

MITSUI & CO LTD  
Form 6-K  
December 04, 2009  
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## **FORM 6-K**

### **SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**Report of Foreign Private Issuer**

**Interim Business Report**

**First half of the fiscal year ending March 31, 2010**

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

**of the Securities Exchange Act of 1934**

**For the month of December 4, 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)**

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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):

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

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: December 4, 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**

We are pleased to bring you the Interim Business Report for our 91<sup>st</sup> fiscal year, which ends on March 31, 2010.

For the six-month period under review we achieved consolidated net income attributable to Mitsui & Co., Ltd. of ¥72.8 billion. Although this is very significantly down ¥167.7 billion from the interim period of the previous fiscal year, our business has progressed in line with the plan we formulated at the beginning of the year under the very harsh operating environment which has been continuing since around the third quarter of last fiscal year.

The interim dividend for the period is ¥7 per share (¥25 per share in the previous interim period). Moreover, based on our dividend policy of targeting a consolidated payout ratio of 20% and assuming we will be able to achieve the consolidated net income attributable to Mitsui & Co., Ltd. target for the year of ¥120.0 billion, we currently envisage an annual dividend of ¥14 per share, including the interim dividend of ¥7 per share. This compares to a total dividend of ¥25 per share paid for the year ended March 2009.

After the deep global recession, the global economy is now showing some signs of recovery following widespread intervention and economic stimulus programs adopted by governments and central banks around the world. However, rising unemployment levels, weak consumption and other factors mean that the economic outlook remains uncertain, and we intend to maintain our cautious and disciplined stance to wait for the firm recovery.

In this business environment, we will continue working to maintain sound financial conditions and strengthen our earnings foundation, while actively pursuing attractive investment opportunities to achieve sustainable growth.

We sincerely thank you for your support.

Masami Iijima

President and Chief Executive Officer

December 2009

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<i>Note 1: 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.</i>	
<i>Note 2: In this translated report, the term "Net income (loss) Attributable to Mitsui &amp; Co., Ltd." is equivalent to the former use of "Net income (loss)".</i>	

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First half of the fiscal year ending March 31, 2010 (April 1, 2009 to September 30, 2009)

**TRENDS IN KEY CONSOLIDATED MANAGEMENT INDICES**

(Billions of yen)

	Six-month period ended September 30, 2006	Six-month period ended September 30, 2007	Six-month period ended September 30, 2008	Six-month period ended September 30, 2009
Gross profit	406.0	478.5	628.7	344.6
Operating income	125.1	179.5	310.8	75.5
Equity in earnings of associated companies	108.2	101.3	119.7	56.0
Net income (Attributable to Mitsui & Co.)	154.5	251.9	240.5	72.8

\* The amounts of Equity in earnings of associated companies have been reclassified due to the change that tax effects on investments in associated companies which were formerly included in Equity in earnings of associated companies are excluded from the item from this interim period.

**PART 1: BUSINESS REVIEW****1. Operating environment****THE GLOBAL ECONOMY**

The global economy slowed rapidly in the second half of the previous fiscal year affected by the financial crisis that arose in the United States. However, joint efforts by the governments and central banks of various countries around the world have led to an improvement in the financial environment, and economic stimulus measures have helped restore consumption in certain commodities. Inventory adjustments have also progressed, with the result that the overall business environment has slowly improved since the start of this fiscal year.

The U.S. economy showed signs of emerging from crisis mode. While the fall in housing sales began to ease, the recovery remains weak, however, influenced by the bankruptcy of major automakers and a worsening of the employment situation.

In Europe, automotive-related manufacturing and consumption did improve somewhat as a result of vehicle replacement stimulus policies adopted by Germany, France, the U.K. and other countries, but concerns remain about the weak financial position of financial institutions and rising unemployment.

In Asia, some countries experienced a large temporary fall in economic activity, but a four trillion yuan government stimulus package in China along with measures adopted in various other countries have resulted in a clear recovery trend.

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**THE JAPANESE ECONOMY**

In Japan, the economic condition turned worse rapidly from the second half of last fiscal year, as the global financial crisis led to a severe decline in exports and manufacturing. However, the economy began to show signs of improvement during the six-month period under review, supported by factors such as a progress of the inventory adjustment in overseas markets, a recovery of exports as demand picked up, and a succession of government stimulus measures that boosted consumption. In particular, sales of automobiles and home appliances increased significantly due to the introduction of a range of tax reductions, subsidies and point rewards for environmentally friendly vehicles and appliances.

At the same time, however, capital expenditure continued to decrease in an environment of falling corporate earnings and continued concerns about the economic outlook, and unemployment reached record highs, meaning that the general business environment remained severe.

In foreign exchange markets, the yen appreciated gradually against the U.S. dollar, while falling against the Australian dollar and the Brazilian real. In equity markets, the Nikkei stock index showed a far lower rate of recovery than stock markets in other countries, but nevertheless did regain the ¥10,000 level.

Looking ahead, the global economy is showing an overall recovery trend, but given the factors causing concern, the outlook is uncertain and developments need to be watched closely.



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**2. Operating results, financial condition, etc.****1. OPERATING RESULTS, FINANCIAL CONDITION AND CASH FLOW****1 BUSINESS PERFORMANCE OVERVIEW**

Mitsui and its subsidiaries posted consolidated net income attributable to Mitsui & Co., Ltd. of ¥72.8 billion, ¥167.7 billion lower than the ¥240.5 billion recorded in the corresponding six-month period of the previous fiscal year (hereinafter called "previous interim period"). Although the economy showed a mild recovery trend, continued economy malaise and depressed commodity markets had a considerable impact on results. Earnings in the Mineral & Metal Resources and Energy segments fell significantly, reflecting lower commodity prices and production levels mainly at iron ore, coal, oil and gas businesses. Net income from all segments decreased, except for the Machinery & Infrastructure Projects segment, which had recorded a mark-to-market valuation loss on long-term power derivative contracts in the previous interim period, and the Chemical segment, which recorded a large amount of impairment losses on listed securities in the previous interim period.

Income was supported by a reduction of selling, general and administrative expenses reflecting lower personnel expenses and other cost control efforts, and by a ¥20.0 billion reversal of deferred tax liabilities related to dividends received from associated companies. However, there were impairment losses on listed securities.

The annualized ROE for the six-month period ended September 30, 2009 was 7.4%.

**1 FINANCIAL CONDITION**

Total assets as of September 30, 2009 were ¥8.3 trillion, a decrease of ¥0.1 trillion compared to March 31, 2009. Investments and plant, property and equipment (PPE) increased slightly from the previous fiscal year end, due to a recovery in global equity markets and an increase in fixed assets held by overseas subsidiaries arising from the appreciation of the Australian dollar and Brazilian real against the yen. Cash and cash equivalents and time deposits increased, but current assets decreased by ¥0.1 trillion due to a decrease in credit derivatives concomitant with a decrease in commodity derivative transaction volumes. As of September 30, 2009, shareholders equity increased by ¥0.2 trillion to ¥2.1 trillion compared to the level of March 31, 2009, due to an increase in retained earnings along with the equity market recovery and foreign exchange rate factors mentioned above. The Net Debt-to-Equity Ratio\* was 1.05 times.

\* Net Debt-to-Equity Ratio comprised of net interest bearing debt divided by Total Mitsui & Co., Ltd. shareholders equity. Net interest-bearing debt is defined as interest bearing debt less cash and cash equivalents and time deposit.

**1 CASH FLOW**

Net cash provided by operating activities for the six-month period ended September 30, 2009 was ¥328.8 billion, reflecting operating income of ¥75.5 billion, a net change in operating assets and liabilities of ¥167.0 billion, and dividend income of ¥69.5 billion. Net cash used in investing activities was ¥39.7 billion, mainly due to investments for expansions of projects in the Mineral & Metal Resources and Energy segments. As a result, free cash flow, the sum of these two categories, was a net inflow of ¥289.1 billion.

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**2. RESULTS OF OPERATIONS (KEY ITEMS FROM CONSOLIDATED STATEMENTS OF INCOME)**

**1 GROSS PROFIT**

Gross profit for the six-month period ended September 30, 2009 was ¥344.6 billion, a decrease of ¥284.1 billion compared to the previous interim period. Profit decreased substantially in the Energy segment, which was mainly attributable to lower commodity markets and lower production at oil and gas producing business and coal business. The Mineral & Metal Resources segment also reported lower profit, reflecting lower iron ore prices. In the Foods & Retail segment, which is relatively resistant to economic downturns, profit increased slightly, but in all other segments gross profit declined reflecting decreases in transaction volumes as well as in margins due to the global economic recession.

**1 OPERATING INCOME**

Operating income\* for the six-month period ended September 30, 2009 was ¥75.5 billion, a decrease of ¥235.3 billion compared to the previous interim period. Factors contributing to this substantial decrease included the large decrease in gross profit noted above, which was only partially offset by decreases in selling, general and administrative expenses arising from lower personnel expenses and other cost-saving measures, along with a decrease in costs due to the reclassification of a subsidiary in the Consumer Service & IT segment to an associated company.

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

**Table of Contents****1 EQUITY IN EARNINGS OF ASSOCIATED COMPANIES**

Equity in earnings of associated companies for the six-month period ended September 30, 2009 was ¥56.0 billion, a decrease of ¥63.7 billion compared to the previous interim period. Earnings decreased at Valepar S.A., reflecting a reduction in earnings at its investee, Vale S.A., a Brazilian mineral resources company, due to lower shipments of iron ore and a sharp drop in nickel prices. Earnings decreased at Robe River Mining Company (Australia), an investment vehicle company for Australian iron ore mining business, reflecting a decline in iron ore prices. Earnings also declined at Companhia Mineradora Dona Ines de Collahuasi SCM (Chile) due to a fall in copper prices. In oil and gas business, earnings decreased at Japan Australia LNG (MIMI) Pty. Ltd. due to a fall in oil prices. An impairment loss was also recorded on Mitsui's investment in Moshi Moshi Hotline, Inc. (Japan), due to a decline in the stock price. The overseas power producing businesses reported an increase due mainly to mark-to-market valuation gains on long-term power derivative contracts\*.

\* Note: Under accounting treatment for long-term power derivative contracts, undertaken to ensure stable long-term revenue from power sales, mark-to-market profits and losses are recorded based on wholesale power market.

**1 NET INCOME**

Net income attributable to Mitsui & Co., Ltd. for the six-month period ended September 30, 2009 was ¥72.8 billion, ¥167.7 billion lower than in the previous interim period. In addition to the impact of lower operating income and equity in earnings of associated companies outlined above, factors contributing to the lower net income included the following:

- Dividend income was ¥18.0 billion, ¥20.9 billion lower than in the previous interim period. Dividends received from LNG projects in the Middle East and Equatorial Guinea decreased, reflecting a drop in LNG prices.
- Loss on write-down of securities was ¥18.8 billion, an improvement of ¥5.9 billion from the previous interim period. The write-downs were recorded mainly with respect to holdings of listed securities.
- Income taxes totaled ¥34.4 billion, an improvement of ¥124.2 billion from the previous interim period. This improvement was primarily due to lower income before income taxes, lower equity in earnings of associated companies, and a ¥20.0 billion reversal of deferred tax liabilities on undistributed income concomitant with

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dividends received from associated companies.

Note 1: Previously, Equity in Earnings of Associated Companies was recorded after income tax effect. However, from the period under review we have changed the notation of Equity in Earnings of Associated Companies in the income statement from net of income tax effect to gross of income tax effect and have included such income tax effect in Income Taxes. In accordance with this change, Income Taxes and Equity in Earnings of Associated Companies for the previous interim period have been reclassified to conform to the notation of the current period

Note 2: Income before Income Taxes refers to Income before Income Taxes and Equity in Earnings in the consolidated financial statements on page 30 of this document.

Note 3: We record deferred tax liabilities of 41%, which is the effective tax rate in Japan, on undistributed retained earnings of associated companies based on the assumption that we would sell investments in associated companies in the future. When we receive dividends from associated companies we reverse the deferred tax liabilities while we record tax expense on the dividends received in accordance with Japanese tax laws. Since a major portion of dividends received is treated as non-taxable under the Japanese tax laws, tax expenses on the dividends received are smaller than the reversal amount of the deferred tax liabilities and the balance is credited to tax expenses.

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**3. RESULTS BY OPERATING SEGMENT**

- 1 **Iron & Steel Products:** Net income attributable to Mitsui & Co., Ltd. for the six-month period ended September 30, 2009 was ¥1.5 billion, ¥7.8 billion lower than in the previous interim period. The substantial decline in net income was attributable to continued inventory adjustment and an overall downturn in the segment, resulting from the severe economic slowdown since last autumn. Income from steel business in Japan decreased significantly, due to sluggish demand for steel products, especially for the construction sector, a considerable decline in shipments and a worsening of market conditions.
- 1 **Mineral & Metal Resources:** Net income attributable to Mitsui & Co., Ltd. for the six-month period was ¥31.8 billion, a decrease of ¥60.2 billion. Gross profit decreased, mainly due to decreases of 28-45% in annual contract prices for iron ore against the backdrop of falling demand accompanying a decline in crude steel production, but also reflecting a downturn in the market for scrap metal, ferrous alloys and other steel raw materials. As mentioned previously, equity in earnings of associated companies decreased at Valepar, Robe River and Collahuasi. The substantial decline in net income attributable to Mitsui & Co., Ltd. was recorded despite posting a gain on the reversal of deferred tax liabilities on undistributed earnings of associated companies when those earnings were distributed as dividends to Mitsui.

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1 **Machinery & Infrastructure Projects:** Net income attributable to Mitsui & Co., Ltd. for the six-month period was ¥19.8 billion, an increase of ¥2.7 billion. Automotive- and marine- related business was sluggish overall, partly due to the economic downturn and appreciation of the yen. Profit from infrastructure-related business also declined, with overseas plant business performing unfavorably overall and a continued decline in operations caused by less demand at rolling stock leasing subsidiaries in Europe and the United States. However, net income attributable to Mitsui & Co., Ltd. increased, partly due to the recording of a mark-to-market valuation gain on power derivative contracts for U.K. and Australian power producing operations and the reversal of deferred tax liabilities on undistributed earnings of associated companies when those earnings were distributed as dividends to Mitsui.

1 **Chemical:** Net income attributable to Mitsui & Co., Ltd. for the six-month period was ¥5.2 billion, an increase of ¥1.2 billion. Gross profit increased in salt business in Australia, reflecting higher sales volumes and prices, but decreased in ammonia business on a downturn in market conditions and decreased in crop protection and fertilizer-related business due to a sharp fall in prices of raw materials for fertilizers. However, net income attributable to Mitsui & Co., Ltd. increased, reflecting the fact that results in the previous interim period included large write-downs on securities.

Australia: Salt field business

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- 1 **Energy:** Net income attributable to Mitsui & Co., Ltd. for the six-month period was ¥31.0 billion, a decrease of ¥52.1 billion. Gross profit decreased substantially in oil and gas production businesses, due to lower production volumes and significant decreases in the prices of oil, and also decreased in coal business in Australia, reflecting falls in coal prices. Furthermore, dividend income from LNG projects decreased, and results in the previous interim period included a gain on the sale of securities. Reflecting these factors, net income attributable to Mitsui & Co., Ltd. decreased considerably compared to the previous interim period.
- 1 **Foods & Retail:** A net loss attributable to Mitsui & Co., Ltd. of ¥6.5 billion was recorded for the six-month period, a decrease of ¥11.9 billion from the net income of ¥5.4 billion recorded in the previous interim period. Raw materials-related business demonstrated solid performance, but profit from broiler business declined due to falls in product prices. Amid subdued domestic consumption, profit increased in logistics and retail businesses in Japan, due to solid performance in beverage raw materials business at Mitsui Norin Co., Ltd. (Japan), and improved profit at MITSUI FOODS CO., LTD. (Japan) as a result of the reorganization of underperforming businesses. However, a net loss attributable to Mitsui & Co., Ltd. was recorded, reflecting a write-down of ¥15.1 billion on shares of Seven & i Holdings Co., Ltd. (Japan).
- 1 **Consumer Service & IT:** A net loss attributable to Mitsui & Co., Ltd. of ¥5.4 billion was recorded for the six-month period, a decrease of ¥0.7 billion from a net loss of ¥4.7 billion in the previous interim period. Gross profit decreased overall, due to reclassification of an IT-related subsidiary to an associated company, as well as weak performances of apparel and brand-related businesses and lifestyle-related business, reflecting the downturn in the Japanese economy. The recording of write-downs on the shares of a listed associated company also contributed to the substantial net loss.

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- 1 **Logistics & Financial Markets:** Net income attributable to Mitsui & Co., Ltd. for the six-month period was ¥1.1 billion, a decrease of ¥0.1 billion. Performance was unfavorable overall, with a contraction in trading volumes for energy-related derivatives and a decline in the volume of freight handled in the logistics business. Equity in earnings of associated companies increased, mainly attributable to JA Mitsui Leasing, Ltd. (Japan) recording an increase in earnings due to a decrease in the provision for doubtful receivables, and partly because results in the previous interim period included the recording of equity in loss from investment in NPF-Harmony (Japan), but net income attributable to Mitsui & Co., Ltd. for the six-month period declined.
- 1 **Americas:** A net loss attributable to Mitsui & Co., Ltd. of ¥5.6 billion was recorded in the six-month period, a decrease of ¥19.5 billion from the net income of ¥13.9 billion recorded in the previous interim period. Profit decreased at Champions Pipe & Supply, Inc. (United States), as a result of plummeting demand for oil well tubular products, declines in product prices and the recording of an evaluation loss on inventories. Novus International, Inc. (United States) recorded a decline in profit, as a result of decreases in both sales volumes and prices. Profit was also down at Steel Technologies Inc., a U.S. steel products subsidiary, due to lower sales volumes mainly to the automobile industry, against the backdrop of the bankruptcy of major U.S. automakers and declines in demand as a result of the economic recession. The recording of impairment of goodwill at a U.S. automobile retail finance subsidiary also contributed to the net loss.
- 1 **Europe, the Middle East and Africa:** A net loss attributable to Mitsui & Co., Ltd. of ¥1.0 billion was recorded in the six-month period, a decrease of ¥3.9 billion from the net income of ¥2.9 billion recorded in the previous interim period. Chemical and steel products business trended unfavorably, while results in the previous interim period included a gain at Mitsui & Co. France S.A.S. from the sale of its office building.
- 1 **Asia Pacific:** Net income attributable to Mitsui & Co., Ltd. for the six-month period was ¥13.5 billion, a decrease of ¥10.9 billion. The main factor for the decline was a decrease in profit associated with the segment's minority interest in iron ore and coal production subsidiaries in Australia.



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**Table of Contents****4. FINANCIAL CONDITION OF THE GROUP: Key items from the consolidated balance sheets**

**Total assets** as of September 30, 2009 were ¥8,295.0 billion, a decrease of ¥69.2 billion compared to March 31, 2009.

Of this, **current assets** were ¥4,280.8 billion, a decrease of ¥138.3 billion. This was mainly attributable to a decline in derivative assets as commodity trading business remained sluggish, and declines in trade receivables and inventories due to a downturn in trading volumes and decreases in product prices, reflecting a subdued recovery in world trade.

**Current liabilities** as of September 30, 2009 stood at ¥2,473.6 billion, a decrease of ¥318.9 billion. This decline was attributable to decreases in derivative liabilities and other current liabilities corresponding to the declines in derivative assets and trade receivables, as well as a decrease in short-term debt at Mitsui and its subsidiaries.

As a result, **working capital**, which is current assets minus current liabilities, as of September 30, 2009 was ¥1,807.2 billion, an increase of ¥180.6 billion.

1 The sum of total non-current assets (namely, **investments and non-current receivables, property and equipment at cost**, etc.) was ¥4,014.2 billion as of September 30, 2009, an increase of ¥69.1 billion compared to March 31, 2009. This increase was mainly attributable to investments for expansions of existing projects in the Mineral & Metal Resources and Energy segments, a recovery in equity prices and the appreciation of the currencies of resource-rich countries. A breakdown of the principal items is as follows.

**Total investments and non-current receivables** as of September 30, 2009 was ¥2,935.6 billion, an increase of ¥69.2 billion. Within this category, investments in and advances to associated companies totaled ¥1,314.6 billion, an increase of ¥39.1 billion. The major increase for the six-month period under review was a loan of ¥10.4 billion to an FPSO leasing company for Brazilian deepwater oil exploration, while the major decrease for the period was the redemption of preferred shares in IPM (UK) Power Holdings for ¥9.0 billion. A net increase was also recorded in respect of foreign exchange translation adjustments due to the appreciation of the Australian dollar and the currencies of other resource-rich countries.

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Other investments were ¥1,006.7 billion, an increase of ¥49.5 billion. The major increase was an increase of ¥71.4 billion in unrealized net holding gains on available-for-sale securities, reflecting a recovery in global equity markets. On the other hand, a ¥11.9 billion decline was recorded on the investment in Sakhalin Energy Investment Company Ltd. due to capital redemption.

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**Property and equipment at cost** as of September 30, 2009 was ¥955.0 billion, an increase of ¥8.7 billion. Items contributing to this increase included investments for the development and expansion of iron ore and coal businesses in Australia, which were partly offset by declines in investments for the development and expansion of oil and gas business in regions throughout the world.

1 **Long-term debt** increased by ¥25.1 billion to ¥2,866.4 billion primarily due to an increase of long-term debt at Mitsui & Co., Ltd.

1 **Shareholders equity** as of September 30, 2009 was ¥2,076.1 billion, an increase of ¥194.4 billion. Primary contributing factors were a ¥72.8 billion increase in retained earnings, a net increase in the currency translation adjustment account due to the appreciation of the Australian dollar and the Brazilian real net of a weakened US dollar against the yen since the end of March 2009, and an increase in unrealized holding gains on available-for-sale securities following a rally in stock market prices.

As a result, the ratio of shareholders equity to total assets as of September 30, 2009 was 25.0%, 2.5 percentage points higher than as of March 31, 2009. Net interest bearing debt (interest bearing debt less cash and cash equivalents and time deposits) as of September 30, 2009 was ¥2,186.5 billion, a decrease of ¥328.6 billion compared to March 31, 2009. Net Debt-to-Equity Ratio (Net DER) was 1.05 time, an improvement of 0.29 points.

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**5. CASH FLOWS OF THE GROUP: Key items of consolidated cash flows**

**1 CASH FLOW FROM OPERATING ACTIVITIES**

Net cash provided by operating activities for the six-month period ended September 30, 2009 was ¥328.8 billion, an increase of ¥259.3 billion from the previous interim period. Major contributing factors were operating income of ¥75.5 billion and dividend income of ¥69.5 billion in addition to an improvement in working capital related to operating activities, of ¥167.0 billion due to continued sluggish sales volumes and declines in certain commodity prices.

**1 CASH FLOW FROM INVESTING ACTIVITIES**

Net cash used in investing activities for the six-month period ended September 30, 2009 was ¥39.7 billion, a decrease in net expenditure of ¥151.8 billion. The primary factors contributing to this outcome were as follows:

The net outflow of cash that corresponded to investments in and advances to associated companies was ¥2.1 billion. Major cash outflows included a loan of ¥10.4 billion to an FPSO leasing company for Brazilian deepwater exploration. The major cash inflow was redemption of preferred shares in IPM for ¥9.0 billion.

The net inflow of cash that corresponded to other investments (net of acquisitions of other investments) was ¥32.8 billion. Expenditures consisted of miscellaneous small transactions. Major inflows were a ¥11.9 billion redemption of shares in the Sakhalin II project and redemption of convertible bonds from Cedyne Financial Corporation for ¥11.6 billion.

The net outflow of cash that corresponded to purchases of property leased to others and property and equipment (net of sales of those assets) was ¥75.0 billion due to development of iron ore and coal mining businesses in Australia and investment in oil and gas development in various regions.

As a result, free cash flow, the sum of cash flow provided by operating activities and cash flow used in investing activities, was a net inflow of ¥289.1 billion.

**1 CASH FLOW FROM FINANCING ACTIVITIES**

Net cash used in financing activities was ¥57.8 billion, an increase in net outflows of ¥90.9 billion from net cash provided by financing activities of ¥33.1 billion for the previous interim period. The cash inflow from the borrowing of long-term debt, mainly at Mitsui, was ¥90.1 billion and the cash outflow for the repayments of the borrowing of short-term debt was ¥139.7 billion.

**Table of Contents****3. Forecasts for the year ending March 31, 2010 and investment plans****1. FORECASTS FOR THE YEAR ENDING MARCH 31, 2010**

Net income attributable to Mitsui & Co., Ltd. for the six-month period under review was ¥72.8 billion. For the year ending March 31, 2010, we forecast net income attributable to Mitsui & Co., Ltd. of ¥120.0 billion. Our forecasts for key items in the consolidated statement of income are as follows.

(Billions of yen)

	Current full-year forecast	Forecast at start of year	Increase (Decrease)
Gross profit	690.0	665.0	25.0
Operating income	140.0	95.0	45.0
Equity in earnings of associated companies*	110.0	110.0	0.0
Net income (Attributed to Mitsui Bussan)	120.0	120.0	0.0

\* The amounts of Equity in earnings of associated companies of the forecast at the start of the year have been reclassified due to the change that tax effects on investments in associated companies which were formerly included in Equity in earnings of associated companies are excluded from the item from this interim period.

Assumed foreign exchange rates for the second six-month period ending March 31, 2010 are ¥90/US\$, ¥80/AU\$ and ¥50/BRL, while average rates for the six-month period ended September 30, 2009 were ¥94.78/US\$, ¥76.87/AU\$ and ¥48.73/BRL. Also, we assume that the oil price will continue to be US\$75 through to March 31, 2010, resulting in an average oil price of US\$71/barrel of Japan Crude Cocktail (JCC) applicable to our financial results for the second six-month period ending March 31, 2010.

Reflecting an increase in energy prices, gross profit is expected to be ¥690.0 billion, an increase of ¥25.0 billion from the original forecast. Selling, general and administrative expenses are expected to be ¥540.0 billion, a decline of ¥20.0 billion especially due to declines in personnel expenses and travel expenses. We anticipate losses of ¥40.0 billion in loss on sales of securities, property and equipment and other gain-net reflecting impairment losses on listed securities recorded in the six-month period ended September 30, 2009. Equity in earnings of associated companies is expected to be ¥110.0 billion, equivalent to that of the original forecast, taking into consideration an increase of earnings due to an increase in energy prices and an increased mark-to-market valuation gain on long-term power derivative contracts offset by the impairment loss on the listed security recorded in the six-month period ended September 30, 2009.

As a result, net income attributable to Mitsui & Co., Ltd. for the year ending March 31, 2010 is expected to be ¥120.0 billion, equivalent to that of the original forecast.

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**2. Forecasts on annual results by operating segments**

1 **Mineral & Metal Resources:** Projected net income attributable to Mitsui & Co., Ltd. for the fiscal year ending March 31, 2010 is ¥52.0 billion, equivalent to that of the original forecast. Increases in prices of nonferrous metals such as copper and nickel as well as depreciation of the Japanese yen against Brazilian real are expected to contribute to the increase. Taking into account uncertainty of iron ore demand in China for the six-month period ending March 31, 2010, appreciation of the Japanese yen against the US dollar and the depressed market for scrap metal, a projected net income attributable to Mitsui & Co., Ltd. is maintained with no change to the original forecast.

**Energy:** Projected net income attributable to Mitsui & Co., Ltd. for the year ending March 31, 2010 is ¥61.0 billion, ¥26.0 billion higher than the original forecast. We assume an average annual crude oil price of US\$62/barrel (JCC basis), applicable to our financial results for the year ending March 31, 2010, which is US\$13/barrel higher than our original assumption. We included increased revenues in the coal business in this forecast due to higher sales prices than those assumed in the original forecast for certain contracts.

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1 The projected net income of **Steel Products** and **Chemicals** attributable to Mitsui & Co., Ltd. for the year ending March 31, 2010 are ¥4.0 billion (¥1.0 billion lower) and ¥8.0 billion (no change from the original forecast), respectively due to the slow recovery of the overall economy despite some positive signs of bottoming out.

1 **Machinery and Infrastructure Projects:** Projected net income attributable to Mitsui & Co., Ltd. for the year ending March 31, 2010 is ¥28.0 billion, ¥12.0 billion higher than the original forecast. We are anticipating relatively solid results in the Project Infrastructure Business reflecting increased mark-to-market valuation gain on long-term power derivative contracts.

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- 1 **Foods & Retail:** Projected net loss attributable to Mitsui & Co., Ltd. for the year ending March 31, 2010 is ¥3.0 billion, ¥15.0 billion lower than the original net income forecast of ¥12.0 billion, due to the effect of impairment losses recorded in the six-month period ended September 30, 2009 and despite resilience in the current severe economic environment and the raw food materials businesses showing solid performance.
- 1 **Consumer Service & IT:** Projected net loss attributable to Mitsui & Co., Ltd. for the year ending March 31, 2010 is ¥6.0 billion, ¥10.0 billion lower than the original forecast of the net income of ¥4.0 billion, due to poor performance of Japanese domestic consumer businesses and an impairment loss on investment in an associated company recognized in the six-month period ended September 30, 2009.
- 1 **Logistics & Financial Markets:** Projected net loss attributable to Mitsui & Co., Ltd. for the year ending March 31, 2010 is ¥2.0 billion, equivalent to the original forecast due to the continuing negative effects of the credit crunch.
- 1 Projected net loss attributable to Mitsui & Co., Ltd. for **the Americas**, for the year ending March 31, 2010 is ¥10.0 billion, ¥14.0 billion lower than the original net income forecast of ¥4.0 billion, and the projected net loss attributable to Mitsui & Co., Ltd. for **Europe, the Middle East and Africa** is ¥4.0 billion, a ¥1.0 billion decrease from the original net loss forecast, reflecting overall poor performances caused by the continuing weak economy. The projected net income attributable to Mitsui & Co., Ltd. for **Asia Pacific** is ¥20.0 billion, ¥1.0 billion higher than the original forecast. We are anticipating a strong Asian economy and an increase in revenue contributions for this segment from an energy related subsidiary.

**3. INVESTMENT PLAN FOR THE YEAR ENDING MARCH 31, 2010**

- 1 During the year ending March 31, 2010, we plan expenditure for investments and loans of a total sum of ¥360 billion, which includes investments and loans in the Mineral Resources & Energy area of ¥120 billion mainly for investment for expansion, in the Global Marketing Networks area of ¥70 to 100 billion, in the Consumer Services area of ¥10 to 20 billion and the Infrastructure area of ¥140 billion. We also plan asset recycling for total sum of approximately ¥120 billion.

We expect a break-even or marginally positive free cash flow for the year ending March 31, 2010 led by operating activities with positive cash inflow while cash flows from investing activities will still continue to be negative.

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- 1 **During the six-month period ended September 30, 2009, cash outflow for investments and loans and cash inflow from asset divestitures was approximately ¥120.0 billion and ¥90.0 billion, respectively.**

In the **Mineral Resources & Energy** area, the focus is constantly on large-scale projects already under development as well as expansion of existing projects. The assumption is that demand for commodities is expected to expand mid- to long-term, especially in the emerging countries despite the recent decrease in demand due to the current economic slowdown. In total, we invested approximately ¥50 billion in the Mineral Resources and Energy Area. Investments of approximately ¥20 billion were made in the mineral and metal resources area including iron ore expansion projects in Australia for ¥17.4 billion. Also, investments of approximately ¥30 billion were made in the energy area, including ¥21.2 billion in oil and gas projects over the world and ¥2.7 billion in coal mining projects in Australia. As a recycle of investments, we received redemption of ¥11.9 billion from Sakhalin II Project.

Australia: Iron ore business

In the **Global Marketing Networks** area, which includes businesses such as iron & steel products, machinery and chemicals, we took further steps to strengthen initiatives in strategic industries like the energy and automotive areas. We invested approximately ¥40.0 billion, including a loan of ¥10.4 billion to an FPSO leasing company for deepwater oil exploration in Brazil and an increase in consumer loans at retail motorcycle finance company in Indonesia.

Indonesia: Motorcycle financing company

In the **Consumer Services** area, we acquired shares newly issued by Nippon Formula Feed Manufacturing Co., Ltd. to strengthen our base in a value chain of livestock and marine products businesses. Including this acquisition, we invested approximately ¥10.0 billion in the area while we received redemption for convertible bonds from Cedyne Financial Corporation for ¥11.6 billion.

In the **Infrastructure** area, we invested approximately ¥20.0 billion, including acquisition of rolling stock for ¥14.9 billion to be leased mainly in Europe, while we received redemption of investments in IPM for ¥9.0 billion.



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- 1 In the six-month period ending March 31, 2009 we will continue to work on initiatives, such as reducing working capital, accelerating divestitures of non-core assets, and intensifying financial discipline on executing investments, to achieve a positive free cash flow through March 31, 2010. However, we view the current difficult environment as an opportunity, even though there are risks. We will cautiously manage our capital spending, will not abandon our strong history of investing and will make sure that we pursue opportunities whether in the resource or in non resource field.

**4. DIVIDEND POLICY**

- 1 In order to maximize shareholder value, we have sought to maintain an optimal balance between (1) achieving sustainable growth through strategic investments in areas of our core strength and growth, and (2) paying out cash dividends as direct compensation to shareholders with a target dividend payout ratio of 20% of consolidated net income attributable to Mitsui & Co., Ltd. For the year ending March 31, 2010, we currently plan to maintain the target dividend payout ratio of 20% of consolidated net income attributable to Mitsui & Co., Ltd. for the following reasons:

We believe that it would be to the benefit of all of our shareholders in the mid- to long-term if we strive to further strengthen our balance sheet because there still remains a high level of uncertainty surrounding financial markets as well as the global economy although bright spots have been seen in some regions and in certain products; and

We also believe, certainly, with the utmost financial discipline, it would be necessary for us to continue seeking new investment opportunities that may provide us a foundation for our future because we consider the economic slowdown, in turn, to present various good investment opportunities while keeping in mind that achieving a positive free cash flow is a critical policy of our cash flow management.

- 1 For the six-month period ended September 30, 2009, we will pay an interim dividend of ¥7 per share, ¥18 per share lower than for the previous interim period. For the year ending March 31, 2010, we intend to make a dividend proposal based on the dividend policy outlined above upon reviewing the operating results. We currently envisage an annual dividend of ¥14 per share (including the interim dividend), ¥11 per share lower than for the year ended March 31, 2009, on the assumption that our annual consolidated net income attributable to Mitsui & Co., Ltd. will be ¥120 billion and the dividend payout ratio will be 20% of consolidated net income attributable to Mitsui & Co., Ltd.
- 1 We will continue to review the dividend policy taking into consideration the business environment, future trends in investment activities, free cash flow, interest bearing debt and return on equity.

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### **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-affiliated financial institutions or utilize project financing.

In principle, wholly owned subsidiaries procure funds not from financial institutions outside the Group, but by using Cash Management Service, with which wholly owned subsidiaries can procure financing from Mitsui's overseas and domestic financial subsidiaries and overseas offices. We are promoting the unification of procured funds and efficient use of funds.

Interest-bearing debt as of September 30, 2009 was ¥3,576.3 billion (a decrease of ¥92.3 billion from March 31, 2009), and net interest-bearing debt after deduction of cash equivalents was ¥2,186.5 billion (a decrease of ¥328.6 billion from March 31, 2009). Approximately 87% of interest-bearing debt as of September 30, 2009 was procured through Mitsui and its affiliated financial entities. While carefully observing Japanese and overseas business conditions and price movements, economic environments and other relevant trends, we will continue to strive to achieve a steady procurement of funds.

During the first half of the year ended September 30, 2009, we procured a total of ¥258.5 billion in long-term borrowings from banks, insurance companies and other financial institutions, and issued straight corporate bonds with a total amount of ¥10.0 billion (redemption date: July 29, 2024). In addition, our overseas and Japanese trading subsidiaries and financial subsidiaries procured long-term borrowings and issued commercial paper and Medium-Term Notes.

#### **2. CAPITAL EXPENDITURE**

For information on capital expenditure during the interim period under review, please refer to pages 11 and 12, *Financial Condition of the Group* and pages 16 to 18, *Investment Plan for the year ending March 31, 2010*.

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(Millions of Yen, Except Net Income attributable to Mitsui &amp; Co., Ltd. per Share)

	Six-month period ended September 30, 2006	Six-month period ended September 30, 2007	Six-month period ended September 30, 2008	Six-month period ended September 30, 2009
Total Trading Transactions	¥ 7,586,439	¥ 8,202,179	¥ 8,973,117	¥ 5,355,872
Gross Profit	405,997	478,524	628,687	344,625
Net Income attributable to Mitsui & Co., Ltd.	154,455	251,921	240,548	72,835
Net Income attributable to Mitsui & Co., Ltd. per Share (Yen)	89.65	140.26		