

MITSUI & CO LTD  
Form 6-K  
November 17, 2010

## **FORM 6-K**

### **SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**Report of Foreign Private Issuer**

**Quarterly Consolidated Financial Statements for the three-month period ended September 30, 2010**

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

**of the Securities Exchange Act of 1934**

**For the month of November 17, 2010**

**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  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):

Edgar Filing: MITSUI & CO LTD - Form 6-K

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): \_\_\_\_\_

**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: November 17, 2010

**MITSUI & CO., LTD.**

By: /s/ Junichi Matsumoto  
Name: Junichi Matsumoto  
Title: Executive Vice President

Chief Financial Officer

**Quarterly Consolidated Financial Statements**

**for the three-month period ended September 30, 2010**

English translation of quarterly consolidated financial statements for the three-month period ended September 30, 2010, which were prepared in accordance with U.S. GAAP and filed as part of the Quarterly Securities Report with the Director of the Kanto Local Finance Bureau of the Ministry of Finance of Japan on November 15, 2010.

The following describes significant changes that occurred during the second quarter consolidated financial period in terms of risk factors listed on Form 20-F for the fiscal year ended March 31, 2010 of Mitsui & Co., Ltd. filed on August 13, 2010:

*We face significant uncertainty regarding the oil spill incident at the Mississippi Canyon 252 Block in the Gulf of Mexico.*

On April 20, 2010, a third party semi-submersible drilling rig, Deepwater Horizon, which was conducting exploration work on the Mississippi Canyon 252 block in the Gulf of Mexico, experienced a blow-out event which led to an explosion, fire and the extensive release of oil into the Gulf of Mexico. MOEX Offshore 2007 LLC (MOEX Offshore), a 100% subsidiary of MOEX USA Corporation (MOEX USA), has a 10% working interest in the block as a non-operator. MOEX USA is a 100% subsidiary of Mitsui Oil Exploration Co., Ltd. (MOECO) in which Mitsui & Co., Ltd. (Mitsui) has a 69.91% equity interest. BP Exploration and Production Inc. (BP), the operator of the project in the block, has been working with U.S. government agencies to drill relief wells for the plugging of the Well permanently. On September 19, 2010, BP publicly announced that the operations to plug the Well were successfully completed and that it would now proceed to complete the abandonment of the Well and plug and abandon the relief wells.

According to the quarterly financial report for the period ended September 30, 2010 of BP p.l.c., the ultimate parent of BP, BP p.l.c. posted approximately US\$39.9 billion of costs related to the Deepwater Horizon incident.

As of September 30, 2010, Mitsui is not able to estimate the total amount of liabilities that it and its consolidated subsidiaries may incur as a result of the Deepwater Horizon incident, and therefore, Mitsui has not posted any financial liabilities during its second quarter consolidated financial period. Based on the Joint Operating Agreement (JOA) concerning the Well to which MOEX Offshore and BP are parties, various liabilities associated with the Deepwater Horizon incident are to be paid by BP. Subject to the outcome of the investigation regarding the root cause of the incident and the degree of responsibilities ultimately afforded to the parties concerned, the liability assigned to MOEX Offshore would be zero as of September 30, 2010 at the minimum level where certain conditions are met in the JOA. The zero accrual is not intended to represent an opinion of Mitsui that it and its consolidated subsidiaries will not incur any future liability related to the Deepwater Horizon incident. Rather, the zero accrual is based on the application of accounting rules to the currently available set of facts where the relevant accounting rules do not require loss recognition in situations where a loss is not considered probable or cannot be reasonably estimated.

Mitsui considered the following factors in determining if, as of September 30, 2010, Mitsui should accrue financial liabilities as a result of the Deepwater Horizon incident.

As of November 15, 2010, MOEX Offshore has received invoices for reimbursement totaling US\$2,133 million from BP. BP has stated that these invoices were issued pursuant to the JOA and that it considers the invoiced amounts as MOEX Offshore's 10% proportionate share of costs related to the Deepwater Horizon incident. On the other hand, it is announced that, according to BP p.l.c.'s third quarterly financial report for the period ended September 30, 2010, the amount which was billed to minority interest holders, which hold a 35% interest, up to the end of October, 2010 is 4,278 million dollars. However, MOEX Offshore is uncertain how properly to aggregate the invoices, and therefore, MOEX Offshore has asked BP for clarification, but, as of November 15, 2010, MOEX Offshore has not received a detailed explanation from BP as to the proper calculation. MOEX Offshore estimates that the portion of the costs for the incident paid by BP through the end of October 2010 that corresponds to MOEX Offshore's 10% interest would be approximately US\$1,300 million. In addition, MOEX Offshore is now reviewing the details of these costs. MOEX Offshore expects that it will continue to receive invoices from BP, but is unable reasonably to estimate what the amount of those future invoices will be. It is not certain at this point if MOEX Offshore will have to make payment or not, and it cannot reasonably estimate the size of any payment.

In light of the numerous investigations that are currently taking place to determine the facts and circumstances surrounding the Deepwater Horizon incident and the existence of uncertainty with respect to application of the provisions in the JOA, MOEX Offshore has withheld payment of invoices BP has issued to it seeking reimbursement of costs incurred by BP related to BP's response to the incident. MOEX Offshore expects to continue to withhold payment while it examines the situation.

Under the Oil Pollution Act of 1990 (OPA), Responsible Parties (RPs), as defined by OPA, may have joint and several liability for costs and damages under the statute. The United States Coast Guard (USCG) has sent invoices to parties it has identified as RPs, which consist of the parties to the JOA, including BP and MOEX Offshore, and other parties that had a role in the Deepwater Horizon incident and to parties that have been identified as guarantors of RPs.

Mitsui understands that these invoices from the USCG, which are a part of the claims under the OPA, total approximately US\$581 million as of November 15, 2010. Mitsui believes that BP has paid all of the USCG invoices. Mitsui expects that BP will continue to pay the USCG invoices in full because BP p.l.c. has stated that it will pay all the reasonable clean-up costs for the incident and has established a fund that totals \$20 billion, among other things, to compensate those injured as a result of the incident. As described above, BP has stated that it considers the

## Edgar Filing: MITSUI & CO LTD - Form 6-K

amounts invoiced to MOEX Offshore for reimbursement as MOEX Offshore's 10% proportionate share of the costs it has incurred in responding to the Deepwater Horizon incident, including the OPA related liabilities mentioned above, purportedly under the terms of the JOA, and MOEX Offshore, for now, has withheld payment of the invoices and has not posted any related contingent liabilities. Should BP stop payment for the clean-up of the Deepwater Horizon incident and refuse to make payment in full for the other costs associated with the incident, MOEX Offshore may be required to make payment.

- 1 -

MOEX Offshore may be subject to fines under the Clean Water Act (CWA) and other state and federal statutes. MOEX Offshore may also be subject to Natural Resource Damage (NRD) costs under the OPA as an RP, and for similar damages under similar state laws. The United States and the states of Louisiana, Mississippi, Alabama, Florida, and Texas have begun an NRD assessment. The USCG and the Bureau of Ocean Energy Management, Regulation and Enforcement ( BOEM ) are conducting a joint investigation into the cause of the incident and will be issuing a final investigative report with conclusions and recommendations. In addition, the United States Department of Justice is conducting an investigation to determine if any civil or criminal laws have been broken, and the National Oil Spill Commission, the United States Congress and various United States federal and state agencies, including the United States Chemical Safety and Hazard Investigation Board, are conducting investigations. In light of the ongoing investigations relating to the fines and costs mentioned above, MOEX Offshore does not know if any such fines will be imposed or costs assessed upon MOEX Offshore which is a non-operator and is unable reasonably to estimate the size of any such possible losses.

Moreover, MOECO, MOEX USA, MOEX Offshore and Mitsui & Co. (U.S.A.), Inc. have been named as defendants in a number of civil lawsuits seeking recovery for damages purportedly caused by the Deepwater Horizon incident. In addition, plaintiffs have also named as a defendant a company identified as Mitsui & Co. in some of these lawsuits. It is unclear to Mitsui as to which entity the plaintiffs are referring. Those lawsuits have been brought under a large number of different legal theories. In May and June 2010, BP and plaintiffs filed motions seeking to have certain of the federal cases transferred to a single judge for pretrial proceedings. Those motions were granted by the Judicial Panel on Multidistrict Litigation on August 10, 2010 and certain of the federal lawsuits were sent for pretrial proceedings to a federal district court judge in the Eastern District of Louisiana. As a result, each defendant mentioned above will be engaged in the pretrial proceeding before this judge. In general, if these transferred cases are not resolved during the pretrial process, they may be returned for trial to the courts where they were originally filed. The civil lawsuits are at an early stage and so Mitsui is unable reasonably to estimate what MOEX Offshore's and its affiliates' possible loss, if any, will be.

MOEX Offshore has insurance, but the amount of that insurance is substantially less than the amount of the claims it has received to date. In addition, MOEX Offshore may also have coverage as an additional insured under the insurance policies of third parties that are involved in the Deepwater Horizon incident. Mitsui believes that the potential coverage under those policies also is substantially less than the amount of the claims MOEX Offshore has received to date.

Mitsui recognized an impairment loss for the amounts invested to acquire the interest of this lease that were booked as Property and Equipment (Mineral rights) in Impairment loss of long-lived assets, and also recognized certain expenses relating to the well in Other expense-net for the six-month period ended September 30, 2010. Other than that, Mitsui is unable, at this time, to determine the impact, if any, the incident will have on its future consolidated financial position, consolidated operating results or consolidated cash flows.

The above-mentioned report contains known and unknown risks, uncertainties and other factors including the outcome of the incident. Such risks, uncertainties and other factors may cause Mitsui's actual results, financial position or cash flows to be materially different from any future results, financial position or cash flows expressed or implied by these forward-looking statements. These risks, uncertainties and other factors involve the nature and scope of Mitsui's liability with respect to the events in the Gulf of Mexico relating to the incident, including, but not limited to:

- (a) It is not clear whether MOEX Offshore will have any liability for expenses concerning the Deepwater Horizon incident that have been and will be paid by BP and if MOEX Offshore does, it is not clear what the amount of the liability is likely to be.
- (b) Should BP stop payment for the clean-up of the Deepwater Horizon incident and refuses to make payment in full for the other costs associated with the incident, MOEX Offshore may be required to make payment. Mitsui believes that BP will continue to pay clean-up costs, but does not know to what extent BP will pay other costs associated with the incident. MOEX Offshore does not know to what extent it will have to pay costs under the OPA if BP does not pay.
- (c) Whether legal proceedings will be brought against MOEX Offshore and its affiliates by governmental entities and the outcome of such proceedings if they are brought cannot be predicted. It is possible that MOEX Offshore and its affiliates could be assessed substantial civil or criminal penalties and fines and that injunctive relief could be granted under various laws. To date, no such penalty, fine or injunctive order has been imposed on MOEX Offshore.

## Edgar Filing: MITSUI & CO LTD - Form 6-K

- (d) Under the OPA, each RP is presumed to be jointly and severally liable for the NRD costs. The clean-up is not complete and these costs have not been assessed. It is unclear to MOEX Offshore at this time how these costs will be divided among those identified as RPs and MOEX Offshore can not reasonably estimate at this time the amount of these costs.
- (e) Many state and federal lawsuits have been filed by, among others, rig workers and their family members, resort owners, restaurant owners, real estate owners, real estate agents, seafood suppliers, fisheries, fishermen, charter boat owners, boat sales/service shop owners, marina owners, shareholders of businesses involved in the Deepwater Horizon incident, states, employees of businesses affected by the Deepwater Horizon incident, and pension funds. These lawsuits are based on a variety of different legal theories. These lawsuits are at a very early stage and so Mitsui is unable reasonably to estimate at this time what liability if any MOEX Offshore and its affiliates may have.
- (f) Mitsui is unable to reasonably estimate at this time the amount of insurance coverage that will be available to MOEX Offshore. Mitsui is unable reasonably to estimate at this time whether and to what extent Mitsui and its consolidated subsidiaries will be able to obtain contribution from others for any liability that is imposed on them. In addition, Mitsui is unable reasonably to estimate at this time whether and to what extent Mitsui and its consolidated subsidiaries will be required to pay contribution to others for their liability under the OPA or other laws.

As a result, given these factors and the magnitude of the incident and the ongoing clean-up efforts, any such liability could have a material adverse effect on Mitsui's consolidated results of operations and financial condition.



## Financial Highlights

Mitsui &amp; Co., Ltd. and subsidiaries

As of or for the Periods Ended September 30, 2010 and 2009 and as of or for the Year Ended March 31, 2010

|   | Billions of Yen                                 |   |   |   |  |
|---|---|---|---|---|--|
|   | Six-month<br>period ended<br>September 30, 2010 | Six-month<br>period ended<br>September 30, 2009 | Three-month<br>period ended<br>September 30, 2010 | Three-month<br>period ended<br>September 30, 2009 | As of or for<br>the Year ended<br>March 31, 2010 |
| <b>For the Period and the Year:</b>           |   |   |   |   |  |
| Revenues                                      | ¥ 2,204   | ¥ 2,001   | ¥ 1,107   | ¥ 1,024   | ¥ 4,096  |
| Gross Profit                                  | ¥ 438   | ¥ 345   | ¥ 214   | ¥ 178   | ¥ 702  |
| Operating Income                              | ¥ 170   | ¥ 76  | ¥ 80  | ¥ 43  | ¥ 145  |
| Equity in Earnings of                         |   |   |   |   |  |
| Associated Companies Net                      | ¥ 100   | ¥ 56  | ¥ 50  | ¥ 25  | ¥ 131  |
| Net Income Attributable to Mitsui & Co., Ltd. | ¥ 183   | ¥ 73  | ¥ 81  | ¥ 16  | ¥ 150  |
| Net Cash Provided by Operating Activities     | ¥ 271   | ¥ 329   | ¥   | ¥   | ¥ 632  |
| Net Cash Used in Investing Activities         | ¥ (280)   | ¥ (40)  | ¥   | ¥   | ¥ (180)  |
| <b>At Period-End and Year-End:</b>            |   |   |   |   |  |
| Total Assets                                  | ¥   | ¥   | ¥ 8,211   | ¥ 8,295   | ¥ 8,369  |
| Total Mitsui & Co., Ltd.                      |   |   |   |   |  |
| Shareholders Equity                           | ¥   | ¥   | ¥ 2,216   | ¥ 2,076   | ¥ 2,230  |
| Total Equity                                  | ¥   | ¥   | ¥ 2,424   | ¥ 2,305   | ¥ 2,430  |
| Cash and Cash Equivalents                     | ¥   | ¥   | ¥ 1,345   | ¥ 1,385   | ¥ 1,401  |
| Long-term Debt, Less Current Maturities       | ¥   | ¥   | ¥ 2,927   | ¥ 2,866   | ¥ 2,910  |

## Yen

| <b>Amounts per Share:</b>                      |          |         |            |            |            |
|--|----------|---------|------------|------------|------------|
| Net Income Attributable to Mitsui & Co., Ltd.: |          |         |            |            |            |
| Basic  | ¥ 100.42 | ¥ 39.98 | ¥ 44.23    | ¥ 8.51     | ¥ 82.12    |
| Diluted  | ¥ 100.42 | ¥ 39.91 | ¥ 44.23    | ¥ 8.50     | ¥ 82.11    |
| Total Mitsui & Co., Ltd. Shareholders Equity   | ¥        | ¥       | ¥ 1,214.28 | ¥ 1,137.71 | ¥ 1,222.11 |

- \*1. The consolidated financial statements have been prepared on the basis of accounting principles generally accepted in the United States of America.
- \*2. 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. In accordance with Accounting Standards Codification ( ASC ) 205-20, the figures for the six-month period ended September 30, 2009 and the three-month period ended September 30, 2009 relating to discontinued operations have been reclassified.

## Consolidated Balance Sheets

Mitsui &amp; Co., Ltd. and subsidiaries

September 30, 2010 and March 31, 2010

|   | Millions of Yen       |                   |
|---|-----------------------|-------------------|
|   | September 30,<br>2010 | March 31,<br>2010 |
| <b>ASSETS</b>   |                       |                   |
| <b>Current Assets:</b>  |                       |                   |
| Cash and cash equivalents (Notes 1 and 3)                                   | ¥ 1,344,847           | ¥ 1,401,399       |
| Time deposits   | 9,562                 | 14,563            |
| Marketable securities (Notes 1, 3 and 14)                                   | 4,390                 | 4,361             |
| Trade receivables (Note 4):   |                       |                   |
| Notes and loans, less unearned interest                                     | 281,050               | 293,034           |
| Accounts  | 1,366,540             | 1,382,259         |
| Associated companies  | 142,725               | 162,166           |
| Allowance for doubtful receivables (Note 1)                                 | (18,423)              | (18,423)          |
| Inventories (Notes 1, 4, 11 and 12)   | 489,960               | 504,847           |
| Advance payments to suppliers   | 135,914               | 96,482            |
| Deferred tax assets - current (Note 1)                                      | 40,149                | 39,809            |
| Derivative assets (Notes 1, 12 and 14)                                      | 114,668               | 114,463           |
| Other current assets  | 246,165               | 266,130           |
| Total current assets  | 4,157,547             | 4,261,090         |
| <b>Investments and Non-current Receivables (Notes 1 and 4):</b>             |                       |                   |
| Investments in and advances to associated companies (Notes 3, 8 and 14)     | 1,397,121             | 1,403,056         |
| Other investments (Notes 3 and 14)  | 826,332               | 965,947           |
| Non-current receivables, less unearned interest (Notes 12 and 14)           | 441,063               | 453,299           |
| Allowance for doubtful receivables  | (44,461)              | (48,472)          |
| Property leased to others - at cost, less accumulated depreciation (Note 2) | 303,956               | 224,000           |
| Total investments and non-current receivables                               | 2,924,011             | 2,997,830         |
| <b>Property and Equipment at Cost (Notes 1, 4 and 14):</b>                  |                       |                   |
| Land, land improvements and timberlands                                     | 156,830               | 158,528           |
| Buildings, including leasehold improvements                                 | 381,880               | 381,029           |
| Equipment and fixtures  | 985,713               | 979,957           |
| Mineral rights (Note 15)  | 144,861               | 132,510           |
| Vessels   | 34,941                | 29,709            |
| Projects in progress (Note 15)  | 155,480               | 170,218           |
| Total   | 1,859,705             | 1,851,951         |
| Accumulated depreciation  | (878,430)             | (873,391)         |
| Net property and equipment  | 981,275               | 978,560           |
| <b>Intangible Assets, less Accumulated Amortization (Notes 1, 2 and 14)</b> | <b>103,307</b>        | <b>84,741</b>     |
| <b>Deferred Tax Assets - Non-current (Note 1)</b>                           | <b>13,957</b>         | <b>13,376</b>     |

Edgar Filing: MITSUI & CO LTD - Form 6-K

|                     |                    |             |
|---------------------|--------------------|-------------|
| <b>Other Assets</b> | <b>30,497</b>      | 33,387      |
| <b>Total</b>        | <b>¥ 8,210,594</b> | ¥ 8,368,984 |

See notes to consolidated financial statements.

|  | Millions of Yen       |                   |
|--|-----------------------|-------------------|
|  | September 30,<br>2010 | March 31,<br>2010 |
| <b>LIABILITIES AND SHAREHOLDER S EQUITY</b>  |                       |                   |
| <b>Current Liabilities:</b>  |                       |                   |
| Short-term debt (Note 4)   | ¥ 268,474             | ¥ 241,380         |
| Current maturities of long-term debt (Notes 4 and 12)                                | 190,152               | 320,480           |
| Trade payables:  |                       |                   |
| Notes and acceptances  | 37,103                | 36,831            |
| Accounts   | 1,252,023             | 1,307,980         |
| Associated companies   | 65,124                | 63,760            |
| Accrued expenses:  |                       |                   |
| Income taxes (Note 1)  | 61,468                | 37,604            |
| Interest   | 19,009                | 19,177            |
| Other  | 67,085                | 71,582            |
| Advances from customers  | 133,512               | 110,712           |
| Derivative liabilities (Notes 1, 12 and 14)  | 73,072                | 83,972            |
| Other current liabilities (Notes 1 and 10)   | 85,789                | 87,289            |
| Total current liabilities  | 2,252,811             | 2,380,767         |
| <b>Long-term Debt, less Current Maturities</b> (Notes 4 and 12)                      | <b>2,926,952</b>      | <b>2,909,794</b>  |
| <b>Accrued Pension Costs and Liability for Severance</b>                             |                       |                   |
| <b>Indemnities</b> (Note 1)  | <b>33,076</b>         | <b>33,927</b>     |
| <b>Deferred Tax Liabilities Non-current</b> (Note 1)                                 | <b>262,035</b>        | <b>305,096</b>    |
| <b>Other Long-Term Liabilities</b> (Notes 1, 10, 12 and 14)                          | <b>311,547</b>        | <b>309,594</b>    |
| <b>Contingent Liabilities</b> (Notes 4, 10 and 15)                                   |                       |                   |
| <b>Equity</b> (Note 6):  |                       |                   |
| Mitsui & Co., Ltd. Shareholders' equity:   |                       |                   |
| Common stock - no par value  | 341,482               | 341,482           |
| Authorized, 2,500,000,000 shares;  |                       |                   |
| Issued, 1,829,153,527 shares in 2010. 9 and 1,829,153,527 shares in 2010. 3          |                       |                   |
| Capital surplus  | 428,807               | 428,848           |
| Retained earnings:   |                       |                   |
| Appropriated for legal reserve   | 59,432                | 53,844            |
| Unappropriated   | 1,775,663             | 1,618,101         |
| Accumulated other comprehensive income (loss) (Note 1):                              |                       |                   |
| Unrealized holding gains and losses on available-for-sale securities (Note 3)        | 60,330                | 123,891           |
| Foreign currency translation adjustments (Note 12)                                   | (381,435)             | (272,665)         |
| Defined benefit pension plans  | (46,831)              | (49,132)          |
| Net unrealized gains and losses on derivatives (Note 12)                             | (15,269)              | (7,920)           |
| Total accumulated other comprehensive loss   | (383,205)             | (205,826)         |
| Treasury stock, at cost: 4,475,818 shares in 2010. 9 and 4,331,644 shares in 2010. 3 | (6,514)               | (6,321)           |
| Total Mitsui & Co., Ltd. shareholders' equity  | 2,215,665             | 2,230,128         |
| Noncontrolling interests   | 208,508               | 199,678           |
| Total equity   | 2,424,173             | 2,429,806         |

**Total**

**¥ 8,210,594**

¥ 8,368,984

## Statements of Consolidated Income

Mitsui &amp; Co., Ltd. and subsidiaries

For the Six-Month Periods Ended September 30, 2010 and 2009

|   | Millions of Yen                                 |   |
|---|---|---|
|   | Six-Month<br>Period Ended<br>September 30, 2010 | Six-Month<br>Period Ended<br>September 30, 2009 |
| <b>Revenues</b> (Notes 1, 8, 12 and 14):  |   |   |
| Sales of products   | ¥ 1,948,550                                     | ¥ 1,741,113                                     |
| Sales of services   | 181,088   | 183,797   |
| Other sales   | 74,689  | 76,249  |
| <b>Total revenues</b>   | <b>2,204,327</b>                                | <b>2,001,159</b>                                |
| [   |   |   |
| Total Trading Transactions (Notes 1 and 8)  |   |   |
| Six-month period ended September 30, 2010 ¥ 4,866,537 million                       |   |   |
| Six-month period ended September 30, 2009 ¥ 4,587,732 million                       |   |   |
| <b>Cost of Revenues</b> (Notes 1, 8, 12 and 14)                                     |   |   |
| Cost of products sold   | 1,666,025                                       | 1,560,133                                       |
| Cost of services sold   | 65,451  | 63,632  |
| Cost of other sales   | 35,029  | 32,866  |
| <b>Total cost of revenues</b>   | <b>1,766,505</b>                                | <b>1,656,631</b>                                |
| <b>Gross Profit</b>   | <b>437,822</b>                                  | <b>344,528</b>                                  |
| <b>Other Expenses (Income):</b>   |   |   |
| Selling, general and administrative (Notes 1 and 5)                                 | 264,514   | 264,060   |
| Provision for doubtful receivables (Note 1)   | 3,483   | 4,475   |
| Interest income (Notes 1 and 12)  | (19,362)  | (16,266)  |
| Interest expense (Notes 1 and 12)   | 20,576  | 25,628  |
| Dividend income   | (24,777)  | (17,956)  |
| Gain on sales of securities net (Notes 1, 3 and 6)                                  | (1,214)   | (3,766)   |
| Loss on write-down of securities (Notes 1, 3 and 14)                                | 6,848   | 18,651  |
| Loss (Gain) on disposal or sales of property and equipment net                      | 111   | (755)   |
| Impairment loss of long-lived assets (Notes 1, 14 and 15)                           | 2,527   | 999   |
| Impairment loss of goodwill (Notes 1 and 14)  |   | 3,108   |
| Other (income) expenses net (Notes 12 and 15)                                       | (4,008)   | 9,368   |
| <b>Total other expenses</b>   | <b>248,698</b>                                  | <b>287,546</b>                                  |
| <b>Income from Continuing Operations before Income Taxes and Equity in Earnings</b> | <b>189,124</b>                                  | <b>56,982</b>                                   |
| <b>Income Taxes</b> (Notes 1 and 9):  | <b>90,629</b>                                   | <b>34,848</b>                                   |
| <b>Income from Continuing Operations before Equity in Earnings</b>                  | <b>98,495</b>                                   | <b>22,134</b>                                   |

Edgar Filing: MITSUI & CO LTD - Form 6-K

|   |                  |          |
|---|------------------|----------|
| <b>Equity in Earnings of Associated Companies Net</b> (Notes 8 and 14)                    | <b>99,953</b>    | 56,014   |
| <b>Income from Continuing Operations before Attribution of Noncontrolling Interests</b>   | <b>198,448</b>   | 78,148   |
| <b>Loss from Discontinued Operations Net</b><br><b>(After Income Tax Effect)</b> (Note 1) |                  | (759)    |
| <b>Net Income before Attribution of Noncontrolling Interests</b>                          | <b>198,448</b>   | 77,389   |
| <b>Net Income Attributable to Noncontrolling Interests</b>                                | <b>(15,214)</b>  | (4,554)  |
| <b>Net Income Attributable to Mitsui &amp; Co., Ltd.</b>                                  | <b>¥ 183,234</b> | ¥ 72,835 |

|   | Six-Month<br>Period Ended<br>September 30,<br>2010 | Yen      | Six-Month<br>Period Ended<br>September 30,<br>2009 |
|---|--|----------|--|
| <b>Net Income Attributable to Mitsui &amp; Co., Ltd. per Share</b> (Notes 1 and 7): |  |          |  |
| Basic:  |  |          |  |
| Continuing operations   | ¥ 100.42   | ¥        | 40.35  |
| Discontinued operations   |  |          | (0.37)   |
| <b>Total</b>  | <b>¥ 100.42</b>                                    | <b>¥</b> | <b>39.98</b>                                       |
| Diluted:  |  |          |  |
| Continuing operations   | ¥ 100.42   | ¥        | 40.28  |
| Discontinued operations   |  |          | (0.37)   |
| <b>Total</b>  | <b>¥ 100.42</b>                                    | <b>¥</b> | <b>39.91</b>                                       |

See notes to consolidated financial statements.

For the Three-Month Periods Ended September 30, 2010 and 2009

|   | Millions of Yen                                   |   |
|---|---|---|
|   | Three-Month<br>Period Ended<br>September 30, 2010 | Three-Month<br>Period Ended<br>September 30, 2009 |
| <b>Revenues</b> (Notes 1, 8, 12 and 14):  |   |   |
| Sales of products   | ¥ 979,222   | ¥ 887,487   |
| Sales of services   | 90,352  | 93,447  |
| Other sales   | 37,156  | 42,782  |
| <b>Total revenues</b>   | <b>1,106,730</b>                                  | <b>1,023,716</b>                                  |
| <p>[</p> <p style="padding-left: 40px;">Total Trading Transactions (Notes 1 and 8)</p> <p style="padding-left: 40px;">Three-month period ended September 30, 2010 ¥ 2,436,847 million</p> <p style="padding-left: 40px;">Three-month period ended September 30, 2009 ¥ 2,357,049 million</p> <p style="padding-left: 40px;">]</p> |   |   |
| <b>Cost of Revenues</b> (Notes 1, 8, 12 and 14)   |   |   |
| Cost of products sold   | 839,837   | 796,163   |
| Cost of services sold   | 32,694  | 33,213  |
| Cost of other sales   | 19,816  | 16,569  |
| <b>Total cost of revenues</b>   | <b>892,347</b>                                    | <b>845,945</b>                                    |
| <b>Gross Profit</b>   | <b>214,383</b>                                    | <b>177,771</b>                                    |
| <b>Other Expenses (Income):</b>   |   |   |
| Selling, general and administrative (Notes 1 and 5)   | 132,405   | 131,602   |
| Provision for doubtful receivables (Note 1)   | 2,303   | 3,660   |
| Interest income (Notes 1 and 12)  | (9,922)   | (7,831)   |
| Interest expense (Notes 1 and 12)   | 10,376  | 10,746  |
| Dividend income   | (10,268)  | (7,717)   |
| Loss (Gain) on sales of securities net (Notes 1, 3 and 6)   | 2,960   | (1,546)   |
| Loss on write-down of securities (Notes 1, 3 and 14)  | 2,271   | 15,863  |
| Loss (Gain) on disposal or sales of property and equipment net  | 414   | (494)   |
| Impairment loss of long-lived assets (Notes 1, 14 and 15)   | 437   | 999   |
| Impairment loss of goodwill (Notes 1 and 14)  |   | 3,108   |
| Other (income) expenses net (Notes 12 and 15)   | (298)   | 10,055  |
| <b>Total other expenses</b>   | <b>130,678</b>                                    | <b>158,445</b>                                    |
| <b>Income from Continuing Operations before Income Taxes and Equity in Earnings</b>   | <b>83,705</b>                                     | <b>19,326</b>                                     |
| <b>Income Taxes</b> (Notes 1 and 9):  | <b>46,281</b>                                     | <b>30,784</b>                                     |
| <b>Income (Loss) from Continuing Operations before Equity in Earnings</b>   | <b>37,424</b>                                     | <b>(11,458)</b>                                   |
| <b>Equity in Earnings of Associated Companies Net</b> (Notes 8 and 14)  | <b>50,042</b>                                     | <b>25,192</b>                                     |
| <b>Income from Continuing Operations before Attribution of Noncontrolling Interests</b>   | <b>87,466</b>                                     | <b>13,734</b>                                     |
| <b>Loss from Discontinued Operations Net</b><br>(After Income Tax Effect) (Note 1)  |   | <b>(191)</b>                                      |



Edgar Filing: MITSUI & CO LTD - Form 6-K

|   |                 |          |        |
|---|-----------------|----------|--------|
| <b>Net Income before Attribution of Noncontrolling Interests</b>  | <b>87,466</b>   |          | 13,543 |
| <b>Net (Income) Loss Attributable to Noncontrolling Interests</b> | <b>(6,767)</b>  |          | 1,970  |
| <b>Net Income Attributable to Mitsui &amp; Co., Ltd.</b>          | <b>¥ 80,699</b> | <b>¥</b> | 15,513 |

|   | <b>Three-Month<br/>Period Ended<br/>September 30, 2010</b> | <b>Yen</b> | <b>Three-Month<br/>Period Ended<br/>September 30, 2009</b> |
|---|--|------------|--|
| <b>Net Income Attributable to Mitsui &amp; Co., Ltd. per Share (Notes 1 and 7):</b> |  |            |  |
| Basic:  |  |            |  |
| Continuing operations   | ¥ 44.23  | ¥          | 8.61   |
| Discontinued operations   |  |            | (0.10)   |
| <b>Total</b>  | <b>¥ 44.23</b>   | <b>¥</b>   | <b>8.51</b>  |
| Diluted:  |  |            |  |
| Continuing operations   | ¥ 44.23  | ¥          | 8.60   |
| Discontinued operations   |  |            | (0.10)   |
| <b>Total</b>  | <b>¥ 44.23</b>   | <b>¥</b>   | <b>8.50</b>  |

See notes to consolidated financial statements.

## Statements of Changes in Consolidated Equity

Mitsui &amp; Co., Ltd. and subsidiaries

For the Six-Month Periods Ended September 30, 2010 and 2009

|  | Millions of Yen                                 |   |
|--|---|---|
|  | Six-Month<br>Period Ended<br>September 30, 2010 | Six-Month<br>Period Ended<br>September 30, 2009 |
| <b>Common Stock:</b>   |   |   |
| Balance at beginning of period   |   |   |
| Shares issued: 2010.09 1,829,153,527 shares; 2009.09 1,824,928,240 shares          | ¥ 341,482                                       | ¥ 339,627                                       |
| Common stock issued upon conversion of bonds                                       |   |   |
| Shares issued: 2010.09 0 shares; 2009.09 4,225,287 shares                          |   | 1,855   |
| Balance at end of period   |   |   |
| Shares issued: 2010.09 1,829,153,527 shares; 2009.09 1,829,153,527 shares          | ¥ 341,482                                       | ¥ 341,482                                       |
| <b>Capital Surplus:</b>  |   |   |
| Balance at beginning of period   | ¥ 428,848                                       | ¥ 434,188                                       |
| Conversion of bonds  |   | 1,850   |
| Equity transactions with noncontrolling interest shareholders                      | (41)  | (1,213)   |
| Balance at end of period   | ¥ 428,807                                       | ¥ 434,825                                       |
| <b>Retained Earnings:</b>  |   |   |
| <b>Appropriated for Legal Reserve:</b>   |   |   |
| Balance at beginning of period   | ¥ 53,844  | ¥ 48,806  |
| Transfer from unappropriated retained earnings                                     | 5,588   | 4,845   |
| Balance at end of period   | ¥ 59,432  | ¥ 53,651  |
| <b>Unappropriated:</b>   |   |   |
| Balance at beginning of period   | ¥ 1,618,101                                     | ¥ 1,486,201                                     |
| Net income attributable to Mitsui & Co., Ltd.                                      | 183,234   | 72,835  |
| Cash dividends paid to Mitsui & Co., Ltd. shareholders                             | (20,081)  |   |
| Transfer to retained earnings appropriated for legal reserve                       | (5,588)   | (4,845)   |
| Losses on sales of treasury stock  | (3)   | (2)   |
| Balance at end of period   | ¥ 1,775,663                                     | ¥ 1,554,189                                     |
| <b>Accumulated Other Comprehensive Loss (After Income Tax Effect):</b>             |   |   |
| Balance at beginning of period   | ¥ (205,826)                                     | ¥ (421,497)                                     |
| Unrealized holding (losses) gains on available-for-sale securities (Notes 1 and 3) | (63,561)  | 56,930  |
| Foreign currency translation adjustments (Notes 1 and 12)                          | (108,770)                                       | 50,698  |
| Defined benefit pension plans (Note 1)   | 2,301   | 3,885   |
| Net unrealized (losses) gains on derivatives (Notes 1 and 12)                      | (7,349)   | 8,282   |
| Balance at end of period   | ¥ (383,205)                                     | ¥ (301,702)                                     |
| <b>Treasury Stock, at Cost:</b>  |   |   |
| Balance at beginning of period   | ¥ (6,321)                                       | ¥ (5,662)                                       |

Edgar Filing: MITSUI & CO LTD - Form 6-K

|   |             |             |
|---|-------------|-------------|
| Purchases of treasury stock                 | (217)       | (650)       |
| Sales of treasury stock                     | 24          | 6           |
| Balance at end of period                    | ¥ (6,514)   | ¥ (6,306)   |
| Total Mitsui &Co., Ltd. shareholders equity | ¥ 2,215,665 | ¥ 2,076,139 |

- 8 -

## Statements of Changes in Consolidated Equity (Continued)

Mitsui &amp; Co., Ltd. and subsidiaries

For the Six-Month Periods Ended September 30, 2010 and 2009

|   | Millions of Yen                                 |   |
|---|---|---|
|   | Six-Month<br>Period Ended<br>September 30, 2010 | Six-Month<br>Period Ended<br>September 30, 2009 |
| <b>Noncontrolling Interests (Note 6):</b>   |   |   |
| Balance at beginning of period  | ¥ 199,678                                       | ¥ 229,783                                       |
| Dividends paid to noncontrolling interest shareholders  | (6,933)   | (7,642)   |
| Net income attributable to noncontrolling interests   | 15,214  | 4,554   |
| Unrealized holding (losses) gains on available-for-sale securities (after income tax effect)<br>(Notes 1 and 3) | (9,823)   | 4,446   |
| Foreign currency translation adjustments (after income tax effect) (Notes 1 and 12)                             | (7,875)   | (1,796)   |
| Defined benefit pension plans (after income tax effect) (Note 1)  | 1   | (6)   |
| Net unrealized losses on derivatives (after income tax effect) (Notes 1 and 12)                                 | (123)   | (71)  |
| Equity transactions with noncontrolling interest shareholders and other   | 18,369  | (55)  |
| Balance at end of period  | ¥ 208,508                                       | ¥ 229,213                                       |
| <b>Total Equity:</b>  |   |   |
| Balance at beginning of period  | ¥ 2,429,806                                     | ¥ 2,111,446                                     |
| Conversion of bonds   |   | 3,705   |
| Losses on sales of treasury stock   | (3)   | (2)   |
| Net income before attribution of noncontrolling interests   | 198,448   | 77,389  |
| Cash dividends paid to Mitsui & Co., Ltd. shareholders  | (20,081)  |   |
| Dividends paid to noncontrolling interest shareholders  | (6,933)   | (7,642)   |
| Unrealized holding (losses) gains on available-for-sale securities (after income tax effect)<br>(Notes 1 and 3) | (73,384)  | 61,376  |
| Foreign currency translation adjustments (after income tax effect) (Notes 1 and 12)                             | (116,645)                                       | 48,902  |
| Defined benefit pension plans (after income tax effect) (Note 1)  | 2,302   | 3,879   |
| Net unrealized (losses) gains on derivatives (after income tax effect) (Notes 1 and 12)                         | (7,472)   | 8,211   |
| Sales and purchases of treasury stock   | (193)   | (644)   |
| Equity transactions with noncontrolling interest shareholders and other   | 18,328  | (1,268)   |
| Balance at end of period  | ¥ 2,424,173                                     | ¥ 2,305,352                                     |
| <b>Comprehensive Income:</b>  |   |   |
| Net income before attribution of noncontrolling interests   | ¥ 198,448                                       | ¥ 77,389  |
| <b>Other comprehensive (loss) income (after income tax effect):</b>   |   |   |
| Unrealized holding (losses) gains on available-for-sale securities (Notes 1 and 3)                              | (73,384)  | 61,376  |
| Foreign currency translation adjustments (Notes 1 and 12)   | (116,645)                                       | 48,902  |
| Defined benefit pension plans (Note 1)  | 2,302   | 3,879   |
| Net unrealized (losses) gains on derivatives (Notes 1 and 12)   | (7,472)   | 8,211   |
| Comprehensive income before attribution of noncontrolling interests   | 3,249   | 199,757   |
| Comprehensive loss (income) attributable to noncontrolling interests  | 2,606   | (7,127)   |
| Comprehensive income attributable to Mitsui & Co., Ltd.   | ¥ 5,855   | ¥ 192,630                                       |

See notes to consolidated financial statements.

## Statements of Consolidated Cash Flows

Mitsui &amp; Co., Ltd. and subsidiaries

For the Six-Month Periods ended September 30, 2010 and 2009

|  | Millions of Yen                                    |   |
|--|--|---|
|  | Six-Month<br>Period<br>ended<br>September 30, 2010 | Six-Month<br>Period ended<br>September 30, 2009 |
| <b>Operating Activities</b> (Note 1):  |  |   |
| Net income before attribution of noncontrolling interests  | ¥ 198,448  | ¥ 77,389  |
| Adjustments to reconcile net income before attribution of noncontrolling interests to net cash provided by operating activities: |  |   |
| Loss from discontinued operations net (after income tax effect)  |  | 759   |
| Depreciation and amortization  | 69,815   | 67,684  |
| Pension and severance costs, less payments   | 6,521  | 6,181   |
| Provision for doubtful receivables   | 3,483  | 4,475   |
| Gain on sales of securities net  | (1,214)  | (3,766)   |
| Loss on write-down of securities   | 6,848  | 18,651  |
| Gain on disposal or sales of property and equipment net  | 111  | (755)   |
| Impairment loss of long-lived assets   | 2,527  | 999   |
| Impairment loss of goodwill  |  | 3,108   |
| Deferred income taxes  | 4,470  | (10,923)  |
| Equity in earnings of associated companies, less dividends received  | (29,255)   | (4,441)   |
| Changes in operating assets and liabilities:   |  |   |
| Decrease in trade receivables  | 25,563   | 105,454   |
| (Increase) decrease in inventories   | (28,117)   | 53,033  |
| Decrease in trade payables   | (25,607)   | (62,302)  |
| (Increase) decrease in advance payments to suppliers   | (9,659)  | 3,774   |
| Increase (decrease) in advances from customers   | 12,924   | (18,735)  |
| (Increase) decrease in derivative assets   | (4,660)  | 104,039   |
| Increase (decrease) in derivative liabilities  | 1,947  | (45,599)  |
| Other net  | 36,700   | 29,855  |
| Net cash provided by operating activities of discontinued operations   |  | (91)  |
| <b>Net cash provided by operating activities</b>   | <b>270,845</b>                                     | <b>328,789</b>                                  |
| <b>Investing Activities:</b>   |  |   |
| Net decrease in time deposits  | 11,300   | 1,217   |
| Investments in and advances to associated companies  | (34,160)   | (25,816)  |
| Sales of investments in and collection of advances to associated companies   | 8,484  | 23,705  |
| Acquisitions of other investments  | (48,303)   | (15,716)  |
| Proceeds from sales and maturities of other investments  | 42,884   | 48,496  |
| Increase in long-term loan receivables   | (71,704)   | (35,140)  |
| Collection of long-term loan receivables   | 48,634   | 38,576  |
| Additions to property leased to others and property and equipment  | (156,146)  | (87,288)  |
| Proceeds from sales of property leased to others and property and equipment  | 6,652  | 12,253  |
| Acquisitions of subsidiaries, net of cash acquired   | (106,797)  |   |
| Proceeds from sales of subsidiaries, net of cash held by subsidiaries  | 18,677   |   |
| <b>Net cash used in investing activities</b>   | <b>(280,479)</b>                                   | <b>(39,713)</b>                                 |

Edgar Filing: MITSUI & CO LTD - Form 6-K

|   |             |             |
|---|-------------|-------------|
| <b>Financing Activities :</b>                                       |             |             |
| Net increase (decrease) in short-term debt                          | 52,303      | (139,653)   |
| Proceeds from long-term debt  | 179,770     | 320,470     |
| Repayments of long-term debt  | (244,229)   | (230,384)   |
| Transactions with noncontrolling interest shareholders              | 9,012       | (8,189)     |
| Purchases of treasury stock net                                     | (208)       | (16)        |
| Payments of cash dividends  | (20,081)    |             |
| Net cash used in financing activities                               | (23,433)    | (57,772)    |
| <b>Effect of Exchange Rate Changes on Cash and Cash Equivalents</b> | (23,485)    | 6,258       |
| <b>Net (decrease) increase in Cash and Cash Equivalents</b>         | (56,552)    | 237,562     |
| <b>Cash and Cash Equivalents at Beginning of Period</b>             | 1,401,399   | 1,147,809   |
| <b>Cash and Cash Equivalents at End of Period</b>                   | ¥ 1,344,847 | ¥ 1,385,371 |

See notes to consolidated financial statements.

## ***I. BASIS OF FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

### **I. BASIS OF FINANCIAL STATEMENTS**

The accompanying consolidated financial statements are stated in Japanese yen, the currency of the country in which Mitsui & Co., Ltd. (the Company) is incorporated and principally operates.

The accompanying consolidated financial statements have been prepared on the basis of accounting principles generally accepted in the United States of America ( U.S. GAAP ). Effect has been given in the consolidated financial statements to adjustments which have not been entered in Mitsui & Co., Ltd. and subsidiaries (collectively, the companies) general books of account maintained principally in accordance with accounting practices prevailing in the countries of incorporation. Major adjustments include those relating to accounting for derivative instruments and hedging activities, accounting for certain investments including non-monetary exchange of investments and effects of changes in foreign currency exchange rates on foreign-currency-denominated available-for-sale debt securities, accounting for pension costs and severance indemnities, recognition of installment sales on the accrual basis of accounting, accounting for consolidation accounting for business combinations, accounting for goodwill and other intangible assets, accounting for asset retirement obligations, accounting for consolidation of variable interest entities, accounting for leasing, accounting for stock issuance costs, and accounting for uncertainty in income taxes.

Total trading transactions, as presented in the accompanying Statements of Consolidated Income, are voluntary disclosures, and represent the gross transaction volume or the aggregate nominal value of the sales contracts in which the companies act as a principal and transactions in which the Company and certain subsidiaries serve as an agent. During the year ended March 31, 2010, the companies changed the reporting of total trading transactions for transactions where the Company and certain subsidiaries serve as an agent, and not as a contracting party, from gross amounts, which included transaction volume exchanged between the contracting parties and commissions earned as an agent; to net amounts, which include only commissions. In relation to this change, amounts for the six-month period ended September 30, 2009 and the three-month period ended September 30, 2009 have been reclassified.

Total trading transactions should not be construed as equivalent to, or a substitute or a proxy for, revenues, or as an indicator of the companies operating performance, liquidity or cash flows generated by operating, investing or financing activities. The companies have included the gross transaction volume information because similar Japanese trading companies have generally used it as an industry benchmark. As such, management believes that total trading transactions are a useful supplement to the results of operations information for users of the consolidated financial statements.

### **II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### ***Consolidation***

The consolidated financial statements include the accounts of the Company, its majority-owned domestic and foreign subsidiaries, the variable interest entities ( VIEs ) where the Company or one of its subsidiaries is a primary beneficiary, and its proportionate share of the assets, liabilities, revenues and expenses of certain of its oil and gas producing, and mining unincorporated joint ventures in which the companies own an undivided interest in the assets, and pursuant to the joint venture agreements, are severally liable for their share of each liability. The VIEs are defined by ASC 810, Consolidation.

The difference between the cost of investments in VIEs which are not a business and the equity in the fair value of the net assets at the dates of acquisition is accounted for as an extraordinary gain or loss while the excess of the cost of investments in other subsidiaries that meet the definition of a business over the equity in the fair value of the net assets at the dates of acquisition is accounted for as goodwill.

Changes in the companies ownership interests while retaining their controlling financial interests in their subsidiaries are accounted for as equity transactions. When the companies cease to have their controlling financial interests, any retained investments are remeasured at their fair value at that date and the difference between the fair value and the carrying amount of the retained noncontrolling investments is recognized as a gain or loss in net income attributable to Mitsui & Co., Ltd.

Certain subsidiaries with a second-quarter-end on or after March 31, but prior to the parent Company s second-quarter-end of September 30, are included on the basis of the subsidiaries respective second-quarter-ends.





***Foreign currency translation***

The assets and liabilities of foreign subsidiaries and associated companies are translated into Japanese yen at the respective period-end exchange rates. All income and expense accounts are translated at average rates of exchange. The resulting translation adjustments are included in accumulated other comprehensive income (loss).

Monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at period-end exchange rates with the resulting gains and losses recognized in earnings.

***Cash equivalents***

Cash equivalents are defined as short-term (original maturities of three months or less), highly liquid investments which are readily convertible into cash and have no significant risk of change in value including certificates of deposit, time deposits, financing bills and commercial papers with original maturities of three months or less.

***Allowance for doubtful receivables***

An impairment loss for a specific loan deemed to be impaired is measured based on the present value of expected cash flows discounted at the loan's original effective interest rate or the fair value of the collateral if the loan is collateral dependent.

An allowance for doubtful receivables is recorded for all receivables not defined as specific loan based primarily upon the companies' credit loss experiences and an evaluation of potential losses in the receivables.

***Inventories***

Inventories, consisting mainly of commodities and materials for resale, are stated at the lower of cost, principally on a specific-identification basis, or market.

***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. On the Consolidated Balance Sheets, the companies offset fair value amounts recognized for the right to reclaim cash collateral (a receivable) or the obligation to return cash collateral (a payable) against fair value amounts recognized for derivative instruments executed with the same counterparty under the same master netting arrangement.

The companies enter into derivative commodity instruments, such as future, forward, option and swap contracts, as a means of hedging the exposure to changes in the fair value of inventories and unrecognized firm commitments and the exposure to variability in the expected future cash flows from forecasted transactions, principally for non-ferrous metals, crude oil and agricultural products.

Changes in the fair value of derivative commodity instruments, designated and effective as fair value hedges, are recognized in sales of products or cost of products sold as offsets to changes in the fair value of the hedged items. Changes in the fair value of derivative commodity instruments, designated and effective as cash flow hedges, are initially recorded as other comprehensive income and reclassified into earnings as sales of products or cost of products sold when the hedged transactions affect earnings. Changes in the fair value of the ineffective portion are recognized in sales of products or cost of products sold immediately.

Changes in the fair value of derivative commodity instruments, for which hedge requirements are not met, are currently recognized in sales of products or cost of products sold without any offsetting changes in the fair value of the hedged items.

The Company and certain subsidiaries also enter into agreements for derivative commodity instruments as a part of their trading activities. These derivative instruments are marked to market and gains or losses resulting from these contracts are reported in other sales.

Changes in the fair value of all open positions of precious metals traded in terminal (future) markets are recognized in other sales in order to reflect the fair value of commodity trading transactions consisting of inventories, unrecognized firm commitments and derivative commodity instruments as a whole.

## Edgar Filing: MITSUI & CO LTD - Form 6-K

The companies enter into derivative financial instruments such as interest rate swap agreements, foreign exchange forward contracts, currency swap agreements, and interest rate and currency swap agreements as a means of hedging their interest rate and foreign exchange exposure.

- 12 -

Changes in the fair value of interest rate swap agreements, designated and effective as fair value hedges for changes in the fair value of fixed-rate financial assets or liabilities attributable to changes in the designated benchmark interest rate, are recognized in interest income and expense as offsets to changes in the fair value of hedged items. Changes in the fair value of interest rate swap agreements, designated and effective as cash flow hedges for changes in the cash flows of floating-rate financial assets or liabilities attributable to changes in the designated benchmark interest rate, are initially recorded in other comprehensive income and reclassified into earnings as interest income and expense when the hedged transactions affect earnings. Changes in the fair value of the ineffective portion are recognized in interest income and expense immediately.

Changes in the fair value of foreign exchange forward contracts and currency swap agreements, designated and effective as cash flow hedges for changes in the cash flows of foreign-currency-denominated assets or liabilities, unrecognized firm commitments and forecasted transactions attributable to changes in the related foreign currency exchange rate, are initially recorded in other comprehensive income and reclassified into earnings as foreign exchange gains or losses when the hedged transactions affect earnings. Changes in the fair value of the ineffective portion are recognized in foreign exchange gains or losses immediately.

Changes in the fair value of interest rate and currency swap agreements, designated and effective as fair value hedges or cash flow hedges for changes in the fair values or cash flows of foreign-currency-denominated assets or liabilities attributable to changes in the designated benchmark interest rate or the related foreign currency exchange rate are recorded as either earnings or other comprehensive income depending on the treatment of foreign currency hedges as fair value hedges or cash flow hedges.

Changes in the fair value of derivative financial instruments, for which hedge requirements are not met, are currently recognized in interest income and expense for interest rate swap agreements and in foreign exchange gains or losses for foreign exchange forward contracts, currency swap agreements and interest rate and currency swap agreements.

The Company and certain subsidiaries also enter into agreements for certain derivative financial instruments as a part of their trading activities. These derivative instruments are marked to market and the related gains or losses are reported in other sales.

The companies use derivative instruments and non-derivative financial instruments in order to reduce the foreign currency exposure in the net investment in a foreign operation. The foreign currency transaction gains or losses on these instruments, designated as and effective as hedging instruments, are deferred and recorded as foreign currency translation adjustments within other comprehensive income to the extent they are effective as hedges. These amounts are only recognized in income upon the complete or partial sale of the related investment or the complete liquidation of the investment.

For the Statements of Consolidated Cash Flows, cash flows from derivative commodity instruments and derivative financial instruments that qualify for hedge accounting are included in the same category as the items being hedged.

#### ***Debt and marketable equity securities***

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

Securities are classified as trading securities and carried at fair value only if the companies possess 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 in the Consolidated Balance Sheets only if the companies have the positive intent and ability to hold those securities to maturity. Premiums and discounts amortized in the period are included in interest income.

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

For other than a temporary decline in the value of debt and marketable equity securities below their cost or amortized cost, the investment is reduced to its fair value, which becomes the new cost basis of the investment. The amount of the reduction is reported as a loss for the period in which such determination is made. Various factors, such as the extent by which the cost exceeds the market value, the duration of the market decline, the financial condition and near-term prospects of the issuer, foreign exchange rates, and the intent and ability to retain the investment for a period of time sufficient to allow for any anticipated recovery in market value, are reviewed to judge whether the decline is other than

## Edgar Filing: MITSUI & CO LTD - Form 6-K

temporary. Debt securities are reduced to their fair value, when the companies intend to sell the debt security or it is more likely than not that the companies will be required to sell the security prior to recovery of its amortized cost basis. When the companies do not intend to sell the security and it is not more likely than not that the companies will be required to sell the security before recovery of its amortized cost basis, the companies will recognize the credit component of an other-than-temporary impairment of the debt security in earnings and the noncredit component in other comprehensive income (loss).

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

- 13 -

***Non-marketable equity securities***

Non-marketable equity securities are carried at cost. When other than a temporary decline in the value of such securities below their cost occurs, the investment is reduced to its fair value and an impairment loss is recognized. Various factors, such as the financial condition and near-term prospects of the issuer, are reviewed to judge whether it is other than temporary.

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

***Investments in associated companies***

Investments in associated companies (20% to 50%-owned corporate investees, corporate joint ventures, and less than 20%-owned corporate investees over which the companies have the ability to exercise significant influence) and noncontrolling investments in general partnerships, limited partnerships and limited liability companies are accounted for under the equity method, after appropriate adjustments for intercompany profits and dividends. The differences between the cost of such investments and the companies' equity in the underlying fair value of the net assets of associated companies at the dates of acquisition are recognized as equity method goodwill.

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

***Leasing***

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

The companies are also lessees of various assets. Rental expenses on operating leases are recognized over the respective lease terms using the straight-line method.

***Property and equipment***

Property and equipment are stated at cost.

Depreciation of property and equipment (including property leased to others) is computed principally under the declining-balance method for assets located in Japan and under the straight-line method for assets located outside Japan, using rates based upon the estimated useful lives of the related property and equipment. Mineral rights are amortized over their respective estimated useful lives, using the straight-line method or the unit-of-production method.

Leasehold improvements are amortized over the lesser of the useful life of the improvement or the term of the underlying lease.

Significant renewals and additions are capitalized at cost. Maintenance and repairs, and minor renewals and betterments are charged to expense as incurred.

***Impairment of long-lived assets***

Long-lived assets to be held and used or to be disposed of other than by sale are reviewed, by using undiscounted future cash flows, for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If the sum of the 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.

***Business combinations***

## Edgar Filing: MITSUI & CO LTD - Form 6-K

In accordance with ASC 805, Business Combinations, the acquisition method of accounting which requires the measurement of the fair value of all of the assets and liabilities of an acquired Company, including noncontrolling interests, is used for all business combinations from April 1, 2009. The companies separately recognize and report acquired intangible assets as goodwill or other intangible assets. Any excess of fair value of acquired net assets over cost arising from a business combination is recognized as a gain from a bargain purchase.

### *Goodwill and other intangible assets*

Goodwill is not amortized but tested for impairment annually or more frequently if impairment indicators arise. Identifiable intangible assets with a finite useful life are amortized over their respective estimated useful lives and reviewed for impairment in accordance with ASC 360,

Property, Plant and Equipment. Any identifiable intangible asset determined to have an indefinite useful life is not amortized, but instead tested for impairment in accordance with ASC 350, Intangibles-Goodwill and Other, until its useful life is determined to be no longer indefinite.

Equity method goodwill is reviewed for impairment as part of an other-than-temporary decline in the value of investments in associated companies below the carrying amount in accordance with ASC 323, Investments-Equity Method and Joint Ventures.

### ***Oil and gas producing activities***

Oil and gas exploration and development costs are accounted for using the successful efforts method of accounting. The costs of acquiring properties, costs of drilling and equipping exploratory wells, and costs of development wells and related plant and equipment are capitalized, and amortized using the unit-of-production method. Exploratory well costs are expensed, if economically recoverable reserves are not found. Other exploration costs, such as geological and geophysical costs, are expensed as incurred.

In accordance with ASC 360, proved properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. If the proved properties are determined to be impaired, an impairment loss is recognized based on the fair value. Unproved properties are assessed annually for impairment in accordance with ASC 932-360-35-11, Extractive Activities-Oil and Gas Unproved Properties, with any impairment charged to expense. The companies make a comprehensive evaluation and record impairment of unproved property based on undiscounted future net cash flow approach, as well as taking into consideration various factors, such as remaining mining rights periods, examples of sales and purchases in neighboring areas, drilling results and seismic interpretations.

### ***Mining operations***

Mining exploration costs are expensed as incurred until the mining project has been established as commercially viable by a final feasibility study. Once established as commercially viable, costs are capitalized as development costs and are amortized using either the unit-of-production method or straight-line method based on the proven and probable reserves.

In open pit mining operations, it is necessary to remove overburden and other waste materials to access mineral deposits. The costs of removing waste materials are referred to as stripping costs. During the development of a mine, before production commences, such costs are generally capitalized as part of the development costs. Removal of waste materials continues during the production stage of the mine. Such post-production stripping costs are variable production costs to be considered as a component of mineral inventory costs and are recognized as a component of costs of products sold in the same period as the related revenues from the sales of the minerals. Depending on the configuration of the mineral deposits, the post-production stripping costs could lead to a lower of cost or market inventory adjustment.

### ***Asset retirement obligations***

The companies record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the companies capitalize the related cost by increasing the carrying amount of the long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset.

### ***Pension and severance indemnities plans***

The Company and certain subsidiaries have defined benefit pension plans and severance indemnities plans covering substantially all employees other than directors. The costs of defined benefit pension plans and severance indemnities plans are accrued based on amounts determined using actuarial methods. The Company and certain subsidiaries recognize the overfunded or underfunded status of a defined benefit plan as an asset or a liability in the Consolidated Balance Sheets. The net actuarial gain or loss and net prior service cost or credit are included in accumulated other comprehensive income (loss) in equity on a net-of-tax basis and are amortized into net periodic pension costs over the certain future periods. In addition, the Company and certain subsidiaries have defined contribution pension plans. The costs of defined contribution pension plans are charged to expenses when incurred.

### ***Guarantees***

In accordance with ASC 460, Guarantees, the companies recognize, at the inception of a guarantee issued on or after January 1, 2003, a liability for the fair value of the obligation undertaken for the guarantee.

### ***Revenue recognition***

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





*Sales of products*

Sales of products include the sales of various products as a principal in the transactions, the manufacture and sale of a wide variety of products such as metals, chemicals, foods and general consumer merchandise, the development of natural resources such as coal, iron ore, oil and gas, and the development and sale of real estate. The companies recognize those revenues at the time the delivery conditions agreed with customers are met. These conditions are usually considered to have been met when the goods are received by the customer, the title to the warehouse receipts is transferred, or the implementation testing is duly completed.

For long-term construction contracts such as railroad projects, depending on the nature of the contract, revenues are accounted for by the percentage-of-completion method if estimates of costs to complete and extent of progress toward completion of long-term contracts are reasonably dependable, otherwise the companies use the completed contract method.

The Company and certain subsidiaries enter into buy/sell arrangements, mainly relating to transactions of crude oil and petroleum products. Under buy/sell arrangements, which are entered into primarily to optimize supply or demand requirements, the Company and certain subsidiaries agree to buy (sell) a specific quality and quantity of commodities to be delivered at a specific location and/or time while agreeing to sell (buy) the same quality and quantity of the commodities to be delivered at a different location and/or time to the same counterparty. The buy/sell arrangements are reported on a net basis in the Statements of Consolidated Income.

*Sales of services*

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

*Other sales*

Other sales principally include the revenues from leasing activities of real estate, rolling stock, ocean transport vessels, equipment and others, the revenues from derivative commodity instruments and derivative financial instruments held for trading purposes, and the revenues from external consumer financing. See accounting policies for leasing and derivative instruments and hedging activities for the revenue recognition policies regarding leasing and derivative transactions, respectively.

***Research and development expenses***

Research and development costs are charged to expenses when incurred.

***Advertising expenses***

Advertising costs are charged to expenses when incurred.

***Income taxes***

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

In accordance with ASC 740, Income Taxes, the companies recognize and measure uncertainty in income taxes. Interests and penalties incurred in relation to income taxes are reported in current income taxes in the Statements of Consolidated Income.

***Net income per share***

## Edgar Filing: MITSUI & CO LTD - Form 6-K

Basic net income per share attributable to Mitsui & Co., Ltd. is computed by dividing net income attributable to Mitsui & Co., Ltd. by the weighted-average number of common shares outstanding for the period. Diluted net income per share attributable to Mitsui & Co., Ltd. reflects the potential dilution as a result of issuance of shares upon conversion of the companies' convertible bonds.

- 16 -

### III. RECLASSIFICATION

Certain reclassifications and format changes have been made to amounts for the six-month period ended September 30, 2009 and the three-month period ended September 30, 2009 to conform to the current period presentation.

### IV. DISCONTINUED OPERATIONS

The companies have the policy of presenting the results of discontinued operations (including operations of a subsidiary that either has been disposed of or is classified as held for sale) as a separate line item in the Statements of Consolidated Income under income or loss from discontinued operations net (after income tax effect). The figures related to the discontinued operations for the year ended March 31, 2010 were reclassified in the Statement of Consolidated Income and the Statement of Consolidated Cash Flows for the six-month period ended September 30, 2009 and the three-month period ended September 30, 2009 to conform to the current period presentation.

The figures of discontinued operations for the six-month period ended September 30, 2010 were not reclassified due to their immateriality to the companies financial position and results of operations.

Income from continuing operations attributable to Mitsui & Co., Ltd. and loss from discontinued operations net (after income tax effect) attributable to Mitsui & Co., Ltd. for the six-month period ended September 30, 2009 were ¥ 73,510 million and ¥ 675 million and the three-month period ended September 30, 2009 were ¥ 15,697 million and ¥ 184 million, respectively.

### V. NEW ACCOUNTING STANDARDS

#### *Transfers of financial assets*

Effective April 1, 2010, the companies adopted the new provisions in ASC 860, Transfers and Servicing, which the FASB issued as ASU 2009-16, Accounting for Transfers of Financial Assets, which was formerly SFAS No. 166.

ASU 2009-16 amends the provisions in ASC 860, eliminates the concept of a qualifying special-purpose entity and changes the derecognition requirements of financial assets. The new provisions also enhance disclosure requirements for transfers of financial assets and a transferor s continuing involvement with transferred financial assets.

The effect of the adoption of these provisions on the companies financial position and results of operations was immaterial.

#### *Variable interest entities*

Effective April 1, 2010, the companies adopted the new provisions in ASC 810, Consolidation, which the FASB issued as ASU 2009-17, Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities, which was formerly SFAS No. 167, and ASU 2010-10, Amendments for Certain Investment Funds.

ASU 2009-17 amends the provisions in ASC 810 to require an entity to determine the need for consolidating a VIE based on qualitative analysis, including whether the entity has the power to direct the activities of the VIE that most significantly impact the entity s economic performance, and to assess such needs on an ongoing basis. ASU 2010-10 indefinitely defers the application of provisions amended by ASU 2009-17 for interests in certain investment funds and similar entities.

The effect of the adoption of these provisions on the companies financial position and results of operations was immaterial.

## **2. BUSINESS COMBINATIONS**

### **For the six-month period ended September 30, 2010**

The following is the primary business combination, which was completed during the six-month period ended September 30, 2010.

On December 24, 2009, MT Falcon Holdings Company S.A.P.I. de C.V., a 70% owned subsidiary of the Company, entered into a definitive agreement with Gas Natural SDG, S.A. to acquire 100% of its outstanding shares of a portfolio of companies holding five gas-fired combined cycle power stations in Mexico, as well as relevant companies including a pipeline company. This acquisition for ¥111,519 million (U.S. \$1,221 million) was closed on June 2, 2010 ( acquisition date ). The Company intends to enhance its portfolio of power generating assets through this acquisition.

The Company recorded the provisional amounts for assets acquired and liabilities assumed on the acquisition date because the purchase price allocation of the business combination is incomplete as of the issuance date of the consolidated financial statements. At June 30, 2010, the provisional amounts mainly consist of property and equipment and intangible assets of ¥65,230 million and ¥46,704 million, respectively. At September 30, 2010, as a result of adjusting the provisional amounts based on the latest information, the amounts mainly consist of property leased to others and intangible assets of ¥91,592 million and ¥16,213 million, respectively.

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

### **For the six-month period ended September 30, 2009**

The business combinations which were completed during the six-month period ended September 30, 2009 were immaterial.

### 3. MARKETABLE SECURITIES AND OTHER INVESTMENTS

#### Debt and marketable equity securities

At September 30 and March 31, 2010, the cost, fair value and gross unrealized holding gains and losses on available-for-sale securities and the amortized cost, fair value and gross unrealized holding gains and losses on held-to-maturity debt securities were as follows:

|  | Cost      | Fair value | Millions of Yen                   |            |           |
|--|-----------|------------|-----------------------------------|------------|-----------|
|  |           |            | Unrealized holding gains (losses) |            | Net       |
|  |           |            | Gains                             | Losses     |           |
| <b>September 30, 2010:</b>               |           |            |                                   |            |           |
| Available-for-sale:                      |           |            |                                   |            |           |
| Marketable equity securities (Japan)     | ¥ 222,142 | ¥ 323,632  | ¥ 112,085                         | ¥ (10,595) | ¥ 101,490 |
| Marketable equity securities (Non-Japan) | 36,917    | 64,353     | 30,355                            | (2,919)    | 27,436    |
| Preferred stock that must be redeemed    | 77,401    | 72,240     | 184                               | (5,345)    | (5,161)   |
| Government bonds                         | 7,025     | 7,027      | 2                                 |            | 2         |
| Other securities                         | 42        | 42         | 0                                 |            | 0         |

March 31, 2010:

|  | Cost      | Fair value | Millions of Yen                   |         |           |
|--|-----------|------------|-----------------------------------|---------|-----------|
|  |           |            | Unrealized holding gains (losses) |         | Net       |
|  |           |            | Gains                             | Losses  |           |
| Available-for-sale:                      |           |            |                                   |         |           |
| Marketable equity securities (Japan)     | ¥ 212,367 | ¥ 416,844  | ¥ 204,612                         | ¥ (135) | ¥ 204,477 |
| Marketable equity securities (Non-Japan) | 27,212    | 58,337     | 32,611                            | (1,486) | 31,125    |
| Preferred stock that must be redeemed    | 78,940    | 74,595     | 271                               | (4,616) | (4,345)   |
| Government bonds                         | 8,024     | 8,036      | 12                                |         | 12        |
| Other securities                         | 1,891     | 1,891      | 0                                 |         | 0         |

|                                  | Amortized cost | Fair value | Millions of Yen                   |        |     |
|----------------------------------|----------------|------------|-----------------------------------|--------|-----|
|                                  |                |            | Unrealized holding gains (losses) |        | Net |
|                                  |                |            | Gains                             | Losses |     |
| <b>September 30, 2010:</b>       |                |            |                                   |        |     |
| Held-to-maturity debt securities | ¥ 1,569        | ¥ 1,569    | ¥ 0                               |        | ¥ 0 |
| March 31, 2010:                  |                |            |                                   |        |     |
| Held-to-maturity debt securities | ¥ 117          | ¥ 117      | ¥ 0                               |        | ¥ 0 |

At September 30 and March 31, 2010, the companies did not hold available-for-sale securities, with original maturities of three months or less, included in cash and cash equivalents in the Consolidated Balance Sheets.

At September 30 and March 31, 2010, the fair value and gross unrealized holding losses on available-for-sale securities, aggregated by investment category and length of time that individual securities have been in continuous unrealized loss positions, were as follows:

|  | Millions of Yen     |                           |                   |                           |
|--|---------------------|---------------------------|-------------------|---------------------------|
|  | Less than 12 months |                           | 12 months or more |                           |
|  | Fair value          | Unrealized holding losses | Fair value        | Unrealized holding losses |
| <b>September 30, 2010:</b>   |                     |                           |                   |                           |
| Available-for-sale:  |                     |                           |                   |                           |
| Marketable equity securities   | ¥ 114,007           | ¥ (13,514)                |                   |                           |
| Debt securities, consisting of preferred stock that must be redeemed |                     |                           | ¥ 71,172          | ¥ (5,345)                 |
| <b>Total</b>   | <b>¥ 114,007</b>    | <b>¥ (13,514)</b>         | <b>¥ 71,172</b>   | <b>¥ (5,345)</b>          |
| March 31, 2010:  |                     |                           |                   |                           |
| Available-for-sale:  |                     |                           |                   |                           |
| Marketable equity securities   | ¥ 27,896            | ¥ (1,621)                 |                   |                           |
| Debt securities, consisting of preferred stock that must be redeemed |                     |                           | ¥ 73,440          | ¥ (4,616)                 |
| <b>Total</b>   | <b>¥ 27,896</b>     | <b>¥ (1,621)</b>          | <b>¥ 73,440</b>   | <b>¥ (4,616)</b>          |

The companies' investments in available-for-sale securities in an unrealized holding loss position consisted primarily of marketable equity securities and preferred stock that must be redeemed. The unrealized losses on marketable equity securities were due principally to a temporary decline in the stock market. The companies evaluated the near-term prospects of the issuer of the equity securities in relation to the severity and duration of impairment. Based on that evaluation and the companies' ability and intent to hold these investments for a reasonable period of time sufficient for a forecasted recovery of fair value, the companies did not consider these investments to be other-than-temporarily impaired at September 30, 2010.

The unrealized losses on preferred stock that must be redeemed were due to a devaluation of foreign currencies against the yen in the foreign exchange market. For current portion of the preferred stock, losses on write-down were recognized to reflect the devaluation of foreign currencies considered to be other-than-temporary. For non-current portion, the companies evaluated the prospects of the foreign exchange market for the period of maturity of the stock. Based on that evaluation, the companies did not consider this portion to be other-than-temporarily impaired at September 30, 2010.

For the six-month periods ended September 30, 2010 and 2009, losses of ¥4,423 million and ¥15,482 million, respectively, were recognized on write-downs of available-for-sale securities to reflect the decline in market value considered to be other-than-temporary.

For the three-month periods ended September 30, 2010 and 2009, losses of ¥811 million and ¥15,378 million, respectively, were recognized on write-downs of available-for-sale securities to reflect the decline in market value considered to be other-than-temporary.

The portion of net trading gains and losses for the six-month periods that relates to trading securities still held at September 30, 2010 and 2009 were as follows:

|                    | Millions of Yen       |                       |
|--------------------|-----------------------|-----------------------|
|                    | September 30,<br>2010 | September 30,<br>2009 |
| Net trading losses | ¥ (15)                | ¥ (12)                |

The portion of net trading gains and losses for the three-month periods that relates to trading securities still held at September 30, 2010 and 2009 were as follows:

|                    | Millions of Yen       |                       |
|--------------------|-----------------------|-----------------------|
|                    | September 30,<br>2010 | September 30,<br>2009 |
| Net trading losses | ¥ (9)                 | ¥ (10)                |

The proceeds from sales of available-for-sale securities and the gross realized gains and losses on those sales for the six-month periods ended September 30, 2010 and 2009 are shown below:

|                            | Millions of Yen       |                       |
|----------------------------|-----------------------|-----------------------|
|                            | September 30,<br>2010 | September 30,<br>2009 |
| Proceeds from sales        | ¥ 7,927               | ¥ 9,503               |
| Gross realized gains       | ¥ 935                 | ¥ 4,058               |
| Gross realized losses      | (1,186)               | (4)                   |
| Net trading (losses) gains | ¥ (251)               | ¥ 4,054               |

The proceeds from sales of available-for-sale securities and the gross realized gains and losses on those sales for the three-month periods ended September 30, 2010 and 2009 are shown below:

|                            | Millions of Yen       |                       |
|----------------------------|-----------------------|-----------------------|
|                            | September 30,<br>2010 | September 30,<br>2009 |
| Proceeds from sales        | ¥ 6,585               | ¥ 7,368               |
| Gross realized gains       | ¥ 314                 | ¥ 3,346               |
| Gross realized losses      | (1,145)               | (2)                   |
| Net trading (losses) gains | ¥ (831)               | ¥ 3,344               |

Debt securities classified as available-for-sale and held-to-maturity at September 30, 2010 mature as follows:

| Millions of Yen    |                      |                  |                      |
|--------------------|----------------------|------------------|----------------------|
| Available-for-sale |                      | Held-to-maturity |                      |
| Amortized cost     | Aggregate fair value | Amortized cost   | Aggregate fair value |



Edgar Filing: MITSUI & CO LTD - Form 6-K

| Contractual maturities:        |          |   |        |         |         |
|--------------------------------|----------|---|--------|---------|---------|
| Within 1 year                  | ¥ 8,658  | ¥ | 9,219  |         |         |
| After 1 year through 5 years   | 67,297   |   | 61,929 | ¥ 485   | ¥ 485   |
| After 5 years through 10 years | 8,513    |   | 8,161  | 382     | 382     |
| After 10 years                 |          |   |        | 702     | 702     |
| Total                          | ¥ 84,468 | ¥ | 79,309 | ¥ 1,569 | ¥ 1,569 |

The actual maturities may differ from the contractual maturities shown above because certain issuers may have the right to redeem debt securities before their maturity.

**Investments other than debt and marketable equity securities**

Investments other than investments in debt and marketable equity securities consisted primarily of non-marketable equity securities and non-current time deposits and amounted to ¥432,045 million and ¥482,930 million at September 30 and March 31, 2010, respectively. The estimation of the corresponding fair values at those dates was not practicable, as the fair value for all the individual non-marketable securities held by the companies was not readily determinable at each balance sheet date.

Investments in non-marketable equity securities are carried at cost; however, if the fair value of an investment has declined and such decline is judged to be other-than-temporary, the investment is written down to its estimated fair value.

Losses on write-downs of these investment securities recognized to reflect the declines in fair value considered to be other-than-temporary were ¥2,425 million and ¥3,170 million, for the six-month periods ended September 30, 2010 and 2009, respectively.

Losses on write-downs of these investment securities recognized to reflect the declines in fair value considered to be other-than-temporary were ¥1,460 million and ¥486 million, for the three-month periods ended September 30, 2010 and 2009, respectively.

The aggregate carrying amount of the companies' non-marketable equity securities accounted for under the cost method totaled ¥375,054 million and ¥434,194 million at September 30 and March 31, 2010, respectively.

**4. PLEDGED ASSETS AND FINANCIAL ASSETS ACCEPTED AS COLLATERAL****Pledged assets**

At September 30, 2010 and March 31, 2010, the following assets (exclusive of assets covered by trust receipts discussed below) were pledged as collateral for certain liabilities of the companies:

|   | Millions of Yen       |                   |
|---|-----------------------|-------------------|
|   | September 30,<br>2010 | March 31,<br>2010 |
| Trade receivables (current and non-current) | ¥ 83,364              | ¥ 92,004          |
| Inventories                                 | 7,506                 | 2,927             |
| Investments                                 | 173,123               | 217,672           |
| Property leased to others (net book value)  | 33,848                | 44,457            |
| Property and equipment (net book value)     | 23,412                | 23,761            |
| Other                                       | 12,246                | 9,079             |
| <b>Total</b>                                | <b>¥ 333,499</b>      | <b>¥ 389,900</b>  |

The distribution of such collateral among short-term debt, long-term debt, and financial guarantees and other was as follows:

|                                | Millions of Yen       |                   |
|--------------------------------|-----------------------|-------------------|
|                                | September 30,<br>2010 | March 31,<br>2010 |
| Short-term debt                | ¥ 12,700              | ¥ 15,311          |
| Long-term debt                 | 133,074               | 145,693           |
| Financial guarantees and other | 187,725               | 228,896           |
| <b>Total</b>                   | <b>¥ 333,499</b>      | <b>¥ 389,900</b>  |

Trust receipts issued under customary import financing arrangements (short-term bank loans and bank acceptances) give banks a security interest in the merchandise imported and/or the accounts receivable resulting from the sale of such merchandise. Because of the companies' large

## Edgar Filing: MITSUI & CO LTD - Form 6-K

volume of import transactions, it is not practicable to determine the total amount of assets covered by outstanding trust receipts.

In addition to the above, the Company has bank borrowings under certain provisions of loan agreements which require the Company, upon the request of the bank, to immediately provide collateral, which is not originally identified in the loan agreements.

- 22 -

**Financial assets accepted as collateral**

At September 30, 2010 and March 31, 2010, the fair values of financial assets that the companies accepted as security for trade receivables and that they are permitted to sell or repledge consisted of the following:

|                            | Millions of Yen       |                   |
|----------------------------|-----------------------|-------------------|
|                            | September 30,<br>2010 | March 31,<br>2010 |
| Bank deposits              | ¥ 1,002               | ¥ 899             |
| Trade receivables accounts | 1,607                 | 608               |
| Stocks and bonds           | 4,425                 | 4,906             |

There were no financial assets repledged or accepted as collateral under security repurchase agreements at September 30, 2010 and March 31, 2010.

**5. PENSION COSTS AND SEVERANCE INDEMNITIES**

Net periodic pension costs of the companies' defined benefit pension plans for the six-month and three-month periods ended September 30, 2010 and 2009 included the following components:

|  | Millions of Yen                                 |   |
|--|---|---|
|  | Six-month<br>period ended<br>September 30, 2010 | Six-month<br>period ended<br>September 30, 2009 |
| Service cost benefits earned during the period | ¥ 4,897   | ¥ 4,499   |
| Interest cost on projected benefit obligation  | 3,173   | 3,156   |
| Expected return on plan assets                 | (4,008)   | (3,932)   |
| Amortization of prior service cost             | 71  | (16)  |
| Amortization of net actuarial loss             | 3,765   | 6,360   |
| Curtailement gain                              | (6)   |   |
| Net periodic pension costs                     | ¥ 7,892   | ¥ 10,067  |

|  | Millions of Yen                                   |   |
|--|---|---|
|  | Three-month<br>period ended<br>September 30, 2010 | Three-month<br>period ended<br>September 30, 2009 |
| Service cost benefits earned during the period | ¥ 2,742   | ¥ 2,065   |
| Interest cost on projected benefit obligation  | 1,580   | 1,574   |
| Expected return on plan assets                 | (2,002)   | (1,967)   |
| Amortization of prior service cost             | 20  | 0   |
| Amortization of net actuarial loss             | 1,898   | 3,182   |
| Curtailement gain                              | (2)   |   |
| Net periodic pension costs                     | ¥ 4,236   | ¥ 4,854   |

**6. EQUITY*****Equity transactions with noncontrolling interest shareholders***

During the six-month periods ended September 30, 2010 and 2009, changes in noncontrolling interests due to equity transactions with noncontrolling interest shareholders were as follows:

|   | Millions of Yen                     |             |
|---|-------------------------------------|-------------|
|   | Six-month period ended<br>September | September   |
|   | 30,<br>2010                         | 30,<br>2009 |
| Increase in noncontrolling interests due to transfers of Mitsui & Co., Ltd's ownership interests in its subsidiaries to noncontrolling interests, and contributions from noncontrolling interest shareholders | ¥ 4,733                             | ¥ 3,390     |
| Decrease in noncontrolling interests due to transfers of ownership interests in Mitsui & Co., Ltd's subsidiaries from noncontrolling interests  | (324)                               | (3,955)     |
| <b><i>Increase of a noncontrolling interest due to the consolidation of a subsidiary</i></b>  |                                     |             |

During the six-month period ended September 30, 2010, ¥12,602 million of a noncontrolling interest was recorded in equity transactions with noncontrolling interest shareholders and other in the Statements of Changes in Consolidated Equity, as a result of the consolidation of MT Falcon Holdings Company S.A.P.I. de C.V. ( MT Falcon ), with the Company's 70% ownership interest. See Note 2, BUSINESS COMBINATIONS, for further information regarding MT Falcon's acquisition of gas-fired power business.

***Gains recorded due to the deconsolidation of subsidiaries***

During the six-month period ended September 30, 2010, the companies deconsolidated certain subsidiaries mainly due to the merger of a subsidiary with a third party and the sale of the entire interest in another subsidiary to a third party, and through these transactions recognized a net pre-tax gain of ¥536 million. This net gain was included in gains on sales of securities net in the Statements of Consolidated Income. Of the net total of ¥536 million, a gain of ¥1,554 million was recorded as a result of the remeasurement of the retained investments in the former subsidiaries to their fair values using principally a discounted cash flow model. The retained investments are accounted for under the equity method because the companies maintain significant influence over them primarily through representation on their board of directors.

**7. NET INCOME ATTRIBUTABLE TO MITSUI & CO., LTD. PER SHARE**

The following is a reconciliation of basic net income attributable to Mitsui & Co., Ltd. per share to diluted net income attributable to Mitsui & Co., Ltd. per share for the six-month and three-month periods ended September 30, 2010 and 2009:

|   | Six-Month Period Ended<br>September 30, 2010          |   |                            | Six-Month Period Ended<br>September 30, 2009          |   |                               |
|---|---|---|----------------------------|---|---|-------------------------------|
|   | Net<br>income<br>(numerator)<br>Millions<br>of<br>Yen | Shares<br>(denominator)<br>In Thousands | Per share<br>amount<br>Yen | Net<br>income<br>(numerator)<br>Millions<br>of<br>Yen | Shares<br>(denominator)<br>In Thousands | Per<br>share<br>amount<br>Yen |
| <b>Basic Net Income Attributable to Mitsui &amp; Co., Ltd.<br/>per Share:</b> |   |   |                            |   |   |                               |
| Income from continuing operations   | ¥ 183,234   | 1,824,738                               | ¥ 100.42                   | ¥ 73,510  | 1,821,650                               | ¥ 40.35                       |
| Loss from discontinued operations -net (after income tax effect)              |   |   |                            | (675)   | 1,821,650                               | (0.37)                        |
| Net income  | 183,234   | 1,824,738                               | 100.42                     | 72,835  | 1,821,650                               | 39.98                         |
| <b>Effect of Dilutive Securities:</b>   |   |   |                            |   |   |                               |
| Japanese yen convertible bonds  |   |   |                            | 1   | 3,441                                   |                               |
| Adjustment of effect of dilutive securities of associated companies           | (1)   |   |                            | (1)   |   |                               |
| <b>Diluted Net Income Attributable to Mitsui &amp; Co., Ltd. per Share:</b>   |   |   |                            |   |   |                               |
| Income from continuing operations   | 183,233   | 1,824,738                               | 100.42                     | 73,510  | 1,825,091                               | 40.28                         |
| Loss from discontinued operations -net (after income tax effect)              |   |   |                            | (675)   | 1,825,091                               | (0.37)                        |
| Net income after effect of dilutive securities                                | ¥ 183,233   | 1,824,738                               | ¥ 100.42                   | ¥ 72,835  | 1,825,091                               | ¥ 39.91                       |
|   | Three-Month Period Ended<br>September 30, 2010        |   |                            | Three-Month Period Ended<br>September 30, 2009        |   |                               |
|   | Net<br>income<br>(numerator)<br>Millions<br>of<br>Yen | Shares<br>(denominator)<br>In Thousands | Per share<br>amount<br>Yen | Net<br>income<br>(numerator)<br>Millions<br>of<br>Yen | Shares<br>(denominator)<br>In Thousands | Per<br>share<br>amount<br>Yen |
| <b>Basic Net Income Attributable to Mitsui &amp; Co., Ltd.<br/>per Share:</b> |   |   |                            |   |   |                               |
| Income from continuing operations   | ¥ 80,699  | 1,824,695                               | ¥ 44.23                    | ¥ 15,697  | 1,822,211                               | ¥ 8.61                        |
| Loss from discontinued operations -net (after income tax effect)              |   |   |                            | (184)   | 1,822,211                               | (0.10)                        |
| Net income  | 80,699  | 1,824,695                               | 44.23                      | 15,513  | 1,822,211                               | 8.51                          |
| <b>Effect of Dilutive Securities:</b>   |   |   |                            |   |   |                               |
| Japanese yen convertible bonds  |   |   |                            | 1   | 2,698                                   |                               |
| Adjustment of effect of dilutive securities of associated companies           | 0   |   |                            | (1)   |   |                               |

Edgar Filing: MITSUI & CO LTD - Form 6-K

**Diluted Net Income Attributable to Mitsui & Co.,  
Ltd. per Share:**

|  |                 |                  |                |                 |           |               |
|--|-----------------|------------------|----------------|-----------------|-----------|---------------|
| Income from continuing operations                                | <b>80,699</b>   | <b>1,824,695</b> | <b>44.23</b>   | 15,697          | 1,824,909 | 8.60          |
| Loss from discontinued operations -net (after income tax effect) |                 |                  |                | (184)           | 1,824,909 | (0.10)        |
| Net income after effect of dilutive securities                   | <b>¥ 80,699</b> | <b>1,824,695</b> | <b>¥ 44.23</b> | <b>¥ 15,513</b> | 1,824,909 | <b>¥ 8.50</b> |

- 25 -

## 8. SEGMENT INFORMATION

|   | Millions of Yen       |                           |                                     |           |             |                |                       |                               |
|---|-----------------------|---------------------------|-------------------------------------|-----------|-------------|----------------|-----------------------|-------------------------------|
|   | Iron & Steel Products | Mineral & Metal Resources | Machinery & Infrastructure Projects | Chemical  | Energy      | Foods & Retail | Consumer Service & IT | Logistics & Financial Markets |
| Six-month period ended September 30, 2010 :                               |                       |                           |                                     |           |             |                |                       |                               |
| Revenues  | ¥ 81,718              | ¥ 224,488                 | ¥ 124,187                           | ¥ 386,606 | ¥ 667,775   | ¥ 283,262      | ¥ 73,552              | ¥ 37,497                      |
| Gross profit  | ¥ 19,910              | ¥ 90,516                  | ¥ 44,260                            | ¥ 31,827  | ¥ 103,570   | ¥ 37,112       | ¥ 24,383              | ¥ 21,563                      |
| Operating income (loss)   | ¥ 4,209               | ¥ 81,573                  | ¥ 2,592                             | ¥ 8,090   | ¥ 73,298    | ¥ 4,994        | ¥ (4,742)             | ¥ 6,591                       |
| Equity in earnings of associated companies net                            | ¥ 1,966               | ¥ 46,156                  | ¥ 13,527                            | ¥ 1,908   | ¥ 22,115    | ¥ 1,546        | ¥ 1,711               | ¥ 6,212                       |
| Net income attributable to Mitsui & Co., Ltd.                             | ¥ 3,929               | ¥ 77,133                  | ¥ 9,600                             | ¥ 4,826   | ¥ 64,856    | ¥ 2,908        | ¥ 1,483               | ¥ 3,332                       |
| Total assets at September 30, 2010  | ¥ 465,222             | ¥ 956,712                 | ¥ 1,460,741                         | ¥ 573,641 | ¥ 1,438,633 | ¥ 603,618      | ¥ 517,248             | ¥ 372,973                     |
| Investments in and advances to associated companies at September 30, 2010 | ¥ 24,150              | ¥ 450,021                 | ¥ 317,598                           | ¥ 30,307  | ¥ 139,590   | ¥ 82,761       | ¥ 108,583             | ¥ 67,341                      |
| Depreciation and amortization   | ¥ 1,342               | ¥ 5,970                   | ¥ 5,107                             | ¥ 3,531   | ¥ 37,679    | ¥ 3,408        | ¥ 2,428               | ¥ 1,701                       |
| Additions to property leased to others and property and equipment         | ¥ 366                 | ¥ 21,842                  | ¥ 24,063                            | ¥ 8,289   | ¥ 76,777    | ¥ 4,168        | ¥ 1,025               | ¥ 6,040                       |

|   | Millions of Yen |                                    |              |             |             |                              |                    |
|---|-----------------|------------------------------------|--------------|-------------|-------------|------------------------------|--------------------|
|   | Americas        | Europe, the Middle East and Africa | Asia Pacific | Total       | All Other   | Adjustments and Eliminations | Consolidated Total |
| Six-month period ended September 30, 2010 :                               |                 |                                    |              |             |             |                              |                    |
| Revenues  | ¥ 190,482       | ¥ 73,388                           | ¥ 60,470     | ¥ 2,203,425 | ¥ 902       |                              | ¥ 2,204,327        |
| Gross profit  | ¥ 38,206        | ¥ 10,616                           | ¥ 15,163     | ¥ 437,126   | ¥ 398       | ¥ 298                        | ¥ 437,822          |
| Operating income (loss)   | ¥ 15,012        | ¥ 1,891                            | ¥ 2,616      | ¥ 196,124   | ¥ (2,728)   | ¥ (23,571)                   | ¥ 169,825          |
| Equity in earnings of associated companies net                            | ¥ 2,866         | ¥ 46                               | ¥ 1,414      | ¥ 99,467    |             | ¥ 486                        | ¥ 99,953           |
| Net income attributable to Mitsui & Co., Ltd.                             | ¥ 9,793         | ¥ 647                              | ¥ 21,997     | ¥ 200,504   | ¥ 2,097     | ¥ (19,367)                   | ¥ 183,234          |
| Total assets at September 30, 2010  | ¥ 388,953       | ¥ 113,545                          | ¥ 331,458    | ¥ 7,222,744 | ¥ 2,708,216 | ¥ (1,720,366)                | ¥ 8,210,594        |
| Investments in and advances to associated companies at September 30, 2010 | ¥ 22,675        | ¥ 4,138                            | ¥ 111,975    | ¥ 1,359,139 | ¥ 1,077     | ¥ 36,905                     | ¥ 1,397,121        |



Edgar Filing: MITSUI & CO LTD - Form 6-K

|   |   |              |   |            |   |            |   |                |   |            |   |              |   |                |
|---|---|--------------|---|------------|---|------------|---|----------------|---|------------|---|--------------|---|----------------|
| Depreciation and amortization                                     | ¥ | <b>2,850</b> | ¥ | <b>423</b> | ¥ | <b>369</b> | ¥ | <b>64,808</b>  | ¥ | <b>279</b> | ¥ | <b>4,728</b> | ¥ | <b>69,815</b>  |
| Additions to property leased to others and property and equipment | ¥ | <b>7,712</b> | ¥ | <b>933</b> | ¥ | <b>450</b> | ¥ | <b>151,665</b> | ¥ | <b>89</b>  | ¥ | <b>4,392</b> | ¥ | <b>156,146</b> |

- 26 -

|   |  | Millions of Yen             |                                    |  |           |             |                   |                             |                                     |
|---|--|-----------------------------|------------------------------------|--|-----------|-------------|-------------------|-----------------------------|-------------------------------------|
| Six-month period ended September 30, 2009                                 |  | Iron &<br>Steel<br>Products | Mineral<br>&<br>Metal<br>Resources | Machinery<br>&<br>Infrastructure<br>Projects | Chemical  | Energy      | Foods &<br>Retail | Consumer<br>Service &<br>IT | Logistics &<br>Financial<br>Markets |
| (As Restated):  |  |                             |                                    |  |           |             |                   |                             |                                     |
| Revenues  |  | ¥ 53,868                    | ¥ 131,546                          | ¥ 112,101                                    | ¥ 403,485 | ¥ 597,705   | ¥ 270,480         | ¥ 82,525                    | ¥ 41,815                            |
| Gross profit  |  | ¥ 16,855                    | ¥ 32,243                           | ¥ 44,093                                     | ¥ 33,746  | ¥ 66,489    | ¥ 42,460          | ¥ 26,457                    | ¥ 24,739                            |
| Operating income (loss)   |  | ¥ (561)                     | ¥ 24,475                           | ¥ 4,883                                      | ¥ 8,454   | ¥ 38,476    | ¥ 11,627          | ¥ (6,434)                   | ¥ 10,652                            |
| Equity in earnings (losses) of associated companies net                   |  | ¥ 1,732                     | ¥ 14,458                           | ¥ 18,407                                     | ¥ 84      | ¥ 14,884    | ¥ 4,869           | ¥ (3,911)                   | ¥ 2,659                             |
| Net income (loss) attributable to Mitsui & Co., Ltd.                      |  | ¥ 1,542                     | ¥ 31,798                           | ¥ 19,813                                     | ¥ 5,189   | ¥ 30,984    | ¥ (6,496)         | ¥ (5,420)                   | ¥ 1,073                             |
| Total assets at September 30, 2009  |  | ¥ 432,845                   | ¥ 820,607                          | ¥ 1,336,337                                  | ¥ 552,667 | ¥ 1,527,551 | ¥ 609,792         | ¥ 534,433                   | ¥ 401,798                           |
| Investments in and advances to associated companies at September 30, 2009 |  | ¥ 22,895                    | ¥ 424,317                          | ¥ 316,440                                    | ¥ 30,525  | ¥ 158,433   | ¥ 84,863          | ¥ 103,290                   | ¥ 21,660                            |
| Depreciation and amortization   |  | ¥ 1,472                     | ¥ 4,829                            | ¥ 4,573                                      | ¥ 3,635   | ¥ 37,535    | ¥ 2,967           | ¥ 2,572                     | ¥ 1,805                             |
| Additions to property leased to others and property and equipment         |  | ¥ 1,120                     | ¥ 17,482                           | ¥ 18,671                                     | ¥ 4,456   | ¥ 28,133    | ¥ 2,766           | ¥ 1,899                     | ¥ 879                               |
| Total trading transactions:   |  | ¥ 465,309                   | ¥ 257,038                          | ¥ 493,425                                    | ¥ 804,825 | ¥ 733,181   | ¥ 909,344         | ¥ 202,226                   | ¥ 74,737                            |

|   |  | Millions of Yen |  |              |             |             |                                    |                       |
|---|--|-----------------|--|--------------|-------------|-------------|------------------------------------|-----------------------|
| Six-month period ended September 30, 2009                                 |  | Americas        | Europe,<br>the Middle East<br>and Africa | Asia Pacific | Total       | All Other   | Adjustments<br>and<br>Eliminations | Consolidated<br>Total |
| (As Restated):  |  |                 |  |              |             |             |                                    |                       |
| Revenues  |  | ¥ 221,179       | ¥ 48,725                                 | ¥ 42,300     | ¥ 2,005,729 | ¥ 1,241     | ¥ (5,811)                          | ¥ 2,001,159           |
| Gross profit  |  | ¥ 35,571        | ¥ 7,729                                  | ¥ 13,494     | ¥ 343,876   | ¥ 351       | ¥ 301                              | ¥ 344,528             |
| Operating income (loss)   |  | ¥ 6,108         | ¥ (3,163)                                | ¥ 1,953      | ¥ 96,470    | ¥ (2,432)   | ¥ (18,045)                         | ¥ 75,993              |
| Equity in earnings (losses) of associated companies net                   |  | ¥ 84            | ¥ 625                                    | ¥ 1,980      | ¥ 55,871    |             | ¥ 143                              | ¥ 56,014              |
| Net income (loss) attributable to Mitsui & Co., Ltd.                      |  | ¥ (5,588)       | ¥ (1,038)                                | ¥ 13,494     | ¥ 85,351    | ¥ 1,144     | ¥ (13,660)                         | ¥ 72,835              |
| Total assets at September 30, 2009  |  | ¥ 438,034       | ¥ 156,884                                | ¥ 264,453    | ¥ 7,075,401 | ¥ 2,838,098 | ¥ (1,618,525)                      | ¥ 8,294,974           |
| Investments in and advances to associated companies at September 30, 2009 |  | ¥ 30,102        | ¥ 15,349                                 | ¥ 83,438     | ¥ 1,291,312 | ¥ 582       | ¥ 22,708                           | ¥ 1,314,602           |
| Depreciation and amortization   |  | ¥ 4,494         | ¥ 453                                    | ¥ 331        | ¥ 64,666    | ¥ 319       | ¥ 2,699                            | ¥ 67,684              |

Edgar Filing: MITSUI & CO LTD - Form 6-K

|   |           |           |           |             |         |           |             |
|---|-----------|-----------|-----------|-------------|---------|-----------|-------------|
| Additions to property leased to others and property and equipment | ¥ 5,958   | ¥ 410     | ¥ 369     | ¥ 82,143    | ¥ 203   | ¥ 4,942   | ¥ 87,288    |
| Total trading transactions:                                       | ¥ 247,295 | ¥ 213,589 | ¥ 191,615 | ¥ 4,592,584 | ¥ 1,241 | ¥ (6,093) | ¥ 4,587,732 |

- 27 -

|   | Millions of Yen             |                                    |  |           |             |                   |                             |  |
|---|-----------------------------|------------------------------------|--|-----------|-------------|-------------------|-----------------------------|--|
| Three-month period ended September 30, 2010 :                             | Iron &<br>Steel<br>Products | Mineral<br>&<br>Metal<br>Resources | Machinery<br>&<br>Infrastructure<br>Projects | Chemical  | Energy      | Foods &<br>Retail | Consumer<br>Service &<br>IT | Logistics<br>&<br>Financial<br>Markets |
| Revenues  | ¥ 51,887                    | ¥ 109,890                          | ¥ 64,063                                     | ¥ 179,662 | ¥ 337,408   | ¥ 141,774         | ¥ 39,472                    | ¥ 19,511                               |
| Gross profit  | ¥ 9,748                     | ¥ 42,662                           | ¥ 20,742                                     | ¥ 14,908  | ¥ 51,884    | ¥ 18,417          | ¥ 12,275                    | ¥ 11,149                               |
| Operating income (loss)   | ¥ 1,793                     | ¥ 38,137                           | ¥ (55)                                       | ¥ 2,826   | ¥ 36,320    | ¥ 1,977           | ¥ (2,334)                   | ¥ 3,370                                |
| Equity in earnings (losses) of associated companies net                   | ¥ 1,227                     | ¥ 22,736                           | ¥ 4,789                                      | ¥ 1,149   | ¥ 12,634    | ¥ 1,735           | ¥ (297)                     | ¥ 3,553                                |
| Net income (loss) attributable to Mitsui & Co., Ltd.                      | ¥ 1,594                     | ¥ 37,438                           | ¥ 3,033                                      | ¥ 1,670   | ¥ 32,292    | ¥ 1,243           | ¥ (2,745)                   | ¥ 2,157                                |
| Total assets at September 30, 2010  | ¥ 465,222                   | ¥ 956,712                          | ¥ 1,460,741                                  | ¥ 573,641 | ¥ 1,438,633 | ¥ 603,618         | ¥ 517,248                   | ¥ 372,973                              |
| Investments in and advances to associated companies at September 30, 2010 | ¥ 24,150                    | ¥ 450,021                          | ¥ 317,598                                    | ¥ 30,307  | ¥ 139,590   | ¥ 82,761          | ¥ 108,583                   | ¥ 67,341                               |
| Depreciation and amortization   | ¥ 677                       | ¥ 3,193                            | ¥ 2,683                                      | ¥ 1,849   | ¥ 20,148    | ¥ 1,771           | ¥ 1,133                     | ¥ 870                                  |
| Additions to property leased to others and property and equipment         | ¥ 128                       | ¥ 11,747                           | ¥ 14,039                                     | ¥ 5,040   | ¥ 47,704    | ¥ 930             | ¥ 468                       | ¥ 2,985                                |

|   | Millions of Yen |   |              |             |             |                                    |                       |
|---|-----------------|---|--------------|-------------|-------------|------------------------------------|-----------------------|
| Three-month period ended September 30, 2010 :                             | Americas        | Europe,<br>the Middle East<br>and<br>Africa | Asia Pacific | Total       | All Other   | Adjustments<br>and<br>Eliminations | Consolidated<br>Total |
| Revenues  | ¥ 92,274        | ¥ 40,437                                    | ¥ 29,926     | ¥ 1,106,304 | ¥ 430       | ¥ (4)                              | ¥ 1,106,730           |
| Gross profit  | ¥ 18,214        | ¥ 5,884                                     | ¥ 7,711      | ¥ 213,594   | ¥ 181       | ¥ 608                              | ¥ 214,383             |
| Operating income (loss)   | ¥ 7,558         | ¥ 1,281                                     | ¥ 1,416      | ¥ 92,289    | ¥ (1,364)   | ¥ (11,250)                         | ¥ 79,675              |
| Equity in earnings (losses) of associated companies net                   | ¥ 2,034         | ¥ (240)                                     | ¥ 466        | ¥ 49,786    |             | ¥ 256                              | ¥ 50,042              |
| Net income (loss) attributable to Mitsui & Co., Ltd.                      | ¥ 4,734         | ¥ 264                                       | ¥ 10,252     | ¥ 91,932    | ¥ 928       | ¥ (12,161)                         | ¥ 80,699              |
| Total assets at September 30, 2010  | ¥ 388,953       | ¥ 113,545                                   | ¥ 331,458    | ¥ 7,222,744 | ¥ 2,708,216 | ¥ (1,720,366)                      | ¥ 8,210,594           |
| Investments in and advances to associated companies at September 30, 2010 | ¥ 22,675        | ¥ 4,138                                     | ¥ 111,975    | ¥ 1,359,139 | ¥ 1,077     | ¥ 36,905                           | ¥ 1,397,121           |
| Depreciation and amortization   | ¥ 1,412         | ¥ 172                                       | ¥ 80         | ¥ 33,988    | ¥ 104       | ¥ 2,964                            | ¥ 37,056              |
|   | ¥ 5,680         | ¥ 380                                       | ¥ 314        | ¥ 89,415    | ¥ 10        | ¥ 1,453                            | ¥ 90,878              |

Additions to property leased to others and  
property and equipment

- 28 -

| Three-month period ended September 30, 2009<br>(As Restated):                | Millions of Yen             |                                    |  |           |             |                   |                          |                                     |
|--|-----------------------------|------------------------------------|--|-----------|-------------|-------------------|--------------------------|-------------------------------------|
|  | Iron &<br>Steel<br>Products | Mineral<br>&<br>Metal<br>Resources | Machinery<br>&<br>Infrastructure<br>Projects | Chemical  | Energy      | Foods &<br>Retail | Consumer<br>Service & IT | Logistics &<br>Financial<br>Markets |
| Revenues   | ¥ 27,591                    | ¥ 68,866                           | ¥ 56,540                                     | ¥ 202,980 | ¥ 300,324   | ¥ 141,552         | ¥ 43,359                 | ¥ 24,433                            |
| Gross profit   | ¥ 8,083                     | ¥ 18,066                           | ¥ 22,123                                     | ¥ 14,952  | ¥ 36,400    | ¥ 20,312          | ¥ 14,657                 | ¥ 14,860                            |
| Operating income (loss)  | ¥ (1,313)                   | ¥ 14,088                           | ¥ 1,087                                      | ¥ 1,934   | ¥ 22,161    | ¥ 4,753           | ¥ (2,024)                | ¥ 7,888                             |
| Equity in earnings (losses) of associated<br>companies net                   | ¥ 359                       | ¥ 7,007                            | ¥ 10,096                                     | ¥ 340     | ¥ 6,830     | ¥ 2,422           | ¥ (4,882)                | ¥ 1,671                             |
| Net income (loss) attributable to Mitsui &<br>Co., Ltd.                      | ¥ 127                       | ¥ 12,125                           | ¥ 6,769                                      | ¥ 610     | ¥ 15,154    | ¥ (11,408)        | ¥ (5,499)                | ¥ 1,038                             |
| Total assets at September 30, 2009   | ¥ 432,845                   | ¥ 820,607                          | ¥ 1,336,337                                  | ¥ 552,667 | ¥ 1,527,551 | ¥ 609,792         | ¥ 534,433                | ¥ 401,798                           |
| Investments in and advances to associated<br>companies at September 30, 2009 | ¥ 22,895                    | ¥ 424,317                          | ¥ 316,440                                    | ¥ 30,525  | ¥ 158,433   | ¥ 84,863          | ¥ 103,290                | ¥ 21,660                            |
| Depreciation and amortization  | ¥ 748                       | ¥ 2,432                            | ¥ 2,295                                      | ¥ 1,705   | ¥ 17,834    | ¥ 1,480           | ¥ 1,427                  | ¥ 883                               |
| Additions to property leased to others and<br>property and equipment         | ¥ 599                       | ¥ 8,657                            | ¥ 7,054                                      | ¥ 3,041   | ¥ 12,694    | ¥ 1,348           | ¥ 959                    | ¥ 380                               |
| Total trading transactions:  | ¥ 240,340                   | ¥ 138,571                          | ¥ 257,103                                    | ¥ 411,968 | ¥ 367,320   | ¥ 456,359         | ¥ 109,727                | ¥ 43,631                            |

| Three-month period ended September 30, 2009<br>(As Restated):                | Millions of Yen |  |              |             |             |                                    |                       |
|--|-----------------|--|--------------|-------------|-------------|------------------------------------|-----------------------|
|  | Americas        | Europe,<br>the Middle East<br>and Africa | Asia Pacific | Total       | All Other   | Adjustments<br>and<br>Eliminations | Consolidated<br>Total |
| Revenues   | ¥ 112,385       | ¥ 26,921                                 | ¥ 21,155     | ¥ 1,026,106 | ¥ 667       | ¥ (3,057)                          | ¥ 1,023,716           |
| Gross profit   | ¥ 17,496        | ¥ 4,270                                  | ¥ 6,771      | ¥ 177,990   | ¥ (235)     | ¥ 16                               | ¥ 177,771             |
| Operating income (loss)  | ¥ 2,834         | ¥ (1,818)                                | ¥ 1,065      | ¥ 50,655    | ¥ (1,383)   | ¥ (6,763)                          | ¥ 42,509              |
| Equity in earnings (losses) of associated<br>companies net                   | ¥ 160           | ¥ 148                                    | ¥ 1,070      | ¥ 25,221    |             | ¥ (29)                             | ¥ 25,192              |
| Net income (loss) attributable to Mitsui & Co.,<br>Ltd.                      | ¥ (3,013)       | ¥ (1,001)                                | ¥ 6,062      | ¥ 20,964    | ¥ 1,387     | ¥ (6,838)                          | ¥ 15,513              |
| Total assets at September 30, 2009   | ¥ 438,034       | ¥ 156,884                                | ¥ 264,453    | ¥ 7,075,401 | ¥ 2,838,098 | ¥ (1,618,525)                      | ¥ 8,294,974           |
| Investments in and advances to associated<br>companies at September 30, 2009 | ¥ 30,102        | ¥ 15,349                                 | ¥ 83,438     | ¥ 1,291,312 | ¥ 582       | ¥ 22,708                           | ¥ 1,314,602           |
| Depreciation and amortization  | ¥ 2,215         | ¥ 222                                    | ¥ 160        | ¥ 31,401    | ¥ 189       | ¥ 1,380                            | ¥ 32,970              |

Edgar Filing: MITSUI & CO LTD - Form 6-K

|   |           |           |          |             |       |           |             |
|---|-----------|-----------|----------|-------------|-------|-----------|-------------|
| Additions to property leased to others and property and equipment | ¥ 2,837   | ¥ 145     | ¥ 163    | ¥ 37,877    | ¥ 82  | ¥ 3,125   | ¥ 41,084    |
| Total trading transactions:                                       | ¥ 125,847 | ¥ 114,280 | ¥ 94,292 | ¥ 2,359,438 | ¥ 667 | ¥ (3,056) | ¥ 2,357,049 |

- 29 -

Notes:

- (1) The figures for the six-month period ended September 30, 2009 and the figures for the three-month period ended September 30, 2009 relating to discontinued operations have been reclassified. The reclassification to Loss from Discontinued Operations Net (After Income Tax Effect) is included in Adjustments and Eliminations.
- (2) All Other includes business activities which primarily provide services, such as financing services and operations services to external customers and/or to the companies and associated companies. Total assets of All Other at September 30, 2010 and 2009 consisted primarily of cash and cash equivalents and time deposits related to financing activities, and assets of certain subsidiaries related to the above services.
- (3) Net income (loss) attributable to Mitsui & Co., Ltd. of Adjustments and Eliminations includes income and expense items that are not allocated to specific reportable operating segments, such as certain expenses of the corporate departments, and eliminations of intersegment transactions. Net loss attributable to Mitsui & Co., Ltd. of Adjustments and Eliminations for the six-month period ended September 30, 2010 includes (a) ¥11,142 million in general and administrative expenses of the corporate departments excluding pension costs, (b) a charge of ¥3,346 million for pension related items, and (c) ¥5,772 million related to tax items including adjustments of difference between actual tax rate and intercompany tax rate, and so on (all amounts are after income tax effects).

Net loss attributable to Mitsui & Co., Ltd. of Adjustments and Eliminations for the six-month period ended September 30, 2009 includes (a) ¥8,949 million in general and administrative expenses of the corporate departments excluding pension costs, (b) a charge of ¥3,247 million for pension related items, and (c) ¥3,081 million related to tax items including adjustments of difference between actual tax rate and intercompany tax rate, and so on (all amounts are after income tax effects).

Net loss attributable to Mitsui & Co., Ltd. of Adjustments and Eliminations for the three-month period ended September 30, 2010 includes (a) ¥5,470 million in general and administrative expenses of the corporate departments excluding pension costs, (b) a charge of ¥1,673 million for pension related items, and (c) ¥6,096 million related to tax items including adjustments of difference between actual tax rate and intercompany tax rate, and so on (all amounts are after income tax effects).

Net loss attributable to Mitsui & Co., Ltd. of Adjustments and Eliminations for the three-month period ended September 30, 2009 includes (a) ¥3,860 million in general and administrative expenses of the corporate departments excluding pension costs, (b) a charge of ¥1,529 million for pension related items, and (c) ¥2,506 million related to tax items including adjustments of difference between actual tax rate and intercompany tax rate, and so on (all amounts are after income tax effects).

- (4) Transfers between operating segments are made at cost plus a markup.
- (5) During the three-month period ended September 30, 2010, Westport Petroleum, Inc., which was formerly operating under Americas segment, was transferred to Energy segment with the aim to optimize global oil trading/marketing strategy. In accordance with this change, the operating segment information for the six-month and the three-month period ended September 30, 2009 have been restated to conform to the current period presentation.
- (6) During the three-month period ended June 30, 2010, revenues were newly included in the measure of segments' performance reviewed by the chief operating decision maker. Therefore revenues of the operating segments are disclosed in the operating segment information instead of total trading transactions. In accordance with this change, revenues are added to the operating segment information for the six-month and the three-month period ended September 30, 2009 to ensure comparability.
- (7) Operating income (loss) reflects the companies (a) gross profit, (b) selling, general and administrative expenses, and (c) provision for doubtful receivables, as presented in the Statements of Consolidated Income.
- (8) During the year ended March 31, 2010, the companies changed the reporting of total trading transactions for transactions where the Company and certain subsidiaries serve as an agent, and not as a contracting party, from gross amounts, which included transaction volume exchanged between the contracting parties and commissions earned as an agent; to net amounts, which include only commissions. In accordance with this change, the operating segment information for the six-month and the three-month period ended September 30, 2009 have been reclassified.



**9. INCOME TAXES**

The effective tax rates were 55.3% and 159.3% for the three-month periods ended September 30, 2010 and 2009, respectively. The decrease in the effective tax rate was mostly due to the decrease in the ratio of income tax effect recorded for equity in earnings of associated companies and establishment of valuation allowances for the deferred tax assets recorded for loss on write-down of securities against Income before Income Taxes and Equity in Earnings .

**10. CONTINGENT LIABILITIES****I. GUARANTEES**

The table below summarizes the companies' guarantees as defined in ASC460, Guarantees, at September 30 and March 31, 2010. The maximum potential amount of future payments represents the amounts without consideration of possible recoveries under recourse provisions or from collateral held or pledged that the companies could be obliged to pay if there were defaults by guaranteed parties or there were changes in an underlying which would cause triggering events under market value guarantees and indemnification contracts. Such amounts bear no relationship to the anticipated losses on these guarantees and indemnifications, and, in the aggregate, they greatly exceed anticipated losses.

The companies evaluate risks involved for each guarantee in an internal screening procedure before issuing a guaranty and regularly monitor outstanding positions and record adequate allowance to cover losses expected from probable performance under these agreements. The companies believe that the likelihood to perform guarantees which would materially affect the consolidated financial position, results of operations, or cash flows of the companies is remote at September 30, 2010.

|   | Amount<br>outstanding | Recourse<br>provisions/<br>collateral | Millions of Yen<br>Maximum<br>potential<br>amount of<br>future<br>payments | Carrying<br>amount of<br>liabilities | Expire<br>no later<br>than |
|---|-----------------------|---------------------------------------|--|--------------------------------------|----------------------------|
| <b>September 30, 2010:</b>  |                       |                                       |  |                                      |                            |
| Type of guarantees:   |                       |                                       |  |                                      |                            |
| Credit guarantees:  |                       |                                       |  |                                      |                            |
| Guarantees for third parties                                      | ¥ 143,534             | ¥ 27,284                              | ¥ 175,447  | ¥ 592                                | 2045                       |
| Guarantees for associated companies                               | 72,090                | 6,904                                 | 95,241   | 4,211                                | 2036                       |
| Guarantees to financial institutions for employees' housing loans | 5,041                 |                                       | 5,041  |                                      | 2035                       |
| <b>Total</b>  | <b>¥ 220,665</b>      | <b>¥ 34,188</b>                       | <b>¥ 275,729</b>   | <b>¥ 4,803</b>                       |                            |
| Market value guarantees:  |                       |                                       |  |                                      |                            |
| Obligation to repurchase bills of exchange                        | ¥ 48,347              | ¥ 44,751                              | ¥ 48,347   |                                      | 2011                       |
| Residual value guarantees of leased assets                        | 8,420                 |                                       | 8,420  |                                      | 2015                       |
| <b>Total</b>  | <b>¥ 56,767</b>       | <b>¥ 44,751</b>                       | <b>¥ 56,767</b>  |                                      |                            |
| Derivative instruments  | ¥ 6,617               |                                       | ¥ 6,617  | ¥ 145                                |                            |

|  | Amount<br>outstanding | Recourse<br>provisions/<br>collateral | Millions of Yen<br>Maximum<br>potential<br>amount of<br>future<br>payments | Carrying<br>amount of<br>liabilities | Expire<br>no later<br>than |
|--|-----------------------|---------------------------------------|--|--------------------------------------|----------------------------|
| <b>March 31, 2010:</b>   |                       |                                       |  |                                      |                            |
| Type of guarantees:  |                       |                                       |  |                                      |                            |
| Credit guarantees:   |                       |                                       |  |                                      |                            |
| Guarantees for third parties                                     | ¥ 161,658             | ¥ 29,781                              | ¥ 190,782  | ¥ 893                                | 2042                       |
| Guarantees for associated companies                              | 86,764                | 8,596                                 | 128,949  | 4,719                                | 2045                       |
| Guarantees to financial institutions for employees housing loans | 5,382                 |                                       | 5,382  |                                      | 2035                       |
| <b>Total</b>   | <b>¥ 253,804</b>      | <b>¥ 38,377</b>                       | <b>¥ 325,113</b>   | <b>¥ 5,612</b>                       |                            |
| Market value guarantees:   |                       |                                       |  |                                      |                            |
| Obligation to repurchase bills of exchange                       | ¥ 56,910              | ¥ 53,516                              | ¥ 56,910   |                                      | 2010                       |
| Minimum purchase price guarantees                                | 8,177                 |                                       | 8,177  | ¥ 224                                | 2014                       |
| Residual value guarantees of leased assets                       | 8,976                 |                                       | 8,976  |                                      | 2015                       |
| <b>Total</b>   | <b>¥ 74,063</b>       | <b>¥ 53,516</b>                       | <b>¥ 74,063</b>  | <b>¥ 224</b>                         |                            |
| Derivative instruments   | ¥ 12,065              |                                       | ¥ 12,065   | ¥ 420                                |                            |

**(1) Credit guarantees**

The companies provide various types of guarantees to the benefit of third parties and related parties principally to enhance their credit standings, and would be required to execute payments if a guaranteed party failed to fulfill its obligation with respect to a borrowing, trade payable or contractual performance.

Categories of credit guarantees are as follows:

*Guarantees for third parties*

The companies guarantee, severally or jointly with others, indebtedness of certain customers and suppliers in the furtherance of their trading activities. Most of these guarantees outstanding at September 30 and March 31, 2010, will expire within 2013 and 2012, respectively.

*Guarantees for associated companies*

The companies, severally or jointly with others, issue guarantees for associated companies for the purpose of furtherance of their trading activities and credit enhancement of associated companies. Most of these guarantees outstanding at September 30 and March 31, 2010, will expire within 2021 and 2022, respectively.

*Guarantees to financial institutions for employees housing loans*

As a part of its employee benefits program, the Company issues guarantees to financial institutions for employees housing loans. The maximum duration of the guarantees is 25 years. The Company obtains a mortgage on the employees assets, if necessary.

**(2) Market value guarantees***Obligation to repurchase bills of exchange*

In connection with export transactions, the Company issues bills of exchange, some of which are discounted by its negotiating banks. If a customer fails to fulfill its obligation with respect to the bills, the Company would be obligated to repurchase the bills based on the banking transaction agreement. The maximum potential amount of future payments is represented by the aggregate par value of the bills discounted by

## Edgar Filing: MITSUI & CO LTD - Form 6-K

the banks, and the recourse provisions and collateral are represented by the amount backed by letters of credit from the issuing banks of the customers. Most of these obligations outstanding will be extinguished within 1 year.

### *Minimum purchase price guarantees*

To support financing activities of a partner of the joint venture which owns interests in oil & gas producing fields, a subsidiary has committed to bid a certain amount in the sale of the partner's stock by the bank which provides financing for the partner if the partner defaults. The Company provides marketing services of aircraft for domestic and overseas airline companies, and as a part of such businesses, the Company issues market value guarantees on the aircraft for certain customers.

At June 30, 2010, the commitment for a certain subsidiary to bid a certain amount in the sale of the stock of the partner which owns interests in oil & gas producing fields was discharged. Meanwhile, the obligation for the Company to purchase the aircraft for a certain amount was extinguished as well. No minimum purchase price guarantee is recorded at September 30, 2010.

### *Residual Value guarantees of leased assets*

As lessees in operating lease contracts, a subsidiary has issued residual value guarantees on the leased locomotives. On the date of expiration of the operating lease contracts, in case of sales of those leased locomotives to the third party, the subsidiary will be responsible for making up any shortfall between the actual sales price and the guaranteed price for sales of those leased locomotives to the third party. Most of these guarantees outstanding at September 30 and March 31, 2010, will expire within 5 years.

**(3) Derivative instruments**

Certain derivative contracts, including written put options and credit default swaps, meet the accounting definition of guarantees under ASC460, Guarantees, when it is probable that the counterparties have underlying assets or liabilities related to the derivative contracts.

The companies consider the business relationship with counterparties and other circumstances in deciding whether it is probable that the counterparties have underlying assets or liabilities, and did not include the derivative contracts with certain financial institutions and traders.

ASC460, Guarantees, does not require disclosure about derivative contracts if such contracts permit or require net settlement and the companies have no basis for concluding that it is probable that the counterparties have underlying assets or liabilities.

The companies have written put options as a part of various derivative transactions related to energy, non-ferrous metals, precious metals and grain. The aggregation of notional amounts computed based on the strike prices and quantities of written options are disclosed as the total amount outstanding and the maximum potential amount of future payments. The carrying amount of liabilities is represented by the fair value of such written options recorded in the consolidated balance sheet. Most of these put options will expire within 1 year.

The companies manage the market and credit risks on these derivative instruments by monitoring fair values against loss limits and credit lines, and generally the maximum potential amount of future payments as stated above greatly overstates the companies' exposure to market and credit risks.

**(4) Indemnification contracts**

*Indemnification for cargo delivery*

The companies have issued Discharging Letters of Indemnification ( DLOI ) to shipping companies for international trading activities. The maximum potential amount of future payments can not be estimated since the amount to be compensated is not specified in DLOI. No liability is recorded since the companies believe that there is little likelihood of incurring any loss from the DLOI.

*Joint obligation under membership agreement in commodity exchanges*

The companies are members of major commodity exchanges in Japan and overseas. In connection with these memberships, the companies provide guarantees to the exchanges. Under the membership agreements, if a member becomes unable to satisfy its obligations to the exchange, the other members would be required to meet such shortfall apportioned among the non-defaulting members in a prescribed manner. The companies' maximum potential amount of future payments related to these joint obligations is not quantifiable, however no liability is recorded since the companies believe that there is little likelihood of being required to make any payments under these obligations.

**(5) Product warranties**

Certain subsidiaries provide warranties, in relation to their sales of products, including residential houses and automobiles, for the performance of such products during specified warranty periods, and they are responsible for repair or payments of compensation against the claims by the customers regarding defects in performance or function. Estimated warranty costs are accrued at the time the products are sold based on the historical claim experiences.

Mitsui Bussan House-Techno, Inc., a 100% subsidiary engaged in the custom-made house building business, exited from the business due to the downturn of the business environment caused by declining demand, however, the companies retained the obligation for the future maintenance service, because Bussan Housing Maintenance Co., Ltd., a 100% subsidiary, assumed the obligation for periodical inspection and maintenance service for a contractual period after the completion.

A tabular reconciliation of changes in the estimated liabilities for product warranties for the six-month periods ended September 30, 2010 and 2009 are as follows:

|   | Millions of Yen    |                    |
|---|--------------------|--------------------|
|   | September 30, 2010 | September 30, 2009 |
| Balance at the beginning of the period                | ¥ 5,762            | ¥ 6,534            |
| Payments made in cash or in kind                      | (278)              | (67)               |
| Accrual for warranties issued during the period       | 371                | 431                |
| Changes in accrual related to pre-existing warranties | (698)              | (499)              |
| Balance at the end of the period                      | ¥ 5,157            | ¥ 6,399            |

**II. LITIGATION**

See Note 15, The Oil Spill Incident of a Drilling Rig in the Gulf of Mexico, for lawsuits on the incident.

Various claims and legal actions are pending against the companies in respect of contractual obligations and other matters arising out of the conduct of the companies' business. Appropriate provision has been recorded for the estimated loss on claims and legal actions. In the opinion of management, any additional liabilities will not materially affect the consolidated financial position, results of operations, or cash flows of the Company.

**11. VARIABLE INTEREST ENTITIES**

The companies are involved with VIEs which mainly engage in leasing and financing activities within the Machinery & Infrastructure Projects, Energy and Logistics & Financial Markets Segments.

When evaluating whether the companies are the primary beneficiary of a VIE and must therefore consolidate the VIE, we perform a qualitative analysis that the primary beneficiary of a VIE has both the: (1) power to direct the activities of a VIE that most significantly impact the entity's economic performance and (2) obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE.

**Consolidated Variable Interest Entities**

The VIEs that have been consolidated by the companies in accordance with ASC 810 Consolidation, are described by group aggregated in similar characteristics of risks and rewards of each VIE as follows.

The companies hold senior investment securities of VIEs whose operations are real estate development ( Real estate development VIEs ) as of September 30 and March 31, 2010. The companies hold a majority of the voting interests in VIEs, whose primary activity is chartering a vessel under a single-lessee leasing arrangement ( Vessel chartering VIE ), and whose primary activity is providing loans ( Loan VIE ). These VIEs are financed mainly by issuance of stock including preferred securities or borrowings.



The total assets of Real estate development VIEs as of September 30 and March 31, 2010 are ¥9,581 million and ¥4,863 million, respectively; and the total assets of Vessel chartering VIE as of September 30 and March 31, 2010 are ¥3,016 million and ¥3,334 million, respectively, and the total assets of Loan VIE as of September 30 are ¥22,184 million. Loan VIE has been included in Consolidated Variable Interest Entities for the three-month period ended September 30, 2010.

The consolidated assets are pledged as collateral for Real estate development VIEs' long-term debt, and their carrying amounts as of September 30, 2010 are ¥5,082 million. The consolidated assets are classified as real estate for sale, included in inventories in the Consolidated Balance Sheets. The consolidated VIE did not pledge any of its assets as collateral as of March 31, 2010.

In addition, the companies have an agreement with Real estate development VIE to provide financial support by purchasing additional beneficial interest securities of the VIE if any breach of loan contracts occurs.

The companies did not provide any financial or other support to the VIEs that they were not previously contractually obligated to provide for the six-month period ended September 30, 2010 and for the year ended March 31, 2010.

The creditors or beneficial interest holders of the consolidated VIEs do not have recourse to the general credit of the companies.

#### **Non-consolidated Variable Interest Entities**

The VIEs that are not consolidated because the companies are not the primary beneficiary, but in which the companies have significant variable interests, are described as follows:

The companies are involved with and have significant variable interests in a number of VIEs that have been established to finance crude oil and LNG producing plants and equipment or to finance subordinated debts by providing guarantees or subordinated loans to the VIEs. Those VIEs provide financing for customers located principally in Latin America, Middle East, and Southeast Asia in the form of leases and loans. These entities are financed mainly by bank borrowings and issuance of stock including preferred securities.

The total assets of the VIEs and the companies' maximum exposure to loss as of September 30, 2010 are ¥1,465,433 million and ¥116,464 million, respectively. The total assets of the VIEs and the companies' maximum exposure to loss as of March 31, 2010 were ¥1,645,609 million and ¥114,449 million, respectively. The total assets of the VIEs reflect the most current information available to the companies.

The amount of maximum exposure to loss represents a loss that the companies could incur from the variability in value of the leased assets, from financial difficulties of the customers or from other causes without consideration of possible recoveries through insurance and the like. In addition, the amount bears no relation to the loss anticipated to be incurred from the companies' involvement with the VIEs and is considered to greatly exceed the anticipated loss.

The maximum exposure to loss represents the amounts of investments, advances and guarantees provided by the companies to the VIEs as of September 30 and March 31, 2010.

The companies did not provide any financial or other than support to the VIEs that they were not previously contractually obligated to provide for the six-month period ended September 30, 2010 and for the year ended March 31, 2010.

**12. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES**

The companies are exposed to market risks related to foreign currency exchange rates, interest rates and commodity prices in the ordinary course of business.

In order to offset or reduce these risks, the companies use derivative instruments, such as foreign exchange forward contracts, currency swap agreements, interest rate swap agreements, commodity future, forward, option and swap contracts, to hedge the exposure to changes in the fair value or expected future cash flows of recognized assets and liabilities, unrecognized firm commitments or forecasted transactions. The companies also use non-derivative financial instruments, such as foreign-currency-denominated debt, to hedge the foreign currency exposure in the net investment in a foreign operation.

The notional amounts of the companies' derivative instruments as of September 30, 2010 and March 31, 2010 were as follows:

|  | Billions of Yen    |                 |
|--|--------------------|-----------------|
|  | September 30, 2010 | March 31, 2010  |
| Foreign exchange contracts               | ¥ 2,054            | ¥ 2,341         |
| Interest rate contracts                  | 1,654              | 2,023           |
| Commodity contracts                      | 24,782             | 23,801          |
| Other contracts                          | 1                  | 4               |
| <b>Total derivative notional amounts</b> | <b>¥ 28,491</b>    | <b>¥ 28,169</b> |

***Foreign currency exchange rate risk hedging activities***

The companies use derivative instruments, such as foreign exchange forward contracts, currency swap agreements and interest rate and currency swap agreements, to fix the expected future cash flows from foreign-currency-denominated receivables and payables resulting from selling and purchasing activities in currencies other than the local currency and long-term financing transactions as part of the companies' global operations in many countries. The companies also use non-derivative financial instruments, such as foreign-currency-denominated debt, in order to hedge the foreign currency exposure in the net investment in a foreign operation.

***Interest rate risk hedging activities***

The companies use interest rate swap agreements and interest rate and currency swap agreements to diversify the sources of fund raising, reduce fund-raising costs, fix the expected future cash flows from long-term financial assets and liabilities with floating interest rates and reduce the exposure to changes in the fair value of long-term financial assets and liabilities with fixed interest rates.

***Commodity price risk hedging activities***

The companies use derivative instruments, such as commodity future, forward, option and swap contracts, to reduce the exposure to changes in the fair value of inventories and unrecognized firm commitments and to fix the expected future cash flows from forecasted transactions in marketable commodities, such as non-ferrous metals, crude oil and agricultural products.

***Risk management policy***

The companies have strictly separated the trading sections from the sections that record the results and positions of derivative instruments and are responsible for cash settlement and account confirmation with counterparties. Risk management sections classify the derivative transactions into trading transactions and hedging transactions. The distinction between trading and hedging transactions is strictly managed by confirming the correspondence with the hedged items for transactions for hedging purposes. Furthermore, these risk management sections comprehensively monitor, evaluate and analyze the positions of derivative instruments and report the results periodically to the Company's executive officers in charge of risk management. Based on these reports, the executive officers assess derivative instruments and the market risks surrounding these instruments, and establish the companies' risk management policy regarding derivative instruments.





**Fair value hedges**

Changes in the fair value of derivative instruments designated as hedging the exposure to changes in the fair value of recognized assets or liabilities or unrecognized firm commitments are recorded in earnings together with changes in the fair value of the corresponding hedged items attributable to the hedged risks.

The net gain or loss recognized in earnings representing the amount of the hedges ineffectiveness and the component of the derivative instruments gain or loss excluded from the assessment of hedge effectiveness were immaterial for the six-month and three-month periods ended September 30, 2010 and 2009.

The amount of net gain or loss recognized in earnings when a hedged firm commitment no longer qualifies as a fair value hedge was immaterial for the six-month and three-month periods ended September 30, 2010 and 2009.

The companies include the gain and loss on the hedged items in the same line item as the offsetting loss or gain on the derivative instruments designated as hedging instruments.

The following table presents the gain/(loss) on hedged items and derivative instruments designated and qualifying as a fair value hedge included within the Statements of Consolidated Income for the six-month and three-month periods ended September 30, 2010 and 2009:

| Six-Month Period Ended September 30, 2010 |                  | Millions of Yen             |  |
|---|------------------|-----------------------------|--|
| Income statement location                 | Hedged items     | Gain (loss) on hedged items | Gain (loss) on hedging instruments                                 |
| Interest expense                          | Long-term debt   | ¥ (15,446)                  | Interest rate contracts and foreign exchange contracts<br>¥ 15,345 |
| Other (income) expenses net               | Long-term debt   | (5,141)                     | Foreign exchange contracts<br>5,095                                |
| Cost of products sold                     | Firm commitments |                             |  |
|   | and inventories  | 534                         | Commodity contracts<br>(535)                                       |
| Total                                     |                  | ¥ (20,053)                  | ¥ 19,905   |

| Six-Month Period Ended September 30, 2009 |                | Millions of Yen             |   |
|---|----------------|-----------------------------|---|
| Income statement location                 | Hedged items   | Gain (loss) on hedged items | Gain (loss) on hedging instruments                                |
| Interest expense                          | Long-term debt | ¥ (4,420)                   | Interest rate contracts and foreign exchange contracts<br>¥ 4,439 |
| Other (income) expenses net               | Long-term debt | (3,104)                     | Foreign exchange contracts<br>4,098                               |
| Total                                     |                | ¥ (7,524)                   | ¥ 8,537   |

## Three-Month Period Ended September 30, 2010

| Income statement location   | Hedged items     | Millions of Yen             |  |
|-----------------------------|------------------|-----------------------------|--|
|                             |                  | Gain (loss) on hedged items | Gain (loss) on hedging instruments                     |
| Interest expense            | Long-term debt   | ¥ (2,953)                   | Interest rate contracts and foreign exchange contracts |
| Other (income) expenses net | Long-term debt   | (1,636)                     | Foreign exchange contracts                             |
| Cost of products sold       | Firm commitments |                             |  |
|                             | and inventories  | 1,130                       | Commodity contracts                                    |
| Total                       |                  | ¥ (3,459)                   | ¥ 3,993  |

## Three-Month Period Ended September 30, 2009

| Income statement location   | Hedged items   | Millions of Yen             |  |
|-----------------------------|----------------|-----------------------------|--|
|                             |                | Gain (loss) on hedged items | Gain (loss) on hedging instruments                     |
| Interest expense            | Long-term debt | ¥ (3,705)                   | Interest rate contracts and foreign exchange contracts |
| Other (income) expenses net | Long-term debt | (2,467)                     | Foreign exchange contracts                             |
| Total                       |                | ¥ (6,172)                   | ¥ 7,293  |

***Cash flow hedges***

Changes in the fair value of foreign exchange forward contracts, currency swap agreements and interest rate and currency swap agreements designated as hedging instruments to hedge the exposure to variability in expected future cash flows of recognized assets or liabilities, unrecognized firm commitments and forecasted transactions denominated in foreign currencies are initially recorded as other comprehensive income ( OCI ) to the extent they are effective. The amounts in accumulated other comprehensive income ( AOCI ) are reclassified into earnings when earnings are affected by the hedged items.

Changes in the fair value of interest rate swap agreements designated as hedging instruments to reduce the exposure to variability in expected future cash flows of floating-rate financial assets and liabilities are initially recorded as OCI to the extent they are effective. The amounts in AOCI are reclassified into earnings as interest income and expense when earnings are affected by the hedged items.

Changes in the fair value of commodity forward and swap contracts designated as hedging instruments to hedge the exposure to variability in expected future cash flows of the marketable commodities are initially recorded as OCI to the extent they are effective. The amounts in AOCI are reclassified into earnings as sales of products or cost of products sold when earnings are affected by the hedged transactions.

The ineffective portion of the hedging instruments' gain or loss and the component of the derivative instruments' gain or loss excluded from the assessment of hedge effectiveness are reported in earnings immediately. If the hedged forecasted transaction will not occur by the end of the originally specified time period, gain or loss on the hedging instrument reported in AOCI is reclassified into earnings. These amounts were immaterial for the six-month and three-month periods ended September 30, 2010 and 2009.

The estimated net amount of the existing gains or losses in AOCI at September 30, 2010 that is expected to be reclassified into earnings within the next 12 months is a net gain of ¥1,689 million.

The maximum length of time over which the companies are hedging their exposure to the variability in expected future cash flows for forecasted transactions (excluding those forecasted transactions related to the payment of variable interest on existing financial instruments) is 15 months. Foreign exchange forward contracts are used as hedging instruments for the forecasted transactions.

***Hedges of the net investment in a foreign operation***

The foreign currency transaction gain or loss on the derivative instrument and the non-derivative financial instrument that are designated as, and are effective as, hedging instruments to hedge the foreign currency exposure of a net investment in a foreign operation are recorded as foreign currency translation adjustments within OCI to the extent they are effective as a hedge.

***Derivative instruments for trading purposes and risk management policy***

The Company and certain subsidiaries use derivative instruments such as foreign exchange forward contracts, interest rate swap agreements and commodity future, forward, swap and option contracts for trading purposes. The Company's executive officers in charge of risk management have set strict position and loss limits for these instruments. Independent back and middle offices strictly separated from trading sections (front offices) monitor, evaluate and analyze the position of trading transactions and market risks. Those results are periodically reported to the executive officers. Among others, VaR (Value at Risk: Statistical measure of the potential maximum loss in the fair value of a portfolio resulting from adverse market movements in the underlying risk factors such as foreign currency exchange rates, interest rates and commodity prices, over a defined period, within a certain confidence level) is used to measure the market risks of derivative instruments for trading purposes.

The following table presents the fair value of derivative instruments included within the Consolidated Balance Sheets as of September 30 and March 31, 2010:

*Derivative instruments designated as hedging instruments under ASC 815 Derivatives and Hedging*

| Derivative instruments     | Balance sheet location                          | September 30, 2010 |            | March 31, 2010              |            | Balance sheet location | September 30, 2010 |            | March 31, 2010 |  |
|----------------------------|---|--------------------|------------|-----------------------------|------------|------------------------|--------------------|------------|----------------|--|
|                            |   | Fair value         | Fair value | Fair value                  | Fair value |                        | Fair value         | Fair value |                |  |
| Foreign exchange contracts | Derivative assets                               | ¥ 9,354            | ¥ 7,053    | Derivative liabilities      | ¥ 3,121    | ¥ 1,964                |                    |            |                |  |
|                            | Non-current receivables, less unearned interest | 18,272             | 12,026     | Other Long-Term Liabilities | 4,148      | 3,544                  |                    |            |                |  |
| Interest rate contracts    | Derivative assets                               | 203                | 434        | Derivative liabilities      | 555        | 354                    |                    |            |                |  |
|                            | Non-current receivables, less unearned interest | 36,296             | 27,582     | Other Long-Term Liabilities | 4,473      | 4,959                  |                    |            |                |  |
| Commodity contracts        | Derivative assets                               | 767                | 966        | Derivative liabilities      | 676        | 889                    |                    |            |                |  |
| Total                      |   | ¥ 64,892           | ¥ 48,061   |                             | ¥ 12,973   | ¥ 11,710               |                    |            |                |  |

*Derivative instruments not designated as hedging instruments under ASC 815 Derivatives and Hedging*

| Derivative instruments     | Balance sheet Location                          | Millions of Yen               |                           |                             |                               |                           |  |
|----------------------------|---|-------------------------------|---------------------------|-----------------------------|-------------------------------|---------------------------|--|
|                            |   | September 30, 2010 Fair value | March 31, 2010 Fair value | Balance sheet location      | September 30, 2010 Fair value | March 31, 2010 Fair value |  |
| Foreign exchange contracts | Derivative assets                               | ¥ 33,873                      | ¥ 18,856                  | Derivative liabilities      | ¥ 30,039                      | ¥ 23,669                  |  |
|                            | Non-current receivables, less unearned interest | 16,552                        | 10,434                    | Other Long-Term Liabilities | 24,115                        | 12,938                    |  |
| Interest rate contracts    | Derivative assets                               | 2,442                         | 4,222                     | Derivative liabilities      | 1,643                         | 3,069                     |  |
|                            | Non-current receivables, less unearned interest | 9,272                         | 8,497                     | Other Long-Term Liabilities | 11,172                        | 10,623                    |  |
| Commodity contracts        | Derivative assets                               | 618,304                       | 919,170                   | Derivative liabilities      | 625,893                       | 919,872                   |  |
|                            | Non-current receivables, less unearned interest | 559,504                       | 465,281                   | Other Long-Term Liabilities | 581,913                       | 481,513                   |  |
| Credit contracts           | Derivative assets                               |                               |                           | Derivative liabilities      | 28                            |                           |  |
|                            | Non-current receivables, less unearned interest |                               |                           | Other Long-Term Liabilities |                               | 32                        |  |
| <b>Total</b>               |   | <b>¥ 1,239,947</b>            | <b>¥ 1,426,460</b>        |                             | <b>¥ 1,274,803</b>            | <b>¥ 1,451,716</b>        |  |

*Non-derivative instruments designated as hedging instruments under ASC 815 Derivatives and Hedging*

| Hedging instruments               | Balance sheet location                  | Millions of Yen                       |                                   |
|-----------------------------------|---|---------------------------------------|-----------------------------------|
|                                   |   | September 30, 2010<br>Carrying amount | March 31, 2010<br>Carrying amount |
| Foreign-currency-denominated debt | Current maturities of long-term debt    | ¥ 20,969                              | ¥ 10,770                          |
|                                   | Long-term Debt, less Current Maturities | 146,663                               | 134,207                           |
| <b>Total</b>                      |   | <b>¥ 167,632</b>                      | <b>¥ 144,977</b>                  |

The following tables present the amount affecting the Statements of Consolidated Income and other comprehensive income for the six-month and three-month periods ended September 30, 2010 and 2009:

*Derivative instruments in ASC 815 fair value hedging relationships*

| Six-Month Period Ended September 30, 2010 |  | Millions of Yen | Amount of gain (loss) recognized in income on derivative instruments |
|---|--|-----------------|--|
| Derivative instruments                    | Location of gain (loss) recognized in income of derivative instruments |                 |  |
| Foreign exchange contracts                | Interest expense   | ¥               | (6)  |
|   | Other (income) expenses net  |                 | 5,095  |
| Interest rate contracts                   | Interest expense   |                 | 15,351   |
| Commodity contracts                       | Cost of products sold  |                 | (535)  |
| <b>Total</b>                              |  | <b>¥</b>        | <b>19,905</b>  |

| Six-Month Period Ended September 30, 2009 |  | Millions of Yen | Amount of gain (loss) recognized in income on derivative instruments |
|---|--|-----------------|--|
| Derivative instruments                    | Location of gain (loss) recognized in income of derivative instruments |                 |  |
| Foreign exchange contracts                | Interest expense   | ¥               | 1,045  |
|   | Other (income) expenses net  |                 | 4,098  |
| Interest rate contracts                   | Interest expense   |                 | 3,394  |
| <b>Total</b>                              |  | <b>¥</b>        | <b>8,537</b>   |

| Three-Month Period Ended September 30, 2010 |   | Millions of Yen | Amount of gain<br>(loss)<br>recognized in<br>income |
|---|---|-----------------|---|
|   | Location of gain (loss) recognized in   |                 |   |
| <b>Derivative instruments</b>               | <b>income of derivative instruments</b> |                 | <b>on derivative instruments</b>                    |
| Foreign exchange contracts                  | Interest expense                        | ¥               | 173   |
|   | Other (income) expenses net             |                 | 2,214   |
| Interest rate contracts                     | Interest expense                        |                 | 2,737   |
| Commodity contracts                         | Cost of products sold                   |                 | (1,131)   |
| Total                                       |   | ¥               | 3,993   |

| Three-Month Period Ended September 30, 2009 |   | Millions of Yen | Amount of gain<br>(loss)<br>recognized in<br>income |
|---|---|-----------------|---|
|   | Location of gain (loss) recognized in   |                 |   |
| <b>Derivative instruments</b>               | <b>income of derivative instruments</b> |                 | <b>on derivative instruments</b>                    |
| Foreign exchange contracts                  | Interest expense                        | ¥               | 470   |
|   | Other (income) expenses net             |                 | 3,621   |
| Interest rate contracts                     | Interest expense                        |                 | 3,202   |
| Total                                       |   | ¥               | 7,293   |



## Derivative instruments in ASC 815 cash flow relationships

| Six-Month Period Ended     | Millions of Yen   |  |  |  |  |
|----------------------------|---|--|--|--|--|
|                            | Amount of gain (loss) recognized in OCI on derivative instruments | Effective portion  |  | Ineffective portion and amount excluded from effective testing         |  |
|                            |   | Location of gain (loss) reclassified from AOCI into income | Amount of gain (loss) reclassified from AOCI into income | Location of gain (loss) recognized in income on derivative instruments | Amount of gain (loss) recognized in income on derivative instruments |
| September 30, 2010         |   |  |  |  |  |
| Derivative instruments     |   |  |  |  |  |
| Foreign exchange contracts | ¥ (715)   | Sales of products  | ¥ (896)  |  |  |
|                            |   | Other (income) expenses net                                | (577)  |  |  |
| Interest rate contracts    | (1,408)   | Interest income  | (109)  |  |  |
|                            |   | Interest expense   | 167  |  |  |
| Commodity contracts        | 173   | Cost of products sold                                      | 126  | Sales of products  | ¥ 404  |
| Total                      | ¥ (1,950)   |  | ¥ (1,289)  |  | ¥ 404  |

| Six-Month Period Ended     | Millions of Yen   |  |  |  |  |
|----------------------------|---|--|--|--|--|
|                            | Amount of gain (loss) recognized in OCI on derivative instruments | Effective portion  |  | Ineffective portion and amount excluded from effective testing         |  |
|                            |   | Location of gain (loss) reclassified from AOCI into income | Amount of gain (loss) reclassified from AOCI into income | Location of gain (loss) recognized in income on derivative instruments | Amount of gain (loss) recognized in income on derivative instruments |
| September 30, 2009         |   |  |  |  |  |
| Derivative instruments     |   |  |  |  |  |
| Foreign exchange contracts | ¥ 8,832   | Sales of products  | ¥ 5,476  |  |  |
|                            |   | Other (income) expenses net                                | (3,544)  |  |  |
| Interest rate contracts    |   | Interest expense   | (259)  |  |  |
| Commodity contracts        | (1,089)   | Sales of products  | 4,293  | Sales of products  | ¥ 118  |
|                            |   | Cost of products sold                                      | (38)   |  |  |
| Total                      | ¥ 7,743   |  | ¥ 5,928  |  | ¥ 118  |

| Three-Month Period Ended   |   | Millions of Yen  |  |  |  |
|----------------------------|---|--|--|--|--|
| September 30, 2010         |   | Effective portion  | Ineffective portion and amount excluded from effective testing |  |  |
| Derivative instruments     | Amount of gain (loss) recognized in OCI on derivative instruments | Location of gain (loss) reclassified from AOCI into income | Amount of gain (loss) reclassified from AOCI into income       | Location of gain (loss) recognized in income on derivative instruments | Amount of gain (loss) recognized in income on derivative instruments |
| Foreign exchange contracts | ¥ 10,063  | Sales of products  | ¥ (865)  |  |  |
|                            |   | Other (income)   |  |  |  |
|                            |   | expenses net   | 675  |  |  |
| Interest rate contracts    | (662)   | Interest income  | (51)   |  |  |
|                            |   | Interest expense   | 132  |  |  |
| Commodity contracts        | 559   | Cost of products sold                                      | 71   | Sales of products  | ¥ 43   |
| Total                      | ¥ 9,960   |  | ¥ (38)   |  | ¥ 43   |

| Three-Month Period Ended   |   | Millions of Yen  |  |  |  |
|----------------------------|---|--|--|--|--|
| September 30, 2009         |   | Effective portion  | Ineffective portion and amount excluded from effective testing |  |  |
| Derivative instruments     | Amount of gain (loss) recognized in OCI on derivative instruments | Location of gain (loss) reclassified from AOCI into income | Amount of gain (loss) reclassified from AOCI into income       | Location of gain (loss) recognized in income on derivative instruments | Amount of gain (loss) recognized in income on derivative instruments |
| Foreign exchange contracts | ¥ (940)   | Sales of products  | ¥ 4,081  |  |  |
|                            |   | Cost of services sold                                      | 182  |  |  |
|                            |   | Other (income)   |  |  |  |
|                            |   | expenses net   | (4,886)  |  |  |
| Interest rate contracts    |   | Interest expense   | 185  |  |  |
| Commodity contracts        | (461)   | Sales of products  | 4,235  | Sales of products  | ¥ 118  |
|                            |   | Cost of products sold                                      | (2,194)  | Cost of products sold  | (228)  |
| Total                      | ¥ (1,401)   |  | ¥ 1,603  |  | ¥ (110)  |

*Derivative instruments and hedging instruments in ASC 815 net investment hedging relationships*

| Six-Month Period Ended<br>September 30, 2010 | Millions of Yen  |  |  |   |         |
|--|--|--|--|---|---------|
|  | Amount of gain (loss)<br>recognized in OCI on<br>derivative<br>instruments | Effective portion  | Amount of gain (loss)<br>reclassified<br>from<br>AOCI into<br>income         | Ineffective portion and amount  |         |
|  |  | Location of gain (loss)<br>reclassified from<br>AOCI into income |  | excluded from effective testing   |         |
| Derivative instruments                       |  |  | Location of gain (loss)<br>recognized in income on<br>derivative instruments | Amount of gain (loss)<br>recognized in income on<br>derivative<br>instruments |         |
| Foreign exchange contracts                   | ¥ 4,381  |  |  | Interest expense  | ¥ (101) |
|  |  |  |  | Other (income)<br>expenses net  | 578     |
| Foreign-currency-denominated debt            | 15,417   | Other (income)<br>expenses net                                   | ¥ 188  |   |         |
| Total  | ¥ 19,798   |  | ¥ 188  |   | 477     |

| Six-Month Period Ended<br>September 30, 2009 | Millions of Yen  |  |  |   |         |
|--|--|--|--|---|---------|
|  | Amount of gain (loss)<br>recognized in OCI on<br>derivative<br>instruments | Effective portion  | Amount of gain (loss)<br>reclassified<br>from<br>AOCI into<br>income         | Ineffective portion and amount  |         |
|  |  | Location of gain (loss)<br>reclassified from<br>AOCI into income |  | excluded from effective testing   |         |
| Derivative instruments                       |  |  | Location of gain (loss)<br>recognized in income on<br>derivative instruments | Amount of gain (loss)<br>recognized in income on<br>derivative<br>instruments |         |
| Foreign exchange contracts                   | ¥ 4,755  | Other (income)<br>expenses net                                   | ¥ (201)  | Interest expense  | ¥ (187) |
| Foreign-currency-denominated debt            | 10,685   |  |  | Other (income)<br>expenses net  | (332)   |
| Total  | ¥ 15,440   |  | ¥ (201)  |   | ¥ (519) |

| Three-Month Period Ended          |   | Millions of Yen  |  | Ineffective portion and amount   |  |
|-----------------------------------|---|--|--|--|--|
| September 30, 2010                |   | Effective portion  |  | excluded from effective testing  |  |
| Derivative instruments            | Amount of gain (loss) recognized in OCI on derivative instruments | Location of gain (loss) reclassified from AOCI into income | Amount of gain (loss) reclassified from AOCI into income | Location of gain (loss) recognized in income on derivative instruments | Amount of gain (loss) recognized in income on derivative instruments |
| Foreign exchange contracts        | ¥ 2,388   |  |  | Interest expense   | ¥ (68)   |
|                                   |   |  |  | Other (income) expenses net  | (47)   |
| Foreign-currency-denominated debt |   | Other (income) expenses net                                | ¥ 144  |  |  |
|                                   | 8,838   |  |  |  |  |
| Total                             | ¥ 11,226  |  | ¥ 144  |  | ¥ (115)  |

| Three-Month Period Ended          |   | Millions of Yen  |  | Ineffective portion and amount   |  |
|-----------------------------------|---|--|--|--|--|
| September 30, 2009                |   | Effective portion  |  | excluded from effective testing  |  |
| Derivative instruments            | Amount of gain (loss) recognized in OCI on derivative instruments | Location of gain (loss) reclassified from AOCI into income | Amount of gain (loss) reclassified from AOCI into income | Location of gain (loss) recognized in income on derivative instruments | Amount of gain (loss) recognized in income on derivative instruments |
| Foreign exchange contracts        | ¥ 1,301   |  |  | Interest expense   | ¥ (187)  |
| Foreign-currency-denominated debt | 8,903   |  |  | Other (income) expenses net  | (367)  |
| Total                             | ¥ 10,204  |  |  |  | ¥ (554)  |

*Derivative instruments not designated as hedging instruments under ASC 815*

| Six-Month Period Ended September 30, 2010 | Millions of Yen   |   |
|---|---|---|
| Derivative instruments                    | Location of gain (loss) recognized in<br>income of derivative instruments | Amount of gain (loss)<br>recognized in income on<br>derivative<br>instruments |
| Foreign exchange contracts                | Other sales   | ¥ (359)   |
|   | Cost of products sold   | (1,384)   |
|   | Other (income) expenses net   | 8,249   |
| Interest rate contracts                   | Other sales   | 934   |
|   | Interest expense  | 1,988   |
| Commodity contracts                       | Sales of products   | (4,651)   |
|   | Other sales   | 15,908  |
|   | Cost of products sold   | 2,647   |
|   | Other (income) expenses net   | (1,134)   |
| Total                                     |   | ¥ 22,198  |

| Six-Month Period Ended September 30, 2009 | Millions of Yen   |  |
|---|---|--|
| Derivative instruments                    | Location of gain (loss) recognized in<br>income of derivative instruments | Amount of gain<br>(loss)<br>recognized in income on<br>derivative<br>instruments |
| Foreign exchange contracts                | Other sales   | ¥ 1,682  |
|   | Cost of products sold   | (800)  |
|   | Interest income   | 88   |
|   | Interest expense  | (296)  |
|   | Other (income) expenses net   | (14,245)   |
| Interest rate contracts                   | Other sales   | (1,895)  |
|   | Interest income   | 157  |
|   | Interest expense  | (1,657)  |
|   | Other (income) expenses net   | (247)  |
| Commodity contracts                       | Sales of products   | (11,083)   |
|   | Other sales   | 12,605   |
|   | Cost of products sold   | (5,373)  |
| Credit contracts                          | Other (income) expenses net   | (321)  |
| Total                                     |   | ¥ (21,385)   |

## Three-Month Period Ended September 30, 2010

|                            | Millions of Yen                       |  |
|----------------------------|---------------------------------------|--|
|                            | Location of gain (loss) recognized in | Amount of gain (loss) recognized in income on derivative instruments |
| Derivative instruments     | income of derivative instruments      |  |
| Foreign exchange contracts | Other sales                           | ¥ (770)  |
|                            | Cost of products sold                 | (791)  |
|                            | Other (income) expenses net           | 2,085  |
| Interest rate contracts    | Other sales                           | (868)  |
|                            | Interest expense                      | 1,670  |
| Commodity contracts        | Sales of products                     | (7,339)  |
|                            | Other sales                           | 7,245  |
|                            | Cost of products sold                 | (1,296)  |
|                            | Other (income) expenses net           | (703)  |
| Total                      |                                       | ¥ (767)  |

## Three-Month Period Ended September 30, 2009

|                            | Millions of Yen                       |  |
|----------------------------|---------------------------------------|--|
|                            | Location of gain (loss) recognized in | Amount of gain (loss) recognized in income on derivative instruments |
| Derivative instruments     | income of derivative instruments      |  |
| Foreign exchange contracts | Other sales                           | ¥ 521  |
|                            | Cost of products sold                 | (574)  |
|                            | Interest income                       | (52)   |
|                            | Interest expense                      | (159)  |
| Interest rate contracts    | Other (income) expenses net           | (12,959)   |
|                            | Other sales                           | (1,014)  |
|                            | Interest income                       | 89   |
|                            | Interest expense                      | (1,574)  |
| Commodity contracts        | Other (income) expenses net           | (181)  |
|                            | Sales of products                     | (6,268)  |
|                            | Other sales                           | 13,607   |
| Credit contracts           | Cost of products sold                 | 3,560  |
|                            | Other (income) expenses net           | (47)   |
| Total                      |                                       | ¥ (5,051)  |

***Credit-risk-related contingent features***

Certain of the companies' derivative instruments mainly for commodity future, forward, option and swap contracts contain provisions that require the companies' debt to maintain a certain credit rating from each of the major credit rating agencies such as Standard & Poor's Services. If the credit rating of the companies' debt is to fall below a designated credit rating, it will be in violation of these provisions, and the counterparties to the derivative instruments can request early termination or demand immediate and ongoing overnight collateralization on derivative instruments in net liability positions. The aggregate fair value of all derivative instruments with credit-risk-related contingent features that were in a liability position on September 30, 2010, was ¥73,323 million (¥23,090 million on the net basis of liability position after offsetting derivative assets against derivative liabilities in accordance with the adoption of ASC 210-20 Balance Sheet-Offsetting ). We have posted collateral of ¥16,758 million in the normal course of business associated with these contracts. If the credit-risk-related contingent features underlying these agreements were triggered on September 30, 2010, the aggregate fair value of additional assets that would be required to be posted as collateral and/or the aggregate fair value of assets needed to settle the instrument would be ¥8,046 million.

**13. FINANCIAL INSTRUMENTS**

**FAIR VALUE OF FINANCIAL INSTRUMENTS**

In accordance with the requirements of ASC 825-10-50, Disclosures about Fair Value of Financial Instruments, the companies have provided the following fair value estimates and information about valuation methodologies.

Quoted market prices, where available, are used to estimate fair values of financial instruments. However, quoted market prices are not available for a substantial portion of the financial instruments. Accordingly, fair values for such financial instruments are estimated using discounted cash flow analysis or other valuation techniques.

***Current financial assets other than marketable securities and current financial liabilities***

The carrying amount approximates the fair value of the majority of these instruments because of their short maturities.

***Marketable securities and other investments***

See Note 3, MARKETABLE SECURITIES AND OTHER INVESTMENTS, and Note 14, FAIR VALUE MEASUREMENTS.

***Non-current receivables and advances to associated companies***

The fair values of non-current receivables, including fixed rate, long-term loans receivable, are estimated by discounted cash flow analysis, using interest rates currently being offered for loans or accounts receivable with similar terms to borrowers or customers of similar credit quality and remaining maturities. The carrying amounts of loans with floating rates approximate the fair value.

***Long-term debt***

The fair values for long-term debt, except for debt with floating rates whose carrying amounts approximate fair value, are estimated by discounted cash flow analysis, using rates currently available for similar types of borrowings with similar terms and remaining maturities.

***Financial guarantees and financing commitments***

The fair values of financial guarantees are estimated based on the present values of expected future cash flows, considering the remaining terms of the arrangements and the counterparties' credit standings.

The companies have not estimated the fair values of financing commitments because management does not believe it is practicable to estimate the fair values due to uncertainty involved in attempting to assess the likelihood and timing of commitments being drawn upon, coupled with the lack of an established market. However, management believes the likelihood is remote that material payments will be required under these financing commitments.

***Derivative financial instruments***

See Note 14, FAIR VALUE MEASUREMENTS.



The estimated fair values of certain financial instruments at September 30 and March 31, 2010 were as follows:

|   | Millions of Yen    |             |                 |             |
|---|--------------------|-------------|-----------------|-------------|
|   | September 30, 2010 |             | March 31, 2010  |             |
|   | Carrying amount    | Fair value  | Carrying amount | Fair value  |
| Financial Assets (other than derivative financial instruments):   |                    |             |                 |             |
| Current financial assets other than marketable securities   | ¥ 3,340,028        | ¥ 3,340,028 | ¥ 3,467,283     | ¥ 3,467,283 |
| Non-current receivables and advances to associated companies<br>(less allowance for doubtful receivables) | 269,317            | 271,706     | 267,594         | 268,190     |
| Financial Liabilities (other than derivative financial instruments):                                      |                    |             |                 |             |
| Current financial liabilities   | 1,814,775          | 1,814,775   | 1,824,030       | 1,824,030   |
| Long-term debt (including current maturities)   | 3,271,160          | 3,353,618   | 3,386,747       | 3,444,758   |

#### CONCENTRATION OF CREDIT RISK

The companies' global operations include a variety of businesses with diverse customers and suppliers, which reduces concentrations of credit risks. The companies mainly deal with selective international financial institutions to minimize the credit risk exposure of derivative financial instruments. Credit risk represents the likelihood that the counterparties may be unable to meet the terms of the agreements. Management does not expect any 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. The companies require counterparty to post collateral, if necessary.

#### ***14. Fair Value Measurements***

ASC 820 Fair Value Measurements and Disclosures, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 Fair Value Measurements and Disclosures establishes the fair value hierarchy that may be used to measure fair value which is provided as follows:

##### *Level 1*

Quoted prices (unadjusted) in active markets for identical assets or liabilities.

##### *Level 2*

Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include the following:

- (1) Quoted prices for similar assets or liabilities in active markets
- (2) Quoted prices for identical or similar assets or liabilities in markets that are not active
- (3) Inputs other than quoted prices that are observable for the asset or liability
- (4) Inputs that are derived principally from or corroborated by observable market data by correlation or other means

##### *Level 3*

Unobservable inputs for the asset or liability.

Effective January 1, 2010, the companies adopted ASU 2010-06, Improving Disclosures about Fair Value Measurements, and recognize transfers of assets or liabilities between levels of the fair value hierarchy as of the end of each reporting period when the transfers occur.

#### ***Valuation Techniques***

Primary valuation techniques used for each financial instrument and nonfinancial asset measured at fair value are as follows:

##### *Securities*

Marketable equity securities and debt securities are measured at fair value.

Publicly-traded, marketable equity securities are valued using quoted market prices and classified as level 1.

Debt securities, consisting principally of preferred stock that must be redeemed and government bonds, are valued using a discounted cash flow analysis or quoted prices obtained from third parties, and classified as level 2.

## Edgar Filing: MITSUI & CO LTD - Form 6-K

In the event of an other-than-temporary decline in fair value of non-marketable equity securities and investments in associated companies, these are measured at fair value. Retained investments in the former consolidated subsidiaries are remeasured at fair value with gains and losses recognized in earnings when subsidiaries are deconsolidated. The investments in listed associated companies are valued based on quoted market prices. These are classified as level 1. The investments in unlisted associated companies and non-marketable equity securities are valued based on the net assets value of its investment adjusted using cash flows and other factors that would impact the fair value. These are classified as level 3.

### *Derivative Instruments*

Derivative instruments mainly consist of derivative commodity instruments and derivative financial instruments.

Exchange-traded derivative commodity instruments valued using quoted market prices are classified as level 1. The valuation for certain derivative commodity instruments is based upon adjusted quoted prices. These derivative commodity instruments are classified as level 2 or level 3 depending on the level of adjustment made.

Derivative financial instruments classified as level 2 are mainly valued by a discounted cash flow analysis using foreign exchange and interest rates or quoted prices currently available for similar types of agreements.

### *Nonfinancial Assets*

Long-lived assets include tangible assets and identifiable intangible assets subject to amortization.

The assets are valued based on independent appraisals, prices for similar assets or discounted future cash flows whichever management considers most appropriate and categorized as level 3.

Goodwill classified as level 3 is mainly valued on the basis of the fair value of the subsidiary, which is measured using discounted cash flows or third party valuations.

*Assets and liabilities measured at fair value on a recurring basis*

Assets and liabilities measured at fair value on a recurring basis at September 30, 2010 and March 31, 2010 are as follows:

|   | Fair value measurements using |                    |                |                      | Netting adjustments* | Total fair value |
|---|-------------------------------|--------------------|----------------|----------------------|----------------------|------------------|
|   | Level 1                       | Level 2            | Level 3        |                      |                      |                  |
| <b>Millions of Yen</b>  |                               |                    |                |                      |                      |                  |
| <b>September 30, 2010</b>                                     |                               |                    |                |                      |                      |                  |
| <b>Assets:</b>  |                               |                    |                |                      |                      |                  |
| Equity securities and debt securities:                        |                               |                    |                |                      |                      |                  |
| Marketable equity securities (Japan)                          | ¥ 323,632                     |                    |                |                      |                      |                  |
| Marketable equity securities (Non-Japan)                      | 65,339                        |                    | ¥ 8,795        |                      |                      |                  |
| Preferred stock that must be redeemed                         |                               | ¥ 72,240           |                |                      |                      |                  |
| Government bonds  |                               | 7,027              |                |                      |                      |                  |
| Other securities  |                               | 42                 |                |                      |                      |                  |
| <b>Total equity securities and debt securities</b>            | <b>¥ 388,971</b>              | <b>¥ 79,309</b>    | <b>¥ 8,795</b> |                      |                      | <b>¥ 477,075</b> |
| Derivative assets   |                               |                    |                |                      |                      |                  |
| Foreign exchange contracts                                    |                               | ¥ 78,051           |                |                      |                      |                  |
| Interest rate contracts                                       | ¥ 2,812                       | 45,401             |                |                      |                      |                  |
| Commodity contracts   | 17,520                        | 1,160,336          | ¥ 719          |                      |                      |                  |
| <b>Total derivative assets (current and non-current)</b>      | <b>¥ 20,332</b>               | <b>¥ 1,283,788</b> | <b>¥ 719</b>   | <b>¥ (1,116,675)</b> |                      | <b>¥ 188,164</b> |
| <b>Total assets</b>   | <b>¥ 409,303</b>              | <b>¥ 1,363,097</b> | <b>¥ 9,514</b> | <b>¥ (1,116,675)</b> |                      | <b>¥ 665,239</b> |
| <b>Liabilities:</b>   |                               |                    |                |                      |                      |                  |
| Derivative liabilities  |                               |                    |                |                      |                      |                  |
| Foreign exchange contracts                                    |                               | ¥ 61,423           |                |                      |                      |                  |
| Interest rate contracts                                       | ¥ 2,151                       | 15,692             |                |                      |                      |                  |
| Commodity contracts   | 26,118                        | 1,180,457          | ¥ 1,907        |                      |                      |                  |
| Other contracts   | 28                            |                    |                |                      |                      |                  |
| <b>Total derivative liabilities (current and non-current)</b> | <b>¥ 28,297</b>               | <b>¥ 1,257,572</b> | <b>¥ 1,907</b> | <b>¥ (1,182,719)</b> |                      | <b>¥ 105,057</b> |
| <b>Total liabilities</b>                                      | <b>¥ 28,297</b>               | <b>¥ 1,257,572</b> | <b>¥ 1,907</b> | <b>¥ (1,182,719)</b> |                      | <b>¥ 105,057</b> |

|   | Millions of Yen  |                    |                |                      | Total fair value |
|---|------------------|--------------------|----------------|----------------------|------------------|
|   | Level 1          | Level 2            | Level 3        | Netting adjustments* |                  |
| <b>March 31, 2010</b>   |                  |                    |                |                      |                  |
| <b>Assets:</b>  |                  |                    |                |                      |                  |
| Equity securities and debt securities:                        |                  |                    |                |                      |                  |
| Marketable equity securities (Japan)                          | ¥ 416,844        |                    |                |                      |                  |
| Marketable equity securities (Non-Japan)                      | 59,335           |                    | ¥ 8,663        |                      |                  |
| Preferred stock that must be redeemed                         |                  | ¥ 74,595           |                |                      |                  |
| Government bonds  |                  | 8,036              |                |                      |                  |
| Other securities  |                  | 1,891              |                |                      |                  |
| <b>Total equity securities and debt securities</b>            | <b>¥ 476,179</b> | <b>¥ 84,522</b>    | <b>¥ 8,663</b> |                      | <b>¥ 569,364</b> |
| Derivative assets   |                  |                    |                |                      |                  |
| Foreign exchange contracts                                    |                  | ¥ 48,369           |                |                      |                  |
| Interest rate contracts                                       | ¥ 3,104          | 37,631             |                |                      |                  |
| Commodity contracts   | 16,531           | 1,367,885          | ¥ 1,001        |                      |                  |
| <b>Total derivative assets (current and non-current)</b>      | <b>¥ 19,635</b>  | <b>¥ 1,453,885</b> | <b>¥ 1,001</b> | <b>¥ (1,296,721)</b> | <b>¥ 177,800</b> |
| <b>Total assets</b>   | <b>¥ 495,814</b> | <b>¥ 1,538,407</b> | <b>¥ 9,664</b> | <b>¥ (1,296,721)</b> | <b>¥ 747,164</b> |
| <b>Liabilities:</b>   |                  |                    |                |                      |                  |
| Derivative liabilities  |                  |                    |                |                      |                  |
| Foreign exchange contracts                                    |                  | ¥ 42,115           |                |                      |                  |
| Interest rate contracts                                       | ¥ 2,697          | 16,308             |                |                      |                  |
| Commodity contracts   | 18,475           | 1,376,247          | ¥ 7,552        |                      |                  |
| Other contracts   | 32               |                    |                |                      |                  |
| <b>Total derivative liabilities (current and non-current)</b> | <b>¥ 21,204</b>  | <b>¥ 1,434,670</b> | <b>¥ 7,552</b> | <b>¥ (1,348,707)</b> | <b>¥ 114,719</b> |
| <b>Total liabilities</b>                                      | <b>¥ 21,204</b>  | <b>¥ 1,434,670</b> | <b>¥ 7,552</b> | <b>¥ (1,348,707)</b> | <b>¥ 114,719</b> |

\* Amounts of netting adjustments include the impact of legally enforceable master netting agreements that allow the companies to settle positive and negative positions and also cash collateral held or placed with the same counterparties.

Reconciliation for all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the six-month period ended September 30, 2010 is as follows:

| Millions of Yen  |   |          |  |  |                         |                |          | The amount of total losses for the six-month period included in earnings attributable to the change in unrealized gains or losses relating to assets still held at the reporting date |
|--|---|----------|--|--|-------------------------|----------------|----------|---|
| Fair value measurements using significant unobservable inputs (Level 3)        |   |          |  |  |                         |                |          |   |
| Beginning balance  | Total gains or losses (realized/unrealized) Included in other comprehensive income (loss) |          | Purchases, sales, issuances, and settlements | Transfers into and/or (out of) Level 3 | Translation adjustments | Ending balance |          |   |
|  | Included in earnings  |          |  |  |                         |                |          |   |
| Derivative assets (liabilities) net  |   |          |  |  |                         |                |          |   |
| Commodity contracts  | ¥ (6,551)   | ¥(1,359) |  | ¥ 6,349                                |                         | ¥373           | ¥(1,188) | ¥(326)  |
| Equity securities and debt securities Marketable equity securities (Non-Japan) | 8,663   | 0        |  | 1,077                                  |                         | (945)          | 8,795    | 0   |

| Millions of Yen  |             |                       |              |
|--|-------------|-----------------------|--------------|
|  | Other sales | Cost of products sold | Total losses |
| Total losses included in earnings for the period   | ¥ (133)     | ¥ (1,226)             | ¥ (1,359)    |
| Change in unrealized gains or (losses) relating to assets still held at the reporting date | 92          | (418)                 | (326)        |

Reconciliation for all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the six-month period ended September 30, 2009 is as follows:

| Millions of Yen   |   |  |  |  |                         |                | The amount of total gains or (losses) for the six-month period included in earnings attributable to |
|---|---|--|--|--|-------------------------|----------------|---|
| Fair value measurements using significant unobservable inputs (Level 3) |   |  |  |  |                         |                |   |
| Beginning balance   | Total gains or losses (realized/unrealized) |  | Purchases, sales, issuances, and settlements | Transfers into and/or (out of) Level 3 | Translation adjustments | Ending balance |   |
|   |   |  |  |  |                         |                |   |

Edgar Filing: MITSUI & CO LTD - Form 6-K

|                                       |            | Included in earnings | Included in other comprehensive income (loss) |        |          |        | the change in unrealized gains or losses | relating to assets still held at the reporting date |
|---------------------------------------|------------|----------------------|---|--------|----------|--------|--|---|
| Derivative assets (liabilities) net   | ¥ (17,420) | ¥905                 |   | ¥6,120 | ¥(6,481) | ¥1,396 | ¥(15,480)                                | ¥7,025  |
| Equity securities and debt securities |            | (278)                |   | 33     | 9,613    | (582)  | 8,786                                    | (278)   |

|  | Other sales | Millions of Yen<br>Cost of products sold | Total gains |
|--|-------------|--|-------------|
| Total gains or (losses) included in earnings for the period                                | ¥ 1,713     | ¥ (1,086)                                | ¥ 627       |
| Change in unrealized gains or (losses) relating to assets still held at the reporting date | 8,700       | (1,953)                                  | 6,747       |

Reconciliation for all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the three-month period ended September 30, 2010 is as follows:

|  | Millions of Yen   |  |   |                                   |  |                         |                | The amount of total gains for the three-month period included in earnings attributable to the change in unrealized gains or losses relating to assets still held at the reporting date |
|--|---|--|---|-----------------------------------|--|-------------------------|----------------|--|
|  | Fair value measurements using significant unobservable inputs (Level 3) |  |   |                                   |  |                         |                |  |
|  | Beginning balance   | Total gains or losses (realized/unrealized) Included in earnings | Included in other comprehensive income (loss) | Purchases, sales, and settlements | Transfers into and/or (out of) Level 3 | Translation adjustments | Ending balance |  |
| Derivative assets (liabilities) net Commodity contracts                        | ¥ (3,268)   | ¥ 324  |   | ¥ 1,611                           |  | ¥ 145                   | ¥ (1,188)      | ¥ 433  |
| Equity securities and debt securities Marketable equity securities (Non-Japan) | 9,286   | 0  |   | (2)                               |  | (489)                   | 8,795          | 0  |

|  | Millions of Yen |                       |             |
|--|-----------------|-----------------------|-------------|
|  | Other sales     | Cost of products sold | Total gains |
| Total (losses) or gains included in earnings for the period                                | ¥ (66)          | ¥ 390                 | ¥ 324       |
| Change in unrealized gains or (losses) relating to assets still held at the reporting date | 92              | 341                   | 433         |

Reconciliation for all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the three-month period ended September 30, 2009 is as follows:

|  | Millions of Yen   |   |                                   |  |                         | The amount of total gains or (losses) for the three-month period included in earnings attributable to |
|--|---|---|-----------------------------------|--|-------------------------|---|
|  | Fair value measurements using significant unobservable inputs (Level 3) |   |                                   |  |                         |   |
|  | Beginning balance   | Total gains or losses (realized/unrealized) | Purchases, sales, and settlements | Transfers into and/or (out of) Level 3 | Translation adjustments | Ending balance  |



Edgar Filing: MITSUI & CO LTD - Form 6-K

|                                       |            | Included in earnings | Included in other comprehensive income (loss) |         |           |         |            | the change in unrealized gains or losses relating to assets still held at the reporting date |
|---------------------------------------|------------|----------------------|---|---------|-----------|---------|------------|--|
| Derivative assets (liabilities) net   | ¥ (14,396) | ¥ 1,825              |   | ¥ 2,564 | ¥ (6,496) | ¥ 1,023 | ¥ (15,480) | ¥ 4,389  |
| Equity securities and debt securities | 326        | (278)                |   | 33      | 9,279     | (574)   | 8,786      | (278)  |

|  | Other sales | Millions of Yen<br>Cost of products sold | Total gains |
|--|-------------|--|-------------|
| Total gains or (losses) included in earnings for the period                                | ¥ 1,629     | ¥ (82)                                   | ¥ 1,547     |
| Change in unrealized gains or (losses) relating to assets still held at the reporting date | 4,215       | (104)                                    | 4,111       |

**Assets and liabilities measured at fair value on a nonrecurring basis**

Certain non-marketable equity securities and investments in associated companies are written down to fair value if the fair value of these investments has declined and such decline is judged to be other-than-temporary. Retained investments in the former consolidated subsidiaries are remeasured at fair value with gains and losses recognized in earnings when subsidiaries are deconsolidated. The investments in listed associated companies are measured at fair value using unadjusted quoted prices in active markets for identical assets. Non-marketable equity securities and investments in unlisted associated companies are primarily valued by unobservable inputs based on financial information obtained from counterparties or third parties.

Financial assets measured at fair value on a nonrecurring basis for the six-month and three-month periods ended September 30, 2010 and September 30, 2009 are as follows:

The figures for the six-month period ended September 30, 2009 and the figures for the three-month period ended September 30, 2009 relating to discontinued operations have been reclassified.

|   | Millions of Yen |                               |         |          | Six-month period ended  |
|---|-----------------|-------------------------------|---------|----------|-------------------------|
|   | Fair value      | Fair value measurements using |         |          | September 30, 2010      |
|   |                 | Level 1                       | Level 2 | Level 3  | Total gains or (losses) |
| Non-marketable equity securities          |                 |                               |         |          |                         |
| Japan                                     | ¥ 5,782         |                               | ¥ 750   | ¥ 5,032  | ¥ (863)                 |
| Non-Japan                                 | 2,454           |                               |         | 2,454    | (1,562)                 |
| Total non-marketable equity securities    | ¥ 8,236         |                               | ¥ 750   | ¥ 7,486  | ¥ (2,425)               |
| Investments in associated companies       |                 |                               |         |          |                         |
| Japan                                     | ¥ 17,502        | ¥ 13,060                      |         | ¥ 4,442  | ¥ (4,859)               |
| Non-Japan                                 | 20,364          |                               |         | 20,364   | 354                     |
| Total investments in associated companies | ¥ 37,866        | ¥ 13,060                      |         | ¥ 24,806 | ¥ (4,505)               |

|                                     | Millions of Yen |                               |         |          | Six-month period ended |
|-------------------------------------|-----------------|-------------------------------|---------|----------|------------------------|
|                                     | Fair value      | Fair value measurements using |         |          | September 30, 2009     |
|                                     |                 | Level 1                       | Level 2 | Level 3  | Total losses           |
| Non-marketable equity securities    | ¥ 13,570        |                               |         | ¥ 13,570 | ¥ (3,170)              |
| Investments in associated companies | 24,202          | ¥ 24,202                      |         |          | (8,158)                |

|   | Millions of Yen |                               |         |         | Three-month period ended |
|---|-----------------|-------------------------------|---------|---------|--------------------------|
|   | Fair value      | Fair value measurements using |         |         | September 30, 2010       |
|   |                 | Level 1                       | Level 2 | Level 3 | Total losses             |
| Non-marketable equity securities          |                 |                               |         |         |                          |
| Japan                                     | ¥ 807           | ¥ 750                         | ¥ 57    | ¥       | (481)                    |
| Non-Japan                                 | 2,187           |                               | 2,187   |         | (979)                    |
| Total non-marketable equity securities    | ¥ 2,994         | ¥ 750                         | ¥ 2,244 | ¥       | (1,460)                  |
| Investments in associated companies       |                 |                               |         |         |                          |
| Japan                                     | ¥ 2,976         |                               | ¥ 2,976 | ¥       | (4,250)                  |
| Total investments in associated companies | ¥ 2,976         |                               | ¥ 2,976 | ¥       | (4,250)                  |

|                                     | Millions of Yen |                               |         |         | Three-month period ended |
|-------------------------------------|-----------------|-------------------------------|---------|---------|--------------------------|
|                                     | Fair value      | Fair value measurements using |         |         | September 30, 2009       |
|                                     |                 | Level 1                       | Level 2 | Level 3 | Total losses             |
| Non-marketable equity securities    | ¥ 5,736         |                               | ¥ 5,736 | ¥       | (486)                    |
| Investments in associated companies | 23,148          | ¥ 23,148                      |         |         | (7,698)                  |

Long-lived assets are reviewed for impairment using undiscounted future cash flows whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If the sum of the undiscounted future cash flows is less than the carrying amount of the assets, the assets are determined to be impaired and written down to the amount of fair value. Long-lived assets are primarily valued by unobservable inputs based on an operating plan reflecting the most recent condition of the long-lived assets or prices for similar assets.

The carrying amount of goodwill is assessed for impairment annually or upon the occurrence of an indicator of impairment. If the implied fair value of goodwill, which is measured on the basis of the fair value of the subsidiary, falls below the carrying amount of goodwill, the impairment loss is recognized in the amount equal to the excess of the carrying amount of goodwill over the implied fair value of goodwill. Goodwill is primarily valued by unobservable inputs based on financial information including business plan of the subsidiary.

Nonfinancial assets measured at fair value on a nonrecurring basis for the six-month and three-month periods ended September 30, 2010 and 2009 are as follows:

The figures for the six-month period ended September 30, 2009 relating to discontinued operations have been reclassified.

|                   | Millions of Yen |                               |         |         | Six-month period ended |
|-------------------|-----------------|-------------------------------|---------|---------|------------------------|
|                   | Fair value      | Fair value measurements using |         |         | September 30, 2010     |
|                   |                 | Level 1                       | Level 2 | Level 3 | Total losses           |
| Long-lived assets | ¥ 1,224         |                               |         | ¥ 1,224 | ¥ (2,527)              |

|                   | Millions of Yen |                               |         |         | Six-month period ended |
|-------------------|-----------------|-------------------------------|---------|---------|------------------------|
|                   | Fair value      | Fair value measurements using |         |         | September 30, 2009     |
|                   |                 | Level 1                       | Level 2 | Level 3 | Total losses           |
| Long-lived assets | ¥ 1,665         |                               |         | ¥ 1,665 | ¥ (999)                |
| Goodwill          | 0               |                               |         | 0       | (3,108)                |

|                   | Millions of Yen |                               |         |         | Three-month period ended |
|-------------------|-----------------|-------------------------------|---------|---------|--------------------------|
|                   | Fair value      | Fair value measurements using |         |         | September 30, 2010       |
|                   |                 | Level 1                       | Level 2 | Level 3 | Total losses             |
| Long-lived assets | ¥ 1,183         |                               |         | ¥ 1,183 | ¥ (437)                  |

|                   | Millions of Yen |                               |         |         | Three-month period ended |
|-------------------|-----------------|-------------------------------|---------|---------|--------------------------|
|                   | Fair value      | Fair value measurements using |         |         | September 30, 2009       |
|                   |                 | Level 1                       | Level 2 | Level 3 | Total losses             |
| Long-lived assets | ¥ 1,665         |                               |         | ¥ 1,665 | ¥ (999)                  |
| Goodwill          | 0               |                               |         | 0       | (3,108)                  |

**15. THE OIL SPILL INCIDENT OF A DRILLING RIG IN THE GULF OF MEXICO**

On April 20, 2010, a third party semi-submersible drilling rig, Deepwater Horizon, which was conducting exploration work on the Mississippi Canyon 252 block in the Gulf of Mexico, experienced a blow-out event which led to an explosion, fire and the extensive release of oil into the Gulf of Mexico. MOEX Offshore 2007 LLC (MOEX Offshore), a 100% subsidiary of MOEX USA Corporation (MOEX USA), has a 10% working interest in the block as a non-operator. MOEX USA is a 100% subsidiary of Mitsui Oil Exploration Co., Ltd. (MOECO) in which Mitsui & Co., Ltd. (Mitsui) has a 69.91% equity interest. BP Exploration and Production Inc. (BP), the operator of the project in the block, has been working with U.S. government agencies to drill relief wells for the plugging of the Well permanently. On September 19, 2010, BP publicly announced that the operations to plug the Well were successfully completed and that it would now proceed to complete the abandonment of the Well and plug and abandon the relief wells.

According to the quarterly financial report for the period ended September 30, 2010 of BP p.l.c., the ultimate parent of BP, BP p.l.c. posted approximately US\$39.9 billion of costs related to the Deepwater Horizon incident.

As of September 30, 2010, Mitsui is not able to estimate the total amount of liabilities that it and its consolidated subsidiaries may incur as a result of the Deepwater Horizon incident, and therefore, Mitsui has not posted any financial liabilities during its second quarter consolidated financial period. Based on the Joint Operating Agreement (JOA) concerning the Well to which MOEX Offshore and BP are parties, various liabilities associated with the Deepwater Horizon incident are to be paid by BP. Subject to the outcome of the investigation regarding the root cause of the incident and the degree of responsibilities ultimately afforded to the parties concerned, the liability assigned to MOEX Offshore would be zero as of September 30, 2010 at the minimum level where certain conditions are met in the JOA. The zero accrual is not intended to represent an opinion of Mitsui that it and its consolidated subsidiaries will not incur any future liability related to the Deepwater Horizon incident. Rather, the zero accrual is based on the application of accounting rules to the currently available set of facts where the relevant accounting rules do not require loss recognition in situations where a loss is not considered probable or cannot be reasonably estimated.

Mitsui considered the following factors in determining if, as of September 30, 2010, Mitsui should accrue financial liabilities as a result of the Deepwater Horizon incident.

As of November 15, 2010, MOEX Offshore has received invoices for reimbursement totaling US\$2,133 million from BP. BP has stated that these invoices were issued pursuant to the JOA and that it considers the invoiced amounts as MOEX Offshore's 10% proportionate share of costs related to the Deepwater Horizon incident. On the other hand, it is announced that, according to BP p.l.c.'s third quarterly financial report for the period ended September 30, 2010, the amount which was billed to minority interest holders, which hold a 35% interest, up to the end of October, 2010 is 4,278 million dollars. However, MOEX Offshore is uncertain how properly to aggregate the invoices, and therefore, MOEX Offshore has asked BP for clarification, but, as of November 15, 2010, MOEX Offshore has not received a detailed explanation from BP as to the proper calculation. MOEX Offshore estimates that the portion of the costs for the incident paid by BP through the end of October 2010 that corresponds to MOEX Offshore's 10% interest would be approximately US\$1,300 million. In addition, MOEX Offshore is now reviewing the details of these costs. MOEX Offshore expects that it will continue to receive invoices from BP, but is unable reasonably to estimate what the amount of those future invoices will be. It is not certain at this point if MOEX Offshore will have to make payment or not, and it cannot reasonably estimate the size of any payment.

In light of the numerous investigations that are currently taking place to determine the facts and circumstances surrounding the Deepwater Horizon incident and the existence of uncertainty with respect to application of the provisions in the JOA, MOEX Offshore has withheld payment of invoices BP has issued to it seeking reimbursement of costs incurred by BP related to BP's response to the incident. MOEX Offshore expects to continue to withhold payment while it examines the situation.

Under the Oil Pollution Act of 1990 (OPA), Responsible Parties (RPs), as defined by OPA, may have joint and several liability for costs and damages under the statute. The United States Coast Guard (USCG) has sent invoices to parties it has identified as RPs, which consist of the parties to the JOA, including BP and MOEX Offshore, and other parties that had a role in the Deepwater Horizon incident and to parties that have been identified as guarantors of RPs.

Mitsui understands that these invoices from the USCG, which are a part of the claims under the OPA, total approximately US\$581 million as of November 15, 2010. Mitsui believes that BP has paid all of the USCG invoices. Mitsui expects that BP will continue to pay the USCG invoices in full because BP p.l.c. has stated that it will pay all the reasonable clean-up costs for the incident and has established a fund that totals \$20 billion, among other things, to compensate those injured as a result of the incident. As described above, BP has stated that it considers the amounts invoiced to MOEX Offshore for reimbursement as MOEX Offshore's 10% proportionate share of the costs it has incurred in responding to the Deepwater Horizon incident, including the OPA related liabilities mentioned above, purportedly under the terms of the JOA, and MOEX Offshore, for now, has withheld payment of the invoices and has not posted any related contingent liabilities. Should BP stop payment for the clean-up of the Deepwater Horizon incident and refuse to make payment in full for the other costs associated with the incident, MOEX Offshore may be required to make payment.

MOEX Offshore may be subject to fines under the Clean Water Act (CWA) and other state and federal statutes. MOEX Offshore may also be subject to Natural Resource Damage (NRD) costs under the OPA as an RP, and for similar damages under similar state laws. The United States and the states of Louisiana, Mississippi, Alabama, Florida, and Texas have begun an NRD assessment. The USCG and the Bureau of Ocean Energy Management, Regulation and Enforcement ( BOEM ) are conducting a joint investigation into the cause of the incident and will be issuing a final investigative report with conclusions and recommendations. In addition, the United States Department of Justice is conducting an investigation to determine if any civil or criminal laws have been broken, and the National Oil Spill Commission, the United States Congress and various United States federal and state agencies, including the United States Chemical Safety and Hazard Investigation Board, are conducting investigations. In light of the ongoing investigations relating to the fines and costs mentioned above, MOEX Offshore does not know if any such fines will be imposed or costs assessed upon MOEX Offshore which is a non-operator and is unable reasonably to estimate the size of any such possible losses.

Moreover, MOECO, MOEX USA, MOEX Offshore and Mitsui & Co. (U.S.A.), Inc. have been named as defendants in a number of civil lawsuits seeking recovery for damages purportedly caused by the Deepwater Horizon incident. In addition, plaintiffs have also named as a defendant a company identified as Mitsui & Co. in some of these lawsuits. It is unclear to Mitsui as to which entity the plaintiffs are referring. Those lawsuits have been brought under a large number of different legal theories. In May and June 2010, BP and plaintiffs filed motions seeking to have certain of the federal cases transferred to a single judge for pretrial proceedings. Those motions were granted by the Judicial Panel on Multidistrict Litigation on August 10, 2010 and certain of the federal lawsuits were sent for pretrial proceedings to a federal district court judge in the Eastern District of Louisiana. As a result, each defendant mentioned above will be engaged in the pretrial proceeding before this judge. In general, if these transferred cases are not resolved during the pretrial process, they may be returned for trial to the courts where they were originally filed. The civil lawsuits are at an early stage and so Mitsui is unable reasonably to estimate what MOEX Offshore's and its affiliates' possible loss, if any, will be.

MOEX Offshore has insurance, but the amount of that insurance is substantially less than the amount of the claims it has received to date. In addition, MOEX Offshore may also have coverage as an additional insured under the insurance policies of third parties that are involved in the Deepwater Horizon incident. Mitsui believes that the potential coverage under those policies also is substantially less than the amount of the claims MOEX Offshore has received to date.

Mitsui recognized an impairment loss for the amounts invested to acquire the interest of this lease that were booked as Property and Equipment (Mineral rights) in Impairment loss of long-lived assets, and also recognized certain expenses relating to the well in Other expense-net for the six-month period ended September 30, 2010. Other than that, Mitsui is unable, at this time, to determine the impact, if any, the incident will have on its future consolidated financial position, consolidated operating results or consolidated cash flows.

#### ***16. SUBSEQUENT EVENT***

On November 2, 2010, the Board of Directors approved the payment of an interim cash dividend to shareholders of record on September 30, 2010 of ¥20 per share or a total of ¥36,509 million.