended March 31, 2007. Overall steel products business continued to show solid performance mainly in high-end tubular products for energy applications, automobile steel plates and shipbuilding steel plates. Regency Steel Asia Pte Ltd. (Singapore) also contributed to the increase in earnings as well reflecting robust operations for construction material, tubular products and steel plates for Asian market.

Operating income for the year ended March 31, 2008 was ¥25.6 billion, the same as the year ended March 31, 2007. The increase in gross profit was mainly offset by higher selling, general and administrative expenses.

Equity in earnings of associated companies for the year ended March 31, 2008 was ¥4.9 billion, an increase of ¥1.8 billion from ¥3.1 billion for the year ended March 31, 2007.

Net income for the year ended March 31, 2008 was ¥20.2 billion, a ¥0.4 billion decrease from ¥20.6 billion for the year ended March 31, 2007, due to decrease of gain on sales of securities while an increase in equity in earnings of associated companies.

Mineral & Metal Resources Segment

Gross profit for the year ended March 31, 2008 was ¥95.8 billion, a decrease of ¥15.2 billion from ¥111.0 billion for the year ended March 31, 2007 as a result of the followings:

The divestiture in April 2007 of our whole stake in Sesa Goa Limited, formerly our iron ore subsidiary, which resulted in a decrease of this segment s gross profit by ¥27.2 billion(*), an amount which Sesa Goa Limited contributed for the year ended March 31, 2007.

Reflecting tight supply and demand balance in Asia, especially in China, iron ore prices for the year ending March 31, 2008 increased by 9.5 % from the year ended March 31, 2007. Consequently, gross profit at Mitsui Iron Ore Development Pty. Ltd. (Australia) and Mitsui Itochu Iron Pty. Ltd.(Australia) increased by ¥8.7 billion and ¥4.3 billion, respectively.
At Mitsui Iron Ore Development Pty. Ltd. and Mitsui Itochu Iron Pty. Ltd., shipments (on our equity production basis, preliminary figures) stayed at almost the same levels of 22.6 million tons and 3.1 million tons respectively for the year ended March 31, 2008, from 22.8 million tons and 2.9 million tons respectively for the year ended March 31, 2007.

Operating income for the year ended March 31, 2008 was ¥79.0 billion, a decrease of ¥12.3 billion from ¥91.3 billion for the year ended March 31, 2007, due to the above-mentioned decrease in gross profit. There was a marginal improvement in selling, general administrative expenses, as a result of the divestiture of Sesa Goa Limited.

Equity in earnings of associated companies for the year ended March 31, 2008 was ¥71.2 billion, an increase of ¥10.9 billion from ¥60.3 billion for the year ended March 31, 2007. Major factors contributing to the increase were as follows:

Valepar S.A. (Brazil) posted a net income of ¥34.1 billion, an increase by ¥9.1 billion from ¥25.0 billion including a ¥5.6 billion one-time gain on issuance of stock by Vale in exchange for Caemi Mineraçã o e Metalurgia S.A stock in the year ended March 31, 2007. This increase is due to strong operating results of Vale reflecting higher iron prices and contributions from newly acquired Inco Limited (currently Vale Inco Limited) following the acquisition by Vale during the fourth quarter of the year ended March 31, 2007.

Earnings of Compania Minera Dona Ines de Collahuasi SCM (Chile) was a net income of ¥18.9 billion, a decrease of ¥0.3 billion from the year ended March 31, 2007, due to temporally reduced shipments caused by replacement work on equipment and other reasons, while supported by firm copper prices. The London Metals Exchange (LME) copper price for 2007 (calendar year) was US$7,126 per ton on average compared to US$6,731 per ton for 2006 (calendar year).

Sims Group Limited (Australia), a metal recycler, added a new contribution in earnings of ¥1.9 billion for the year ended March 31, 2008.

Net income for the year ended March 31, 2008 was ¥177.0 billion, a significant increase of ¥78.6 billion from ¥98.4 billion for the year ended March 31, 2007. Besides the above-mentioned factors, there were significant gains on sales of securities for the year ended March 31, 2008 and 2007 as follows:

For the year ended March 31, 2008, this segment recorded a ¥93.9 billion gain on the sale of its whole stake in Sesa Goa Limited(*). In addition, it also recorded a ¥12.4 billion gain on the sale of shares in Empreendimentos Brasileiros de Mineração S.A.

For the years ended March 31, 2008 and 2007, this segment recorded ¥14.2 billion and ¥9.4 billion gains on the sale of shares in Toho Titanium Co., Ltd. (Japan), respectively.

(*) In the consolidated statements of income, net income of Sesa Goa for the year ended March 31, 2008 and 2007 are presented as income from discontinued operations (after income tax effect). However, in this Operating Results by Operating Segment , operating results of the company is presented and discussed according to line items of the consolidated statements of income.

Machinery & Infrastructure Projects Segment

Gross profit for the year ended March 31, 2008 was ¥134.1 billion, an increase of ¥26.1 billion from ¥108.0 billion for the year ended March 31, 2007.

Overseas automotive-related subsidiaries continued to post solid performance, particularly motorcycle retail finance company P.T. Bussan Auto Finance (Indonesia) reported higher gross profit, and also automobile sales dealer company in Russia and other areas. In addition, there were contributions from a newly acquired machine tools subsidiary Ellison Technologies Inc. (United States).