MITSUI & CO LTD
Form 6-K
June 03, 2009
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FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Private Issuer

Business Report The fiscal year ended March 31, 2009

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

of the Securities Exchange Act of 1934

For the month of June 3, 2009

Commission File Number 09929

Mitsui & Co., Ltd.

(Translation of registrant s name into English)

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

(Address of principal executive offices)

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

Form 20-F __X__ Form 40-F ______

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

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

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

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

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

Yes ______ No __X__

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

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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: June 3, 2009

MITSUI & CO., LTD.

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

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From the President

On April 1, 2009 I was appointed the president and chief executive officer of Mitsui on April 1, 2009, and am pleased to bring you the Business Report for our 90th fiscal year, which ended on March 31, 2009.

For the fiscal year under review our performance was affected by the rapid slowdown in the global economy from the second half, and our results fell significantly year on year. Consolidated net income was ¥177.6 billion, while at the non-consolidated level we recorded a net loss of ¥80.3 billion.
Although an interim dividend of ¥25 per share has already been paid during the year, it is with regret that we are proposing not to pay a year-end dividend. This means that the full-year dividend will be ¥25 per share, a decrease of ¥21 per share from the previous year.

Concerted initiatives by governments and central banks around the world have resulted in improvement to certain economic indices, but there remain considerable causes for concern with regard to commodity price movements, weakness in capital markets and other areas, and we believe the tough economic environment seems likely to continue.

Based on our awareness that Mitsui s internal control and compliance systems are not yet sufficient, we will continue with measures to improve and strengthen these aspects of our operations.

Our aim at Mitsui is to improve our earnings foundation and financial status, working as a group to overcome the current adverse environment and achieve further sustainable growth as a corporation that both contributes to and is trusted by society.

We sincerely thank you for your support.

Masami Iijima

President and Chief Executive Officer

June 2009

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Note: In this translated report, the term the Group refers to corporate organizations as defined in Clause 2, Article 122 of the enforcement regulations of the Companies Act of Japan.

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l BUSINESS REPORT (April 1, 2008 to March 31, 2009)

l TRENDS IN KEY CONSOLIDATED MANAGEMENT INDICES

(Billions of yen)

	Year ended Mar. 31, 2006	Year ended Mar. 31, 2007	Year ended Mar. 31, 2008	Year ended Mar. 31, 2009
Gross profit	784.6	866.3	988.1	1,016.3
Operating income	247.7	282.8	374.8	394.7
Equity in earnings of associated companies	94.2	153.1	154.3	84.8
Net income	202.4	301.5	410.1	177.6

PART I: BUSINESS REVIEW

1. OPERATING ENVIRONMENT

An overview of the operating environment in the fiscal year under review is as follows.

THE GLOBAL ECONOMY

The operating environment, particularly in the automotive, housing and construction sectors, rapidly worsened since September last year due to the effects of the financial crisis which originated in the U.S. There was negative growth in the advanced nations, and growth slackened in emerging countries. The global economy slowed and trade stagnated.

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Although the U.S. economy remained comparatively bullish until summer 2008, the chaos in the financial markets due to the sub-prime loan problem resulted in a wave of bankruptcies in September last year among financial institutions, including a certain major securities company, which triggered a rapid decline in share prices and a contraction of credit worldwide.

Europe was severely affected by the crisis in financial markets and economic conditions deteriorated, with a slowdown in trade among the European nations and an ongoing decline in levels of business investment.

In Asia, although the effects of the crisis were comparatively minor in financial terms, the economic growth rates gradually slowed down, due to a considerable decline in levels of exports from China to the U.S. and Europe.

Prices of internationally traded commodities, such as crude oil and non-ferrous metals, set new records in July last year but have since rapidly declined.

As sentiment for the outlook of the global economy rapidly worsened, governments and central banks around the world cut policy interest rates in an attempt to reduce levels of uncertainty in financial markets, and took concerted measures, such as purchasing government bond and injecting public funds into financial institutions.

JAPANESE ECONOMY

The Japanese economy slowed in the first half of the fiscal year due to the rapid rise in crude oil prices and other factors, and then rapidly worsened in the second half in the wake of the global financial crisis. Accompanying the considerable decline in exports, manufacturers reduced production and employment and reviewed their plans for business investment.

In response to these changes, the Japanese government took measures to stimulate the economy. In addition to the Bank of Japan lowering the policy interest rate in October and in December last year, the government supplied funds to markets by increasing its purchases of long-term government bonds and buying corporate bond. In foreign exchange, amid the increasing turbulence in financial markets, the yen rapidly strengthened against other currencies. As share prices around the world fell, the Nikkei Stock Average posted a new post-bubble low.

There are still many matters for concern, such as the trends of commodity prices and the fragile financial markets. The future of the global economy remains uncertain and we are aware of the need to continue to watch these trends carefully.

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2. GROUP BUSINESS PROGRESS AND RESULTS

1. OPERATING RESULTS, FINANCIAL CONDITION AND CASH FLOWS

(1) BUSINESS PERFORMANCE OVERVIEW

Mitsui and its subsidiaries posted a considerably lower net income of ¥177.6 billion, ¥232.5 billion less than the ¥410.1 billion recorded in the previous fiscal year. In general, growth in business performance was steady until the second quarter of the fiscal year amid economic expansion driven by emerging nations; however, with the rapid deterioration of the global economy after the third quarter of last year, and as a result of a contraction in the volume of global trade due to a fall-off in demand particularly among the advanced nations all segments (with the exceptions of Energy and Asia Pacific) posted year-on-year declines in income. Consumer Service & IT and the Europe, Middle East and Africa segments recorded impairments to their real estate holdings, both in Japan and overseas. The Americas segment posted impairments against goodwill and fixed assets. Furthermore, due to stock market declines, several segments, including Iron & Steel Products, Machinery & Infrastructure Projects, and Chemical, recorded impairment losses relating to marketable securities chiefly the shares of listed companies. Losses on write-downs of holdings of listed shares of affiliated companies, including the Australian recycling company Sims Metal Management Limited (Sims Ltd.) and U.S. automobile dealer Penske Automotive Group Incorporated (PAG Inc.) were recorded in equity in earnings of associated companies net (after income tax effect). Another reason for income being lower this fiscal year was the substantial one-off gain from the sale of assets in the previous fiscal year to March 31, 2008, amounting to approximately 93.0 billion yen in total (after tax). Return on Equity (ROE) in the fiscal year ended March 31, 2009 was 8.7%.

(2) FINANCIAL CONDITION

Total assets as of March 31, 2009 were ¥8.4 trillion, a decrease of ¥1.1 trillion compared with March 31, 2008. The acceleration in the fall of commodity prices that occurred in the third quarter resulted in a ¥0.6 trillion decline in the amount of current assets. The total amount of investments and fixed assets declined by ¥0.5 trillion, due to the gathering pace of yen appreciation and stock market declines from the third quarter which offset both additional investment in Valepar S.A.* of Brazil (Valepar) and an expansion of investments in metal resources and energy. As of March 31, 2009, shareholders equity decreased ¥0.3 trillion to ¥1.9 trillion, with a slight increase in retained earnings offset by the impact of foreign exchange rates and stock prices. The Net Debt-to-Equity Ratio (Net DER) increased 0.07 of a point to 1.34 times.

* Valepar is the holding company for a Brazilian mining company Campanhia Vale do Rio Doce S.A. (Vale).

(3) CASH FLOWS

Net cash provided by operating activities for the fiscal year ended March 31, 2009 was ¥582.7 billion, reflecting operating income and an improvement in working capital, or the balance of in operating assets and liabilities. Net cash used in investment activities was ¥290.9 billion, as a result of expenditures for various investments in the Mineral & Metal Resources and Energy segments, and additional investments in Valepar. As a result, free cash flow, or sum of net cash provided by operating activities and net cash used in investment activities, for the fiscal year ended March 31, 2009 was a net inflow of ¥291.8 billion.

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2 RESULTS OF OPERATIONS: Key Item from the consolidate income

l GROSS PROFIT

Gross profit for the fiscal year ended March 31, 2009 was ¥1,016.3 billion, an increase of ¥28.2 billion from the previous fiscal year. This was due to the following factors. The Energy segment recorded substantially higher profit, which was mainly due to solid performances by oil and gas producing business and coal business, reflecting continuance of high prices in the market and increased production. The Mineral & Metal Resources segment also reported higher profit, reflecting higher iron ore prices. On the other hand, some segments recorded declining profits. The Consumer Service & IT segment suffered losses on write-down of inventories in the domestic residential home business as well as a slump in domestic business. Declines in the profits of the Iron & Steel Products, Machinery & Infrastructure Projects, and Chemical segments reflected the global economic recession from the third quarter of 2008 onwards.

l OPERATING INCOME

Operating income* for the fiscal year ended March 31, 2009 was ¥394.7 billion, an increase of ¥19.9 billion compared with the previous fiscal year. The increase in the provision for doubtful receivables due to the economic recession and the credit crunch was offset by growth in gross profit, noted above, resulting in the increase in operating income.

* Operating income = [gross profit selling, general and administrative expenses provision for doubtful receivables]

l EQUITY IN EARNINGS OF ASSOCIATED COMPANIES NET (AFTER INCOME TAX EFFECT)

Equity in earnings of associated companies net (after income tax effect) for the fiscal year ended March 31, 2009 was ¥84.8 billion, a decrease of ¥69.5 billion compared with the previous fiscal year. This was attributable to the following factors. Net earnings increased at Robe River Mining Company Pty. Ltd. (Australia); moreover, overseas power-producing businesses including IPM Eagle LLP (IPM) of the U.K. recorded comparatively higher net earnings this fiscal year due to mark-to-market evaluation losses on power supply contracts* in the previous fiscal year. On the other hand, the net earnings of copper mining company Compania Minera Dona Ines de Collahuasi SCM (Chile) (Collahuasi) were dragged down by falling copper prices and rising production costs. Although the rise in iron ore prices helped Valepar to increase earnings, this was offset by the drop in nickel prices and the appreciation of the Brazilian real against the U.S. dollar. Declines in the prices of shares of various listed associated companies, including Sims Ltd. and PAG Inc. resulted in considerable impairment losses.

* We recorded mark-to-market evaluation losses, based on wholesale power market conditions, with respect to power contracts entered into for the purpose of fixing cash inflows from power sales.

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l **NET INCOME**

Net income for the fiscal year ended March 31, 2009 was ¥177.6 billion, a decrease of ¥232.5 billion compared with the previous fiscal year. In addition to the items mentioned above, factors contributing to this decrease include the following:

• Loss on write-down of securities increased by ¥80.7 billion to ¥117.4 billion. This write-down was recorded due to the decline of Japanese and overseas equity markets during the fiscal year under review.

• Gain on sales of securities decreased by ¥59.1 billion to ¥33.2 billion. Gains recorded during this period came from the sale of a trust beneficiary right with respect to Shiodome Building, and the sale of shares in Kyushu Oil Co., Ltd.

One reason for the comparatively lower gain on sale of securities this fiscal year was the major gain in the fiscal year ended March 31, 2008 from the transfer of a part of the Group s stake in the Sakhalin II project in the Energy segment, and the sale of the Group s stake in Empreendimentos Brasileiros de Mineracao S.A. (EBM) in Brazil in the Mineral & Metal Resources segment.

• Impairment loss of goodwill increased by ¥16.6 billion to ¥18.6 billion as was recorded chiefly in the Americas segment due to revisions of business viability following the rapid deterioration in the business environment.

• Impairment loss of long-lived assets increased by ¥13.4 billion to ¥37.8 billion. These losses consisted of a loss on property and equipment and mineral rights of the Vincent Oil Field in Australia due to decline of oil prices, and a loss on office building business in the U.K. reflecting severe condition of real estate market.

• There was no income from discontinued operations Net (after income tax effect) this fiscal year (¥71.0 billion of income in the previous fiscal year). The majority of the figure recorded during the previous year arose from a gain on the sale of the Group s entire stake in Sesa Goa, and gain on the sale of the entire upstream gas and oil interests of Wandoo Petroleum Pty Limited (Australia).

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3 **RESULTS BY OPERATING SEGMENT**

l **Iron & Steel Products:** Net loss for the fiscal year ended March 31, 2009 was ¥4.8 billion, a decrease of ¥25.0 billion compared with net income of ¥20.2 billion in the previous fiscal year. Until the second quarter, under tight market conditions, overall sales of steel products in Japan were robust, but from the third quarter onwards the effects of the economic recession and the credit crunch began to be felt. During the fourth quarter, both trading volume and prices fell substantially due to declining demand. In addition to losses from the write-down of inventory of the segment s wholesale subsidiary in Singapore Regency Steel Asia Pte. Ltd., losses on write-down of securities, including holdings of shares in Nippon Steel Corporation, in total ¥13.3 billion.

l **Mineral & Metal Resources:** Net income for the fiscal year ended March 31, 2009 decreased substantially by ¥87.0 billion to ¥90.0 billion. Gross profit from iron ore production businesses increased due to the rise in iron ore prices, despite a considerable decline in sales volume from the third quarter onwards brought about by the economic slowdown. On the other hand, falls in the prices of copper and nickel and other factors forced down profits at Collahuasi and Valepar. Accompanying the drop in stock prices were (after tax) impairment losses of ¥28.0 billion on the shares in Sims Ltd. Another reason for the comparatively lower net income for the period to March 31, 2009 was the exceptionally high net income in the previous fiscal year ended March 31, 2008 due to the ¥55.2 billion of income (after tax) from the sale of the Group s entire stake of Sesa Goa, as well as income from other recycling initiatives, such as the sale of shares in EBM and Toho Titanium Co. Ltd. (Japan).

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l **Machinery & Infrastructure Projects:** Net income for the fiscal year ended March 31, 2009 was ¥21.8 billion, a decrease of ¥12.6 billion. Earnings from automobile and shipping-related business declined due to a drop-off in demand as a result of the economic recession and credit contraction. In addition to lower earnings from various infrastructure projects and rolling stock leasing, there were losses on write-downs of shareholdings in PAG Inc., Yamaha Motor Co., Ltd. (Japan) and other companies following declines in their share prices.

l **Chemical:** Net loss for the fiscal year ended March 31, 2009 was ¥10.2 billion, a decrease of ¥28.5 billion compared with net income of ¥18.3 billion in the previous fiscal year. Although earnings from ammonia- and methanol-related business grew soundly until the second quarter, supported by favorable market conditions and increased sales volume, earnings from other products generally declined due to a global contraction in demand and falls in prices. Furthermore, net income was further lowered by ¥30.0 billion in write-downs of securities, including shares in Mitsui Chemicals, Inc.

l **Energy:** Net income for the fiscal year ended March 31, 2009 was ¥153.3 billion, an increase of ¥29.2 billion. In addition to higher levels of earnings from the oil and gas production businesses reflecting the rise in oil prices, there were also contributions from higher earnings from Australian coal-mining businesses, supported by rising coal prices. Higher production volume from the Tui oil field in New Zealand also contributed to earnings. By contrast, losses were recorded from impairment of property and equipment and mineral rights of the Vincent Oil Field in Australia reflecting the fall in oil prices. In addition, there were increased expenses, mainly from exploration costs and the cost of salvaging oil production facilities in the Gulf of Mexico due to hurricane damage.

l **Foods & Retail:** Net income for the fiscal year ended March 31, 2009 was ¥1.5 billion, a decrease of ¥8.9 billion. Raw materials businesses resulted positively until the second quarter due to soaring cereal prices. Although distribution and retail-related businesses continued to apply cost-cutting measures, they faced rapid rises in the price of crude oil and raw materials until the second quarter, and then from the third quarter onwards suffered from stagnating consumption levels due to the economic recession. Losses on write-downs of securities was recorded due to the falls in stock market.

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l **Consumer Service & IT:** Net loss for the fiscal year ended March 31, 2009 was ¥31.4 billion, a decrease of ¥43.4 billion compared with net income of ¥12.0 billion in the previous fiscal year. In addition to lower sales and losses on write-downs of inventories in the residential condominium business due to lower prices, domestic consumer-oriented businesses in general performed poorly. Although a total of ¥16.2 billion was raised through the sale of securities, in particular the sale of a trust beneficiary right with respect to Shiodome Building, this was offset by losses recorded on the write-down of securities.

l **Logistics & Financial Markets:** Net loss for the fiscal year ended March 31, 2009 was ¥14.5 billion, a decrease of ¥22.0 billion compared with net income of ¥7.5 billion in the previous fiscal year. The segment s businesses in financial markets were affected by the financial crisis and the contraction of credit. One reason for the comparatively lower earnings this fiscal year was the sale of securities in the previous fiscal period. Another factor was lower earnings from associated leasing companies, as well as equity in losses from investments due to the fall in share prices.

l **Americas:** Net loss for the fiscal year ended March 31, 2009 was ¥7.1 billion, a decrease of ¥12.1 billion compared with net income of ¥5.0 billion in the previous fiscal year. Earnings increased at Novus International Inc., a U.S. subsidiary that manufactures and sells animal feed additives, due to higher sales volumes and higher prices, supported by strong global demand for feed additives. Although demand stagnated from the third quarter onwards due to the economic recession and uncertainty in credit of customers sources, steel products businesses showed steady performance. On the other hand, there was a goodwill impairment of ¥13.6 billion, mainly at the subsidiaries of Mitsui & Co. (U.S.A.), as well as losses on the write-down of securities due to the fall in share prices.

l **Europe, the Middle East and Africa:** Net loss for the fiscal year ended March 31, 2009 was ¥11.5 billion, a decrease of ¥16.5 billion compared with net income of ¥5.0 billion in the previous fiscal year. In addition to lower earnings by chemical products-related businesses due to falling prices and declining sales, the segment s real estate subsidiary MBK Real Estate Europe Limited recorded an impairment loss on office building business in the U.K. in the wake of a fall in real estate prices.

l **Asia Pacific:** Net income for the fiscal year ended March 31, 2009 was ¥30.6 billion, an increase of ¥8.1 billion. Despite lower earnings from chemicals due to falling prices and declining sales, results in this segment were boosted by an increase in earnings from minority interests in Australian iron ore ventures and coal-producing subsidiaries.

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4 FINANCIAL CONDITION OF THE GROUP: Key items from the consolidated balance sheet

Total assets as of March 31, 2009 were ¥8,364.2 billion, a decrease of ¥1,173.6 billion from March 31, 2008.

Current assets were 4,419.1 billion, a decrease of ¥639.0 billion from March 31, 2008. Sales in Iron & Steel Products, Chemicals and Energy, and sales in the Americas decreased ¥893.9 billion due to a decrease in trading and a sluggish market for crude oil and other commodities. However, ensuring sufficient liquidity in response to the financial crisis, cash and cash equivalents increased ¥248.5 billion. **Current liabilities** were ¥2,792.5 billion, a decrease of ¥649.1 billion as a result of decreases in accounts payable and other items following the decrease in sales and other factors as noted above. As a result, working capital, which is current assets minus current liabilities, increased ¥10.1 billion to ¥1,626.6 billion, and the current ratio increased 11 percentage points to 158%.

l Total non-current assets (namely, investments and non-current receivables, property and equipment - at cost, etc.) were ¥3,945.1 billion, a decrease of ¥534.7 billion. The decrease was the result of a drop in stock market prices and a rapid acceleration of the strength of the yen, which offset investments made mainly in Mineral Resources and Energy. A breakdown of principal items is as follows.

Total investments and non-current receivables as of March 31, 2009 were ¥2,866.4 billion, a decrease of ¥370.9 billion. Within this category, investments in and advances to associated companies totaled ¥1,275.5 billion, a decrease of ¥57.5 billion. Major expenditures for the fiscal year under review included an additional investment of ¥78.4 billion in Valepar, ¥23.0 billion for further acquisition of shares in Sims Ltd. and ¥14.0 billion for further acquisition of shares in Multigrain AG, a Brazilian agriculture commodities and trade company. Despite this, total investments and non-current receivables were lower than the previous fiscal year largely due to the strong yen. Other investments were ¥957.2 billion, a decrease of ¥324.3 billion. This was the result of recording a total loss on write-down of securities of ¥117.4 billion in addition to a total decrease of ¥143.5 billion in unrealized holding gains and losses on marketable securities, in comparison to the previous fiscal year, following a drop in share prices.

Property and equipment at cost as of March 31, 2009 was ¥946.3 billion, a decrease of ¥70.0 billion due to the strong yen and despite increases from the development and expansion of the coal and iron ore businesses in Australia.

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- **Long-term debt, less current maturities** as of March 31, 2009 was ¥2,841.3 billion, a decrease of ¥103.1 billion. This decrease was primarily due to decreases at Mitsui & Co. (U.S.A.), Inc. and domestic and foreign financial subsidiaries.

- **Shareholders equity** as of March 31, 2009 was ¥1,881.7 billion, a decrease of ¥302.0 billion. This decrease occurred despite a ¥90.2 billion increase in retained earnings and was primarily due to a ¥249.4 billion decrease in the foreign currency translation adjustment account due to the depreciation of the Australian dollar, the Brazilian real and the U.S. dollar against the yen as well as a ¥96.2 billion decrease in unrealized holding gains on available-for-sale securities following a drop in share prices. As a result, the ratio of shareholders equity to total assets as of March 31, 2009 was 22.5%, 0.4 points lower than the 22.9% figure as of March 31, 2008. Net interest-bearing debt (interest-bearing debt minus cash and cash equivalents and time deposits) as of March 31, 2009 was ¥2,515.1 billion, a decrease of ¥258.9 billion compared to March 31, 2008.

5 CASH FLOWS : Key item from the consolidated cash flows
CASH FLOWS FROM OPERATING ACTIVITIES

Net cash provided by operating activities for the fiscal year ended March 31, 2009 was **¥582.7** billion, an increase of ¥166.9 billion from the ¥415.8 billion of the previous year. In addition to operating income of ¥394.7 billion, cash inflows included ¥69.9 billion from improvements of working capital due to significant deterioration of the commodity markets in the third quarter of this consolidated fiscal year.

Contrary to the increase of net cash provided by operating activities, net income decreased ¥232.5 billion compared to the previous fiscal year. One of the primary factors that led to the decrease was one-time losses from non-cash items.

CASH FLOWS FROM INVESTMENT ACTIVITIES

Net cash used in investment activities for the fiscal year ended March 31, 2009 was **¥290.9** billion. The primary factors contributing to this outcome were:

The net outflow of cash that corresponded to investments in and advances to associated companies were ¥131.6 billion. Primary outflows included ¥78.4 billion in additional investment in Valepar, ¥23.0 billion for further acquisition of shares in Sims Ltd. and ¥14.0 billion for further acquisition of shares in Multigrain AG. Primary inflows included an increase of ¥23.1 billion from redemption of preferred securities of IPM Eagle (after deduction of additional purchase of the securities therein).

The net inflows of cash that corresponded to other investments provided a cash inflow of ¥47.2 billion. Primary inflows included ¥14.7 billion from the sale of the a trust beneficiary right with respect to Shiodome Building.

The net outflow of cash that corresponded to property leased to others and property and equipment was ¥219.1 billion. Primary outflows included ¥127.7 billion related to iron ore mining business in Australia and development of the energy business as well as ¥26.8 billion for the lease of rolling stock.

As a result, free cash flow, or sum of cash flows from operating activities and cash flows from investment activities, was positive of ¥291.8 billion.

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CASH FLOWS FROM FINANCING ACTIVITIES

Net cash outflow from financing activities was **¥9.8 billion**. During this consolidated fiscal year there was cash inflow of ¥51.6 from the borrowing of long-term debt primarily for the Company and cash outflow of ¥101.7 billion for the payment of dividends and others.

3. PROGRESS ON MEDIUM-TERM MANAGEMENT OUTLOOK

1 OVERVIEW

l We announced our Medium-Term Management Outlook in May 2006, based on a company-wide consideration of the kind of business models that we should seek to develop over the next three to five years, namely the period of 2009 to 2011. The key elements of the approach outlined in this plan are:

Building a business portfolio that meets the needs of our stakeholders, including shareholders, customers and society

Leveraging business engineering capabilities across Mitsui and its subsidiaries and optimizing resource allocation

Prioritizing the development of human resources. In this respect we intend to build on our existing values of *challenge and innovation* and *freedom and open-mindedness* with additional emphasis on *fairness, humbleness* and *compliance.* We intend to form and foster a diverse pool of capable personnel

l The four key strategies of the Medium-Term Management Outlook are:

(i) Development of strategic business portfolio

(ii) Evolution of business models leveraging business engineering capabilities

(iii) Implementation of global strategies

(iv) Reinforcing the management framework to support growth

Of these strategies, the development of a strategic business portfolio is the most directly connected to our business results, financial position and cash flow for the fiscal year ended March 31, 2009, and we are implementing the following policies with regard to this strategy.

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We have developed key policies based on dividing up the Group s business into four areas, as outlined below.

l Under the coordination of the Portfolio Management Committee, we will further refine our investment evaluation criteria, and seek to recycle existing investments, by reviewing their viability and taking into account the need to generate cash flow for new investments. Furthermore, in addition to a review of our business portfolio, we will allocate and shift human resources from a group-wide perspective in a more dynamic fashion.

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l **Quantitative image 3-5 years ahead (2009-2011) in the Medium-Term Management Outlook**

Looking ahead towards 2009-2011, risks in the operating environment include political, economic and environmental factors. Notwithstanding these risks, we believe that the currently favorable operating environment with simultaneous growth in different regions of the world, and strong upstream markets for mineral resources, energy and materials is likely to continue. Based on this assumption, by implementing the four key strategies of the Medium-Term Management Outlook, we aim to achieve optimal allocation of the Group s business resources, and as of May 2006 envisaged achieving the parameters over the next three to five years as illustrated in the chart on the right.

Note: Our perception of the current economic environment differs from our perception as of 2006, but there is no change to the business models that we should aim to pursue or the policies for pursuing them. Accordingly, based on this medium-term plan, we have outlined our awareness of the progress on key issues in the fiscal year under review and formulated our plan for the year ending March 31, 2010.

2 PROGRESS ON KEY ISSUES IN MEDIUM-TERM MANAGEMENT OUTLOOK

(1) Development of strategic business portfolio

The operating environment facing the company is characterized by economic recession and credit crunch. Nevertheless, we have decided to leverage the sense of crisis and view this operating environment as an opportunity to accelerate progress in the various issues mentioned in the Medium-term Management Outlook.

Particularly, with the objective of laying the groundwork for consistently achieving positive free cash flow, which is noted in the Medium-term Management Outlook as the cornerstone of our cash flow management, we have started, on a company-wide basis, to improve the efficiency of working capital, pursue divestitures of non-core assets, and be even stricter in our investment discipline. As a result, free cash flow for the fiscal year ended March 31, 2009 was a substantially positive figure of ¥291.8 billion.

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1. Progress on investment plans and key policies in each business area

In the fiscal year ended March 31, 2009, we projected that we would execute new investments and loans totaling ¥700.0 billion, a continued high level of investment and loan expenditure, as well as asset divestitures totaling ¥270.0 billion. However, as a result of our initiatives to achieve even stricter investment discipline, ultimately our investment and loan expenditure only came to ¥520.0 billion. Furthermore, although we sought to divest non-core assets, the economic recession and credit crunch led to declines in the market value of assets, and as a result we recovered only ¥190.0 billion from divestitures.

We made the following progress in each of the four business areas presented in our Medium-Term Management Outlook.

1. MINERAL RESOURCES & ENERGY BUSINESS AREA

We continuously focused on large-scale projects already under development as well as expansion of existing projects, based on the projection that demand will increase over the medium to long-term, even though it is temporarily declining at present as a result of the economic downturn. In the Sakhalin II project, following on from the commencement of full-year production of oil in December 2008, operation of the LNG plant began in March 2009. The accumulated amounts of investment and loans associated with this project was approximately ¥227.0 billion as of the end of March 2009, partly reflecting expenditure of ¥15.3 billion for completion of the LNG plant. Repair work on wells in the Enfield oil field in Australia was completed in July 2008, and development work was completed and production commenced at the adjacent Vincent oil field in August 2008. The total investment in production facilities in the oil and gas business, including at these two oil fields, amounted to ¥71.1 billion. In the Northwest Shelf LNG project in Western Australia, the fifth train commenced production in September 2008. In July 2008, we made an additional investment of ¥78.4 billion in Valepar, which has controlling interest at Vale in Brazil, for the purpose of increasing capital at Vale so that the company could increase its iron ore and non-ferrous metal production capacity. We invested ¥42.4 billion and ¥14.2 billion, respectively, in Australian iron ore and coal mining businesses, as part of our plan to increase production capacity.

Sakhalin II project, Russia

We also invested ¥23.0 billion to acquire additional shares in metal recycler Sims Metal Management, Inc. during August and September 2008, with the objective of focusing on investment in the metal recycling business.

In a new project, we invested ¥5.1 billion to acquire uranium-mining interests in Australia, our first uranium interests, in October 2008.

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2. GLOBAL MARKETING NETWORKS BUSINESS AREA

We took further steps to strengthen our multi-functional global operating network in the growth region of Asia and the strategic business area of automotives.

The Automotive Strategy Department, established in the previous fiscal year, started to pursue a variety of initiatives along the automobile value chain, in areas ranging from parts procurement through retail financing, leveraging our comprehensive Group strengths through cooperation among multiple business units.

3. CONSUMER SERVICES BUSINESS AREA

We are continuing to build our operations in promising new business domains. In Foods & Retail, we continued to take measures to improve the performance and competitiveness of domestic businesses such as MITSUI FOODS CO., LTD. (Japan), while proceeding with investments to secure overseas food sources. In August 2008, we increased our stake in Synlait Limited, a dairy farm operator and dairy product producer in New Zealand, making it an associated company accounted for by the equity method. And in October 2008, we made an additional investment of ¥14.0 billion in Multigrain AG for the purpose of increasing capital at Multigrain. In the area of divestitures, we sold a trust beneficiary right with respect to Shiodome Building Project for ¥14.7 billion.

4. INFRASTRUCTURE PROJECTS BUSINESS AREA

Our efforts were directed at selectively investing in superior project opportunities in priority areas. In June 2008, we agreed to start deepwater drilling services with an ultra-deepwater drillship, in partnership with Petroleo Brasileiro S.A. (Petrobras), the state-owned oil company of Brazil. In July 2008, we acquired Mexican water and wastewater treatment company Atlatec Holdings, S.A. de C.V., jointly with Toyo Engineering Corporation (Japan), our associated company to make it a basis to expand on water treatment business. In October 2008, we commenced operation of a large combined-cycle power plant fueled by natural gas in Ontario, Canada.

Power plant in Ontario

In the area of divestitures, we redeemed preferred shares in IPM Eagle LLP (U.K.) for ¥23.1 billion (net of an additional contribution made to increase the capital of IPM).

2. Continuous review of business portfolio based on Mitsui s business strategy

Twice a year, Mitsui s management examines each business unit s strategic portfolio development, including asset recycling, referring to key performance indicators at subsidiaries, associated companies and other investments, as well as Mitsui s guidelines for investment in and withdrawal from business operations. We also focused on and continued companywide re-allocation of human resources. Furthermore, following on from the previous fiscal year, during which we created new divisions in automotive-related and medical and healthcare businesses, in the fiscal year under review we established dedicated divisions to pursue both agri-food business and solar business, as part of our drive to implement a consistent strategy in each prioritized business area.

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(2) Evolution of our new business models leveraging business engineering capabilities

In the consumer-oriented service business, in January 2009 we commenced operation, through a wholly owned subsidiary, of a car-sharing business, in which participating members share the same cars in the Tokyo Metropolitan Region.

In the recycling business, we intend to contribute to find industrial solutions to environmental problems through our investment in Austalian metal recycler Sims Metal Management, Inc.

We are also pursuing other environmental business, such as biodiesel distribution business in Europe and the United States and bioethanol production business in the United States.

Car sharing business

(3) Implementation of global strategy

Based on our system of having three overseas regional headquarters in the Americas, Europe, the Middle East and Africa, and Asia Pacific we intend to steadily pursue global business, by stepping up our business activities grounded in the regions in which we operate and seek inter-regional collaboration. At present, as the first step in this policy, we are pursuing the development and enhancement of a shared, region-wide HR system for each region, and seeking to develop our personnel throughout our global network through initiatives such as the secondment of staff hired outside Japan to our head office.

(4) Reinforcing the management framework to support growth

We have been endeavoring to enhance our internal control framework, based on the requirements of Section 404 of the U.S. Sarbanes-Oxley Act (SOX-404). However, it was discovered that certain trades were recorded inaccurately as sales, as they had no underlying trades in reality. As a result, we intend to work to strengthen our internal controls by seeking again to ensure thorough compliance awareness and strengthening controls on business processes within the Group.

4. OUTLINE OF FINANCING AND CAPITAL EXPENDITURE

1 FINANCING

Mitsui s basic policy is to secure appropriate liquidity necessary for business activities and maintain financial strength and stability. We procure financing primarily in the form of long-term funds with a maturity of around 10 years, through long-term borrowing from insurance companies, banks and other financial institutions, issuing of corporate bonds, and other means. For major projects and other such activities we also secure borrowing from government-related financial institutions or utilize project financing.

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In principle, wholly owned subsidiaries do not procure funds from life and casualty insurance companies, banks and other sources outside the Group. A Cash Management Service has been launched through which wholly owned subsidiaries procure funds from locations within the Group such as international and domestic financial subsidiaries and overseas offices. We are also promoting the unification of procured funds and efficient use of funds.

As of March 31, 2009, interest-bearing debt decreased ¥17.0 billion compared to the previous fiscal year to ¥3,668.6 billion, and net interest-bearing debt (after deduction of cash and cash equivalents) decreased ¥258.9 billion over the same period to ¥2,515.1 billion. Of interest-bearing debt, approximately 86% has been procured at Mitsui and affiliated financial entities. While remaining watchful of price trends, the economic environment and other economic indicators, we are striving to achieve a steady procurement of funds.

During the year under review domestic straight bonds were issued for a total of ¥20.0 billion (redemption date: May 30, 2018) in addition to ¥270.5 billion of long-term debt procured from life and casualty insurance companies, banks, etc. Additionally, long-term debt, and commercial paper and medium-term notes, were issued at our overseas offices and subsidiaries, and domestic financial subsidiaries.

2 CAPITAL EXPENDITURE

For more information on capital expenditure during the consolidated fiscal year under review, please see FINANCIAL CONDITION OF THE GROUP: Key items from the consolidated balance sheet on pages 10-11 and PROGRESS ON KEY POLICIES IN MEDIUM-TERM MANAGEMENT OUTLOOK, Section (1), Development of strategic business portfolio, on pages 14-17 of this report.

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5. TRENDS IN VALUE OF GROUP ASSETS AND PROFITABILITY

1 TRENDS IN VALUE OF ASSETS AND OPERATING RESULTS (CONSOLIDATED)

(Millions of Yen, Except Net Income per Share)

	Year ended Mar. 31, 2006	Year ended Mar. 31, 2007	Year ended Mar. 31, 2008	Year ended Mar. 31, 2009
Total Trading Transactions	¥ 14,796,535	¥ 15,271,649	¥ 17,009,056	¥ 15,347,925
Gross Profit	784,564	866,291	988,077	1,016,306
Net Income	202,409	301,502	410,061	177,607
Net Income per Share (Yen)	126.26	174.26	227.20	97.59
Net Assets	1,677,907	2,110,279	2,183,660	1,881,663
Total Assets	8,573,578	9,813,312	9,537,829	8,364,243

Notes:

1. The figures shown in this table have been prepared on the basis of accounting principles generally accepted in the United States of America (U.S. GAAP). Total Trading Transactions is a voluntary disclosure and represents the gross transaction volume of the nominal aggregate value of the sales contracts in which Mitsui & Co., Ltd. and its subsidiaries (collectively the companies) act as principal and transactions in which the companies serve as agent. The companies have included the information concerning Total Trading Transactions because it is used by similar Japanese trading companies as an industry benchmark, and the companies believe it is a useful supplement to results of operations data as a measure of the companies performance compared to other similar Japanese trading companies.

2. Figures less than ¥1 million and figures less than ¥1/100 (in the case of Net Income per Share) are rounded.

2 TRENDS IN VALUE OF COMPANY ASSETS AND PROFITABILITY (NON-CONSOLIDATED)

(Millions of Yen, Except Net Income (Loss) per Share)

	Year ended Mar. 31, 2006	Year ended Mar. 31, 2007	Year ended Mar. 31, 2008