MITSUI & CO LTD
Form 6-K
June 06, 2007

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Private Issuer

Business Report the fiscal year ended March 31, 2007

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

of the Securities Exchange Act of 1934

For the month of June 6, 2007

Commission File Number 09929

Mitsui & Co., Ltd.

(Translation of registrant s name into English)

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

(Address of principal executive offices)

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

Form 20-F X Form 40-F ______

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

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

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

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

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

Yes ______ No __X__

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

Signatures

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

Date: June 6, 2007

MITSUI & CO., LTD.

By: /s/ Kazuya Imai
Name: Kazuya Imai
Title: Executive Director
Executive Vice President

Chief Financial Officer

From the President

We are pleased to bring you the Business Report for our 88th fiscal year, which ended on March 31, 2007.

The economic environment was strong during the year, and we achieved consolidated net income of ¥301.5 billion and non-consolidated net income of ¥118.6 billion. Both these results are considerably higher than in the previous year.

An interim dividend of ¥17 per share has already been paid during the year, and we propose paying a year-end dividend of a further ¥17 per share. This represents a total dividend of ¥34 per share for the year ended March 2007, ¥10 per share higher than for the previous year.

In May 2006 we announced Medium-Term Management Outlook, our corporate vision for the next three to five years. Based on the ideas outlined in this document, we will continue to pursue the sustainable development of Mitsui and make every effort to increase corporate value.

We look forward to your continued support.

Shoei Utsuda

President and Chief Executive Officer

May 2007

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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 Corporate Law of Japan.

BUSINESS REPORT

(April 1, 2006 to March 31, 2007)

PART I: BUSINESS REVIEW

OPERATING ENVIRONMENT

(1) Operating environment

During the year ended March 31, 2007, the global economy continued its broad-based expansion. In the United States, corporate profits remained robust and consumer spending continued to increase due to favorable employment and wage conditions, and despite an easing in housing investment, which had been overheating, the economy performed steadily overall. Asian economies continued to sustain high growth driven by further increases in capital investments and exports, particularly in China. In Europe, the economy demonstrated a clear recovery trend, as illustrated by the growth of exports in Germany.

This broad-based expansion of the global economy underpinned strong international commodities markets. Prices of crude oil, non-ferrous metals and other commodities reached record-high levels in the summer, and despite falling thereafter, remain at high levels.

The global trend towards moderately higher interest rates continued. In the United States, the Federal Reserve Board, which once continued to raise interest rates progressively since June 2004, kept the rate constant since June 2006. In Europe, the European Central Bank continued to raise interest rates, a move which started in 2005.

The Japanese economy continued its solid recovery. Exports continued to increase, bolstered by global economic expansion and the weakening yen. Strong corporate sector results led to high growth in capital investment, while improvements in employment and wages led to firmer consumer spending. The Bank of Japan decided to terminate its zero interest rate policy in July 2006, and raised the policy interest rate in February this year, based on the robust recovery of the economy and consumer prices turning positive. In foreign exchange rates, the yen weakened, particularly against the Euro, towards its lowest ever level.

GROUP BUSINESS PROGRESS AND RESULTS

1. PROGRESS ON MEDIUM-TERM MANAGEMENT OUTLOOK

1 MEDIUM-TERM MANAGEMENT OUTLOOK

We have finalized our Medium-Term Management Outlook, announced 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. The key elements of the approach outlined in this plan are:

- Building a business portfolio that meets the needs of customers and society
- Leveraging business engineering capabilities across Mitsui Group Companies and optimizing resource allocation
- Prioritizing the development of human resources. In this respect we intend to build on our existing values of *challenge and opportunity* 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

(1) Quantitative image 3-5 years ahead in the Medium-Term Management Outlook

Looking ahead three to five years, 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, we envisage achieving the parameters over the next three to five years as illustrated in the chart on the right.

(2) Four key strategies of the Medium-Term Management Outlook

(i) Development of Strategic Business Portfolio

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

Mineral Resources & Energy	(1) Complete the development of large-scale projects such as Sakhalin II and the Enfield Oil Field. Expand existing projects such as the LNG project in Western Australia and iron ore and coal production in Australia
	(2) Ensure the liquidity of our equity production interests and carry out recycling
	(3) Invest selectively in emerging regions and new business domains
Global Marketing Networks	(1) Actively invest in our operating base with the objective of strengthening our various logistics and IT capabilities and focus allocation of human resources to growth fields
(particularly steel products, machinery and chemical products)	(2) Strengthen partnerships with quality customers and evolve our SCM capabilities
	(3) Strengthen initiatives in growth region Asia and the automotive, IT and energy business fields
Consumer Services	(1) Pursue initiatives in media and information, healthcare and medical, and senior living industries
	(2) Develop new consumer-oriented businesses and strengthen related logistics business
Infrastructure	(1) Develop business portfolio positioning power generation, water supply, energy and transportation as strategic industrial fields
	(2) Pursue synergies with other business areas

l Under the coordination of the Portfolio Management Committee that we established in April 2006, 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, accompanying a review of our business portfolio, we will allocate and shift human resources from a group-wide perspective in a more dynamic fashion.

Through this company-wide portfolio strategy, we expect to make new investments totaling approximately ¥800 billion in the first two years of the Medium-Term Management Outlook, and divest assets totaling approximately ¥100-200 billion.

(ii) **Evolution of business models leveraging business engineering capabilities**

We will focus on consumer-oriented services in Japan that show the greatest potential for growth. We will pursue business development in new fields, such as the development of environment businesses such as emission rights trading and recycling, and new energy businesses such as biomass ethanol. We will seek to leverage across the Group our strengths in logistics, finance and IT, and actively promote joint operations among business units.

(iii) Implementation of global strategies

We will develop a broad, cross-border product strategy based on the regional business units we have created for the Americas, Europe and Asia. We will employ and foster the development of a diverse group of personnel at overseas trading and other subsidiaries and associated companies around the world.

(iv) Reinforcing the management framework to support growth

Under our revised corporate staff organization we are pursuing an efficient risk management approach. We are strengthening our corporate governance system, such as by increasing the number of external directors and external corporate auditors, and bolstering our internal control system, such as through working to ensure compliance with Section 404 of the U.S. Sarbanes-Oxley Act (SOX-404), which became applicable to us for the year ended March 31, 2007.

We are developing evolving as a business that meets the needs of customers and society, while engaging in CSR-oriented management worthy of Mitsui, such as through engaging in environmental issues and contributing to society.

2 PROGRESS ON MEDIUM-TERM MANAGEMENT OUTLOOK AND BUSINESS PLAN FOR THE YEAR ENDED MARCH 31, 2007

1. PROGRESS ON KEY INITIATIVES

(i) Development of strategic business portfolio

l **Progress on investment plans and key policies in each business area**

In the year ended March 31, 2007, we made the following progress in each of our four business areas. During the period we made major investments of approximately ¥460 billion.

1. MINERAL RESOURCES AND ENERGY BUSINESS

We continued to make progress on large-scale projects already under development, along with carefully selecting new investment projects, and actively engaging in the sale of existing assets through further portfolio review.

The Enfield oil development in Australia, a project that we joined in May 2004, began production in July 2006. Our total investment in the Sakhalin II project was ¥415.5 billion as of the end of March 2007, an increase of ¥110.0 billion from the end of March 2006 (Including the impact of exchange rate changes). For an update on the progress of the Sakhalin II project please also see Key Issues to Address on page 20.

The Sakhalin II Project

During the year we invested a total of ¥57.8 billion in Australian iron ore and coal mining business, as part of our plan to increase production capacity.

During the year we invested ¥53.8 billion to acquire oil and gas interests in the offshore Gulf of Mexico, through Pogo Producing Company of the United States. We also increased our shareholding in Mitsui Oil Exploration Co., Ltd. (MOECO), to 50.3% of the voting rights, thereby changing its status from associated company to subsidiary. Furthermore, in April 2007, in the scrap metal business, we decided to acquire shares with voting rights of 19.9% of the Australian company Sims Group.

The iron ore and coal

business in Australia

In April 2007, we sold our shares of Sesa Goa Ltd. of India for US$981 million, after careful consideration of our global portfolio in the iron ore business.

2. GLOBAL MARKETING NETWORKS BUSINESS, SUCH AS IRON AND STEEL PRODUCTS, AUTOMOBILES AND CHEMICALS

We took further steps to strengthen our multi-functional global operating network in raw materials procurement and product sales, acquiring key businesses to support our goal of creating new value.

In February 2007 we reached agreement with the management of a major U.S. steel processing service center, Steel Technologies, Inc. to acquire its business.*

The Onslow Salt Field in Australia

In June 2006, we invested ¥7.2 billion to acquire the Onslow salt field in Australia, in response to rising demand in Asia for salt for use as a raw material in the chlor-alkali industry. Furthermore, in September 2006, we launched an initiative in the automobile parts business, acquiring newly issued shares in automobile parts manufacturer Asahi Tec Corporation, which was implementing a capital increase.

In this business area, we are focusing on the strategic domains of automobiles, household appliances, IT and energy, and are seeking to strengthen our relationships with domestic and overseas manufacturers and customers, primarily in the growth region of Asia. At each level of the logistics process, from raw material procurement through the sale of end products, we seek to develop and maintain high added value supply chains in ways that reflect changes to markets and technology. In each business unit, we are prioritizing the allocation of human resources and capital to the most promising operations, while integrating or re-engineering our business portfolio.

* The acquisition price is US $530 million, and the acquisition itself is subject to final approval at an extraordinary meeting of shareholders of Steel Technologies, Inc. to be held by the end of June 2007.

3. CONSUMER PRODUCTS AND SERVICES BUSINESS

We are continuing to focus our operations on new business domains.

We invested ¥27.0 billion to acquire 5% of the voting rights in Recruit Co., Ltd (Recruit), a leading Japanese human resources and information services company. We already collaborate with Recruit in medical/health-care businesses, and have agreed to jointly explore broad cooperation in areas such as senior care and media-related operations.

Brightstar Corp. in the United States

We completed a ¥9.4 billion acquisition of shares of major U.S. mobile handset distributor Brightstar Corp. along with those of its local subsidiary in Singapore, with the aim of expanding our mobile phone business in the Asia-Pacific region.

In the Foods & Retail segment, we engaged in measures to improve the performance of MITSUI FOODS CO., LTD. as part of a comprehensive operational alliance with KOKUBU & CO., LTD.

4. INFRASTRUCTURE PROJECTS BUSINESS

Our efforts were directed at selectively investing in superior project opportunities while seeking to develop synergies with other sectors.

In the overseas power generation business, we further strengthened our alliance with International Power Plc during the year, and in March 2007 signed an approximately ¥20.0 billion agreement to consolidate a number of power generating assets in the U.K., resulting in an increase of 260MW of generating capacity owned by Mitsui on an equity basis. In other energy-related operations, we invested ¥27.5 billion for the acquisition of a Brazilian gas distribution business under our alliance with Brazilian company Petrobras.

We also invested ¥10.3 billion to acquire newly-issued shares of Toyo Engineering Corporation Ltd., consistent with our policy of engaging in partnerships in the infrastructure projects business, which is growing in all regions.

l Continuous review of business portfolio based on Mitsui s business strategy

Centered on the activities of the Portfolio Management Committee, which was established in April 2006, we are rigorously examining subsidiaries and associated companies, along with other matters such as our investment securities and our standards for business investment and withdrawal. Accordingly, the committee has examined the portfolio strategy of each business unit, along with progress on asset recycling. Reflecting these activities, in the year under review we implemented a sale of shares of listed companies including Toho Titanium Co., Ltd. and other existing investments. We are continuing to focus on development and reorganization of the business portfolio throughout Mitsui with emphasis on the following points:

Stronger monitoring of the role companies have in generating additional functional and cash flow value for Mitsui

Company-wide allocation of human resources to reflect new investments and reorganization of existing operations

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

We have been pursuing initiatives to commercialize new business models, including cross-organizational activities involving all levels of business units.

As part of measures to develop businesses in new areas, we have pursued a cooperative agreement with Recruit as noted above, and formed alliances with companies such as Tokyo Broadcasting System, Inc. (TBS) and Shochiku Co., Ltd. to foster media content businesses in mobile phones, the internet, and a range of IT environments. We have also continued preparations for the introduction of BS digital broadcasting, scheduled to commence in December 2007.

In the biomass and energy-related fields, we are researching opportunities to commercialize the production and sale of Brazilian bioethanol and related products in collaboration with Petroleo Brasileiro S.A. of Brazil, and proceeding with company-wide, cross-divisional efforts with regard to possibilities in areas such as the distribution and trading of biodiesel and bioethanol in Europe and investment in manufacturing operations in the United States. Further, in November 2006 we acquired SunWize Technologies, LLC, a U.S. solar technology company that specializes in the design and distribution of solar power systems.

In December 2006, we established Business Operating Area Strategic Committees covering five areas media & communications, medical & healthcare, tramp market, automobiles and agriculture-related business marking the start of an initiative to increase our operating capabilities and identify areas for strategic growth through joint activities across multiple business units.

(iii) Implementation of global strategy

To strengthen our product strategy in the broad economic regions of the Americas, Europe and Asia, we established the Regional Business Unit system in April 2006. In April 2007 we refined this system by expanding Europe to include the Middle East and Africa, while expanding Asia to include Oceana. We also adopted systems in each regional headquarters to hire and foster talented employees and increase the diversity of our human resources. We will continue to review our company-wide HR policy in this direction.

(iv) Enhancing management systems to support growth

In the Annual Meeting of Shareholders held in June 2006, we increased the number of external directors and external auditors by one each, as part of our initiatives to strengthen our corporate governance system. Meanwhile, Section 404 of the U.S. Sarbanes-Oxley Act has become applicable to Mitsui for the fiscal year ended March 31, 2007. Mitsui and its subsidiaries have adopted necessary systems covering all companies, and have also completed self-evaluation of the effectiveness of internal control systems relating to accounting, results reporting, IT and operational processes. We are also continuing external audits relating to the effectiveness of internal systems for financial reports. In CSR-oriented management, we are focusing on awareness-raising activities, such as through holding company-workshops for all employees to reflect upon What constitutes good work? We are also supporting and promoting activities for the resolution of global environmental problems, through the aid activities of the Mitsui Environmental Fund and other initiatives.

Tree-planting by volunteers supporting the

activities of the Mitsui Environmental Fund

2. PROGRESS ON QUANTITATIVE TARGETS

For the year ended March 31, 2007, we recorded net income of ¥301.5 billion. For a detailed breakdown, please see pages 10 to 17 of the Business Report, 2. Outline of Operating Results and Financial Condition. A quantitative range of net income for the next three to five years in the Medium-Term Management Outlook was ¥300-400 billion, approximately 50% of which was expected to be attributable to the Mineral Resources & Energy area. For the year ended March 31, 2007, Mineral Resources & Energy contributed approximately 60% of total net income.

As a result of increases in new investments and trade receivables in the Mineral Resources & Energy and Infrastructure Projects field, total assets as of March 31, 2007 were ¥9.8 trillion, an increase of ¥1.2 trillion from March 31, 2006. Furthermore, as a result of increased net income in the fiscal year under review, shareholders equity as of March 31, 2007 was ¥2.1 trillion, with ROE* for the period at 15.9%.

* ROE = Net income/Shareholders equity

2. OUTLINE OF OPERATING RESULTS AND FINANCIAL POSITION

1 OPERATING RESULTS OF THE GROUP

In the fiscal year under review, the global economy expanded steadily, with a continued increase in trade and rising prices of commodities.

l **Total Trading Transactions** increased by ¥0.5 trillion over the previous comparable period to ¥15.4 trillion, and **gross profit** increased by ¥85.4 billion to ¥903.7 billion. Approximately one-half of the increase in profits was attributable to higher profits in mineral resource and energy related businesses. Oil and gas producing subsidiaries in the Middle East and Australia, and iron ore subsidiaries in Australia increased profits substantially, driven by higher prices and increased production volumes. Furthermore, machinery such as automobiles, chemicals and iron and steel products generated increased profits throughout the world, against a backdrop of strong demand.

l **Operating income*** increased by ¥40.7 billion over the previous year to ¥308.9 billion. While gross profit increased significantly, as mentioned above, selling, general and administrative expenses increased ¥31.4 billion, and the provision for doubtful receivables increased by ¥13.3 billion.

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

l **Income from continuing operations before income taxes, minority interests and equity in earnings** increased by ¥51.8 billion to ¥330.1 billion. In addition to the increase in operating income, the major factors were as follows:

Dividend income increased ¥19.4 billion, with a major contribution from the LNG Projects in the Middle East. However, interest expenses increased ¥20.7 billion in line with increased interest bearing debt for investments for mineral resources and energy development, such as for the Sakhalin II project, and as a result of the rise in U.S. dollar interest rates.

In securities and fixed assets gains and losses, gains on the sales of securities increased ¥21.0 billion from the previous fiscal year, as a result of active sale particularly of listed securities. However, we recorded impairment losses of ¥16.5 billion on goodwill and ¥12.1 billion on intangible assets at Mitsui Norin Co., Ltd. (Japan) in the Foods & Retail Business Unit.

In the previous fiscal year, compensation and other charges related to the DPF incident came to ¥9.0 billion, but in the year under review we recorded a gain of ¥3.9 billion from the reversal of accrued costs in preceding years.

l **Equity in earnings of associated companies** increased ¥58.8 billion to ¥153.1 billion. Compania Minera Dona Ines de Collahuasi SCM (Chile), Japan Australia LNG (MIMI) Pty. Ltd. (Australia), which conducts LNG business, and Valepar S.A. (Brazil) recorded substantial increases in profits, in line with rising prices of crude oil, iron ore and copper and increased production volumes.

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As a result of these developments, for the fiscal year ended March 31, 2007, the Group recorded **net income** of ¥301.5 billion, ¥99.1 billion higher than the ¥202.4 billion recorded in the previous year.

2 RESULTS BY OPERATING SEGMENT

- **Iron & Steel Products:** Net income for fiscal year ended March 31, 2007 was ¥20.6 billion, an increase of ¥1.2 billion. Reflecting a continued tight international supply and demand balance and strong economic performance in Japan, steel materials markets performed robustly, and gross profit in the segment increased, with a strong contribution from trading of high-end products such as steel tubular products, line steel pipes, and steel plates for shipbuilding and automobiles. Furthermore, gains from sales of securities, particularly of listed securities in Japan, increased.

- **Iron & Steel Raw Materials and Non-Ferrous Metals:** Net income for the fiscal year under review was ¥103.8 billion, a major increase of ¥49.1 billion. Gross profit increased by ¥11.5 billion, as iron ore prices increased compared to the previous fiscal year. Equity in earnings of associated companies increased by ¥31.7 billion. Valepar S.A. (Brazil), supported by across-the-board rises in mineral resource prices, and Compania Minera Dona Ines de Collahuasi SCM (Chile), which engages in copper business and benefited from rising copper prices, recorded increases in earnings. In addition, gains on sales of securities, particularly of securities listed in Japan, increased. Aluminum smelting subsidiary Mitalco Inc. (United States) recorded an impairment loss on fixed assets in the previous fiscal year.

- **Machinery & Infrastructure Projects:** Net income for the fiscal year under review was ¥33.6 billion, an increase of ¥3.0 billion. Profits increased across the board at overseas automobile and construction machinery subsidiaries and associated companies. In the infrastructure business, successful operations at overseas power producing businesses such as IPM Eagle LLP (United Kingdom) and P.T. Paiton Energy (Indonesia) led to increased earnings, and there was also a new contribution from a gas distribution business in Brazil.

- **Chemical:** Net income for the fiscal year under review was ¥19.3 billion, an increase of ¥7.2 billion. Basic petrochemical raw materials and mid-stream petrochemical intermediate products both continued to record high levels compared to the previous year, and IT-related parts business, plastics, resources for sulfur, salt and others, and inorganic raw materials performed well, driven by strong demand, particularly in Asia. The impact from compensation and other charges related to the DPF incident is as explained earlier.

- **Energy:** Net income for the fiscal year was ¥70.2 billion, an increase of ¥29.3 billion. Gross profit increased by ¥27.9 billion, due to contributions from the start of production at the Enfield Oil Field in Australia, and the consolidation of MOECO, formerly an associated company, as well as rising oil prices, which more than offset the loss recorded on naphtha trading at Mitsui Oil (Asia) Pte. Ltd. (Singapore). Equity in earnings of associated companies also increased ¥10.5 billion. This was attributable to increases at associated companies engaged in crude oil and natural gas exploration, development and marketing (such as Japan Australia LNG (MIMI) Pty. Ltd. (Australia)). Dividend income from LNG Projects in the Middle East largely increased, but higher interest expenses due to increased investments were recorded for the Sakhalin II project.

- **Foods & Retail:** Net loss for the fiscal year under review was ¥12.3 billion, compared to net loss of ¥3.2 billion recorded in the previous fiscal year. Mitsui Norin Co., Ltd. (Japan) recorded impairment losses on goodwill and intangible fixed assets and established a valuation allowance for deferred tax assets, in line with a worsening of its operating performance. Furthermore, MITSUI FOODS CO., LTD. (Japan) recorded expenses resulting from business reorganization.

l **Lifestyle, Consumer Service and Information, Electronics & Telecommunication:** Net income for the fiscal year under review was ¥16.6 billion, a decrease of ¥0.9 billion. Textiles performed poorly, which was mainly attributable to the brand business, whereas there were positive contributions in consumer services related business from the overseas real estate business and television shopping service company QVC JAPAN, INC. (Japan), and in Information, Electronics and Telecommunication from mobile phone sales company Brightstar Logistics Pty. (Australia).

l **Logistics & Financial Markets:** Net income for the fiscal year under review was ¥14.6 billion, an increase of ¥1.2 billion. Trading was strong, particularly in derivative commodities.

l **Americas:** Net income for the fiscal year under review for the Americas was ¥16.9 billion, an increase of ¥4.2 billion. Income from petroleum trading increased at the subsidiary Westport Petroleum Inc. (United States), and a logistics subsidiary and a chemicals subsidiary recorded gains on sale of fixed assets.

l **Europe, Asia and Other Overseas:** Net income for the fiscal year under review for Europe was ¥3.9 billion, a decline of ¥0.3 billion. Net income for Asia was ¥7.9 billion, a decrease of ¥1.4 billion. Both declines were due to factors such as increased costs. Net income in Other Overseas was ¥14.4 billion, an increase of ¥0.1 billion.

For total trading transactions, gross profit, operating income, equity in earnings or losses of associated companies, and net income (loss) by operating segment, please refer to pages 49-50 of this document, Operating Segment Information .

On a non-consolidated basis, sales for the fiscal year ended March 31, 2007 were ¥11.4 trillion. Gross profit was ¥213.1 billion, and net income was ¥118.6 billion. For details, please refer to pages 51 - 56 of this document, Balance Sheets and Statements of Income .

3 FINANCIAL CONDITION OF THE GROUP

Total assets as of March 31, 2007 were ¥9,813.3 billion, an increase of ¥1,239.7 billion from ¥8,573.6 billion as of March 31, 2006.

l Current assets as of March 31, 2007 were ¥5,073.8 billion, an increase of ¥327.0 billion from ¥4,746.8 billion as of March 31, 2006.

This was mainly attributable to increases in trade receivables at segments such as Iron & Steel Raw Materials and Non-Ferrous Metals; Machinery and Infrastructure Projects; and Iron & Steel Products, reflecting increased business transactions. Current liabilities as of March 31, 2007 was ¥3,810.2 billion, an increase of ¥299.3 billion from ¥3,510.9 billion as of March 31, 2006. The increase was primarily attributable to increases in trade payables corresponding to the increases in current assets, and increases in short-term debt by ¥118.0 billion at Mitsui and overseas financing subsidiaries.

l Aside from current assets, the sum of total investments and non-current receivables, property and equipment at cost, and other assets as of March 31, 2007 totaled ¥4,739.5 billion, an increase of ¥912.8 billion from ¥3,826.7 billion as of March 31, 2006.

Within total investments and non-current receivables, investments in and advances to associated companies as of March 31, 2007 was ¥1,587.6 billion, a ¥287.0 billion increase from ¥1,300.6 billion as of March 31, 2006. The major components were: the Sakhalin II project for ¥110.0 billion; the acquisition of gas distribution operations in Brazil; and the acquisition of shares in Asahi Tec Corporation (Japan), Moshi Moshi Hotline Inc. (Japan), and Toyo Engineering Corporation (Japan).

Other investments totaled ¥1,238.9 billion, an increase of ¥303.2 billion from ¥935.7 billion as of March 31, 2006. The main components were: the acquisition of shares in Recruit Co., Ltd. (Japan); investment in the partnership that owns Skylark Co., Ltd. Other than these, shares in INPEX Holdings Inc. for ¥180.3 billion held by MOECO were recorded as a result of the acquisition of MOECO.

Property leased to others at cost, less accumulated depreciation was ¥259.2 billion, a ¥40.6 billion increase from ¥218.6 billion as of March 31, 2006.

Property and equipment at cost as of March 31, 2007 was ¥988.3 billion, an increase of ¥242.1 billion from ¥746.2 billion as of March 31, 2006. Major components were as follows: investment in oil and gas projects (offshore Gulf of Mexico in America, Enfield and Vincent oil fields in Australia, Tui oil field in New Zealand, the oil and gas project in Oman), and in iron ore and coal mining projects in Australia; acquisition of the Onslow Salt Field in Australia; and others.

l Long-term debt, less current maturities as of March 31, 2007 was ¥2,887.5 billion, an increase of ¥228.8 billion from ¥2,658.7 billion as of March 31, 2006. The main components were: an increase in borrowings from financial institutions associated with funding for various investments at Mitsui, Mitsui & Co. (U.S.A.), Inc. and subsidiaries which are engaged in the ocean vessels business and leasing businesses.

l Shareholders equity as of March 31, 2007 was ¥2,110.3 billion, an increase of ¥432.4 billion from ¥1,677.9 billion as of March 31, 2006. This was primarily due to: a ¥54.8 billion increase due to conversion of bonds etc.; an increase in retained earnings by ¥248.1 billion; net improvement in foreign currency translation adjustments by ¥73.9 billion due to a stronger Australian dollar, U.S. dollar and Euro against the Japanese yen; and net improvement in unrealized holding gains on available-for-sale securities of ¥42.8 billion.

3. OUTLINE OF FINANCING AND CAPITAL EXPENDITURE

1 FINANCING

l Mitsui borrowed a total of ¥328.7 billion in long-term loans from sources such as life insurance companies and banks, and issued domestic ordinary bonds of ¥90.0 billion (maturing from August 18, 2016 to March 20, 2019) by five occasions. Foreign trading subsidiaries and Foreign and Domestic financing subsidiaries utilize short-term and long-term borrowing, commercial paper, and the issuance of medium-term notes, and other consolidated subsidiaries obtained financing through short-term and long-term borrowing.

2 CAPITAL EXPENDITURE

l Capital expenditure during the consolidated fiscal year under review included ¥57.8 billion in the Iron & Steel Raw Materials and Non-Ferrous Metals segment in expanding coal and iron ore operations in Australia, ¥53.8 billion in the Energy segment for acquisition of oil and gas rights in the Gulf of Mexico in the United States, and ¥36.8 billion investment in facilities in operations such as Enfield and Vincent in Australia, Tui in New Zealand and oil and gas operations in Oman.

TRENDS IN VALUE OF GROUP ASSETS AND PROFITABILITY

1 TRENDS IN VALUE OF ASSETS AND PROFITABILITY (CONSOLIDATED)

(Millions of Yen, Except Net Income per Share)

	85th Fiscal Year	86th Fiscal Year	87th Fiscal Year	88th (Current) Fiscal Year
Total Trading Transactions	¥ 12,270,379	¥ 13,583,908	¥ 14,885,772	¥ 15,357,656
Gross Profit	611,297	708,240	818,290	903,678
Net Income	68,387	121,136	202,409	301,502
Net Income per Share (Yen)	43.25	76.55	126.26	174.26
Net Assets	963,278	1,122,828	1,677,907	2,110,279
Total Assets	6,716,028	7,593,387	8,573,578	9,813,312

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. Total Trading Transactions is not meant to represent sales or revenues in accordance with US GAAP. 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. In accordance with Statement of Financial Accounting Standards No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, the prior year figures relating to discontinued operations have been reclassified.

3. 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 per Share)

	85th Fiscal Year	86th Fiscal Year	87th Fiscal Year	88th (Current) Fiscal Year
Sales	¥ 9,936,896	¥ 10,415,768	¥ 11,378,886	¥ 11,407,301
Net Income	11,753	36,260	74,484	118,588
Net Income per Share (Yen)	7.38	22.91	46.31	68.53
Net Assets	702,674	742,741	1,091,007	1,233,398
Total Assets	4,223,061	4,529,139	4,962,510	5,369,989

Notes:

1. Net Income per Share was computed based on the average number of shares outstanding during the fiscal year.

2. Beginning with the 85th fiscal year, the Company has adopted Accounting Standards for Impairment of Fixed Assets.

3. In the year ended March 31, 2006 (87th fiscal year), the Company changed accounting for retirement benefits and accounting for precious metals forward contracts.

4. Beginning with the current fiscal year, the Company has applied Accounting Standards for Bonuses to Directors , Accounting Standards Presentation of shareholders equity , Accounting Standards Relating to Business Combinations and Accounting Standards Relating to Business Separation . Please see page 60, Changes to Accounting Policies, for details.

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

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KEY ISSUES TO ADDRESS

1 MANAGEMENT PLAN THROUGH MARCH 2008

For the year ending March 2008, we are optimizing our strategic business portfolio and pursuing other measures under the four main policies outlined in our Medium-Term Management Outlook. Forecast net income and other items for the year ending March 2008 is as follows.

(Billions of yen)

	Forecast for FY ending March 31, 2008	FY ended March 31, 2007	Change
Gross profit	940.0	903.7	36.3
Operating income	330.0	308.9	21.1
Equity in earnings of affiliates	140.0	153.1	