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OFFERING CIRCULAR DATED 24 February, 2012



mitsui & co., ltd. (Incorporated with limited liability in Japan)

CNY500,000,000 4.25 per cent. Notes due 2017

Issue Price: 100 per cent.

issued pursuant to the

U.S.\$5,000,000,000 Euro Medium Term Note Programme

CNY500,000,000 4.25 per cent. Notes due 2017 (the "**CNY Notes**") will be issued by Mitsui & Co., Ltd. (the "**Issuer**").

Application has been made to the UK Listing Authority in its capacity as competent authority under the FSMA for the CNY Notes to be admitted to the Official List (the "**Official List**") and to the London Stock Exchange (the "**London Stock Exchange**") for such CNY Notes to be admitted to trading on the London Stock Exchange's Professional Securities Market (the "**Market**"). References in this Offering Circular to the CNY Notes being "**listed**" (and all related references) shall mean that the CNY Notes have been admitted to the Official List and have been admitted to trading on the Market. The Market is not a regulated market for the purposes of Article 4.1(14) of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments.

The CNY Notes will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer ranking *pari passu* among themselves. The CNY Notes will bear interest from the Issue Date (as defined below) at the rate of 4.25 per cent. per annum. The interest will be payable semi-annually in arrear on the Interest Payment Dates falling on or nearest to 1st March and 1st September of each year, beginning on the Interest Payment Date falling on or nearest to 1st September, 2012 in respect of the period from and including the Issue Date to but excluding 1st September, 2012 (subject to adjustment in accordance with the modified following business day convention), except that the last Interest Payment Date shall fall on the Maturity Date (as defined below).

Payments of principal and interest in respect of the CNY Notes held by a non-Japanese resident or a designated financial institution (both as defined in Condition 7 (as defined below)) will be made without withholding or deduction for any present or future taxes imposed by taxing authorities in Japan or any authority thereof or therein having power to tax, if the holder of the CNY Notes (the "**CNY Noteholders**") establishes that the CNY Notes is held by or for the account of a Japanese non-resident (not being a specially related person of the Issuer (as defined in Condition 7) or a designated financial institution in compliance with requirements under the Japanese tax laws, unless such deduction or withholding is required by law, in which event, the Issuer will pay such additional amounts as will result in the payment to the CNY Noteholders of the amounts which would otherwise have been receivable, had no such withholding or deduction been required.

The CNY Notes will mature on 1st March, 2017 (the "**Maturity Date**") at their nominal amount. The CNY Notes are subject to redemption at the option of the Issuer in whole, but not in part, at their nominal amount at any time in the event of certain changes affecting taxes in its jurisdiction of incorporation.

Unless otherwise defined herein, capitalised terms used in this Offering Circular shall have the same meanings set out in the offering circular dated 1st September, 2011 which is incorporated by reference herein (see "Documents Incorporated by Reference" below).

An investment in the CNY Notes involves specific certain risks and may not be suitable for all investors. Investors should have sufficient knowledge and experience in financial and business matters to evaluate the information contained in this Offering Circular and the merits and risks of investing in a particular issue of the CNY Notes in the context of their financial position and particular circumstances. Investors also should have the financial capacity to bear the risks associated with an investment in the CNY Notes. Investors should not purchase the CNY Notes unless they understand and are able to bear risks associated with the CNY Notes. For a discussion of these, see "Risk Factors".

The CNY Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") and are subject to U.S. tax law requirements. Subject to certain exceptions, the CNY Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S of the Securities Act).

The CNY Notes will initially be represented by a temporary bearer global note (the "**Temporary Bearer Global Note**"), without coupons, which will be deposited on the Issue Date with a common depository on behalf of Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**") on or about 1st March, 2012 (the "**Issue Date**"). The Temporary Bearer Global Note will be exchangeable in whole or in part on or after the first day following the expiry of 40 days after the Issue Date for a permanent bearer global note (the "**Permanent Bearer Global Note**"), together with the Temporary Bearer Global Note, a "**Global Note**"), without coupons, upon prior certification as to non-U.S. beneficial ownership thereof. The Permanent Bearer Global Note will be exchangeable for definitive Notes in bearer form in the denomination of CNY1,000,000, and in integral multiples of CNY10,000 in excess thereof up to and including CNY1,990,000, each, with coupons attached, in the limited circumstances set out therein.

The CNY Notes are rated A2 by Moody's Japan K.K. and are expected to be rated A+ by Standard & Poor's Ratings Japan K.K. Moody's Japan K.K. and Standard & Poor's Ratings Japan K.K. are not established in the European Union and have not applied for registration under Regulation (EC) No 1060/2009 on credit rating agencies (the "**CRA Regulation**"). However, Moody's Investor Services Ltd. and Standard & Poor's Credit Market Services Europe Limited, which are affiliates of Moody's Japan K.K. and Standard & Poor's Ratings Japan K.K., respectively, are established in the European Union and registered under the CRA Regulation indicating an intention to endorse the ratings of certain of their respective non-EU affiliates. Moody's Japan K.K. and Standard & Poor's Ratings Japan K.K. are registered with the Financial Services Agency of Japan. A security rating is not a recommendation to buy, sell or hold securities and may be subject to supervision, reduction or withdrawal at any time by the assigning rating agency.

Sole Bookrunner and Manager

HSBC

This Offering Circular comprises listing particulars in relation to the Issuer given in compliance with the listing rules made under Section 73A(2) of the FSMA by the UK Listing Authority and for the purpose of giving information with regard to the Issuer and its consolidated subsidiaries (together, “Mitsui”) and the CNY Notes, which, according to the nature of the Issuer and the CNY Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and the rights attaching to the CNY Notes.

The Manager (as specified in “Offering” herein) has not separately verified the information contained in this Offering Circular. The Issuer accepts responsibility for the information contained in this Offering Circular. To the best of the knowledge and belief of the Issuer (who has taken all reasonable care to ensure that such is the case) the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Offering Circular is to be read in conjunction with all documents which are incorporated herein by reference (see “Documents Incorporated by Reference” below). This Offering Circular shall be read and construed on the basis that such documents are so incorporated and form part of this Offering Circular.

No person has been authorised to give any information or to make any representation other than those contained in this Offering Circular in connection with the issue or sale of the CNY Notes and, if given or made, such other information or representation must not be relied upon as having been authorised by the Issuer or the Manager. Neither the delivery of this Offering Circular nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of Mitsui since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that there has been no adverse change in the financial position of Mitsui since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Offering Circular and the offering or sale of the CNY Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer and the Manager to inform themselves about and to observe any such restriction. The CNY Notes have not been and will not be registered under the United States Securities Act of 1933, as amended and include CNY Notes that are subject to U.S. tax law requirements. Subject to certain exceptions, the CNY Notes may not be offered, sold or delivered within the United States or its possessions or to U.S. persons (as defined in Regulation S under the Securities Act and Section 7701(a)(30) of the United States Internal Revenue Code of 1986, as amended).

*The CNY Notes have not been and will not be registered under the Financial Instruments and Exchange Law (as defined in “Subscription and Sale”) and the CNY Notes are subject to the Special Taxation Measures Law (as defined in “Taxation-Japanese Taxation”). The CNY Notes may not be offered or sold in Japan or to residents of Japan or to others for re-offering or re-sale, directly or indirectly, in Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law to certain financial institutions and persons holding the CNY Notes through such institutions. Interest payments on the CNY Notes generally will be subject to Japanese withholding tax unless the holder establishes that such CNY Notes are held by or for the account of a holder that is (i) for Japanese tax purposes, not an individual resident of Japan or a Japanese corporation or an individual non-resident of Japan or a non-Japanese corporation that is a person having a special relationship with the Issuer as described in Article 6, Paragraph 4 of the Special Taxation Measures Law (each, a “**Gross Recipient**”), or (ii) a Japanese designated financial institution described in Article 6, Paragraph 9 of the Special Taxation Measures Law which complies with the requirement for tax exemption under that Paragraph (see “Taxation-Japanese Taxation”). By subscribing for the CNY Notes, an investor will be deemed to have represented it is a Gross Recipient.*

For a description of certain restrictions on offers and sales of CNY Notes and on distribution of this Offering Circular, see “Subscription and Sale”.

This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Manager to subscribe for or purchase any CNY Notes.

The Manager does not accept any responsibility for the contents of this Offering Circular or for any other statement, made or purported to be made by the Manager or on its behalf in connection with the Issuer or the issue and offering of the CNY Notes. The Manager accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Offering Circular or any such statement.

Neither this Offering Circular nor any other financial statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer or the Manager that any recipient of this Offering Circular or any financial statements should purchase the CNY Notes. Each potential purchaser of CNY Notes should determine for itself the relevance of the information contained in this Offering Circular and its purchase of CNY Notes should be based upon such investigation as it deems necessary. The Manager does not undertake to review the financial condition or affairs of Mitsui during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the CNY Notes of any information coming to the attention of the Manager.

*In connection with the issue of the CNY Notes, the Manager (or any person acting for it) (the “**Stabilising Manager**”) may over-allot CNY Notes or effect transactions with a view to supporting the market price of the CNY Notes at a level higher than that which might otherwise prevail for a limited period after the Issue Date. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the CNY Notes is made and, if begun, may be ended at any time and must be brought to an end after a limited period.*

Notwithstanding anything to the contrary contained herein, a prospective purchaser (and each employee, representative, or other agent of a prospective purchaser) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the transactions described in this Offering Circular, in the Final Terms and all materials of any kind that are provided to the prospective purchaser relating to such tax treatment and tax structure (as such terms are defined in U.S. Treasury Regulation Section 1.6011-4). This authorisation of tax disclosure is retroactively effective to the commencement of discussions between any of the Issuer, the Manager or their respective representatives and a prospective purchaser regarding the transactions contemplated herein or in the Final Terms.

TABLE OF CONTENTS

| | |
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| DOCUMENTS INCORPORATED BY REFERENCE | 4 |
| THE OFFERING | 5 |
| RISK FACTORS..... | 7 |
| FINAL TERMS | 11 |
| USE OF PROCEEDS..... | 20 |
| GENERAL INFORMATION..... | 21 |
| INDEX TO THE INTERIM FINANCIAL INFORMATION | Q-1 |

DOCUMENTS INCORPORATED BY REFERENCE

The following document (unless otherwise expressly stated below) has been filed with the FSA and shall be deemed to be incorporated in, and to form part of, this Offering Circular:

- the offering circular dated 1st September, 2011 for the U.S.\$5,000,000,000 Euro Medium Term Note Programme that has been approved by the UK Listing Authority except the documents incorporated therein by reference.

Such documents shall be incorporated in, and form part of, this Offering Circular, save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Offering Circular. Any documents themselves incorporated by reference in the documents incorporated by reference in this Offering Circular shall not form part of this Offering Circular. Non-incorporated parts of the document are either not relevant for investors or covered in this Offering Circular.

Copies of documents incorporated by reference in this Offering Circular may be obtained without charge from the offices of Mitsui & Co. Financial Services (Europe) B.V. being, at the date hereof, 8th Floor, Rivierstaete, Amsteldijk 166, 1079 LH Amsterdam, the Netherlands and the offices of Citibank, N.A., London Branch, as Issuing and Principal Paying Agent for the CNY Notes being, at the date hereof, 14th Floor, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB.

THE OFFERING

The following summary is qualified in its entirety by, the remainder of this Offering Circular.

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| Issuer: | Mitsui & Co., Ltd. |
| CNY Notes Offered: | CNY500,000,000 4.25 per cent. Notes due 2017 |
| Manager: | The Hongkong and Shanghai Banking Corporation Limited |
| Issuing and Principal Paying Agent: | Citibank N.A., London Branch |
| Fiscal Agent: | Citibank N.A., London Branch |
| Maturity: | 1st March, 2017 |
| Issue Price: | 100 per cent. of the aggregate nominal amount |
| Issue Date: | 1st March, 2012 |
| Form of CNY Notes: | The CNY Notes will be in bearer form and will on issue be represented by a Temporary Bearer Global Note. The Temporary Bearer Global Note will be exchanged for a Permanent Bearer Global Note on or after the first day following the expiry of 40 days after the Issue Date upon certification of non-U.S. beneficial ownership. The Permanent Bearer Global Note will be exchangeable for security printed CNY Notes in definitive form with Coupons attached in the limited circumstances set out therein. |
| Clearing System: | Euroclear and Clearstream, Luxembourg. |
| | <i>Note: Persons seeking to hold a beneficial interest in the CNY Notes through the Central Moneymarkets Unit Service (the "CMU") operated by the Hong Kong Monetary Authority are advised to contact a relevant CMU member to establish eligibility.</i> |
| Initial Delivery of CNY Notes: | On or before the Issue Date, a Global Note representing the CNY Notes will be deposited with a common depository for Euroclear and Clearstream, Luxembourg. |
| Interest: | The CNY Notes will bear interest from the Issue Date at the rate of 4.25 per cent. per annum, payable semi-annually in arrear on the Interest Payment Date falling on or nearest to 1st March and 1st September of each year beginning on the Interest Payment Date falling on or nearest to 1st September, 2012 in respect of the period from and including the Issue Date to but excluding 1st September, 2012 (subject to adjustment in accordance with the Modified Following Business Day Convention), except that the last Interest Payment Date shall fall on the Maturity Date. |
| Redemption: | CNY10,000 per CNY10,000 Calculation Amount |
| Currency Fallback: | The Issuer will be able to satisfy payments of principal or interest in respect of the CNY Notes in U.S. dollars in certain circumstances. |
| Denomination: | CNY1,000,000, and in integral multiples of CNY10,000 in excess thereof up to and including CNY1,990,000. |
| Taxation: | All payments in respect of the CNY Notes held by a non-Japanese resident or a designated financial institution will be made without deduction for or on account of withholding taxes imposed by Japan, if the CNY Noteholder establishes that the CNY Notes is held by or for the account of a Japanese |

non-resident (not being a specially related person of the Issuer) or a designated financial institution in compliance with requirements under the Japanese tax laws, subject as provided in Condition 7. In the event that any such deduction is made, the Issuer will, save in certain limited circumstances provided in Condition 7, be required to pay additional amounts to cover the amounts so deducted. See Condition 7.

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| Negative Pledge: | See Condition 3(a). |
| Status of the CNY Notes: | The CNY Notes will constitute direct, unconditional, unsubordinated and, subject to the Negative Pledge, unsecured obligations of the Issuer and shall, save for such exceptions as may be provided by applicable law, at all times rank at least equally with all other unsecured and unsubordinated indebtedness of the Issuer, present and future. |
| Cross Default: | See Condition 9(d). |
| Rating: | The CNY Notes are rated A2 by Moody's Japan K.K. and are expected to be rated A+ by Standard & Poor's Ratings Japan K.K. A security rating is not a recommendation to buy, sell or hold securities and may be subject to supervision, reduction or withdrawal at any time by the assigning rating agency. |
| Listing: | Application has been made to the UK Listing Authority in its capacity as competent authority under the FSMA for the CNY Notes to be admitted to the Official List and to the London Stock Exchange for such CNY Notes to be admitted to trading on the London Stock Exchange's Professional Securities Market with effect from the Issue Date. |
| Governing Law: | English law. |
| Selling Restrictions: | The United States, the European Economic Area, the United Kingdom, Japan, Hong Kong and the PRC. The Issuer is Category 2 for the purposes of Regulation S under the Securities Act. |
| Common Code: | 075069588 |
| ISIN: | XS0750695883 |

RISK FACTORS

The following contains supplementary and updated description of "Mitsui faces uncertainty regarding the oil spill incident at the Mississippi Canyon 252 Block in the Gulf of Mexico" included in the Risk Factors of the offering circular dated 1st September, 2011 which is incorporated by reference herein (this Offering Circular and such offering circular hereinafter collectively referred to as the "Offering Circulars"), as well as a new risk concerning deferred tax liability of the Issuer. Prospective investors should also read the detailed information set out in the Offering Circulars (including any documents incorporated by reference herein) and reach their own views prior to making any investment decision. All the principal or material risks are disclosed in the Offering Circulars.

Mitsui faces uncertainty regarding the oil spill incident at the Mississippi Canyon 252 Block in the Gulf of Mexico (updated)

On 20th April, 2010, the Deepwater Horizon, a third party semi-submersible drilling rig conducting exploration work on the Mississippi Canyon 252 block in the Gulf of Mexico, experienced a blow-out event that led to an explosion, fire and the extensive release of oil into the Gulf of Mexico (the "Incident"). At the time of the Incident, MOEX Offshore 2007 LLC ("MOEX Offshore"), a 100 per cent. subsidiary of MOEX USA Corporation ("MOEX USA"), owned a 10 per cent. working interest in the block as a non-operator (the "Interest"). MOEX USA is a 100 per cent. subsidiary of Mitsui Oil Exploration Co., Ltd. ("MOECO") in which the Issuer has a 70.45 per cent. equity interest. On 19th September, 2010, BP Exploration and Production Inc. ("BP"), the owner of a 65 per cent interest in the block and the operator of the exploration project in the block at the time of the Incident, publicly announced that the operations to plug the well were successfully completed in cooperation with U.S. government agencies.

On 20th May, 2011, MOEX Offshore, MOEX USA and MOECO (collectively, the "MOEX Parties") entered into a settlement (the "Settlement") with BP and BP Corporation North America Inc. (collectively, the "BP Parties") with regard to the Incident. Pursuant to the Settlement, the MOEX Parties made payment of US\$1.065 billion and MOEX Offshore assigned to BP the Interest and most of the MOEX Parties' claims against other parties involved in the Incident. BP, under the terms of the Settlement, waived and released all of its claims against the MOEX Parties and all other Mitsui companies. In addition, the BP Parties agreed to fully indemnify the MOEX Parties and all other Mitsui companies as to the claims, except for those described below, arising from the Incident. The indemnification covers, for example, claims asserted under the Oil Pollution Act of 1990 (the "OPA"). Excepted from the BP Parties' indemnification obligation are fines, penalties or sanctions (collectively, the "Penalties") assessed against the MOEX Parties, and punitive damages, solely to the extent arising from conduct of the MOEX Parties. There are some additional categories of claims that have been excluded from the indemnity, but none of those claims has been alleged against the MOEX Parties at the date of this Offering Circular.

The MOEX Parties have sought insurance coverage with respect to the Incident, but the maximum potential insurance recovery is substantially less than the Settlement amount.

The Issuer is currently not able to estimate the total amount of the liabilities that it and its consolidated subsidiaries may incur as a result of the Incident that are in addition to the liabilities that have previously been recognised as a result of the Settlement, but has recorded an amount in its quarterly unaudited consolidated financial statements for nine months ended 31st December, 2011 in accordance with appropriate accounting rules as related accounting liabilities for costs and claims not covered under the indemnity by the BP Parties. However, this is not intended to represent an opinion of the Issuer that it and its consolidated subsidiaries will not incur any material future liability related to the Incident. Rather, it is the result of the application of accounting rules, under which loss recognition is not required in situations where a loss is not considered probable or cannot be reasonably estimated, to the currently available set of facts as summarised below.

A complaint filed by the United States in the federal district court for the Eastern District of Louisiana (the "Court") on 15th December, 2010 seeks from MOEX Offshore, among other things, civil penalties under

the Clean Water Act (the “**CWA**”) and other reliefs. The United States alleged that MOEX Offshore, because of its Interest at the time of the Incident, is subject to liability for civil penalties under the CWA. In making its determination as to the amount of civil penalties under the CWA, the court will consider the seriousness of the violation or violations, the degree of culpability involved and the history of prior violations, among other factors. In the Court, two gulf coast states and local governmental entities filed complaints seeking from the MOEX Parties and others penalties, punitive damages and other relief under state environmental and other laws.

Most of the civil lawsuits brought by various types of businesses, government, property owners and individuals, seeking recovery for alleged property damages, personal injuries and economic losses caused by the Incident, and alleged injuries and damages caused by post-incident clean up activities, as well as the lawsuits brought by the United States seeking penalties and other relief described above, were sent for pre-trial proceedings to a judge of the Court (the “**MDL Proceedings**”) and separated into several bundles based upon the nature of the claims being asserted. An admiralty action and cross-claims were filed against the MOEX Parties, as part of the MDL Proceedings, seeking indemnification and contribution as to claims filed against certain of the other defendants in the MDL proceedings. In addition to the above claims, the plaintiffs in some of the civil lawsuits have requested the award of punitive damages from the MOEX Parties and others.

On 26th August, 2011 and 30th September, 2011, the Court dismissed a number of the causes of action filed against the MOEX Parties and others in the bundles of cases seeking recovery by private parties for alleged economic losses and property damages and for personal injuries and costs caused by the clean-up efforts. Similarly, on 14th November, 2011 and 9th December, 2011, the Court dismissed all state law claims, including the civil penalty claims, and maritime negligence claims against MOEX Offshore and MOEX USA filed by the gulf coast states and local governmental entities. On 18th November, 2011, the Court dismissed the indemnification and contribution claims filed by co-defendants against MOEX Offshore and MOEX USA. While these orders may be subject to appeal and in such sense may not be final, for these bundles, the state law and maritime claims against MOEX Offshore and MOEX USA were dismissed. As a result of these orders, the only claims that remained in these bundles of cases against MOEX Offshore and MOEX USA, except those claims brought by the United States, are those arising under the OPA. The Court stated that punitive damages are not available under the OPA.

The Bureau of Ocean Energy Management, Regulation and Enforcement’s joint report, dated 14th September, 2011, which it prepared with the United States Coast Guard, addressed the causes of the Incident. The report stated that there were a variety of factors that led to the Incident, however it did not identify any actions on the part of the MOEX Parties as being among those factors. Various other government investigations into the Incident are ongoing.

On 18th February, 2012, the Issuer announced that a settlement has been reached between MOEX Offshore, MOEX USA (together with MOEX Offshore, collectively “**MOEX Entities**”) and the government of the United States (the “**Settlement with the US Government**”), with regard to the civil and administrative penalties related to the Incident.

Under the Settlement with the US Government, the MOEX Entities will make a payment of US\$45 million to the United States, as well as payments of additional amounts allocated to the five states bordering on the Gulf of Mexico. Each state will receive the payment only if such state provides a written release (the “**State Release(s)**”) releasing the MOEX Entities, the MOECO, their officers, directors, shareholders, employees and agents (collectively, the “**MOEX Released Parties**”) from potential state law civil and administrative penalty claims, and covenanting not to sue the MOEX Released Parties for civil and administrative penalties, relating to the Incident. If all the five states bordering on the Gulf of Mexico supply State Releases, the amount paid to the states will total US\$25 million.

When the above payments by the MOEX Entities, including the payments to each of the states that has submitted a State Release, are made, the United States will provide a covenant not to sue the MOEX Released Parties, resolving claims by the United States for civil penalties related to the Incident under

the CWA in the litigation pending in the Court, as well as certain other potential civil and administrative penalty claims.

Pursuant to the Settlement with the US Government and in accordance with Environmental Protection Agency policy, the MOEX Entities will also spend an amount that it is anticipated will total US\$20 million on Supplemental Environmental Projects (the “SEPs”) located in Texas, Louisiana, Mississippi and Florida that are to provide environmental benefits.

The Settlement with the US Government is subject to court approval and was lodged on 17th February, 2012 with the Court as part of the approval process. The United States may withdraw from the Settlement with the US Government prior to the grant of final approval by the Court under limited conditions.

A trial of a number of the issues presented by the lawsuits that are part of the MDL Proceedings is scheduled to start on 27th February, 2012.

Under the terms of the Settlement, the MOEX Parties are continuing to defend all the claims filed against them in the MDL Proceedings. As noted above, punitive damages, solely to the extent arising from conduct of the MOEX Parties, if awarded, as well as Penalties, will not be covered by the indemnification provided by the BP Parties in the Settlement. However, because these lawsuits are still on-going, the MOEX Parties currently are unable to reasonably estimate the total amount of their liability for the Penalties and, if any, punitive damages.

The above description contains forward-looking statements about the Issuer and its consolidated subsidiaries. These forward-looking statements are based on the Issuer's current assumptions, expectations and beliefs in light of the information currently available to it and involve known and unknown risks, uncertainties and other factors, including, but not limited to, the outcome of other events in the Gulf of Mexico relating to the Incident. Such risks, uncertainties and other factors may cause the Issuer's actual consolidated financial position, consolidated operating results or consolidated cash flows to be materially different from any future consolidated financial position, consolidated operating results or consolidated cash flows expressed or implied by these forward-looking statements. These risks, uncertainties and other factors include, among others, the risk of the BP Parties failing to make payment for claims concerning the Incident that are to be paid by the BP Parties under the terms of the Settlement, the risk of additional or amended legal proceedings being brought against MOEX Offshore and its affiliates by governmental entities not included in the Settlement with the US Government or private parties seeking Penalties, punitive damages, injunctive relief and other remedies, and the imposition on the MOEX Parties and their affiliates in pending or new lawsuits of Penalties, punitive damages, injunctive relief or other remedies, as well as the risk of being unable to implement the SEPs as stipulated, resulting in additional payments to be made. The Issuer notes, however, that to the date of this Offering Circular, no Penalties, punitive damages or injunctive relief have been imposed on MOEX Offshore in connection with the Incident.

Given these factors and the magnitude of the Incident, any such liability could have a material adverse effect on Mitsui's consolidated financial position, consolidated operating results or consolidated cash flows.

Establishing a valuation allowance for deferred tax assets, pursuant to the evaluation on their realisability, may adversely affect the Issuer's consolidated operating results and financial condition

The Issuer determines the realisability of deferred tax assets based on currently available information, including tax deductibility and timing of accounting losses as well as future taxable income of the Issuer and its subsidiaries within the consolidated tax group (consisting of the Issuer and its wholly owned domestic subsidiaries). The Issuer believes it is more likely than not that all the deferred tax assets, net of valuation allowances, will be realised, however, the amount of realisable net deferred tax assets may

be revised if the estimates of future taxable income are revised or if tax laws and regulations including statutory tax rates are changed.

Effective 1st April, 2009, a new tax law was introduced in Japan that excludes from taxable income 95 per cent. of dividends received from foreign investees in which an investor has a 25 per cent or more ownership interest. As a result, the level of the taxable income of the Issuer in Japan became lower than that for previous years. In addition, taxable income from domestic businesses of the Issuer has declined and impairment losses on assets including listed securities have become deductible due to the prolonged economic stagnancy in Japan. Accordingly, the Issuer assessed the realisability of the national tax portion of the deferred tax assets in terms of deductible temporary differences separately, and decided to record a valuation allowance against deferred tax assets which the Issuer concluded could not be utilised.

In the year ended 31st March, 2010, the Issuer and its consolidated tax group started to file a consolidated corporate income tax return as a group. The Issuer separately evaluates the realisability of the national corporate tax portion of deferred tax assets based on the estimate of the Issuer's consolidated tax group's future taxable income. The Issuer currently believes it is more likely than not that the national corporate tax portion, except those portions related to deductible temporary differences in which a reversal is not expected, will be realised. However, an elevated level of risks due to the instability in the financial market triggered by the financial problems in Europe, the appreciation of the Japanese yen and the slowing down of the pace of recovery in the advanced economies may result in a worsening of the Issuer's operating environment, which could in turn negatively affect the Issuer's ability to achieve the goals set in the Issuer's business plan, and future taxable income may decrease compared to the amount anticipated in the current tax planning strategies. In such cases, a valuation allowance may be recorded as the deferred tax assets may not be fully utilised, which may adversely affect the Issuer's consolidated operating results and financial condition.

FINAL TERMS



mitsui & co., ltd.
(Incorporated with limited liability in Japan)

CNY500,000,000 4.25 per cent. Notes due 2017
Issue Price: 100 per cent.

issued pursuant to the
U.S.\$5,000,000,000 Euro Medium Term Note Programme

The Hongkong and Shanghai Banking Corporation Limited

Final Terms dated 24th February, 2012

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (the “**Conditions**”) set forth in the Offering Circular dated 24th February, 2012 (including documents incorporated therein) (the “**Offering Circular**”) which constitute listing particulars for the purposes of Chapter 4 of the Financial Services Authority’s Listing Rules. This document constitutes the final terms of the CNY Notes described herein and must be read in conjunction with the Offering Circular. The Offering Circular is available for viewing at Citibank, N.A., London Branch at 14th Floor, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB during normal business hours and copies may be obtained from Mitsui & Co. Financial Services (Europe) B.V. at 8th Floor, Rivierstaete, Amsteldijk 166, 1079 LH Amsterdam.

| | | |
|----|---|--|
| 1 | Issuer: | Mitsui & Co., Ltd. |
| 2 | (i) Series Number: | TKY007 |
| | (ii) Tranche Number: | 1 |
| 3 | Specified Currency or Currencies: | Renminbi (CNY) |
| 4 | Aggregate Nominal Amount of Notes : | |
| | (i) Series: | TKY007 |
| | (ii) Tranche: | 1 |
| 5 | Issue Price: | 100 per cent. of the Aggregate Nominal Amount |
| 6 | (i) Specified Denominations | CNY1,000,000, and in integral multiples of CNY10,000 in excess thereof up to and including CNY1,990,000. |
| | (ii) Calculation Amount | CNY10,000 |
| 7 | (i) Issue Date: | 1st March, 2012 |
| | (ii) Interest Commencement Date: | Issue Date |
| 8 | Maturity Date: | 1st March, 2017, subject to adjustment in accordance with the Modified Following Business Day Convention (without adjustment to the amount of interest payable). |
| 9 | Interest Basis: | 4.25 per cent. Fixed Rate <i>(further particulars specified below)</i> |
| 10 | Redemption/Payment Basis: | Redemption at par |
| 11 | Change of Interest or Redemption/Payment Basis: | Not Applicable |
| 12 | Investor Put/Issuer Call Option: | Not Applicable |
| 13 | (i) Status of the Notes: | Senior |
| | (ii) Date of board approval for issuance of Notes obtained: | 13th May, 2011 |
| 14 | Method of distribution: | Non-syndicated |

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

| | | |
|----|-----------------------------------|--|
| 15 | Fixed Rate Note Provisions | Applicable <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i> |
| | (i) Rate of Interest: | 4.25 per cent. per annum payable semi-annually in arrear |
| | (ii) Interest Payment Date(s): | 1st March and 1st September in each year adjusted in accordance with Modified Following Business Day Convention beginning on the Interest Payment Date falling on or nearest to 1st September, 2012 except that the last Interest Payment Date shall be the Maturity Date (subject to adjustment in accordance with the Modified |

| | | |
|---|--|---|
| | | Following Business Day Convention) |
| | (iii) Fixed Coupon Amount: | Not Applicable |
| | (iv) Broken Amount(s): | Not Applicable |
| | (v) Day Count Fraction (Condition 4(j)): | Actual/365 (Fixed) |
| | (vi) Interest Determination Date(s) (Condition 4(j)): | Not Applicable |
| | (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: | Further modifications to the Conditions as set out in the Annex hereto. |
| 16 | Floating Rate Note Provisions | Not Applicable |
| 17 | Zero Coupon Note Provisions | Not Applicable |
| 18 | Index Linked Interest Note Provisions/other variable-linked interest Note Provisions | Not Applicable |
| 19 | Dual Currency Note Provisions | Not Applicable |
| PROVISIONS RELATING TO REDEMPTION | | |
| 20 | Issuer Call Option | Not Applicable |
| 21 | Investor Put Option | Not Applicable |
| 22 | Final Redemption Amount of each Note (and any Maximum or Minimum Redemption Amount) | CNY10,000 per Calculation Amount |
| 23 | Early Redemption Amount | |
| | Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons (Condition 5(b)) or on an event of default (Condition 9) and/or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions): | CNY10,000 per Calculation Amount |
| GENERAL PROVISIONS APPLICABLE TO THE NOTES | | |
| 24 | Form of Notes: | Bearer Notes |
| | Temporary or permanent Global Note: | temporary Global Note exchangeable for a permanent Global Note which is exchangeable for definitive Notes in the circumstances specified in the permanent Global Note |
| 25 | Financial Centre(s) (Condition 6(g)) or other special provisions relating to payment dates: | Hong Kong as specified in Condition 6(a). |
| 26 | Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): | No |

- | | | |
|----|---|----------------|
| 27 | Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: | Not Applicable |
| 28 | Details relating to Instalment Notes: Instalment Amount and Instalment Date on which each payment is to be made: | Not Applicable |
| 29 | Redenomination, renominatisation and reconventioning provisions: | Not Applicable |
| 30 | Consolidation provisions: | Not Applicable |
| 31 | Other final terms or special conditions: | Not Applicable |

DISTRIBUTION

- | | | |
|----|---------------------------------------|---|
| 32 | (i) If syndicated, names of Managers: | Not Applicable |
| | (ii) Stabilising Manager (if any): | The Hongkong and Shanghai Banking Corporation Limited |
| 33 | If non-syndicated, name of Dealer: | The Hongkong and Shanghai Banking Corporation Limited |
| 34 | Additional selling restrictions: | Not Applicable |

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms.

Signed on behalf of the Issuer:

By: _____
Duly authorised

PART B – OTHER INFORMATION

1 LISTING

- (i) Listing: London/PSM
The Professional Securities Market of the London Stock Exchange is not a regulated market.
- (ii) Admission to trading: Application has been made for the CNY Notes to be admitted to trading on the Professional Securities Market of the London Stock Exchange with effect from the Issue Date.
- (iii) Estimate of total expenses related to admission to trading: £2975.00

2 RATINGS

Ratings: The Notes to be issued are rated:
Moody's Japan K.K.: A2

The Notes to be issued will have been and expected to be rated:
Standard & Poor's Ratings Japan K.K.: A+

Moody's Japan K.K. and Standard & Poor's Ratings Japan K.K. are not established in the European Union and have not applied for registration under Regulation (EC) No 1060/2009 (the "CRA Regulation"). However, Moody's Investor Services Ltd. and Standard & Poor's Credit Market Services Europe Limited, which are affiliates of Moody's Japan K.K. and Standard & Poor's Ratings Japan K.K., respectively, are established in the European Union and registered under the CRA Regulation indicating an intention to endorse the ratings of certain of their respective non-EU affiliates. Moody's Japan K.K. and Standard & Poor's Ratings Japan K.K. are registered with the Financial Services Agency of Japan.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

3 ESTIMATED NET PROCEEDS

Estimated net proceeds: CNY500,000,000
(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)

4 FIXED RATE NOTES ONLY – YIELD

Indication of yield: 4.25 per cent.
The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

5 OPERATIONAL INFORMATION

ISIN Code: XS0750695883

Common Code: 075069588

Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, *société anonyme* and the relevant identification number(s): Not Applicable

Delivery: Delivery against payment

Names and address(es) of additional Paying Agent(s) (if any): Not Applicable

6 GENERAL

Applicable TEFRA exemption D Rules

Annex to the Final Terms

The Conditions shall be further modified as set forth below for the purposes of the CNY Notes that are subject to these Final Terms. For the purposes these Final Terms, the terms “the Notes” and “the Noteholders” contained below shall be construed as “the CNY Notes” and “the CNY Noteholders”, respectively:

Condition 6 (Payment and Talons)

(h) Payment of U.S. Dollar Equivalent:

Notwithstanding the provisions of Condition 6(a) and all other provisions in the Conditions, if by reason of Inconvertibility, Non-transferability or Illiquidity, the Issuer is not able, or it would be impracticable for it, to satisfy payments of principal or interest (in whole or in part) in respect of Notes when due in Renminbi in Hong Kong, the Issuer, on giving not less than five or more than 30 days' irrevocable notice to the Noteholders prior to the due date for payment, settle any such payment (in whole or in part) in U.S. dollars on the due date at the U.S. Dollar Equivalent of any such Renminbi denominated amount.

In such event, payments of the U.S. Dollar Equivalent of the relevant principal or interest in respect of the Notes shall be made by a U.S. dollar denominated cheque drawn on a bank in New York City or by transfer to a U.S. dollar bank account in New York City specified by the Noteholder.

The Issuing and Principal Paying Agent will notify the Issuer of the calculation of the U.S Dollar Equivalent as soon as reasonably practical following the calculation thereof by the Issuing and Principal Paying Agent.

In the event of a payment pursuant to this Condition 6(h), the following modification shall be made in respect of the Conditions:

The definition of “**Business Day**” in Condition 4(j)(iii) shall mean a day (other than a Saturday, Sunday or public holiday) on which commercial banks and foreign exchange markets are open for business in the relevant place of presentation and on which foreign exchange transactions may be carried out in U.S. dollars in New York City.

Under this Condition 6(h), in place of payment by transfer to an account maintained by the Noteholder in Renminbi with a bank in Hong Kong under Condition 6(a), payment shall be made by transfer to a US dollar account maintained by the Noteholder.

For the purposes of this Condition 6(h):

“**CNY Dealer**” means an independent foreign exchange dealer of international repute active in the Renminbi exchange market in Hong Kong;

“**Governmental Authority**” means any de facto or de jure government (or any agency or instrumentality thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) of Hong Kong;

“**Illiquidity**” means the general Renminbi exchange market in Hong Kong becomes illiquid as a result of which the Issuer cannot obtain sufficient Renminbi in order to satisfy its obligation to pay interest and principal (in whole or in part) in respect of the Notes, as determined by the Issuer in good faith and in a commercially reasonable manner following consultation with two CNY Dealers;

“**Inconvertibility**” means the occurrence of any event that makes it impossible for the Issuer to convert any amount due in respect of the Notes in the general Renminbi exchange market in Hong Kong, other than where such impossibility is due solely to the failure of the Issuer to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is

enacted after 1st March, 2012 and it is impossible for the Issuer, due to an event beyond its control, to comply with such law, rule or regulation);

“Non-transferability” means the occurrence of any event that makes it impossible for the Issuer to deliver Renminbi between accounts inside Hong Kong or from an account inside Hong Kong to an account outside Hong Kong, other than where such impossibility is due solely to the failure of the Issuer to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after 1st March, 2012 and it is impossible for the Issuer, due to an event beyond its control, to comply with such law, rule or regulation);

“Rate Calculation Business Day” means a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange) in Hong Kong and in New York City;

“Rate Calculation Date” means the day which is two Rate Calculation Business Days before the due date of the relevant amount under these Conditions;

“Spot Rate”, means the spot Renminbi/U.S. dollar exchange rate for the purchase of U.S. dollars with Renminbi in the over-the-counter Renminbi exchange market in Hong Kong for settlement in two Rate Calculation Business Days, as determined by the Issuing and Principal Paying Agent in good faith and in a commercially reasonable manner at or around 11:00 a.m. (Hong Kong time) on the date of determination, on a deliverable basis by reference to Reuters Screen Page TRADCNY3, or if no such rate is available, on a non-deliverable basis by reference to Reuters Screen Page TRADNDF. If neither rate is available, the Issuing and Principal Paying Agent in good faith and in a commercially reasonable manner will determine the Spot Rate at or around 11:00 a.m. (Hong Kong time) on the date of determination as the most recently available Renminbi/U.S. dollar official fixing rate for settlement in two Rate Calculation Business Days reported by The State Administration of Foreign Exchange of the PRC, which is reported on the Reuters Screen Page CNY=SAEC. Reference to a page on the Reuters Screen means the display page so designated on the Reuter Monitor Money Rates Service (or any successor service) or such other page as may replace that page for the purpose of displaying a comparable currency exchange rate; and

“U.S. Dollar Equivalent” means the Renminbi amount converted into U.S. dollars using the Spot Rate for the relevant Rate Calculation Date.

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 6(h) by the Issuing and Principal Paying Agent, will (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Agents and all Noteholders.

USE OF PROCEEDS

The net proceeds of the issue of the CNY Notes will be used for general corporate purposes by the Issuer. However, there is a possibility that a part of the net proceeds may be used for direct investments in a project overseas, which has not yet been specifically determined by the Issuer.

GENERAL INFORMATION

- (1) The Board of Directors' meeting of the Issuer duly passed a resolution on 13th May, 2011, approving the issue of the Notes under its U.S.\$5,000,000,000 Euro Medium Term Note Programme for the period from 1st June 2011 to the last day of May 2012, subject to certain limitations on the maximum amount to be issued within such period and other restrictions. The issue of the CNY Notes is within the scope authorised by such resolution.
- (2) The CNY Notes will be listed on the Professional Securities Market of the London Stock Exchange.
- (3) There has been no significant change in the financial or trading position of Mitsui since 31st December, 2011 and no material adverse change in the financial position or prospects of Mitsui since 31st March, 2011.
- (4) Neither the Issuer nor any other member of Mitsui is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this Offering Circular which may have or have in such period had a significant effect on the financial position or profitability of Mitsui.
- (5) The CNY Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The Common Code for the CNY Notes is 075069588, and the International Securities Identification Number (ISIN) is XS0750695883.
- (6) Deloitte Touche Tohmatsu LLC, an Independent Registered Public Accounting Firm, (registered by the Public Company Accounting Oversight Board (United States)), has audited, and rendered unqualified reports on, the consolidated financial statements of the Issuer for the two years ended 31st March, 2011.
- (7) The European Union has adopted a Directive regarding the taxation of savings income. The Directive requires Member States to provide to the tax authorities of other Member States details of payments of interest and other similar income paid by a person to an individual in another Member State, except that Austria and Luxembourg are instead imposing a withholding system for a transitional period unless during such period they elect otherwise.

INDEX TO THE INTERIM FINANCIAL INFORMATION

MITSUI & CO., LTD.

The interim financial information included in this Offering Circular has been derived from the English translation of the quarterly consolidated financial statements (shi hanki houkoku sho) of the Issuer for the nine-month period ended 31st December, 2011, which were prepared and presented in accordance with U.S. GAAP and filed as part of the quarterly securities report with the Director of the Kanto Local Finance Bureau of the Ministry of Finance of Japan on 13th February, 2012.

The English translation of the quarterly consolidated financial statements has not been audited or reviewed by the auditors to the Issuer. The Issuer confirms that such English translation is direct and accurate. Material differences exist between U.S. GAAP and International Financial Reporting Standards which might be material to the financial information herein. Prospective investors must make their own assessment of any such differences.

Consolidated Interim Financial Information

| | <i>Page</i> |
|---|-------------|
| Consolidated Balance Sheets as of 31st December, 2011 and 31st March, 2011 | Q-2 |
| Consolidated Statements of Income and Comprehensive Income for the nine-month and the three-month periods ended 31st December, 2011 and 2010..... | Q-4 |
| Consolidated Statements of Cash Flows for the nine-month periods ended 31st December, 2011 and 2010 | Q-8 |
| Notes to Consolidated Financial Statements | Q-9 |

Consolidated Balance Sheets
Mitsui & Co., Ltd. and subsidiaries
December 31, 2011 and March 31, 2011

| | Millions of Yen | |
|---|----------------------|--------------------|
| | December 31, 2011 | March 31, 2011 |
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents (Notes 1 and 3)..... | ¥ 1,297,883 | ¥ 1,441,059 |
| Time deposits..... | 3,630 | 2,574 |
| Marketable securities (Notes 1, 3 and 15)..... | 1,382 | 5,602 |
| Trade receivables (Notes 4 and 5): | | |
| Notes and loans, less unearned interest | 325,596 | 297,552 |
| Accounts | 1,549,987 | 1,463,601 |
| Associated companies | 111,221 | 160,133 |
| Allowance for doubtful receivables (Note 1) | (16,734) | (16,368) |
| Inventories (Notes 1, 5, 12 and 13)..... | 577,274 | 467,355 |
| Advance payments to suppliers | 124,974 | 124,634 |
| Deferred tax assets—current (Note 1) | 40,179 | 41,372 |
| Derivative assets (Notes 1, 13 and 15)..... | 72,670 | 95,619 |
| Other current assets | 238,349 | 234,509 |
| Total current assets | 4,326,411 | 4,317,642 |
| Investments and Non-current Receivables (Notes 1 and 5): | | |
| Investments in and advances to associated companies (Notes 3, 4, 9 and 15)..... | 1,628,219 | 1,600,818 |
| Other investments (Notes 3 and 15)..... | 730,911 | 859,843 |
| Non-current receivables, less unearned interest (Notes 4, 13 and 15)..... | 423,840 | 457,495 |
| Allowance for doubtful receivables (Note 4)..... | (33,846) | (42,414) |
| Property leased to others—at cost, less accumulated depreciation | 261,702 | 259,682 |
| Total investments and non-current receivables | 3,010,826 | 3,135,424 |
| Property and Equipment—at Cost (Notes 1, 5 and 15): | | |
| Land, land improvements and timberlands | 195,774 | 148,716 |
| Buildings, including leasehold improvements | 378,578 | 360,648 |
| Equipment and fixtures..... | 1,188,191 | 1,077,930 |
| Mineral rights (Note 16) | 143,735 | 161,840 |
| Vessels..... | 41,077 | 38,900 |
| Projects in progress (Note 16) | 139,866 | 142,960 |
| Total | 2,087,221 | 1,930,994 |
| Accumulated depreciation | (945,368) | (900,246) |
| Net property and equipment | 1,141,853 | 1,030,748 |
| Intangible Assets, less Accumulated Amortization (Notes 1 and 15)..... | 111,250 | 87,525 |
| Deferred Tax Assets—Non-current (Note 1) | 16,334 | 14,522 |
| Other Assets | 10,669 | 12,263 |
| Total..... | ¥ 8,617,343 | ¥ 8,598,124 |

See notes to consolidated financial statements

Consolidated Balance Sheets—(Continued)

**Mitsui & Co., Ltd. and subsidiaries
December 31, 2011 and March 31, 2011**

| | Millions of Yen | |
|--|----------------------|--------------------|
| | December 31, 2011 | March 31, 2011 |
| LIABILITIES AND EQUITY | | |
| Current Liabilities: | | |
| Short-term debt (Note 5)..... | ¥ 284,952 | ¥ 250,062 |
| Current maturities of long-term debt (Notes 5 and 13)..... | 370,531 | 308,883 |
| Trade payables: | | |
| Notes and acceptances..... | 47,809 | 41,049 |
| Accounts..... | 1,321,115 | 1,316,772 |
| Associated companies..... | 100,937 | 87,185 |
| Accrued expenses: | | |
| Income taxes (Note 1)..... | 85,613 | 67,946 |
| Interest..... | 15,125 | 17,530 |
| Other..... | 60,696 | 72,273 |
| Advances from customers..... | 111,243 | 127,960 |
| Derivative liabilities (Notes 1, 13 and 15)..... | 66,025 | 88,198 |
| Other current liabilities (Notes 1, 11 and 16)..... | 96,160 | 165,091 |
| Total current liabilities..... | <u>2,560,206</u> | <u>2,542,949</u> |
| Long-term Debt, less Current Maturities (Notes 5 and 13)..... | <u>2,876,040</u> | <u>2,818,529</u> |
| Accrued Pension Costs and Liability for Severance Indemnities (Note 1)..... | <u>38,059</u> | <u>37,054</u> |
| Deferred Tax Liabilities—Non-current (Note 1)..... | <u>263,506</u> | <u>316,031</u> |
| Other Long-term Liabilities (Notes 1, 11, 13 and 15)..... | <u>279,063</u> | <u>330,227</u> |
| Contingent Liabilities (Notes 5, 11 and 16) | | |
| Equity (Note 7): | | |
| Mitsui & Co., Ltd. Shareholders' equity : | | |
| Common stock—no par value | | |
| Authorized, 2,500,000,000 shares; | | |
| Issued, 1,829,153,527 shares at December 31, 2011 | 341,482 | 341,482 |
| and 1,829,153,527 shares at March 31, 2011..... | | |
| Capital surplus..... | 431,119 | 430,152 |
| Retained earnings: | | |
| Appropriated for legal reserve..... | 64,490 | 61,763 |
| Unappropriated..... | 2,099,255 | 1,860,271 |
| Accumulated other comprehensive income (loss) (Note 1): | | |
| Unrealized holding gains and losses on available-for-sale securities (Note 3)..... | 47,799 | 96,657 |
| Foreign currency translation adjustments (Note 13)..... | (495,720) | (344,878) |
| Defined benefit pension plans..... | (55,862) | (58,544) |
| Net unrealized gains and losses on derivatives (Note 13)..... | (23,982) | (14,370) |
| Total accumulated other comprehensive loss..... | <u>(527,765)</u> | <u>(321,135)</u> |
| Treasury stock, at cost: 4,331,001 shares at December 31, 2011 | | |
| and 4,324,067 shares at March 31, 2011..... | <u>(6,350)</u> | <u>(6,341)</u> |
| Total Mitsui & Co., Ltd. shareholders' equity..... | <u>2,402,231</u> | <u>2,366,192</u> |
| Noncontrolling interests (Note 1)..... | <u>198,238</u> | <u>187,142</u> |
| Total equity..... | <u>2,600,469</u> | <u>2,553,334</u> |
| Total | <u>¥ 8,617,343</u> | <u>¥ 8,598,124</u> |

See notes to consolidated financial statements

Statements of Consolidated Income and Comprehensive Income
Mitsui & Co., Ltd. and subsidiaries
For the Nine-Month Periods Ended December 31, 2011 and 2010

Statements of Consolidated Income

| | Millions of Yen | |
|---|---|---|
| | Nine-Month Period Ended December 31, 2011 | Nine-Month Period Ended December 31, 2010 |
| Revenues (Notes 1, 9, 13 and 15): | | |
| Sales of products..... | ¥ 3,580,515 | ¥ 2,979,727 |
| Sales of services | 272,070 | 274,565 |
| Other sales..... | 94,234 | 119,481 |
| Total revenues..... | <u>3,946,819</u> | <u>3,373,773</u> |
| Total Trading Transactions (Note 1): | | |
| Nine-month period ended December 31, 2011, ¥7,839,096 million; | | |
| Nine-month period ended December 31, 2010, ¥7,368,955 million | | |
| Cost of Revenues (Notes 1, 9, 13 and 15): | | |
| Cost of products sold..... | 3,119,315 | 2,556,510 |
| Cost of services sold..... | 104,991 | 100,467 |
| Cost of other sales | 45,449 | 63,413 |
| Total cost of revenues..... | <u>3,269,755</u> | <u>2,720,390</u> |
| Gross Profit | <u>677,064</u> | <u>653,383</u> |
| Other Expenses (Income): | | |
| Selling, general and administrative (Notes 1 and 6)..... | 378,862 | 398,365 |
| Provision for doubtful receivables (Notes 1 and 4)..... | 8,840 | 6,446 |
| Interest income (Notes 1, 4 and 13)..... | (27,573) | (30,212) |
| Interest expense (Notes 1 and 13)..... | 31,463 | 30,895 |
| Dividend income | (51,437) | (39,639) |
| Gain on sales of securities—net (Notes 1, 2, 3, 7 and 13)..... | (14,623) | (5,108) |
| Loss on write-down of securities (Notes 1, 3 and 15)..... | 21,981 | 11,812 |
| Gain on disposal or sales of property and equipment—net..... | (5,044) | (863) |
| Impairment loss of long-lived assets (Notes 1, 15 and 16)..... | 5,214 | 3,114 |
| Impairment loss of goodwill (Notes 1 and 15)..... | 2,305 | - |
| Other (income) expenses—net (Notes 13 and 16)..... | (5,389) | 2,924 |
| Total other expenses (income)..... | <u>344,599</u> | <u>377,734</u> |
| Income before Income Taxes and Equity in Earnings | <u>332,465</u> | <u>275,649</u> |
| Income Taxes (Notes 1 and 10)..... | <u>141,527</u> | <u>148,781</u> |
| Income before Equity in Earnings | 190,938 | 126,868 |
| Equity in Earnings of Associated Companies—Net (Notes 9 and 15)..... | <u>176,303</u> | <u>171,523</u> |
| Net Income before Attribution of Noncontrolling Interests | 367,241 | 298,391 |
| Net Income Attributable to Noncontrolling Interests | <u>(26,993)</u> | <u>(22,569)</u> |
| Net Income Attributable to Mitsui & Co., Ltd | <u>¥ 340,248</u> | <u>¥ 275,822</u> |
| | Yen | |
| Net Income Attributable to Mitsui & Co., Ltd. per Share (Notes 1 and 8): | | |
| Basic..... | <u>186.46</u> | <u>151.16</u> |
| Diluted..... | <u>186.45</u> | <u>151.16</u> |

See notes to consolidated financial statements

Statements of Consolidated Comprehensive Income

| | Millions of Yen | |
|---|---|---|
| | Nine-Month Period Ended December 31, 2011 | Nine-Month Period Ended December 31, 2010 |
| Comprehensive Income (Note 1): | | |
| Net Income before Attribution of Noncontrolling Interests | ¥ 367,241 | ¥ 298,391 |
| Other Comprehensive Income (Loss) (after income tax effect) (Notes 1 and 7): | | |
| Unrealized holding losses on available-for-sale securities (Note 3)..... | (54,034) | (49,890) |
| Foreign currency translation adjustments (Note 13) | (159,069) | (124,085) |
| Defined benefit pension plans..... | 2,683 | 3,949 |
| Net unrealized losses on derivatives (Note 13)..... | (9,512) | (11,730) |
| Comprehensive Income before Attribution of Noncontrolling Interests | 147,309 | 116,635 |
| Comprehensive Income Attributable to Noncontrolling Interests (Note 7)..... | (13,884) | (5,614) |
| Comprehensive Income Attributable to Mitsui & Co., Ltd. | ¥ 133,425 | ¥ 111,021 |

See notes to consolidated financial statements

For the Three-Month Periods Ended December 31, 2011 and 2010

Statements of Consolidated Income

| | Millions of Yen | |
|---|--|--|
| | Three-Month Period Ended December 31, 2011 | Three-Month Period Ended December 31, 2010 |
| Revenues (Notes 1, 9, 13 and 15): | | |
| Sales of products..... | ¥ 1,196,725 | ¥ 1,031,177 |
| Sales of services..... | 91,832 | 93,477 |
| Other sales | 29,232 | 44,792 |
| Total revenues | 1,317,789 | 1,169,446 |
| Total Trading Transactions (Note 1): | | |
| Three-month period ended December 31, 2011, ¥2,605,509 million; | | |
| Three-month period ended December 31, 2010, ¥2,502,418 million | | |
| Cost of Revenues (Notes 1, 9, 13 and 15): | | |
| Cost of products sold | 1,041,283 | 890,485 |
| Cost of services sold | 36,947 | 35,016 |
| Cost of other sales..... | 16,421 | 28,384 |
| Total cost of revenues | 1,094,651 | 953,885 |
| Gross Profit | 223,138 | 215,561 |
| Other Expenses (Income): | | |
| Selling, general and administrative (Notes 1 and 6)..... | 124,517 | 133,851 |
| Provision for doubtful receivables (Notes 1 and 4)..... | 3,934 | 2,963 |
| Interest income (Notes 1, 4 and 13) | (9,186) | (10,850) |
| Interest expense (Notes 1 and 13)..... | 10,668 | 10,319 |
| Dividend income..... | (12,490) | (14,862) |
| Gain on sales of securities—net (Notes 1, 2, 3 and 7)..... | (2,695) | (3,894) |
| Loss on write-down of securities (Notes 1, 3 and 15) | 6,604 | 4,964 |
| Gain on disposal or sales of property and equipment—net | (3,653) | (974) |
| Impairment loss of long-lived assets (Notes 1 and 15)..... | 3,097 | 587 |
| Impairment loss of goodwill (Notes 1 and 15)..... | 445 | - |
| Other expenses—net (Note 13)..... | 1,072 | 6,932 |
| Total other expenses (income)..... | 122,313 | 129,036 |
| Income before Income Taxes and Equity in Earnings | 100,825 | 86,525 |
| Income Taxes (Notes 1 and 10) | 32,391 | 58,152 |
| Income before Equity in Earnings | 68,434 | 28,373 |
| Equity in Earnings of Associated Companies—Net (Notes 9 and 15)..... | 52,309 | 71,570 |
| Net Income before Attribution of Noncontrolling Interests | 120,743 | 99,943 |
| Net Income Attributable to Noncontrolling Interests | (7,756) | (7,355) |
| Net Income Attributable to Mitsui & Co., Ltd | ¥ 112,987 | ¥ 92,588 |
| | Yen | |
| Net Income Attributable to Mitsui & Co., Ltd. per Share (Notes 1 and 8): | | |
| Basic | 61.92 | 50.74 |
| Diluted..... | 61.92 | 50.74 |

See notes to consolidated financial statements

Statements of Consolidated Comprehensive Income

| | Millions of Yen | |
|---|--|--|
| | Three-Month Period Ended December 31, 2011 | Three-Month Period Ended December 31, 2010 |
| Comprehensive Income (Note 1): | | |
| Net Income before Attribution of Noncontrolling Interests | ¥ 120,743 | ¥ 99,943 |
| Other Comprehensive Income (Loss) (after income tax effect) (Notes 1 and 7): | | |
| Unrealized holding (losses) gains on available-for-sale securities (Note 3)..... | (6,408) | 23,494 |
| Foreign currency translation adjustments (Note 13) | 61,110 | (7,440) |
| Defined benefit pension plans..... | 528 | 1,647 |
| Net unrealized losses on derivatives (Note 13)..... | (239) | (4,258) |
| Comprehensive Income before Attribution of Noncontrolling Interests | 175,734 | 113,386 |
| Comprehensive Income Attributable to Noncontrolling Interests (Note 7)..... | (9,563) | (8,220) |
| Comprehensive Income Attributable to Mitsui & Co., Ltd. | ¥ 166,171 | ¥ 105,166 |

See notes to consolidated financial statements

Statements of Consolidated Cash Flows

Mitsui & Co., Ltd. and subsidiaries
For the Nine-Month Periods Ended December 31, 2011 and 2010

| | Millions of Yen | |
|--|---|---|
| | Nine-Month Period Ended December 31, 2011 | Nine-Month Period Ended December 31, 2010 |
| Operating Activities: | | |
| Net income before attribution of noncontrolling interests | ¥ 367,241 | ¥ 298,391 |
| Adjustments to reconcile net income before attribution of noncontrolling interests to net cash provided by operating activities: | | |
| Depreciation and amortization | 108,918 | 111,399 |
| Pension and severance costs, less payments | 8,480 | 11,689 |
| Provision for doubtful receivables | 8,840 | 6,446 |
| Gain on sales of securities—net | (14,623) | (5,108) |
| Loss on write-down of securities | 21,981 | 11,812 |
| Gain on disposal or sales of property and equipment—net | (5,044) | (863) |
| Impairment loss of long-lived assets | 5,214 | 3,114 |
| Impairment loss of goodwill | 2,305 | - |
| Deferred income taxes | (3,387) | 17,864 |
| Equity in earnings of associated companies, less dividends received | (105,648) | (83,821) |
| Changes in operating assets and liabilities: | | |
| Increase in trade receivables | (97,794) | (121,155) |
| Increase in inventories | (113,330) | (85,688) |
| Increase in trade payables | 30,889 | 114,692 |
| Decrease (increase) in advance payments to suppliers | 27,696 | (465) |
| (Decrease) increase in advances from customers | (39,209) | 18,416 |
| Payment for the settlement of the oil spill incident in the Gulf of Mexico | (86,105) | - |
| Other—net | 30,264 | 72,945 |
| Net cash provided by operating activities | 146,688 | 369,668 |
| Investing Activities: | | |
| Net (increase) decrease in time deposits | (436) | 11,861 |
| Investments in and advances to associated companies | (138,308) | (92,455) |
| Sales of investments in and collection of advances to associated companies | 61,999 | 30,335 |
| Acquisitions of other investments, subsidiaries—net of cash acquired and others (Note 2) | (91,386) | (181,560) |
| Proceeds from sales and maturities of other investments | 83,185 | 59,826 |
| Increase in long-term loan receivables | (85,918) | (100,836) |
| Collection of long-term loan receivables | 80,083 | 69,158 |
| Additions to property leased to others and property and equipment | (248,766) | (226,023) |
| Proceeds from sales of property leased to others and property and equipment | 14,063 | 8,559 |
| Proceeds from sales of subsidiaries, net of cash held by subsidiaries | 6,538 | 18,677 |
| Net cash used in investing activities | (318,946) | (402,458) |
| Financing Activities: | | |
| Net increase in short-term debt | 23,485 | 84,222 |
| Proceeds from long-term debt | 398,431 | 319,070 |
| Repayments of long-term debt | (249,988) | (295,399) |
| Transactions with noncontrolling interests shareholders | (3,210) | 10,081 |
| Purchases of treasury stock—net | (9) | (239) |
| Payments of cash dividends | (98,571) | (56,590) |
| Net cash provided by financing activities | 70,138 | 61,145 |
| Effect of Exchange Rate Changes on Cash and Cash Equivalents | (41,056) | (26,881) |
| Cash and Cash Equivalents Included in Assets Held for Sale | - | (13,079) |
| Net Decrease in Cash and Cash Equivalents | (143,176) | (11,605) |
| Cash and Cash Equivalents at Beginning of Period | 1,441,059 | 1,401,399 |
| Cash and Cash Equivalents at End of Period | ¥ 1,297,883 | ¥ 1,389,794 |

See notes to consolidated financial statements

Notes to Consolidated Financial Statements

Mitsui & Co., Ltd. and subsidiaries

1. BASIS OF FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

I. BASIS OF FINANCIAL STATEMENTS

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

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

Total trading transactions, as presented in the accompanying Statements of Consolidated Income, are voluntary disclosures, and represent the gross transaction volume as the aggregate nominal value of the sales contracts in which the companies act as a principal and the commissions in which the Company and certain subsidiaries serve as an agent.

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

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation

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

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

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

Certain subsidiaries with a Third-quarter-end on or after September 30, but prior to the parent company’s Third-quarter-end of December 31, are included on the basis of the subsidiaries’ respective Third-quarter-ends.

Foreign currency translation

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

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

Cash equivalents

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

Allowance for credit losses

The companies have loans and trade receivables relating to businesses with corporate customers (“corporate business”) and financial business with retail customers (“retail finance business”).

If the debtor is under litigation or if there is significant difficulty in collecting receivables considering the debtor’s financial condition, an allowance for credit loss of the doubtful receivables which are deemed to be impaired. The allowance is based on the latest information of the debtor and is measured individually based on the present value of expected cash flows discounted with the original effective interest rate of the loan or the fair value of the collateral if the loan is collateral dependent.

Other than the cases above, as for the corporate businesses, an allowance for credit losses is measured collectively based primarily upon the companies’ historical credit loss experiences and an evaluation of the potential losses for all receivables. As for the retail finance business, some subsidiaries engaged in the business of providing financial services for the purchase of automobiles and motorcycles have credit risks relating to retail customers. Those subsidiaries record an allowance for doubtful receivables collectively based on each subsidiaries’ historical credit loss ratio based on dates past due of the receivables considering the current economic situation.

Loans or trade receivables are charged-off when certain conditions are met. The following are the cases loans and trade receivables are charged-off: cutoff of loans and receivables by legal liquidation, obtainment of evident facts that suggest that it is impossible for the debtors to repay their debts from their perceived solvency and/or asset situation, and arrearage of payment after a certain period of time after a suspension of business operations.

Inventories

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

Derivative instruments and hedging activities

In accordance with ASC 815, "Derivatives and Hedging," all derivative instruments are recognized and measured at fair value as either assets or liabilities in the Consolidated Balance Sheets. The accounting for changes in the fair value depends on the intended use of the derivative instruments and their resulting hedge designation. On the Consolidated Balance Sheets, the companies offset fair value amounts recognized for the right to reclaim cash collateral (a receivable) or the obligation to return cash collateral (a payable) against fair value amounts recognized for derivative instruments executed with the same counterparty under the same master netting arrangement.

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

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

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

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

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

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

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

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

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

Changes in the fair value of derivative financial instruments, for which hedge requirements are not met, are currently recognized in interest income and expense for interest rate swap agreements and in mainly other (income) expense-net for foreign exchange forward contracts, currency swap agreements and interest rate and currency swap agreements.

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

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

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

Debt and marketable equity securities

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

Securities are classified as trading securities and carried at fair value only if the companies possess those securities for the purpose of purchase and sale. Unrealized holding gains and losses are included in earnings.

Debt securities are classified as held-to-maturity and measured at amortized cost in the Consolidated Balance Sheets only if the companies have the positive intent and ability to hold those securities to maturity. Premiums and discounts amortized in the period are included in interest income.

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

For other than a temporary decline in the value of debt and marketable equity securities below their cost or amortized cost, the investment is reduced to its fair value, which becomes the new cost basis of the investment. The amount of the reduction is reported as a loss for the period in which such determination is made. Whether the decline in the value of marketable equity securities is other than temporary is judged by reviewing various factors, such as the extent by which the cost exceeds the market value, the duration of the market decline, the financial condition and near-term prospects of the issuer, foreign exchange rates, and the intent and ability to retain the investment for a period of time sufficient to allow for any anticipated recovery in market value. Debt securities are reduced to their fair value, when the companies intend to sell the debt security or it is more likely than not that the companies will be required to sell the security prior to recovery of its amortized cost basis. When the companies do not intend to sell the security and it is not

more likely than not that the companies will be required to sell the security before recovery of its amortized cost basis, the companies will recognize the credit component of an other-than-temporary impairment of the debt security in earnings and the noncredit component in other comprehensive income (loss).

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

Non-marketable equity securities

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

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

Investments in associated companies

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

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

Leasing

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

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

Property and equipment

Property and equipment are stated at cost.

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

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

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

Impairment of long-lived assets

Long-lived assets to be held and used or to be disposed of other than by sale are reviewed, by using

undiscounted future cash flows, for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If the sum of the undiscounted expected future cash flows is less than the carrying amount of the asset, an impairment loss is recognized. Such impairment loss is measured as the amount by which the carrying amount of the asset exceeds its fair value. Long-lived assets to be disposed of by sale are reported at the lower of carrying amount or fair value less cost to sell.

Business combinations

In accordance with ASC 805, "Business Combinations," the acquisition method of accounting which requires the measurement of the fair value of all of the assets and liabilities of an acquired company, including noncontrolling interests, is used for all business combinations from April 1, 2009. The companies separately recognize and report acquired intangible assets as goodwill or other intangible assets. Any excess of fair value of acquired net assets over cost arising from a business combination is recognized as a gain from a bargain purchase. In a business combination achieved in stages, its previously held equity interest is remeasured at its acquisition date fair value and the resulting gains or losses are recognized in earnings.

Goodwill and other intangible assets

Goodwill is not amortized but tested for impairment annually or more frequently if impairment indicators arise. Identifiable intangible assets with a finite useful life are amortized over their respective estimated useful lives and reviewed for impairment in accordance with ASC 360, "Property, Plant and Equipment." Any identifiable intangible asset determined to have an indefinite useful life is not amortized, but instead tested for impairment in accordance with ASC 350, "Intangibles-Goodwill and Other," until its useful life is determined to be no longer indefinite.

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

Oil and gas producing activities

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

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

Mining operations

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

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

Asset retirement obligations

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

Pension and severance indemnities plans

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

Guarantees

In accordance with ASC 460, “Guarantees,” the companies recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken for the guarantee.

Revenue recognition

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

Sales of products

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

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

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

Sales of services

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

Other sales

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

Research and development expenses

Research and development costs are charged to expenses when incurred.

Advertising expenses

Advertising costs are charged to expenses when incurred.

Income taxes

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

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

Net income per share

Basic net income per share attributable to Mitsui & Co., Ltd. is computed by dividing net income attributable to Mitsui & Co., Ltd. by the weighted-average number of common shares outstanding for the period. Diluted net income per share attributable to Mitsui & Co., Ltd. reflects the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted into common shares.

Subsequent events

The Company has evaluated subsequent events by February 13, 2012.

III. RECLASSIFICATION

During the nine-month period ended December 31, 2011 and three-month period ended December 31, 2011, comprehensive income which was formerly included in the Statements of Changes in Consolidated Equity is now presented in the Statements of Consolidated Comprehensive Income (Loss). Changes in total equity and noncontrolling interests which were formerly included in the Statements of Changes in Consolidated Equity are now disclosed in Note 7, "Equity."

This change and other certain reclassifications and format changes have also been made to amounts for the nine-month period ended December 31, 2010 and for the three-month period ended December 31, 2010 to conform to the current period presentation.

IV. DISCONTINUED OPERATIONS

The companies have the policy of presenting the results of discontinued operations (including operations of a subsidiary that either has been disposed of or is classified as held for sale) as a separate line in the Statements of Consolidated Income under income or loss from discontinued operations—net (after income tax effect).

The figures of discontinued operations for the nine-month period ended December 31, 2011 and 2010 were not reclassified due to their immateriality to the companies' financial position and results of operations.

V. NEW ACCOUNTING STANDARDS

Multiple-deliverable revenue arrangements

Effective April 1, 2011, the companies adopted the new provisions in ASC 605-25, "Revenue Recognition—Multiple-Element Arrangements," which the FASB issued as ASU 2009-13, "Multiple-Deliverable Revenue Arrangements."

ASU 2009-13 amends the provisions in ASC 605-25 for treating multiple deliverables in a revenue arrangement as separate units of accounting, and permits using a best estimate of selling price in allocating arrangement consideration to each deliverable if neither vendor-specific objective evidence nor third-party evidence is available. The provisions also expand the disclosure requirements for such arrangements.

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

Revenue arrangements with software elements

Effective April 1, 2011, the companies adopted the new provisions in ASC 985-605, "Software—Revenue Recognition," which the FASB issued as ASU 2009-14, "Certain Revenue Arrangements That Include Software Elements."

ASU 2009-14 amends the provisions in ASC 985-605, clarifies the scope of the software revenue guidance for revenue arrangements that include both tangible products and software elements, and provides guidance on allocating revenue for such arrangements.

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

Fair value measurements

Effective April 1, 2011, the companies adopted the new provisions in ASC 820, “Fair Value Measurements and Disclosures,” which the FASB issued as ASU 2010-06, “Improving Disclosures about Fair Value Measurements,” for Level 3 reconciliations. The new provisions require the changes attributable to purchases, sales, issuances and settlements to be disclosed separately.

The adoption of these provisions had no impact on the companies’ financial position and results of operations.

Clarification on troubled debt restructurings by creditors

Effective July 1, 2011, the companies adopted the new provisions in ASC 310-40, “Receivables—Troubled Debt Restructurings by Creditors,” which the FASB issued as ASU 2011-02, “A Creditor’s Determination of Whether a Restructuring Is a Troubled Debt Restructuring.”

ASU 2011-02 amends the provisions in ASC 310-40, and clarifies the guidance on evaluating whether a restructuring constitutes a troubled debt restructuring.

These provisions have been applied retrospectively from April 1, 2011. However, the effect of the adoption of these provisions on the companies’ financial position and results of operations was immaterial.

2. BUSINESS COMBINATIONS

For the nine-month period ended December 31, 2011

Multigrain AG

The Company entered into a definitive agreement to acquire 44.2% of Multigrain AG (“MAG”) shares held by CHS Inc. through its subsidiary CHSIH SARL, and 9.7% of MAG shares held by PMG Trading AG on March 17, 2011 and April 28, 2011, respectively. The Company acquired these shares for a total consideration of ¥22,068 million (U.S. \$274 million) on May 6, 2011. As a result of these acquisitions, MAG became a wholly owned subsidiary of the Company from an associated company. The Company remeasured its previously held equity interest to fair value, ¥18,095 million (U.S. \$225 million), based on the amounts paid to acquire these additional shares, and recognized a gain of ¥3,557 million. The gain is included in gain on sales of securities—net in the Statements of Consolidated Income for the nine-month period ended December 31, 2011.

MAG is involved in agricultural production, especially grain production, in Brazil, and in grain trading. The Company acquired additional shares in MAG in order to strengthen its agricultural production and grain trading business in Brazil, and to secure a stable supply of grain from Brazil to Asia and other markets.

The Company is in the process of determining its purchase price allocation, and recorded provisional amounts for assets acquired and liabilities assumed. The following table summarizes the acquisition-date fair values of such assets and liabilities provisionally recorded at September 30 and June 30, 2011. The provisional fair values recorded at December 31, 2011 have not changed since September 30, 2011.

| | Millions of Yen | |
|-----------------------------------|-----------------------|------------------|
| | September 30, 2011 | June 30, 2011 |
| Current assets..... | ¥ 56,928 | ¥ 56,928 |
| Property and equipment..... | 55,759 | 42,229 |
| Intangible assets..... | 7,109 | 15,889 |
| Investments and other assets..... | 9,381 | 9,381 |
| Total assets acquired..... | 129,177 | 124,427 |
| Current liabilities..... | (73,887) | (73,887) |
| Long-term liabilities..... | (15,127) | (10,377) |
| Total liabilities assumed..... | (89,014) | (84,264) |
| Net assets acquired..... | ¥ 40,163 | ¥ 40,163 |

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

A net decrease in cash and cash equivalents of ¥21,870 million arising from this business combination is included in acquisitions of other investments, subsidiaries—net of cash acquired and others in the Statements of Consolidated Cash Flows for the nine-month period ended December 31, 2011.

MicroBiopharm Japan Co., Ltd

On April 25, 2011, the Company entered into an agreement to acquire all the outstanding shares of MBS Co., Ltd., a wholly owned subsidiary of Mercian Corporation, that succeeded Mercian's pharmaceutical and chemical businesses by demerger (absorption-type split). This acquisition for ¥15,820 million in cash was closed on July 1, 2011. On the same day, MBS Co., Ltd. changed its name to MicroBiopharm Japan Co., Ltd. (“MicroBiopharm Japan”). As a result of a post-closing purchase price adjustment, the acquisition cost was changed to ¥15,180 during the three-month period ended December 31, 2011.

MicroBiopharm Japan applies its unique manufacturing technologies and combined know-how of biotechnology and fermentation technology to its manufacturing, contract manufacturing, and sales of pharmaceutical ingredients and intermediates, as well as manufacturing and sales of food additives and industrial chemical. The Company positions MicroBiopharm Japan as a core company in its pharmaceutical CMO business, and acquired shares of MicroBiopharm Japan in order to strengthen its CMO business by

utilizing MicroBiopharm Japan's unique manufacturing technologies, know-how, and development capabilities.

On January 5, 2012, the Company entered into a sales agreement to sell 20% of its interest in MicroBiopharm Japan to Toray Industries, Inc. This transaction was completed on January 6, 2012.

The Company is in the process of determining its purchase price allocation, and recorded provisional amounts for assets acquired and liabilities assumed. The following table summarizes the acquisition-date fair values of such assets and liabilities provisionally recorded at December 31 and September 30, 2011:

| | Millions of Yen | |
|-----------------------------------|----------------------|-----------------------|
| | December 31, 2011 | September 30, 2011 |
| Current assets..... | ¥ 1,138 | ¥ 1,138 |
| Property and equipment..... | 3,946 | 3,958 |
| Intangible assets..... | 3,788 | 3,103 |
| Investments and other assets..... | 7,216 | 8,529 |
| Total assets acquired..... | <u>16,088</u> | <u>16,728</u> |
| Current liabilities..... | (44) | - |
| Long-term liabilities..... | (864) | (908) |
| Total liabilities assumed..... | <u>(908)</u> | <u>(908)</u> |
| Net assets acquired..... | <u>¥ 15,180</u> | <u>¥ 15,820</u> |

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

A net decrease in cash and cash equivalents of ¥15,170 million arising from this business combination is included in acquisitions of other investments, subsidiaries—net of cash acquired and others in the Statements of Consolidated Cash Flows for the nine-month period ended December 31, 2011.

Portek International Limited

On July 13, 2011, the Company announced a voluntary conditional cash offer ("Offer") for all shares of Portek International Limited ("Portek"), and submitted the Offer to the Singapore Exchange Securities Trading Limited. The Offer price is Singapore \$1.4 per share. The Company acquired 100% of its shares for a total consideration of ¥13,741 million (Singapore \$214 million) on September 26, 2011.

Portek is a turnkey provider of equipment, services and solutions for the port industry globally as well as an operator of medium sized container and multipurpose ports in areas such as Asia, Africa, and Europe. The Company acquired Portek to expand the Company's logistics infrastructure and network in emerging countries.

The Company is in the process of determining its purchase price allocation, and recorded provisional amounts for assets acquired and liabilities assumed. The following table summarizes the acquisition-date fair values of such assets and liabilities provisionally recorded at December 31 and September 30, 2011:

| | Millions of Yen | |
|-----------------------------------|----------------------|-----------------------|
| | December 31, 2011 | September 30, 2011 |
| Current assets..... | ¥ 6,068 | ¥ 6,063 |
| Property and equipment..... | 3,626 | 3,626 |
| Intangible assets..... | 14,386 | 9,817 |
| Investments and other assets..... | 584 | 584 |
| Total assets acquired..... | <u>24,664</u> | <u>20,090</u> |
| Current liabilities..... | (3,385) | (3,370) |
| Long-term liabilities..... | (4,813) | (2,053) |

| | | |
|---------------------------|-----------------|-----------------|
| Total liabilities assumed | (8,198) | (5,423) |
| Noncontrolling interests | (2,725) | (926) |
| Net assets acquired | <u>¥ 13,741</u> | <u>¥ 13,741</u> |

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

A net decrease in cash and cash equivalents of ¥11,163 million arising from this business combination is included in acquisitions of other investments, subsidiaries—net of cash acquired and others in the Statements of Consolidated Cash Flows for the nine-month period ended December 31, 2011.

For the nine-month period ended December 31, 2010

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

On December 27, 2010, the Company entered into sales agreements to sell 20% of its interest in MT Falcon to a 100% subsidiary of Chubu Electric Power Co., Inc., and 10% of its interest to a 100% subsidiary of Tohoku Electric Power Co., Inc. These transactions were completed on March 30, 2011, and as a result, MT Falcon’s status within the Company changed from a 70% owned subsidiary to a 40% owned associated company.

The following table summarizes the fair values of the assets acquired and liabilities assumed at the acquisition date:

| | Millions of Yen |
|---------------------------------|------------------------|
| Current assets..... | ¥ 24,470 |
| Property leased to others..... | 101,468 |
| Property and equipment..... | 3,559 |
| Intangible assets..... | <u>9,021</u> |
| Total assets acquired..... | <u>138,518</u> |
| Current liabilities | (9,188) |
| Long-term liabilities | <u>(17,811)</u> |
| Total liabilities assumed | <u>(26,999)</u> |
| Net assets acquired | <u>¥ 111,519</u> |

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

A net decrease in cash and cash equivalents of ¥106,797 million arising from this business combination is included in acquisitions of other investments, subsidiaries—net of cash acquired and others in the Statements of Consolidated Cash Flows for the nine-month period ended December 31, 2010.

3. MARKETABLE SECURITIES AND OTHER INVESTMENTS

Debt and marketable equity securities

At December 31, 2011 and March 31, 2011, the cost, fair value and gross unrealized holding gains and losses on available-for-sale securities and the amortized cost, fair value and gross unrealized holding gains and losses on held-to-maturity debt securities were as follows:

| | Millions of Yen | | | | |
|--|-----------------|------------|-----------------------------------|-----------|-----------|
| | Cost | Fair value | Unrealized holding gains (losses) | | |
| | | | Gains | Losses | Net |
| December 31, 2011: | | | | | |
| Available-for-sale: | | | | | |
| Marketable equity securities (Japan) | ¥ 216,391 | ¥ 319,618 | ¥ 113,023 | ¥ (9,796) | ¥ 103,227 |
| Marketable equity securities (Non-Japan) | 14,537 | 33,835 | 19,835 | (537) | 19,298 |
| Preferred stock that must be redeemed | 63,631 | 50,396 | 851 | (14,086) | (13,235) |
| Government bonds | 20 | 20 | 0 | — | 0 |
| Other securities | 45 | 45 | 0 | — | 0 |
| March 31, 2011: | | | | | |
| Available-for-sale: | | | | | |
| Marketable equity securities (Japan) | ¥ 222,590 | ¥ 387,889 | ¥ 168,636 | ¥ (3,337) | ¥ 165,299 |
| Marketable equity securities (Non-Japan) | 12,309 | 41,725 | 29,432 | (16) | 29,416 |
| Preferred stock that must be redeemed | 75,593 | 72,232 | 1,671 | (5,032) | (3,361) |
| Government bonds | 5,022 | 5,022 | 0 | — | 0 |
| Other securities | 3,734 | 3,761 | 27 | — | 27 |

| | Millions of Yen | | | | |
|--|-----------------|------------|-----------------------------------|--------|-----|
| | Amortized cost | Fair value | Unrealized holding gains (losses) | | |
| | | | Gains | Losses | Net |
| December 31, 2011: | | | | | |
| Held-to-maturity debt securities | ¥ 2,141 | ¥ 2,141 | ¥ 0 | — | ¥ 0 |
| March 31, 2011: | | | | | |
| Held-to-maturity debt securities | ¥ 2,075 | ¥ 2,075 | ¥ 0 | — | ¥ 0 |

At December 31, 2011 and March 31, 2011, the companies did not hold available-for-sale securities with original maturities of three months or less included in cash and cash equivalents in the Consolidated Balance Sheets.

At December 31, 2011 and March 31, 2011, the fair value and gross unrealized holding losses on available-for-sale securities, aggregated by investment category and length of time that individual securities have been in continuous unrealized loss positions, were as follows:

| | Millions of Yen | | | |
|---|----------------------------|----------------------------------|--------------------------|----------------------------------|
| | Less than 12 months | | 12 months or more | |
| | Fair value | Unrealized holding losses | Fair value | Unrealized holding losses |
| December 31, 2011: | | | | |
| Available-for-sale: | | | | |
| Marketable equity securities..... | ¥ 93,177 | ¥ (10,333) | — | — |
| Debt securities, consisting of preferred stock that must be redeemed..... | 265 | (194) | ¥ 43,068 | ¥ (13,892) |
| Total..... | <u>¥ 93,442</u> | <u>¥ (10,527)</u> | <u>¥ 43,068</u> | <u>¥ (13,892)</u> |
| March 31, 2011: | | | | |
| Available-for-sale: | | | | |
| Marketable equity securities..... | ¥ 57,776 | ¥ (3,353) | — | — |
| Debt securities, consisting of preferred stock that must be redeemed..... | — | — | ¥ 61,163 | ¥ (5,032) |
| Total..... | <u>¥ 57,776</u> | <u>¥ (3,353)</u> | <u>¥ 61,163</u> | <u>¥ (5,032)</u> |

The companies' investments in available-for-sale securities in an unrealized holding loss position consisted primarily of marketable equity securities and preferred stock that must be redeemed. The unrealized losses on marketable equity securities were due principally to a temporary decline in the stock market. The companies evaluated the near-term prospects of the issuers of the equity securities in relation to the severity and duration of impairment. Based on that evaluation and the companies' ability and intent to hold these investments for a reasonable period of time sufficient for a forecasted recovery of fair value, the companies did not consider these investments to be other-than-temporarily impaired at December 31, 2011.

The unrealized losses on preferred stock that must be redeemed were due to a devaluation of foreign currencies against the yen in the foreign exchange market. For the currently redeemable portion of the preferred stock, losses on write-down were recognized to reflect the devaluation of foreign currencies considered to be other-than-temporary. For the non-current portion, the companies evaluated the prospects of the foreign exchange market for the period of maturity of the stock. Based on that evaluation, the companies did not consider this portion to be other-than-temporarily impaired at December 31, 2011.

For the nine-month periods ended December 31, 2011 and 2010, losses of ¥11,662 million and ¥7,065 million, respectively, were recognized on write-downs of available-for-sale securities to reflect the decline in their market values considered to be other-than-temporary.

For the three-month periods ended December 31, 2011 and 2010, losses of ¥4,911 million and ¥2,641 million, respectively, were recognized on write-downs of available-for-sale securities to reflect the decline in their market values considered to be other-than-temporary.

The portion of net trading gains and losses for the nine-month periods that relates to trading securities still held at December 31, 2011 and 2010 were as follows:

| | Millions of Yen | |
|-------------------------|------------------------|-------------|
| | 2011 | 2010 |
| Net trading losses..... | — | ¥ (3) |

The portion of net trading gains and losses for the three-month periods that relates to trading securities still held at December 31, 2011 and 2010 were as follows:

| | Millions of Yen | |
|------------------------|------------------------|-------------|
| | 2011 | 2010 |
| Net trading gains..... | — | ¥ 12 |

The proceeds from sales of available-for-sale securities and the gross gains and losses realized on those sales for the nine-month periods ended December 31, 2011 and 2010 were as follows:

| | Millions of Yen | |
|-----------------------------|-----------------|----------|
| | 2011 | 2010 |
| Proceeds from sales | ¥ 10,939 | ¥ 10,104 |
| Gross realized gains | ¥ 4,218 | ¥ 1,631 |
| Gross realized losses | (130) | (1,201) |
| Net realized gains | ¥ 4,088 | ¥ 430 |

The proceeds from sales of available-for-sale securities and the gross gains and losses realized on those sales for the three-month periods ended December 31, 2011 and 2010 were as follows:

| | Millions of Yen | |
|-----------------------------|-----------------|---------|
| | 2011 | 2010 |
| Proceeds from sales | ¥ 1,622 | ¥ 2,177 |
| Gross realized gains | ¥ 659 | ¥ 696 |
| Gross realized losses | (28) | (15) |
| Net realized gains | ¥ 631 | ¥ 681 |

Debt securities classified as available-for-sale and held-to-maturity at December 31, 2011 mature as follows:

| | Millions of Yen | | | |
|--------------------------------------|--------------------|----------------------|------------------|----------------------|
| | Available-for-sale | | Held-to-maturity | |
| | Amortized cost | Aggregate fair value | Amortized cost | Aggregate fair value |
| Contractual maturities: | | | | |
| Within 1 year | ¥ 6,250 | ¥ 6,867 | ¥ — | ¥ — |
| After 1 year through 5 years | 57,446 | 43,594 | 189 | 189 |
| After 5 years through 10 years | — | — | — | — |
| After 10 years | — | — | 1,951 | 1,951 |
| Total | ¥ 63,696 | ¥ 50,461 | ¥ 2,140 | ¥ 2,140 |

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

Investments other than debt and marketable equity securities

Investments other than investments in debt and marketable equity securities consisted primarily of non-marketable equity securities and non-current time deposits and amounted to ¥374,800 million and ¥422,930 million at December 31, 2011 and March 31, 2011, respectively. The estimation of the corresponding fair values at those dates was not practicable, as the fair value for the individual non-marketable securities held by the companies was not readily determinable at each balance sheet date.

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

Losses on write-downs of these investment securities recognized to reflect the declines in fair value considered to be other-than-temporary were ¥10,319 million and ¥4,748 million for the nine-month periods ended December 31, 2011 and 2010, respectively.

Losses on write-downs of these investment securities recognized to reflect the declines in fair value considered to be other-than-temporary were ¥1,693 million and ¥2,323 million for the three-month periods ended December 31, 2011 and 2010, respectively.

The aggregate carrying amount of the companies' non-marketable equity securities accounted for under the cost method totaled ¥321,019 million and ¥370,272 million at December 31, 2011 and March 31, 2011, respectively.

4. FINANCING RECEIVABLES AND RELATED ALLOWANCES

Portfolio segment

The financing receivables below are mainly loans and long-term receivables for the purpose of providing finance other than short term receivables. The amounts of recorded investment in financing receivables defined in ASC 310 and the analysis of the change in the related allowances as of December 31, 2011 were as follows.

| | Millions of Yen | | |
|--|-------------------------|----------------------------|-----------|
| | Corporate Businesses | Retail Finance Business | Total |
| Nine-month period ended December 31, 2011: | | | |
| Related Allowances | | | |
| Balance at March 31, 2011 | ¥ 42,693 | ¥ 7,210 | ¥ 49,903 |
| Credits charged off | (4,292) | (7,041) | (11,333) |
| Provision for doubtful receivables | (699) | 8,917 | 8,218 |
| Others | (5,146) | (751) | (5,897) |
| Balance at December 31, 2011 | ¥ 32,556 | ¥ 8,335 | ¥ 40,891 |
| Allowances Collectively Evaluated | 1,206 | 2,405 | 3,611 |
| Allowances Individually Evaluated | 31,350 | 5,930 | 37,280 |
| Financing Receivables | | | |
| Balance at December 31, 2011 | ¥ 389,828 | ¥ 130,277 | ¥ 520,105 |
| Financing Receivables with Collectively Evaluated | ¥ 336,583 | ¥ 120,407 | ¥ 456,990 |
| Financing Receivables with Individually Evaluated | 53,245 | 9,870 | 63,115 |

Note: "Others" principally includes the effect of deconsolidation of subsidiaries, transfer from other accounts and the effect of changes in foreign exchange rates.

| | Millions of Yen | | |
|--|-------------------------|----------------------------|----------|
| | Corporate Businesses | Retail Finance Business | Total |
| Three-month period ended December 31, 2011: | | | |
| Related Allowances | | | |
| Balance at September 30, 2011 | ¥ 37,827 | ¥ 7,935 | ¥ 45,762 |
| Credits charged off | (3,628) | (2,828) | (6,456) |
| Provision for doubtful receivables | (6) | 3,283 | 3,277 |
| Others | (1,637) | (55) | (1,692) |
| Balance at December 31, 2011 | ¥ 32,556 | ¥ 8,335 | ¥ 40,891 |

Note: "Others" principally includes the effect of deconsolidation of subsidiaries, transfer from other accounts and the effect of changes in foreign exchange rates.

Credit quality indicators

The companies engaged in businesses with corporate customers ("corporate businesses") assess and monitor financing receivables every quarter by classifying the receivables into two categories, performing financing receivables and nonperforming financing receivables. Certain receivables are classified as nonperforming financing receivables in accordance with an internal guideline for managing receivables. Receivables from counterparties that meet any of the following conditions are classified as nonperforming financing receivables.

- 1) Counterparties who have filed a petition for liquidation, adjustments, rehabilitation or reorganization under the Bankruptcy Act.
- 2) Counterparties experiencing suspension or discontinuance of business, as well as those who have found it impossible or extremely difficult to fulfill their payments or deliveries, due to deficits in equity or insolvency for a considerable period without prospects for business improvement, also those who have suffered from tremendous losses due to natural disasters, sudden changes of economic conditions, or similar catastrophes.

3) Counterparties from which amounts due have been outstanding for more than one year.

Companies engaged in financial business with retail customers (“retail finance business”) assess and monitor financing receivables every quarter by dates past due.

The amounts of recorded investments in financing receivables of the companies engaged in corporate businesses classified by Credit Quality Indicators were as follows. As for the financing receivables of the companies engaged in the retail finance business, refer to the table of Financing Receivables by Dates Past Due.

**Balance at December 31, 2011:
Corporate Businesses**

| Millions of Yen | | | | | | |
|---------------------|----------------------------|---------------------------|------------------|-------------------------|-----------------|------------------|
| | Mineral Resources & Energy | Global Marketing Networks | Consumer Service | Infrastructure Projects | Others | Total |
| Performing | ¥ 51,550 | ¥ 34,841 | ¥ 12,922 | ¥ 187,239 | ¥ 63,474 | ¥ 350,026 |
| Nonperforming | 3,729 | 11,670 | 6,428 | 8,682 | 9,293 | 39,802 |
| Total | <u>¥ 55,279</u> | <u>¥ 46,511</u> | <u>¥ 19,350</u> | <u>¥ 195,921</u> | <u>¥ 72,767</u> | <u>¥ 389,828</u> |

**Balance at March 31, 2011:
Corporate Businesses**

| Millions of Yen | | | | | | |
|---------------------|----------------------------|---------------------------|------------------|-------------------------|-----------------|------------------|
| | Mineral Resources & Energy | Global Marketing Networks | Consumer Service | Infrastructure Projects | Others | Total |
| Performing | ¥ 55,241 | ¥ 35,914 | ¥ 12,468 | ¥ 229,340 | ¥ 68,761 | ¥ 401,724 |
| Nonperforming | 5,217 | 12,057 | 11,512 | 10,334 | 13,379 | 52,499 |
| Total | <u>¥ 60,458</u> | <u>¥ 47,971</u> | <u>¥ 23,980</u> | <u>¥ 239,674</u> | <u>¥ 82,140</u> | <u>¥ 454,223</u> |

Corporate Businesses are mainly classified into the following business areas.

Mineral Resources & Energy Business Area: Mineral & Metal Resources, Energy

Global Marketing Networks Business Area: Iron & Steel Products, Motor Vehicles & Construction Machinery, Chemical

Consumer Service Business Area: Foods & Retail, Consumer Service & IT, Financial & New Business

Infrastructure Projects Business Area: Infrastructure Projects, Marine & Aerospace, Transportation Logistics

Financing receivables by dates past due

The amounts of recorded investments in financing receivables classified by dates past due were as follows:

**Balance at December 31, 2011:
Corporate Businesses**

| Millions of Yen | | | | | | |
|--|----------------------------|---------------------------|------------------|-------------------------|-----------------|------------------|
| | Mineral Resources & Energy | Global Marketing Networks | Consumer Service | Infrastructure Projects | Others | Total |
| Less than 90 days (including not past due) | ¥ 51,823 | ¥ 38,727 | ¥ 14,177 | ¥ 186,311 | ¥ 68,580 | ¥ 359,618 |
| 90 days or more | 3,456 | 7,784 | 5,173 | 9,610 | 4,187 | 30,210 |
| Total | <u>¥ 55,279</u> | <u>¥ 46,511</u> | <u>¥ 19,350</u> | <u>¥ 195,921</u> | <u>¥ 72,767</u> | <u>¥ 389,828</u> |

Retail Finance Business

| | <u>Millions of Yen</u> | |
|---|------------------------|----------------|
| Less than 30 days (including not past due) | ¥ | 116,192 |
| 30-89 days past due..... | | 4,906 |
| 90-179 days past due..... | | 3,473 |
| 180-359 days past due..... | | 4,753 |
| 360 days or more past due | | <u>953</u> |
| Total | ¥ | <u>130,277</u> |

As for the companies engaged in corporate businesses and retail finance business, the recorded investments of financing receivables of 90 days or more past due and accruing were considered minor.

**Balance at March 31, 2011:
Corporate Businesses**

| | <u>Millions of Yen</u> | | | | | |
|---|---|--|-----------------------------|------------------------------------|-----------------|------------------|
| | <u>Mineral Resources & Energy</u> | <u>Global Marketing Networks</u> | <u>Consumer Service</u> | <u>Infrastructure Projects</u> | <u>Others</u> | <u>Total</u> |
| Less than 90 days (including not past due) | ¥ 53,824 | ¥ 40,863 | ¥ 14,924 | ¥ 228,906 | ¥ 75,718 | ¥ 414,235 |
| 90 days or more | <u>6,634</u> | <u>7,108</u> | <u>9,056</u> | <u>10,768</u> | <u>6,422</u> | <u>39,988</u> |
| Total | <u>¥ 60,458</u> | <u>¥ 47,971</u> | <u>¥ 23,980</u> | <u>¥ 239,674</u> | <u>¥ 82,140</u> | <u>¥ 454,223</u> |
| 90 days or more past due and accruing..... | ¥ — | ¥ — | ¥ — | ¥ 126 | ¥ — | ¥ 126 |

Retail Finance Business

| | <u>Millions of Yen</u> | |
|---|------------------------|----------------|
| Less than 30 days (including not past due) | ¥ | 113,831 |
| 30-89 days past due..... | | 4,217 |
| 90-179 days past due..... | | 3,477 |
| 180-359 days past due..... | | 3,121 |
| 360 days or more past due | | <u>1,321</u> |
| Total | ¥ | <u>125,967</u> |

As for the companies engaged in retail finance business, the recorded investment of financing receivables of 90 days or more past due and accruing was considered minor.

Impaired financing receivables

The amounts of recorded investments in the impaired financing receivables were as follows.

Balance at December 31, 2011:

| | Millions of Yen | | | | | | | |
|--|----------------------------|----------------|---------------------------|----------------|------------------|---------------|-------------------------|----------------|
| | Corporate Businesses | | | | | | | |
| | Mineral Resources & Energy | | Global Marketing Networks | | Consumer Service | | Infrastructure Projects | |
| | Receivable | Allowance | Receivable | Allowance | Receivable | Allowance | Receivable | Allowance |
| With allowance for credit losses | ¥16,965 | ¥ 3,352 | ¥11,244 | ¥ 9,301 | ¥6,778 | ¥ 6,041 | ¥8,637 | ¥ 7,973 |
| Without allowance for credit losses | — | — | 524 | — | 677 | — | 262 | — |
| Total | ¥16,965 | ¥ 3,352 | ¥11,768 | ¥ 9,301 | ¥7,455 | ¥6,041 | ¥8,899 | ¥ 7,973 |
| Average investment in impaired financing Receivables in the nine-month period ended December 31, 2011 | ¥19,289 | | ¥12,350 | | ¥9,179 | | ¥10,774 | |
| Average investment in impaired financing Receivables in the three-month period ended December 31, 2011 | ¥18,215 | | ¥12,558 | | ¥9,608 | | ¥9,061 | |

| | Millions of Yen | | | | | |
|--|----------------------|----------------|-----------------|-----------------|-------------------------|----------------|
| | Corporate Businesses | | | | Retail Finance Business | |
| | Others | | Total | | Total | |
| | Receivable | Allowance | Receivable | Allowance | Receivable | Allowance |
| With allowance for credit losses | ¥ 9,621 | ¥ 4,683 | ¥ 53,245 | ¥ 31,350 | ¥ 9,870 | ¥ 5,930 |
| Without allowance for credit losses | 1,145 | — | 2,608 | — | — | — |
| Total | ¥ 10,766 | ¥ 4,683 | ¥ 55,853 | ¥ 31,350 | ¥ 9,870 | ¥ 5,930 |
| Average investment in impaired financing Receivables in the nine-month period ended December 31, 2011 | ¥ 12,916 | | ¥ 64,507 | | ¥ 9,001 | |
| Average investment in impaired financing Receivables in the three-month period ended December 31, 2011 | ¥ 11,008 | | ¥ 60,449 | | ¥ 9,802 | |

Note: Unpaid principal and recorded investment in the impaired financing receivables are equal.
Interest income recognized on impaired financing receivables was considered minor in the nine-month and three-month periods ended December 31, 2011.

Balance at March 31, 2011:

| Millions of Yen | | | | | | | | |
|---|-----------|---------------------------|-----------|------------------|-----------|-------------------------|-----------|---------|
| Corporate Businesses | | | | | | | | |
| Mineral Resources & Energy | | Global Marketing Networks | | Consumer Service | | Infrastructure Projects | | |
| Receivable | Allowance | Receivable | Allowance | Receivable | Allowance | Receivable | Allowance | |
| With allowance for credit losses | ¥21,613 | ¥ 4,158 | ¥12,174 | ¥ 9,433 | ¥10,723 | ¥ 9,758 | ¥12,079 | ¥ 9,229 |
| Without allowance for credit losses | — | — | 758 | — | 180 | — | 569 | — |
| Total | ¥21,613 | ¥ 4,158 | ¥12,932 | ¥ 9,433 | ¥10,903 | ¥ 9,758 | ¥12,648 | ¥ 9,229 |

| Millions of Yen | | | | | | |
|---|-----------|------------|-----------|-------------------------|-----------|---------|
| Corporate Businesses | | | | Retail Finance Business | | |
| Others | | Total | | Total | | |
| Receivable | Allowance | Receivable | Allowance | Receivable | Allowance | |
| With allowance for credit losses | ¥ 13,863 | ¥ 8,254 | ¥ 70,452 | ¥ 40,832 | ¥ 8,131 | ¥ 5,012 |
| Without allowance for credit losses | 1,202 | — | 2,709 | — | — | — |
| Total | ¥ 15,065 | ¥ 8,254 | ¥ 73,161 | ¥ 40,832 | ¥ 8,131 | ¥ 5,012 |

Note: Unpaid principal and recorded investment in the impaired financing receivables are equal.

Financing receivables on nonaccrual status

The companies recognize interest income on the accrual-basis. However, for companies engaged in corporate businesses, interest on impaired financing receivables is primarily recognized on a cash basis. For companies engaged in retail finance business, interest is recognized on a cash basis after a specified period without payment of interest. The companies resume the accrual of interest earnings only after the full amount of contractually outstanding interest has been collected.

The amounts of the recorded investments in financing receivables on nonaccrual status were as follows.

Balance at December 31, 2011:

| Millions of Yen | | | | | | |
|----------------------------|---------------------------|------------------|-------------------------|----------|----------|-------------------------|
| Corporate Businesses | | | | | | Retail Finance Business |
| Mineral Resources & Energy | Global Marketing Networks | Consumer Service | Infrastructure Projects | Others | Total | |
| ¥ 3,729 | ¥ 11,768 | ¥ 7,448 | ¥ 19,898 | ¥ 10,765 | ¥ 53,608 | ¥ 9,870 |

Balance at March 31, 2011:

| Millions of Yen | | | | | | |
|----------------------------|---------------------------|------------------|-------------------------|----------|----------|-------------------------|
| Corporate Businesses | | | | | | Retail Finance Business |
| Mineral Resources & Energy | Global Marketing Networks | Consumer Service | Infrastructure Projects | Others | Total | |
| ¥ 5,217 | ¥ 12,932 | ¥ 10,903 | ¥ 22,528 | ¥ 15,065 | ¥ 66,645 | ¥ 8,131 |

Troubled Debt Restructurings

The companies classify, receivables as troubled debt restructurings ("TDRs") as the receivables which: 1) had their conditions modified through concluding an agreement for deferred payment or reduction of interest and 2) are considered outstanding from borrowers which are experiencing financial difficulty. For receivables classified as TDRs, the companies measure the allowance for doubtful accounts in consideration of the fair value of collateral and risk of changes in future cash flow due to an extension of due date.

The following table provides information on loans and financing receivables modified as TDRs within the retail finance business due to an extension of the due date during the nine-month and three-month periods ended December 31, 2011.

| Millions of Yen | | | |
|---|--|---|--|
| Nine-Month period Ended December 31,2011 | | Three-Month period Ended December 31,2011 | |
| Pre-Modification Outstanding Recorded Investment | Post-Modification Outstanding Recorded Investment | Pre-Modification Outstanding Recorded Investment | Post-Modification Outstanding Recorded Investment |
| ¥ 9,482 | ¥ 9,190 | ¥ 3,153 | ¥ 3,126 |

The increase in the provision of allowance for doubtful accounts as a result of the classification of TDRs for the nine-month and three-month periods ended December 31, 2011 were considered minor.

As for the corporate businesses, the financial effects of the modifications in relation to TDRs were considered minor.

The amounts of financing receivables modified as TDRS and subsequently defaulted for both the corporate business and the retail finance business after the beginning of the three-month period ended June 30,2011 were considered minor.

5. PLEDGED ASSETS AND FINANCIAL ASSETS ACCEPTED AS COLLATERAL

Pledged assets

At December 31, 2011 and March 31, 2011, the following assets (exclusive of assets covered by trust receipts discussed below) were pledged as collateral for certain liabilities of the companies:

| | Millions of Yen | |
|---|------------------------------|---------------------------|
| | December 31, 2011 | March 31, 2011 |
| Trade receivables (current and non-current) | ¥ 64,511 | ¥ 95,977 |
| Inventories..... | 17,855 | 6,954 |
| Investments | 176,426 | 168,683 |
| Property leased to others (net book value) | 22,307 | 26,531 |
| Property and equipment (net book value)..... | 50,800 | 41,106 |
| Other | 17,657 | 16,418 |
| Total | <u>¥ 349,556</u> | <u>¥ 355,669</u> |

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

| | Millions of Yen | |
|--------------------------------------|------------------------------|---------------------------|
| | December 31, 2011 | March 31, 2011 |
| Short-term debt | ¥ 26,600 | ¥ 12,901 |
| Long-term debt..... | 134,851 | 158,302 |
| Financial guarantees and other | 188,105 | 184,466 |
| Total | <u>¥ 349,556</u> | <u>¥ 355,669</u> |

Trust receipts issued under customary import financing arrangements (short-term bank loans and bank acceptances) give banks a security interest in the merchandise imported and/or the accounts receivable resulting from the sale of such merchandise. Because of the companies' large volume of import transactions, it is not practicable to determine the total amount of assets covered by outstanding trust receipts.

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

Financial assets accepted as collateral

At December 31, 2011 and March 31, 2011, the fair values of financial assets that the companies accepted as security for trade receivables and that they are permitted to sell or repledge consisted of the following:

| | Millions of Yen | |
|---------------------------------|------------------------------|---------------------------|
| | December 31, 2011 | March 31, 2011 |
| Bank deposits..... | ¥ 851 | ¥ 917 |
| Trade receivables—accounts..... | 1,975 | 1,781 |
| Stocks and bonds..... | 4,467 | 4,935 |

There were no financial assets repledged or accepted as collateral under security repurchase agreements at December 31, 2011 and March 31, 2011.

6. PENSION COSTS AND SEVERANCE INDEMNITIES

Net periodic pension costs of the companies' defined benefit pension plans for the nine-month and three-month periods ended December 31, 2011 and 2010 included the following components:

| | Millions of Yen | |
|--|---|---|
| | Nine-month period ended December 31, 2011 | Nine-month period ended December 31, 2010 |
| | Service cost – benefits earned during the period..... | ¥ 6,430 |
| Interest cost on projected benefit obligation..... | 4,677 | 4,807 |
| Expected return on plan assets..... | (5,853) | (5,999) |
| Amortization of prior service cost..... | 33 | 243 |
| Amortization of net actuarial loss..... | 7,217 | 5,598 |
| Curtailment gain..... | - | (9) |
| Net periodic pension costs..... | ¥ 12,504 | ¥ 11,416 |

| | Millions of Yen | |
|--|---|--|
| | Three-month period ended December 31, 2011 | Three-month period ended December 31, 2010 |
| | Service cost – benefits earned during the period..... | ¥ 2,229 |
| Interest cost on projected benefit obligation..... | 1,552 | 1,634 |
| Expected return on plan assets..... | (1,945) | (1,991) |
| Amortization of prior service cost..... | 12 | 172 |
| Amortization of net actuarial loss..... | 2,403 | 1,833 |
| Curtailment gain..... | - | (3) |
| Net periodic pension costs..... | ¥ 4,251 | ¥ 3,524 |

7. EQUITY

Mitsui & Co., Ltd. shareholders' equity and noncontrolling interests

During the nine-month periods ended December 31, 2011 and 2010, changes in Mitsui & Co., Ltd. shareholders' equity and noncontrolling interests were as follows:

| | Millions of Yen | | |
|--|--|-----------------------------|--------------|
| | Nine-month period ended December 31, 2011 | | |
| | Mitsui & Co., Ltd. shareholders' equity | Noncontrolling interests | Total equity |
| Balance at beginning of period..... | ¥ 2,366,192 | ¥ 187,142 | ¥ 2,553,334 |
| Cash dividends paid to Mitsui & Co., Ltd. shareholders..... | (98,537) | — | (98,537) |
| Dividends paid to noncontrolling interest shareholders | — | (10,938) | (10,938) |
| Comprehensive income: | | | |
| Net income..... | 340,248 | 26,993 | 367,241 |
| Other comprehensive income (loss) (after income tax effect): | | | |
| Unrealized holding losses on available-for-sale securities .. | (49,144) | (4,890) | (54,034) |
| Foreign currency translation adjustments..... | (150,749) | (8,320) | (159,069) |
| Defined benefit pension plans..... | 2,682 | 1 | 2,683 |
| Net unrealized (losses) gains on derivatives..... | (9,612) | 100 | (9,512) |
| Total..... | 133,425 | 13,884 | 147,309 |
| Sales and purchases of treasury stock | (9) | — | (9) |
| Equity transactions with noncontrolling interest shareholders and other..... | 1,160 | 8,150 | 9,310 |
| Balance at end of period..... | ¥2,402,231 | ¥ 198,238 | ¥2,600,469 |

| | Millions of Yen | | |
|--|--|-----------------------------|--------------|
| | Nine-month period ended December 31, 2010 | | |
| | Mitsui & Co., Ltd. shareholders' equity | Noncontrolling interests | Total equity |
| Balance at beginning of period..... | ¥ 2,230,128 | ¥ 199,678 | ¥ 2,429,806 |
| Cash dividends paid to Mitsui & Co., Ltd. shareholders..... | (56,590) | — | (56,590) |
| Dividends paid to noncontrolling interest shareholders | — | (9,863) | (9,863) |
| Comprehensive income: | | | |
| Net income..... | 275,822 | 22,569 | 298,391 |
| Other comprehensive income (loss) (after income tax effect): | | | |
| Unrealized holding losses on available-for-sale securities .. | (42,767) | (7,123) | (49,890) |
| Foreign currency translation adjustments..... | (114,575) | (9,510) | (124,085) |
| Defined benefit pension plans..... | 3,948 | 1 | 3,949 |
| Net unrealized losses on derivatives..... | (11,407) | (323) | (11,730) |
| Total..... | 111,021 | 5,614 | 116,635 |
| Sales and purchases of treasury stock | (224) | — | (224) |
| Equity transactions with noncontrolling interest shareholders and other..... | 93 | 22,583 | 22,676 |
| Balance at end of period..... | ¥2,284,428 | ¥ 218,012 | ¥2,502,440 |

Equity transactions with noncontrolling interest shareholders

During the nine-month periods ended December 31, 2011 and 2010, changes in noncontrolling interests due to equity transactions with noncontrolling interest shareholders were as follows:

| | Millions of Yen | |
|--|--------------------------------|------------------------------|
| | Nine-month period ended | |
| | December 31, 2011 | December 31, 2010 |
| Increase in noncontrolling interests due to transfers of Mitsui & Co., Ltd.'s ownership interests in its subsidiaries to noncontrolling interests, and contributions from noncontrolling interest shareholders | ¥ 7,252 | ¥ 8,566 |
| Decrease in noncontrolling interests due to transfers of ownership interests in its subsidiaries from noncontrolling interests..... | (1,010) | (314) |

Increase in noncontrolling interests related to newly consolidated entities

During the nine-month period ended December 31, 2011, ¥2,725 million of a noncontrolling interest was included in "Equity transactions with noncontrolling interest shareholders and other" attributable to the noncontrolling interests as a result of the acquisition of Portek International Limited ("Portek"). Portek is a turnkey provider of equipment, services and solutions for the port industry globally as well as an operator of multipurpose ports. See Note 2, "BUSINESS COMBINATIONS," for further information regarding the Company's acquisition of Portek.

During the nine-month period ended December 31, 2010, ¥12,602 million of a noncontrolling interest was included in "Equity transactions with noncontrolling interest shareholders and other" attributable to the noncontrolling interests as a result of the consolidation of MT Falcon Holdings Company S.A.P.I. de C.V. ("MT Falcon"). See Note 2, "BUSINESS COMBINATIONS," for further information regarding MT Falcon's acquisition of gas-fired power business.

Gains recorded due to the deconsolidation of subsidiaries

During the nine-month period ended December 31, 2011, the companies deconsolidated certain subsidiaries due to the merger of a subsidiary with a third party and the sale of their entire interests, and through these transactions recognized a net pre-tax loss of ¥768 million. This net loss was included in gain on sales of securities – net in the Statements of Consolidated Income. Of the net total of ¥768 million, a gain of ¥259 million was recorded as a result of the remeasurement of the retained investments in the former subsidiaries to their fair values using a discounted cash flow model. The retained investment is accounted for under the equity method because the companies maintain significant influence over the investee primarily through representation on its board of directors.

During the nine-month period ended December 31, 2010, the companies deconsolidated certain subsidiaries mainly due to the merger of a subsidiary with a third party and the sale of the entire interest in another subsidiary to a third party, and through these transactions recognized a net pre-tax gain of ¥536 million. This net gain was included in gain on sales of securities – net in the Statements of Consolidated Income. Of the net total of ¥536 million, a gain of ¥1,554 million was recorded as a result of the remeasurement of the retained investments in the former subsidiaries to their fair values using principally a discounted cash flow model. The retained investments are accounted for under the equity method because the companies maintain significant influence over them primarily through representation on their boards of directors.

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

The following is a reconciliation of basic net income attributable to Mitsui & Co., Ltd. per share to diluted net income attributable to Mitsui & Co., Ltd. per share for the nine-month and three-month periods ended December 31, 2011 and 2010:

| | Nine-Month Period Ended December 31, 2011 | | | Nine-Month Period Ended December 31, 2010 | | |
|---|---|-------------------------|---------------------|---|-------------------------|---------------------|
| | Net income (numerator) | Shares (denominator) | Per share amount | Net income (numerator) | Shares (denominator) | Per share amount |
| | Millions of Yen | In Thousands | Yen | Millions of Yen | In Thousands | Yen |
| Basic Net Income Attributable to Mitsui & Co., Ltd. per Share: | | | | | | |
| Net income available to common shareholders | ¥ 340,248 | 1,824,826 | ¥ 186.46 | ¥ 275,822 | 1,824,716 | ¥ 151.16 |
| Effect of Dilutive Securities: | | | | | | |
| Adjustment of effect of dilutive securities of associated companies | (13) | — | | (1) | — | |
| Diluted Net Income Attributable to Mitsui & Co., Ltd. per Share: | | | | | | |
| Net income available to common shareholders after effect of dilutive securities | ¥ 340,235 | 1,824,826 | ¥ 186.45 | ¥ 275,821 | 1,824,716 | ¥ 151.16 |
| Three-Month Period Ended December 31, 2011 | | | | | | |
| | Three-Month Period Ended December 31, 2011 | | | Three-Month Period Ended December 31, 2010 | | |
| | Net income (numerator) | Shares (denominator) | Per share amount | Net income (numerator) | Shares (denominator) | Per share amount |
| | Millions of Yen | In Thousands | Yen | Millions of Yen | In Thousands | Yen |
| Basic Net Income Attributable to Mitsui & Co., Ltd. per Share: | | | | | | |
| Net income available to common shareholders | ¥ 112,987 | 1,824,824 | ¥ 61.92 | ¥ 92,588 | 1,824,668 | ¥ 50.74 |
| Effect of Dilutive Securities: | | | | | | |
| Adjustment of effect of dilutive securities of associated companies | (2) | — | | 0 | — | |
| Diluted Net Income Attributable to Mitsui & Co., Ltd. per Share: | | | | | | |
| Net income available to common shareholders after effect of dilutive securities | ¥ 112,985 | 1,824,824 | ¥ 61.92 | ¥ 92,588 | 1,824,668 | ¥ 50.74 |

9. SEGMENT INFORMATION

| Nine-month period ended December 31, 2011: | Millions of Yen | | | | | | | |
|---|-----------------------|---------------------------|-------------------------------------|----------|------------|----------------|-----------------------|--------------------------------|
| | Iron & Steel Products | Mineral & Metal Resources | Machinery & Infrastructure Projects | Chemical | Energy | Foods & Retail | Consumer Service & IT | Logistics & Financial Business |
| Revenues..... | ¥142,845 | ¥439,945 | ¥214,247 | ¥683,061 | ¥1,223,636 | ¥544,741 | ¥103,621 | ¥53,224 |
| Gross Profit..... | ¥32,633 | ¥158,404 | ¥67,039 | ¥49,795 | ¥167,161 | ¥74,713 | ¥34,146 | ¥20,835 |
| Operating Income (Loss)..... | ¥7,918 | ¥141,833 | ¥(5,937) | ¥8,572 | ¥134,564 | ¥20,802 | ¥(13,791) | ¥(5,485) |
| Equity in Earnings (Losses) of Associated Companies—Net..... | ¥2,732 | ¥109,084 | ¥29,725 | ¥4,420 | ¥39,126 | ¥3,073 | ¥(24,339) | ¥5,417 |
| Net Income (Loss) Attributable to Mitsui & Co., Ltd..... | ¥7,392 | ¥160,770 | ¥18,014 | ¥10,153 | ¥133,960 | ¥16,748 | ¥(31,154) | ¥5,837 |
| Total Assets at December 31, 2011.... | ¥492,616 | ¥1,010,494 | ¥1,276,150 | ¥671,419 | ¥1,553,238 | ¥814,987 | ¥589,041 | ¥423,113 |
| Investments in and advances to associated companies at December 31, 2011..... | ¥25,188 | ¥517,842 | ¥331,704 | ¥71,533 | ¥155,268 | ¥65,354 | ¥183,038 | ¥73,182 |
| Depreciation and amortization..... | ¥1,600 | ¥10,909 | ¥6,869 | ¥5,865 | ¥57,362 | ¥5,835 | ¥3,439 | ¥4,463 |
| Additions to property leased to others and property and equipment..... | ¥1,473 | ¥37,692 | ¥41,829 | ¥8,319 | ¥132,342 | ¥4,734 | ¥3,620 | ¥2,010 |

| Nine-month period ended December 31, 2011: | Millions of Yen | | | | | | |
|---|-----------------|------------------------------------|--------------|------------|------------|------------------------------|--------------------|
| | Americas | Europe, the Middle East and Africa | Asia Pacific | Total | All Other | Adjustments and Eliminations | Consolidated Total |
| Revenues..... | ¥399,405 | ¥90,285 | ¥50,099 | ¥3,945,109 | ¥1,710 | - | ¥3,946,819 |
| Gross Profit..... | ¥57,166 | ¥13,583 | ¥8,721 | ¥684,196 | ¥384 | ¥(7,516) | ¥677,064 |
| Operating Income (Loss)..... | ¥19,840 | ¥(604) | ¥(3,111) | ¥304,601 | ¥(4,050) | ¥(11,189) | ¥289,362 |
| Equity in Earnings (Losses) of Associated Companies—Net..... | ¥2,907 | ¥472 | ¥3,567 | ¥176,184 | - | ¥119 | ¥176,303 |
| Net Income (Loss) Attributable to Mitsui & Co., Ltd..... | ¥11,872 | ¥69 | ¥37,235 | ¥370,896 | ¥1,539 | ¥(32,187) | ¥340,248 |
| Total Assets at December 31, 2011.... | ¥402,592 | ¥86,942 | ¥273,722 | ¥7,594,314 | ¥2,905,387 | ¥(1,882,358) | ¥8,617,343 |
| Investments in and advances to associated companies at December 31, 2011..... | ¥35,679 | ¥1,613 | ¥124,730 | ¥1,585,131 | ¥(224) | ¥43,312 | ¥1,628,219 |
| Depreciation and amortization..... | ¥4,133 | ¥538 | ¥321 | ¥101,334 | ¥329 | ¥7,255 | ¥108,918 |
| Additions to property leased to others and property and equipment..... | ¥9,302 | ¥1,040 | ¥646 | ¥243,007 | ¥550 | ¥5,209 | ¥248,766 |

| Nine-month period ended December 31, 2010 (As restated): | Millions of Yen | | | | | | | |
|---|-----------------------|---------------------------|-------------------------------------|----------|------------|----------------|-----------------------|--------------------------------|
| | Iron & Steel Products | Mineral & Metal Resources | Machinery & Infrastructure Projects | Chemical | Energy | Foods & Retail | Consumer Service & IT | Logistics & Financial Business |
| Revenues..... | ¥140,337 | ¥353,947 | ¥203,563 | ¥622,861 | ¥1,009,840 | ¥443,935 | ¥107,169 | ¥54,838 |
| Gross Profit..... | ¥33,329 | ¥137,588 | ¥69,787 | ¥53,124 | ¥152,846 | ¥57,502 | ¥36,014 | ¥28,848 |
| Operating Income (Loss)..... | ¥8,544 | ¥123,741 | ¥5,648 | ¥15,503 | ¥106,467 | ¥8,680 | ¥(7,824) | ¥6,842 |
| Equity in Earnings of Associated Companies—Net..... | ¥3,210 | ¥84,538 | ¥21,850 | ¥3,221 | ¥35,109 | ¥3,229 | ¥3,879 | ¥8,136 |
| Net Income Attributable to Mitsui & Co., Ltd..... | ¥7,377 | ¥124,186 | ¥16,265 | ¥9,844 | ¥94,355 | ¥4,028 | ¥767 | ¥3,555 |
| Total Assets at December 31, 2010.... | ¥513,231 | ¥1,027,815 | ¥1,451,901 | ¥672,770 | ¥1,515,876 | ¥702,893 | ¥504,939 | ¥387,620 |
| Investments in and advances to associated companies at December 31, 2010..... | ¥24,852 | ¥473,702 | ¥308,256 | ¥61,322 | ¥152,743 | ¥82,624 | ¥107,901 | ¥69,865 |
| Depreciation and amortization..... | ¥2,016 | ¥9,453 | ¥9,367 | ¥5,311 | ¥60,674 | ¥5,340 | ¥3,693 | ¥3,376 |
| Additions to property leased to others and property and equipment..... | ¥608 | ¥31,189 | ¥34,624 | ¥10,469 | ¥117,676 | ¥5,776 | ¥1,420 | ¥6,440 |

| Nine-month period ended December 31, 2010 (As restated): | Millions of Yen | | | | | | Consolidated Total |
|---|-----------------|--|--------------|------------|------------|------------------------------------|-----------------------|
| | Americas | Europe, the Middle East and Africa | Asia Pacific | Total | All Other | Adjustments and Eliminations | |
| Revenues..... | ¥287,594 | ¥104,937 | ¥43,062 | ¥3,372,083 | ¥1,692 | ¥(2) | ¥3,373,773 |
| Gross Profit..... | ¥58,274 | ¥13,344 | ¥11,670 | ¥652,326 | ¥666 | ¥391 | ¥653,383 |
| Operating Income (Loss)..... | ¥19,260 | ¥1,390 | ¥(251) | ¥288,000 | ¥(3,973) | ¥(35,455) | ¥248,572 |
| Equity in Earnings of Associated Companies—Net | ¥4,830 | ¥112 | ¥2,757 | ¥170,871 | - | ¥652 | ¥171,523 |
| Net Income Attributable to Mitsui & Co., Ltd | ¥12,543 | ¥52 | ¥30,030 | ¥303,002 | ¥3,214 | ¥(30,394) | ¥275,822 |
| Total Assets at December 31, 2010.... | ¥403,399 | ¥105,104 | ¥314,338 | ¥7,599,886 | ¥2,715,907 | ¥(1,729,930) | ¥8,585,863 |
| Investments in and advances to associated companies at December 31, 2010..... | ¥19,659 | ¥3,192 | ¥121,674 | ¥1,425,790 | ¥990 | ¥42,128 | ¥1,468,908 |
| Depreciation and amortization | ¥4,270 | ¥538 | ¥485 | ¥104,523 | ¥448 | ¥6,428 | ¥111,399 |
| Additions to property leased to others and property and equipment..... | ¥9,559 | ¥1,718 | ¥450 | ¥219,929 | ¥156 | ¥5,938 | ¥226,023 |

| Three-month period ended December 31, 2011: | Millions of Yen | | | | | | | |
|---|-----------------------------|---------------------------------|---|----------|------------|-------------------|-----------------------------|--------------------------------------|
| | Iron & Steel Products | Mineral & Metal Resources | Machinery & Infrastructure Projects | Chemical | Energy | Foods & Retail | Consumer Service & IT | Logistics & Financial Business |
| Revenues..... | ¥47,601 | ¥139,526 | ¥73,286 | ¥203,464 | ¥427,337 | ¥194,069 | ¥35,499 | ¥19,063 |
| Gross Profit..... | ¥10,270 | ¥48,336 | ¥23,332 | ¥15,252 | ¥58,615 | ¥24,751 | ¥10,865 | ¥7,345 |
| Operating Income (Loss)..... | ¥2,306 | ¥42,656 | ¥(858) | ¥1,969 | ¥48,151 | ¥6,529 | ¥(4,902) | ¥(2,367) |
| Equity in Earnings (Losses) of Associated Companies—Net | ¥1,072 | ¥26,388 | ¥6,878 | ¥2,532 | ¥14,328 | ¥1,919 | ¥(4,103) | ¥1,852 |
| Net Income (Loss) Attributable to Mitsui & Co., Ltd | ¥2,848 | ¥49,014 | ¥7,970 | ¥2,492 | ¥46,561 | ¥3,910 | ¥(5,775) | ¥3,822 |
| Total Assets at December 31, 2011.... | ¥492,616 | ¥1,010,494 | ¥1,276,150 | ¥671,419 | ¥1,553,238 | ¥814,987 | ¥589,041 | ¥423,113 |
| Investments in and advances to associated companies at December 31, 2011..... | ¥25,188 | ¥517,842 | ¥331,704 | ¥71,533 | ¥155,268 | ¥65,354 | ¥183,038 | ¥73,182 |
| Depreciation and amortization | ¥528 | ¥3,626 | ¥2,315 | ¥2,268 | ¥21,703 | ¥1,896 | ¥1,257 | ¥1,683 |
| Additions to property leased to others and property and equipment..... | ¥634 | ¥13,812 | ¥14,219 | ¥3,339 | ¥42,431 | ¥1,295 | ¥2,424 | ¥349 |

| Three-month period ended December 31, 2011: | Millions of Yen | | | | | | Consolidated Total |
|---|-----------------|--|--------------|------------|------------|------------------------------------|-----------------------|
| | Americas | Europe, the Middle East and Africa | Asia Pacific | Total | All Other | Adjustments and Eliminations | |
| Revenues..... | ¥134,369 | ¥26,861 | ¥16,243 | ¥1,317,318 | ¥469 | ¥2 | ¥1,317,789 |
| Gross Profit..... | ¥18,554 | ¥4,779 | ¥2,531 | ¥224,630 | ¥182 | ¥(1,674) | ¥223,138 |
| Operating Income (Loss)..... | ¥6,178 | ¥208 | ¥(1,509) | ¥98,361 | ¥(1,232) | ¥(2,442) | ¥94,687 |
| Equity in Earnings (Losses) of Associated Companies—Net | ¥432 | ¥(5) | ¥1,063 | ¥52,356 | - | ¥(47) | ¥52,309 |
| Net Income (Loss) Attributable to Mitsui & Co., Ltd | ¥1,527 | ¥585 | ¥11,408 | ¥124,362 | ¥(154) | ¥(11,221) | ¥112,987 |
| Total Assets at December 31, 2011.... | ¥402,592 | ¥86,942 | ¥273,722 | ¥7,594,314 | ¥2,905,387 | ¥(1,882,358) | ¥8,617,343 |
| Investments in and advances to associated companies at December 31, 2011..... | ¥35,679 | ¥1,613 | ¥124,730 | ¥1,585,131 | ¥(224) | ¥43,312 | ¥1,628,219 |
| Depreciation and amortization | ¥1,366 | ¥152 | ¥103 | ¥36,897 | ¥79 | ¥2,410 | ¥39,386 |
| Additions to property leased to others and property and equipment..... | ¥2,792 | ¥372 | ¥34 | ¥81,701 | ¥484 | ¥1,444 | ¥83,629 |

| Millions of Yen | | | | | | | | |
|--|--------------|-----------------|----------------------------|----------|------------|----------------|-----------------------|--------------------------------|
| Three-month period ended December 31, 2010 (As restated): | Iron & Steel | Mineral & Metal | Machinery & Infrastructure | Chemical | Energy | Foods & Retail | Consumer Service & IT | Logistics & Financial Business |
| | Products | Resources | Projects | | | | | |
| Revenues..... | ¥47,179 | ¥128,783 | ¥78,735 | ¥217,672 | ¥341,756 | ¥159,768 | ¥32,972 | ¥17,098 |
| Gross Profit..... | ¥11,103 | ¥46,510 | ¥24,872 | ¥18,041 | ¥48,967 | ¥19,935 | ¥10,987 | ¥7,147 |
| Operating Income (Loss)..... | ¥2,930 | ¥42,049 | ¥3,096 | ¥6,114 | ¥33,095 | ¥3,615 | ¥(3,209) | ¥300 |
| Equity in Earnings (Losses) of Associated Companies—Net | ¥1,245 | ¥38,364 | ¥8,323 | ¥1,313 | ¥12,994 | ¥1,683 | ¥2,168 | ¥1,924 |
| Net Income (Loss) Attributable to Mitsui & Co., Ltd | ¥2,403 | ¥46,975 | ¥6,399 | ¥4,028 | ¥29,442 | ¥1,034 | ¥(809) | ¥264 |
| Total Assets at December 31, 2010.... | ¥513,231 | ¥1,027,815 | ¥1,451,901 | ¥672,770 | ¥1,515,876 | ¥702,893 | ¥504,939 | ¥387,620 |
| Investments in and advances to associated companies at December 31, 2010 | ¥24,852 | ¥473,702 | ¥308,256 | ¥61,322 | ¥152,743 | ¥82,624 | ¥107,901 | ¥69,865 |
| Depreciation and amortization | ¥674 | ¥3,483 | ¥4,260 | ¥1,780 | ¥22,995 | ¥1,932 | ¥1,265 | ¥1,673 |
| Additions to property leased to others and property and equipment..... | ¥242 | ¥9,347 | ¥10,561 | ¥2,180 | ¥40,899 | ¥1,608 | ¥395 | ¥400 |

| Millions of Yen | | | | | | | |
|--|---------------|--|--------------|------------|------------|------------------------------------|-----------------------|
| Three-month period ended December 31, 2010 (As restated): | Americas | Europe, the Middle East and Africa | Asia Pacific | Total | All Other | Adjustments and Eliminations | Consolidated Total |
| | Revenues..... | ¥97,112 | ¥33,974 | ¥13,722 | ¥1,168,771 | ¥677 | ¥(2) |
| Gross Profit..... | ¥20,068 | ¥3,884 | ¥3,796 | ¥215,310 | ¥268 | ¥(17) | ¥215,561 |
| Operating Income (Loss)..... | ¥4,248 | ¥(101) | ¥(176) | ¥91,961 | ¥(1,245) | ¥(11,969) | ¥78,747 |
| Equity in Earnings (Losses) of Associated Companies—Net | ¥1,964 | ¥66 | ¥1,360 | ¥71,404 | - | ¥166 | ¥71,570 |
| Net Income (Loss) Attributable to Mitsui & Co., Ltd | ¥2,750 | ¥(324) | ¥10,331 | ¥102,493 | ¥1,117 | ¥(11,022) | ¥92,588 |
| Total Assets at December 31, 2010.... | ¥403,399 | ¥105,104 | ¥314,338 | ¥7,599,886 | ¥2,715,907 | ¥(1,729,930) | ¥8,585,863 |
| Investments in and advances to associated companies at December 31, 2010 | ¥19,659 | ¥3,192 | ¥121,674 | ¥1,425,790 | ¥990 | ¥42,128 | ¥1,468,908 |
| Depreciation and amortization | ¥1,420 | ¥128 | ¥137 | ¥39,747 | ¥169 | ¥1,668 | ¥41,584 |
| Additions to property leased to others and property and equipment..... | ¥1,847 | ¥785 | ¥140 | ¥68,404 | ¥67 | ¥1,406 | ¥69,877 |

Notes: (1) “All Other” includes business activities which primarily provide services, such as financing services and operations services to external customers and/or to the companies and associated companies. Total assets of “All Other” at December 31, 2011 and 2010 consisted primarily of cash and cash equivalents and time deposits related to financing activities, and assets of certain subsidiaries related to the above services.

- (2) Net Income (Loss) Attributable to Mitsui & Co., Ltd. of “Adjustments and Eliminations” includes income and expense items that are not allocated to specific reportable operating segments, such as certain expenses of the corporate departments, and eliminations of intersegment transactions.

Net Income (Loss) Attributable to Mitsui & Co., Ltd. of “Adjustments and Eliminations” for the Nine-month period ended December 31, 2011 includes (a) ¥14,059 million in general and administrative expenses of the corporate departments excluding pension costs, (b) a charge of ¥2,824 million for pension related items, and (c) ¥11,074 million related to tax items including adjustments for difference between actual tax rate and intercompany tax rate, and so on.

Net Income Attributable to Mitsui & Co., Ltd. of “Adjustments and Eliminations” for the Nine-month period ended December 31, 2010 includes (a) ¥16,155 million in general and administrative expenses of the corporate departments excluding pension costs, (b) a charge of ¥5,046 million for pension related items, and (c) ¥8,706 million related to tax items including adjustments for difference between actual tax rate and intercompany tax rate, and so on.

Net Income (Loss) Attributable to Mitsui & Co., Ltd. of “Adjustments and Eliminations” for the three-month period ended December 31, 2011 includes (a) ¥4,450 million in general and administrative expenses of the corporate departments excluding pension costs, (b) a charge of ¥993 million for pension related items, and (c) ¥4,684 million related to tax items including adjustments for difference between actual tax rate and intercompany tax rate, and so on.

Net Income (Loss) Attributable to Mitsui & Co., Ltd. of “Adjustments and Eliminations” for the three-month period ended December 31, 2010 includes (a) ¥5,013 million in general and administrative expenses of the corporate departments excluding pension costs, (b) a charge of ¥1,700 million for pension related items, and (c) ¥2,934 million related to tax items including adjustments for difference between actual tax rate and intercompany tax rate, and so on.
(all amounts are after income tax effects)

- (3) Transfers between operating segments are made at cost plus a markup.
- (4) During the three-month period ended June 30, 2011, the company has changed the management system of the offices in the Far East and CIS areas to reinforce and accelerate the regional business strategy. Effective April 1, 2011, the business units of the Head Office oversee operations in China, Taiwan, Korea and CIS. The information related to the companies in the above areas is included in the operating segment information of the related business units. In accordance with this change, the operating segment information for the nine-month and the three-month period ended December 31, 2010 has been restated to conform to the current period presentation.
- (5) During the three-month period ended June 30, 2011, “Logistics & Financial Markets” segment changed its name to “Logistics & Financial Business.”
- (6) Operating income (loss) reflects the companies’ (a) gross profit, (b) selling, general and administrative expenses, and (c) provision for doubtful receivables, as presented in the Statements of Consolidated Income.

10. INCOME TAXES

The effective tax rates were 42.6% and 54.0% for the nine-month periods ended December 31, 2011 and 2010, respectively. The effective tax rates were 32.1% and 67.2% for the three-month periods ended December 31, 2011 and 2010, respectively. The decrease in the effective tax rates was mostly due to the reversal of deferred tax liabilities on undistributed retained earnings of associated companies pursuant to the tax reforms to decrease the normal statutory tax rate in Japan.

“Income Taxes” includes the gain on the reversal of the deferred tax assets and liabilities-net of ¥21,477 million recorded to reflect the new laws which were enacted on November 30, 2011 and will be effective April 1, 2012.

11. CONTINGENT LIABILITIES AND COMMITMENTS

I. GUARANTEES

The table below summarizes the companies’ guarantees as defined in ASC460, “Guarantees,” at December 31 and March 31, 2011. The maximum potential amount of future payments represents the amounts without consideration of possible recoveries under recourse provisions or from collateral held or pledged that the companies could be obliged to pay if there were defaults by guaranteed parties or there were changes in an underlying which would cause triggering events under market value guarantees and indemnification contracts. Such amounts bear no relationship to the anticipated losses on these guarantees and indemnifications, and, in the aggregate, they greatly exceed anticipated losses.

The companies evaluate risks involved for each guarantee in an internal screening procedure before issuing a guarantee and regularly monitor outstanding positions and record adequate allowance to cover losses expected from probable performance under these agreements. The companies believe that the likelihood to perform guarantees which would materially affect the consolidated financial position, results of operations, or cash flows of the companies is remote at December 31, 2011.

| | Millions of Yen | | | | |
|--|-------------------------------|--|--|---|---------------------------------|
| | <u>Amount outstanding</u> | <u>Recourse provisions/ collateral</u> | <u>Maximum potential amount of future payments</u> | <u>Carrying amount of liabilities</u> | <u>Expire no later than</u> |
| December 31, 2011: | | | | | |
| Type of guarantees: | | | | | |
| Credit guarantees: | | | | | |
| Guarantees for third parties | ¥ 69,734 | ¥ 12,406 | ¥ 118,679 | ¥ 1,286 | 2045 |
| Guarantees for associated companies..... | 150,548 | 6,775 | 213,808 | 4,553 | 2046 |
| Guarantees to financial institutions for employees’ housing loans.... | 3,893 | — | 3,893 | — | 2036 |
| Total | <u>¥ 224,175</u> | <u>¥ 19,181</u> | <u>¥ 336,380</u> | <u>¥ 5,839</u> | |
| Market value guarantees: | | | | | |
| Obligation to repurchase bills of exchange..... | ¥ 71,296 | ¥ 66,882 | ¥ 71,296 | — | 2012 |
| Residual value guarantees of leased assets..... | 6,680 | — | 6,680 | — | 2016 |
| Total | <u>¥ 77,976</u> | <u>¥ 66,882</u> | <u>¥ 77,976</u> | <u>—</u> | |
| Derivative instruments | <u>¥ 6,273</u> | <u>—</u> | <u>¥ 6,273</u> | <u>¥ 258</u> | |

| Millions of Yen | | | | | | |
|--|-------------------------------|--|--|---|---------------------------------|------|
| | <u>Amount outstanding</u> | <u>Recourse provisions/ collateral</u> | <u>Maximum potential amount of future payments</u> | <u>Carrying amount of liabilities</u> | <u>Expire no later than</u> | |
| March 31, 2011: | | | | | | |
| Type of guarantees: | | | | | | |
| Credit guarantees: | | | | | | |
| Guarantees for third parties | ¥ 79,815 | ¥ 26,767 | ¥ 102,889 | ¥ 434 | | 2045 |
| Guarantees for associated companies..... | 140,287 | 7,559 | 218,111 | 5,080 | | 2046 |
| Guarantees to financial institutions for employees' housing loans.... | 4,538 | — | 4,538 | — | | 2035 |
| Total | <u>¥ 224,640</u> | <u>¥ 34,326</u> | <u>¥ 325,538</u> | <u>¥ 5,514</u> | | |
| Market value guarantees: | | | | | | |
| Obligation to repurchase bills of exchange..... | ¥ 64,764 | ¥ 60,801 | ¥ 64,764 | — | | 2012 |
| Residual value guarantees of leased assets..... | 8,578 | — | 8,578 | — | | 2016 |
| Total | <u>¥ 73,342</u> | <u>¥ 60,801</u> | <u>¥ 73,342</u> | <u>¥ —</u> | | |
| Derivative instruments | <u>¥ 11,516</u> | <u>—</u> | <u>¥ 11,516</u> | <u>¥ 174</u> | | |

Credit guarantees

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

Categories of credit guarantees are as follows:

Guarantees for third parties

The companies guarantee, severally or jointly with others, indebtedness of certain customers and suppliers in the furtherance of their trading activities. Most of these guarantees outstanding at December 31 and March 31, 2011, will expire through 2018 and 2016, respectively.

Guarantees for associated companies

The companies, severally or jointly with others, issue guarantees for associated companies for the purpose of furtherance of their trading activities and credit enhancement of associated companies. Main items of these guarantees are contractual performance guarantees which guarantee Toyo Engineering Corporation regarding plant construction contracts executed under the name of the guaranteed party in Southeast Asia. In the case that Toyo Engineering Corporation failed to fulfill the contractual obligation, the project owners would execute the performance guarantees to claim compensation for damages to the companies. Most of these guarantees outstanding at December 31 and March 31, 2011, will expire through 2025 and 2022, respectively.

Guarantees to financial institutions for employees' housing loans

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

Market value guarantees

Obligation to repurchase bills of exchange

In connection with export transactions, the Company issues bills of exchange, some of which are discounted by its negotiating banks. If a customer fails to fulfill its obligation with respect to the bills, the Company would be obligated to repurchase the bills based on the banking transaction agreement. The maximum potential amount of future payments is represented by the aggregate par value of the bills discounted by the banks, and the recourse provisions and collateral are represented by the amount backed by letters of credit from the issuing banks of the customers. Most of these obligations outstanding will be extinguished within 1 year.

Residual Value guarantees of leased assets

As lessees in operating lease contracts, a subsidiary has issued residual value guarantees on the leased locomotives. On the date of expiration of the major part of the operating lease contracts, in case of sales of those leased locomotives to the third party, the subsidiary will be responsible for making up any shortfall between the actual sales price and the guaranteed price for sales of those leased locomotives to the third party. Most of these guarantees outstanding at December 31 and March 31, 2011, will expire within 5 years.

Derivative instruments

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

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

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

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

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

Indemnification contracts

Indemnification for cargo delivery

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

Indemnification for Sakhalin Energy Investment Company Ltd.

By entering into an indemnity agreement for the year ended March 31, 2011 which indemnify the banks against the Company’s equity interest percentage of any impairment caused to the banks as a result of the mortgages over certain assets of Sakhalin Energy Investment Company Ltd. (“Sakhalin Energy”), in which the Company holds a 12.5% equity interest, as stipulated in the bank loan agreement not being granted nor perfected, the Company terminated the credit guarantee agreement in relation to the bank borrowings of Sakhalin Energy. The guaranteed amount not being stipulated in the indemnity agreement nor the measurement of the maximum potential amount of future payment not being practicable, no liability is recorded since the Company believes that there is little likelihood of incurring any loss from performance under the indemnity agreement.

The total amount of Sakhalin Energy’s bank borrowings is U.S.\$6.7 billion. The repayments of the borrowings have been made as stipulated in the loan agreement.

Product warranties

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

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

A tabular reconciliation of changes in the estimated liabilities for product warranties for the nine-month periods ended December 31, 2011 and 2010 are as follows:

| | Millions of Yen | |
|---|--------------------------|--------------------------|
| | December 31, 2011 | December 31, 2010 |
| Balance at beginning of the period | ¥ 4,748 | ¥ 5,762 |
| Payments made in cash or in kind | (422) | (408) |
| Accrual for warranties issued during the period | 321 | 495 |
| Changes in accrual related to pre-existing warranties | (140) | (768) |
| Balance at end of the period | ¥ 4,507 | ¥ 5,081 |

II. LITIGATION

See Note 16, “THE OIL SPILL INCIDENT OF A DRILLING RIG IN THE GULF OF MEXICO” for lawsuits on the incident.

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

III. SIGNIFICANT LOAN COMMITMENT

As of December 31, 2011, the companies are committed to provide a loan amounting up to US\$ 6.75 billion to a subsidiary of Corporación Nacional del Cobre de Chile (“CODELCO”). The commitment period will be from January 3, 2012 to April 1, 2012, extendable in certain circumstances up to August 1, 2012.

12. VARIABLE INTEREST ENTITIES

The companies are involved with VIEs which mainly engage in leasing and financing activities within the Machinery & Infrastructure Projects, Chemical and Foods & Retail Segments.

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

Consolidated Variable Interest Entities

The VIEs that have been consolidated by the companies in accordance with ASC810, “Consolidation,” are described by groups aggregated by similar characteristics of risks and rewards of each VIE as follows:

The companies hold senior investment securities of VIE whose operations are real estate development (“Real estate development VIE”) as of December 31 and March 31, 2011. The companies also hold a majority of the voting interests in VIEs, whose primary activity is chartering a vessel under a single-lessee leasing arrangement (“Vessel chartering VIEs”), and whose primary activity is providing loans (“Loan VIEs”). These VIEs are financed mainly by issuance of stock including preferred securities or borrowings.

The total assets of the Real estate development VIE as of December 31 and March 31, 2011 are ¥5,791 million and ¥5,185 million, respectively; and the total assets of the Vessel chartering VIEs as of December 31 and March 31, 2011 are ¥21,637 million and ¥2,658 million, respectively; and the total assets of the Loan VIEs as of December 31 and March 31, 2011 are ¥33,653 million and ¥21,216 million, respectively.

The consolidated real estate which includes land and buildings was pledged as collateral for the Real estate development VIE’s long-term debt and was classified as real estate for sale, and its carrying amount as of December 31 and March 31, 2011 are ¥4,378 million and ¥4,354 million, respectively was included in the Consolidated Balance Sheets.

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

The companies did not provide any financial or other support to the VIEs that they were not previously contractually obligated to provide for the nine-month period ended December 31, 2011 and for the year ended March 31, 2011.

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

Non-consolidated Variable Interest Entities

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

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

The total assets of the VIEs and the companies' maximum exposure to loss as of December 31, 2011 are ¥1,526,126 million and ¥107,733 million, respectively. The total assets of the VIEs and the companies' maximum exposure to loss as of March 31, 2011 were ¥1,535,336 million and ¥108,966 million, respectively. The total assets of the VIEs reflect the most current information available to the companies.

The amount of maximum exposure to loss represents a loss that the companies could incur from the variability in value of the leased assets, from financial difficulties of the customers and the like. In addition, the amount bears no relation to the loss anticipated to be incurred from the companies' involvement with the VIEs and is considered to greatly exceed the anticipated loss.

The maximum exposure to loss represents the amounts of investments, advances and guarantees provided by the companies to the VIEs as of December 31 and March 31, 2011.

The companies did not provide any financial or other support to the VIEs that they were not previously contractually obligated to provide for the nine-month period ended December 31, 2011 and for the year ended March 31, 2011.

13. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

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

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

The notional amounts of the companies' derivative instruments as of December 31, 2011 and March 31, 2011 were as follows:

| | Billions of Yen | |
|---|--------------------------|-----------------------|
| | December 31, 2011 | March 31, 2011 |
| Foreign exchange contracts | ¥ 2,710 | ¥ 2,590 |
| Interest rate contracts | 1,890 | 1,611 |
| Commodity contracts | 28,910 | 26,469 |
| Other contracts | — | 1 |
| Total derivative notional amounts | <u>¥ 33,510</u> | <u>¥ 30,671</u> |

Foreign currency exchange rate risk hedging activities

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

Interest rate risk hedging activities

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

Commodity price risk hedging activities

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

Risk management policy

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

Fair value hedges

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

The net gain or loss recognized in earnings representing the amount of the hedges' ineffectiveness and the component of the derivative instruments' gain or loss excluded from the assessment of hedge effectiveness were immaterial for the nine-month and three-month periods ended December 31, 2011 and 2010.

The amount of net gain or loss recognized in earnings when a hedged firm commitment no longer qualifies as a fair value hedge was immaterial for the nine-month and three-month periods ended December 31, 2011 and 2010.

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

The following table presents the gain/(loss) on hedged items and derivative instruments designated and qualifying as a fair value hedge included within the Statement of Consolidated Income for the nine-month and three-month periods ended December 31, 2011 and 2010:

| Nine-Month Period Ended December 31, 2011 | | Millions of Yen | | |
|--|-------------------------------------|--|--|---|
| Income statement location | Hedged items | Gain (loss) on hedged items | Hedging instruments | Gain (loss) on hedging instruments |
| Interest expense..... | Long-term debt | ¥ (9,825) | Interest rate contracts and foreign exchange contracts | ¥ 9,766 |
| Other (income) expenses—net | Long-term debt | (1,721) | Foreign exchange contracts | 1,351 |
| Cost of products sold..... | Firm commitments and inventories | (238) | Commodity contracts | 239 |
| Total | | <u>¥ (11,784)</u> | | <u>¥ 11,356</u> |

**Nine-Month Period
Ended December 31, 2010**

Millions of Yen

| <u>Income statement location</u> | <u>Hedged items</u> | <u>Gain (loss) on hedged items</u> | <u>Hedging instruments</u> | <u>Gain (loss) on hedging instruments</u> |
|-----------------------------------|-------------------------------------|--|--|---|
| Interest expense..... | Long-term debt | ¥ (12,059) | Interest rate contracts and foreign exchange contracts | ¥ 11,899 |
| Other (income) expenses—net | Long-term debt | (5,049) | Foreign exchange contracts | 4,896 |
| Cost of products sold..... | Firm commitments and inventories | 1,639 | Commodity contracts | (1,640) |
| Total | | <u>¥ (15,469)</u> | | <u>¥ 15,155</u> |

**Three-Month Period
Ended December 31, 2011**

| | | Millions of Yen | | |
|----------------------------------|-------------------------------------|--|--|---|
| <u>Income statement location</u> | <u>Hedged items</u> | <u>Gain (loss) on hedged items</u> | <u>Hedging instruments</u> | <u>Gain (loss) on hedging instruments</u> |
| Interest expense..... | Long-term debt | ¥ (1,779) | Interest rate contracts and foreign exchange contracts | ¥ 1,910 |
| Other expenses—net | Long-term debt | 1,056 | Foreign exchange contracts | (1,218) |
| Cost of products sold..... | Firm commitments and inventories | 57 | Commodity contracts | (56) |
| Total | | <u>¥ (666)</u> | | <u>¥ 636</u> |

**Three-Month Period
Ended December 31, 2010**

| | | Millions of Yen | | |
|----------------------------------|-------------------------------------|--|--|---|
| <u>Income statement location</u> | <u>Hedged items</u> | <u>Gain (loss) on hedged items</u> | <u>Hedging instruments</u> | <u>Gain (loss) on hedging instruments</u> |
| Interest expense..... | Long-term debt | ¥ 3,387 | Interest rate contracts and foreign exchange contracts | ¥ (3,446) |
| Other expenses—net | Long-term debt | 92 | Foreign exchange contracts | (199) |
| Cost of products sold..... | Firm commitments and inventories | 1,105 | Commodity contracts | (1,105) |
| Total | | <u>¥ 4,584</u> | | <u>¥ (4,750)</u> |

Cash flow hedges

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

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

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

The ineffective portion of the hedging instruments' gain or loss and the component of the derivative instruments' gain or loss excluded from the assessment of hedge effectiveness are reported in earnings immediately. If the hedged forecasted transaction will not occur by the end of the originally specified time period, gain or loss on the hedging instrument reported in AOCI is reclassified into earnings. These amounts were immaterial for nine-month and three-month periods ended December 31, 2011 and 2010.

The estimated net amounts of the existing gains or losses in AOCI at December 31, 2011 and March 31, 2011 that were expected to be reclassified into earnings within the next 12 months were net loss of ¥2,062 million and ¥991 million, respectively.

As of December 31, 2011 and March 31, 2011, the maximum length of time over which the companies are hedging their exposure to the variability in expected future cash flows for forecasted transactions (excluding those forecasted transactions related to the payment of variable interest on existing financial instruments) was 12 and 21 months. Foreign exchange forward contracts are used as hedging instruments for the forecasted transactions.

Hedges of the net investment in a foreign operation

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

Derivative instruments for trading purposes and risk management policy

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

The following table presents the fair value of derivative instruments included within the Consolidated Balance Sheets as of December 31, 2011 and March 31, 2011:

Derivative instruments designated as hedging instruments under ASC 815 “Derivatives and Hedging”

| Millions of Yen | | | | | | |
|----------------------------------|---|-------------------|-----------------|-----------------------------|-------------------|-----------------|
| Derivative instruments | Balance sheet location | December 31, 2011 | March 31, 2011 | Balance sheet location | December 31, 2011 | March 31, 2011 |
| | | Fair value | Fair value | | Fair value | Fair value |
| Foreign exchange contracts | Derivative assets | ¥ 13,218 | ¥ 8,113 | Derivative liabilities | ¥ 6,268 | ¥ 4,147 |
| | Non-current receivables, less unearned interest | 22,946 | 15,299 | Other Long-Term Liabilities | 2,067 | 3,093 |
| Interest rate contracts. | Derivative assets | 594 | 374 | Derivative liabilities | 191 | 448 |
| | Non-current receivables, less unearned interest | 25,741 | 23,702 | Other Long-Term Liabilities | 6,990 | 2,165 |
| Commodity contracts. | Derivative assets | 104 | 51 | Derivative liabilities | 122 | 580 |
| Total | | <u>¥ 62,603</u> | <u>¥ 47,539</u> | | <u>¥ 15,638</u> | <u>¥ 10,433</u> |

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

| Millions of Yen | | | | | | |
|----------------------------------|---|--------------------|--------------------|-----------------------------|--------------------|--------------------|
| Derivative instruments | Balance sheet location | December 31, 2011 | March 31, 2011 | Balance sheet location | December 31, 2011 | March 31, 2011 |
| | | Fair value | Fair value | | Fair value | Fair value |
| Foreign exchange contracts | Derivative assets | ¥ 19,219 | ¥ 19,029 | Derivative liabilities | ¥ 24,618 | ¥ 25,830 |
| | Non-current receivables, less unearned interest | 21,527 | 14,090 | Other Long-Term Liabilities | 23,118 | 19,917 |
| Interest rate contracts. | Derivative assets | 744 | 1,418 | Derivative liabilities | 1,431 | 984 |
| | Non-current receivables, less unearned interest | 9,133 | 8,323 | Other Long-Term Liabilities | 12,373 | 10,081 |
| Commodity contracts. | Derivative assets | 636,600 | 717,647 | Derivative liabilities | 641,518 | 729,793 |
| | Non-current receivables, less unearned interest | 542,475 | 351,415 | Other Long-Term Liabilities | 580,612 | 368,440 |
| Credit contracts | | | | Derivative liabilities | — | 17 |
| Total | | <u>¥ 1,229,698</u> | <u>¥ 1,111,922</u> | | <u>¥ 1,283,670</u> | <u>¥ 1,155,062</u> |

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

| Hedging instruments | Balance sheet location | Millions of Yen | |
|---|---|--------------------------|------------------------|
| | | December 31, 2011 | March 31, 2011 |
| | | Carrying amount | Carrying amount |
| Foreign-currency-denominated debt | Current maturities of long-term debt | ¥ 14,079 | ¥ 35,200 |
| | Long-term Debt, less Current Maturities | 241,520 | 184,397 |
| Total | | <u>¥ 255,599</u> | <u>¥ 219,597</u> |

The following tables present the amount affecting the Statements of Consolidated Income and other comprehensive income for the nine-month and three-month periods ended December 31, 2011 and 2010:

Derivative instruments in ASC 815 fair value hedging relationships

| Nine-Month Period Ended December 31, 2011 | Millions of Yen | |
|--|--|--|
| Derivative instruments | Location of gain recognized in income of derivative instruments | Amount of gain recognized in income on derivative instruments |
| Foreign exchange contracts | Interest expense | ¥ 21 |
| | Other (income) expenses—net | 1,351 |
| Interest rate contracts | Interest expense | 9,745 |
| Commodity contracts | Cost of products sold | 239 |
| Total | | <u>¥ 11,356</u> |

| Nine-Month Period Ended December 31, 2010 | Millions of Yen | |
|--|---|---|
| Derivative instruments | Location of gain (loss) recognized in income of derivative instruments | Amount of gain (loss) recognized in income on derivative instruments |
| Foreign exchange contracts | Interest expense | ¥ 104 |
| | Other (income) expenses—net | 4,896 |
| Interest rate contracts | Interest expense | 11,795 |
| Commodity contracts | Cost of products sold | (1,640) |
| Total | | <u>¥ 15,155</u> |

| Three-Month Period Ended December 31, 2011 | Millions of Yen | |
|---|---|---|
| Derivative instruments | Location of gain (loss) recognized in income of derivative instruments | Amount of gain (loss) recognized in income on derivative instruments |
| Foreign exchange contracts | Interest expense | ¥ 131 |
| | Other expenses—net | (1,218) |
| Interest rate contracts | Interest expense | 1,779 |
| Commodity contracts | Cost of products sold | (56) |
| Total | | <u>¥ 636</u> |

| Three-Month Period Ended December 31, 2010 | Millions of Yen | |
|---|---|---|
| Derivative instruments | Location of gain (loss) recognized in income of derivative instruments | Amount of gain (loss) recognized in income on derivative instruments |
| Foreign exchange contracts | Interest expense | ¥ 110 |
| | Other expenses—net | (199) |
| Interest rate contracts | Interest expense | (3,556) |
| Commodity contracts | Cost of products sold | (1,105) |
| Total | | <u>¥ (4,750)</u> |

Derivative instruments in ASC 815 cash flow relationships

| Millions of Yen | | | | | |
|--|--|--|---|---|---|
| Nine-Month Period Ended December 31, 2011 | Effective portion | | | Ineffective portion and amount excluded from effective testing | |
| | Amount of gain (loss) recognized in OCI on derivative instruments | Location of gain (loss) reclassified from AOCI into income | Amount of gain (loss) reclassified from AOCI into income | Location of gain (loss) recognized in income on derivative instruments | Amount of gain (loss) recognized in income on derivative instruments |
| Derivative instruments | | | | | |
| Foreign exchange contracts | ¥ 1,728 | Sales of products Cost of products sold Other (income) expenses—net | ¥ 1,428 25 1,892 | | |
| Interest rate contracts | (4,678) | Interest expense | 1,123 | | |
| Commodity contracts | (211) | | | Sales of products | ¥ 282 |
| Total | <u>¥ (3,161)</u> | | <u>¥ 4,468</u> | | <u>¥ 282</u> |

| Millions of Yen | | | | | |
|--|--|--|---|---|---|
| Nine-Month Period Ended December 31, 2010 | Effective portion | | | Ineffective portion and amount excluded from effective testing | |
| | Amount of gain (loss) recognized in OCI on derivative instruments | Location of gain (loss) reclassified from AOCI into income | Amount of gain (loss) reclassified from AOCI into income | Location of gain (loss) recognized in income on derivative instruments | Amount of gain (loss) recognized in income on derivative instruments |
| Derivative instruments | | | | | |
| Foreign exchange contracts | ¥ 3,679 | Sales of products Other (income) expenses—net | ¥ 3,595 (226) | | |
| Interest rate contracts | (1,281) | Interest income Sales of products | 179 119 | | |
| Commodity contracts | 95 | Cost of products sold | 324 | Sales of products | ¥ 244 |
| Total | <u>¥ 2,493</u> | | <u>¥ 3,991</u> | | <u>¥ 244</u> |

| Millions of Yen | | | | | |
|--|--|--|---|---|---|
| Three -Month Period Ended December 31, 2011 | Effective portion | | | Ineffective portion and amount excluded from effective testing | |
| | Amount of gain (loss) recognized in OCI on derivative instruments | Location of gain (loss) reclassified from AOCI into income | Amount of gain (loss) reclassified from AOCI into income | Location of gain (loss) recognized in income on derivative instruments | Amount of gain (loss) recognized in income on derivative instruments |
| Derivative instruments | | | | | |
| Foreign exchange contracts | ¥ 10,126 | Sales of products Cost of products sold Other expenses—net | ¥ (4) (100) 3,367 | | |
| Interest rate contracts | (276) | Interest expense | 381 | | |
| Commodity contracts | 484 | | | Sales of products | ¥ 65 |
| Total | <u>¥ 10,334</u> | | <u>¥ 3,644</u> | | <u>¥ 65</u> |

| Millions of Yen | | | | | |
|---|--|--|---|---|---|
| Three-Month Period Ended December 31, 2010 | Effective portion | | | Ineffective portion and amount excluded from effective testing | |
| | Amount of gain (loss) recognized in OCI on derivative instruments | Location of gain (loss) reclassified from AOCI into income | Amount of gain (loss) reclassified from AOCI into income | Location of gain (loss) recognized in income on derivative instruments | Amount of gain (loss) recognized in income on derivative instruments |
| Derivative instruments | | | | | |
| Foreign exchange contracts | ¥ 4,394 | Sales of products Other expenses—net | ¥ 4,491 351 | | |

| Millions of Yen | | | | | |
|---|--|--|---|---|---|
| Three-Month Period Ended December 31, 2010 | Effective portion | | | Ineffective portion and amount excluded from effective testing | |
| Derivative instruments | Amount of gain (loss) recognized in OCI on derivative instruments | Location of gain (loss) reclassified from AOCI into income | Amount of gain (loss) reclassified from AOCI into income | Location of gain (loss) recognized in income on derivative instruments | Amount of gain (loss) recognized in income on derivative instruments |
| Interest rate contracts | 127 | Interest income | 109 | | |
| | | Interest expense | 12 | | |
| Commodity contracts | (78) | Sales of products sold | 54 | Sales of products | ¥ (160) |
| | | Cost of products sold | 198 | | |
| Total | <u>¥ 4,443</u> | | <u>¥ 5,215</u> | | <u>¥ (160)</u> |

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

| Millions of Yen | | | | | |
|--|--|--|---|---|---|
| Nine-Month Period Ended December 31, 2011 | Effective portion | | | Ineffective portion and amount excluded from effective testing | |
| Derivative instruments | Amount of gain (loss) recognized in OCI on derivative instruments | Location of gain (loss) reclassified from AOCI into income | Amount of gain (loss) reclassified from AOCI into income | Location of gain (loss) recognized in income on derivative instruments | Amount of gain (loss) recognized in income on derivative instruments |
| Foreign exchange contracts | ¥ 19,656 | Gain on sales of securities—net | ¥ 424 | Interest income | ¥ (104) |
| | | | | Other (income) expenses—net | 2,468 |
| Foreign-currency -denominated debt..... | 11,972 | Gain on sales of securities—net | 3,931 | Other (income) expenses—net | 215 |
| Total | <u>¥ 31,628</u> | | <u>¥ 4,355</u> | | <u>¥ 2,579</u> |

| Millions of Yen | | | | | |
|--|--|--|---|---|---|
| Nine-Month Period Ended December 31, 2010 | Effective portion | | | Ineffective portion and amount excluded from effective testing | |
| Derivative instruments | Amount of gain (loss) recognized in OCI on derivative instruments | Location of gain (loss) reclassified from AOCI into income | Amount of gain (loss) reclassified from AOCI into income | Location of gain (loss) recognized in income on derivative instruments | Amount of gain (loss) recognized in income on derivative instruments |
| Foreign exchange contracts | ¥ 3,698 | | | Interest expense | ¥ (162) |
| | | | | Other (income) expenses—net | 584 |
| Foreign-currency -denominated debt..... | 21,475 | | | | |
| Total | <u>¥ 25,173</u> | | | | <u>¥ 422</u> |

| Millions of Yen | | | | | |
|---|--|--|---|---|---|
| Three-Month Period Ended December 31, 2011 | Effective portion | | | Ineffective portion and amount excluded from effective testing | |
| | Amount of gain (loss) recognized in OCI on derivative instruments | Location of gain (loss) reclassified from AOCI into income | Amount of gain (loss) reclassified from AOCI into income | Location of gain (loss) recognized in income on derivative instruments | Amount of gain (loss) recognized in income on derivative instruments |
| Derivative instruments | | | | | |
| Foreign exchange contracts | ¥ (2,301) | | | Interest income | ¥ 14 |
| | | | | Other expenses—net | (698) |
| Foreign-currency -denominated debt..... | (2,092) | | | Other expenses—net | 48 |
| Total | <u>¥ (4,393)</u> | | | | <u>¥ (636)</u> |

| Millions of Yen | | | | | |
|---|--|--|---|---|---|
| Three-Month Period Ended December 31, 2010 | Effective portion | | | Ineffective portion and amount excluded from effective testing | |
| | Amount of gain (loss) recognized in OCI on derivative instruments | Location of gain (loss) reclassified from AOCI into income | Amount of gain (loss) reclassified from AOCI into income | Location of gain (loss) recognized in income on derivative instruments | Amount of gain (loss) recognized in income on derivative instruments |
| Derivative instruments | | | | | |
| Foreign exchange contracts | ¥ (683) | | | Interest expense | ¥ (61) |
| | | | | Other expenses—net | 6 |
| Foreign-currency -denominated debt..... | 6,058 | Other expenses—net | ¥ (188) | | |
| Total | <u>¥ 5,375</u> | | <u>¥ (188)</u> | | <u>¥ (55)</u> |

Derivative instruments not designated as hedging instruments under ASC 815

| Nine-Month Period Ended December 31, 2011 | | Millions of Yen |
|--|---|---|
| Derivative instruments | Location of gain (loss) recognized in income of derivative instruments | Amount of gain (loss) recognized in income on derivative instruments |
| Foreign exchange contracts | Sales of products | ¥ (1,956) |
| | Other sales | (330) |
| | Cost of products sold | (1,552) |
| | Other (income) expenses—net | 12,988 |
| Interest rate contracts | Other sales | 2,291 |
| | Interest expense | 807 |
| | Other cost | (444) |
| Commodity contracts | Sales of products | 16,503 |
| | Other sales | 16,880 |
| | Cost of products sold | (2,239) |
| Total | | <u>¥ 42,948</u> |

| Nine-Month Period Ended December 31, 2010 | | Millions of Yen |
|--|---|---|
| Derivative instruments | Location of gain (loss) recognized in income of derivative instruments | Amount of gain (loss) recognized in income on derivative instruments |
| Foreign exchange contracts | Other sales | ¥ 375 |
| | Cost of products sold | (1,824) |
| | Other (income) expenses—net | 14,906 |
| Interest rate contracts | Other sales | 859 |
| | Interest expense | 2,344 |
| | Other (income) expenses—net | 118 |
| Commodity contracts | Sales of products | (11,274) |
| | Other sales | 17,348 |
| | Cost of products sold | 471 |
| | Other (income) expenses—net | (226) |
| Total | | <u>¥ 23,097</u> |

| Three-Month Period Ended December 31, 2011 | | Millions of Yen |
|---|---|---|
| Derivative instruments | Location of gain (loss) recognized in income of derivative instruments | Amount of gain (loss) recognized in income on derivative instruments |
| Foreign exchange contracts | Sales of products | ¥ (3,515) |
| | Other sales | (308) |
| | Cost of products sold | 394 |
| | Other expenses—net | (495) |
| Interest rate contracts | Other sales | (236) |
| | Interest expense | 329 |
| | Other cost | 112 |
| Commodity contracts | Sales of products | 4,814 |
| | Other sales | 5,341 |
| | Cost of products sold | (3,369) |
| Total | | <u>¥ 3,067</u> |

Three-Month Period Ended December 31, 2010**Millions of Yen**

| Derivative instruments | Location of gain (loss) recognized in income of derivative instruments | Amount of gain (loss) recognized in income on derivative instruments |
|---------------------------------|---|---|
| Foreign exchange contracts..... | Other sales | ¥ 734 |
| | Cost of products sold | (440) |
| | Other expenses—net | 6,657 |
| Interest rate contracts | Other sales | (75) |
| | Interest expense | 356 |
| | Other expenses—net | 215 |
| Commodity contracts | Sales of products | (6,623) |
| | Other sales | 1,440 |
| | Cost of products sold | (2,176) |
| | Other expenses—net | 908 |
| Total | | ¥ 996 |

Credit-risk-related contingent features

Certain of the companies' derivative instruments, mainly commodity future, forward, option and swap contracts, contain provisions that require the companies' debt to maintain a certain credit rating from each of the major credit rating agencies such as Standard & Poor's Services. If the credit rating of the companies' debt falls below a designated credit rating, it will be in violation of these provisions, and the counterparties to the derivative instruments can request early termination or demand immediate and ongoing overnight collateralization on derivative instruments in net liability positions.

The aggregate fair value of all derivative instruments with credit-risk-related contingent features that were in a liability position on December 31, 2011 and March 31, 2011, was ¥21,543 million and ¥39,807 million, respectively (¥9,851 million and ¥11,604 million on the net basis of liability position after offsetting derivative assets against derivative liabilities in accordance with the adoption of ASC 210-20 "Balance Sheet: Offsetting"). Collateral of ¥5,851 million and ¥7,560 million in the normal course of business associated with these contracts were posted at December 31, 2011 and March 31, 2011, respectively. If the credit-risk-related contingent features underlying these agreements had been triggered on December 31, 2011 and March 31, 2011, the aggregate fair value of additional assets that would be required to be posted as collateral and/or the aggregate fair value of assets needed to settle the instruments would be ¥4,097 million and ¥4,139 million, respectively.

14. FINANCIAL INSTRUMENTS**Fair Value of Financial Instruments**

In accordance with the requirements of ASC825-10-50, "Disclosures about Fair Value of Financial Instruments," the companies have provided the following fair value estimates and information about valuation methodologies.

Quoted market prices, where available, are used to estimate fair values of financial instruments. When market prices are unavailable, fair values are estimated using discounted cash flow analysis or other valuation techniques.

Current financial assets other than marketable securities and current financial liabilities

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

Marketable securities and other investments

See Note 3, "MARKETABLE SECURITIES AND OTHER INVESTMENTS" and Note 15, "FAIR VALUE MEASUREMENTS."

Non-current receivables and advances to associated companies

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

Long-term debt

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

Financial guarantees and financing commitments

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

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

Derivative financial instruments

See Note 15, "FAIR VALUE MEASUREMENTS."

The estimated fair values of certain financial instruments at December 31 and March 31, 2011 were as follows:

| | Millions of Yen | | | |
|---|-------------------|------------|-----------------|------------|
| | December 31, 2011 | | March 31, 2011 | |
| | Carrying amount | Fair value | Carrying amount | Fair value |
| Financial Assets (other than derivative financial instruments): | | | | |
| Current financial assets other than marketable securities..... | ¥3,477,444 | ¥3,477,444 | ¥3,553,033 | ¥3,553,033 |
| Non-current receivables and advances to associated companies (less allowance for doubtful receivables)..... | 286,239 | 288,224 | 295,004 | 296,239 |
| Financial Liabilities (other than derivative financial instruments): | | | | |
| Current financial liabilities..... | 1,979,359 | 1,979,359 | 1,892,492 | 1,892,492 |
| Long-term debt (including current maturities)..... | 3,382,545 | 3,467,181 | 3,299,571 | 3,369,342 |

Concentration of Credit Risk

The companies' global operations include a variety of businesses with diverse customers and suppliers, which reduces concentrations of credit risks. The companies mainly deal with selective international financial institutions to minimize the credit risk exposure of derivative financial instruments. Credit risk represents the likelihood that the counterparties may be unable to meet the terms of the agreements. Management does not expect any significant losses as a result of counterparty default on financial instruments. Credit risk is managed with approvals of credit line by management and monitoring counterparty's operations continuously. The companies require counterparty to post collateral, if necessary.

15. FAIR VALUE MEASUREMENTS

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

Level 1:

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

Level 2:

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

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

Level 3:

Unobservable inputs for the asset or liability.

Valuation techniques

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

Securities

- Marketable equity securities and debt securities are measured at fair value.
- Publicly-traded, marketable equity securities are valued using quoted market prices and classified as level 1.
- Debt securities, consisting principally of preferred stock that must be redeemed and government bonds, are valued using a discounted cash flow analysis or quoted prices obtained from third parties, and classified as level 2.
- In the event of an other-than-temporary decline in fair value of non-marketable equity securities and investments in associated companies, these are measured at fair value. Retained investments in the former consolidated subsidiaries are remeasured at fair value using principally a discounted cash flow model with gains and losses recognized in earnings when subsidiaries are deconsolidated. The investments in listed associated companies are valued based on quoted market prices. These are classified as level 1. Some non-marketable equity securities are valued based primarily on quoted market prices for similar securities. These securities are classified as level 2. Other non-marketable equity securities, apart from these classified as level 2, and the investments in unlisted associated companies are valued based on the net assets value of its investment adjusted using cash flows and other factors that would impact the fair value. These are classified as level 3.

Derivative Instruments

- Derivative instruments mainly consist of derivative commodity instruments and derivative financial instruments.
- Exchange-traded derivative commodity instruments valued using quoted market prices are classified as level 1. The valuation for certain derivative commodity instruments is based upon adjusted quoted prices. These derivative commodity instruments are classified as level 2 or level 3 depending on the level of adjustment made.
- Derivative financial instruments classified as level 2 are mainly valued by a discounted cash flow analysis using foreign exchange and interest rates or quoted prices currently available for similar types of agreements.

Nonfinancial Assets

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

- The assets are valued based on independent appraisals, prices for similar assets or discounted future cash flows whichever management considers most appropriate and categorized as level 3.
- Goodwill classified as level 3 is mainly valued on the basis of the fair value of the subsidiary, which is measured using discounted cash flows or third party valuations.

Assets and liabilities measured at fair value on a recurring basis

Assets and liabilities measured at fair value on a recurring basis at December 31, 2011 and March 31, 2011 are as follows:

| December 31, 2011 | Millions of Yen | | | | |
|---|-------------------------------|-------------|----------|----------------------|------------------|
| | Fair value measurements using | | | Netting adjustments* | Total fair value |
| | Level 1 | Level 2 | Level 3 | | |
| Assets: | | | | | |
| Equity securities and debt securities: | | | | | |
| Marketable equity securities (Japan)..... | ¥ 319,618 | — | — | | |
| Marketable equity securities (Non-Japan)..... | 34,924 | — | ¥ 10,888 | | |
| Preferred stock that must be redeemed | — | ¥ 50,396 | — | | |
| Government bonds..... | — | 20 | — | | |
| Other securities | — | 45 | — | | |
| Total equity securities and debt securities..... | ¥ 354,542 | ¥ 50,461 | ¥ 10,888 | | ¥ 415,891 |
| Derivative assets | | | | | |
| Foreign exchange contracts..... | — | ¥ 76,910 | — | | |
| Interest rate contracts | ¥ 5,562 | 30,650 | — | | |
| Commodity contracts | 45,526 | 1,133,194 | ¥ 459 | | |
| Total derivative assets (current and non-current) | ¥ 51,088 | ¥ 1,240,754 | ¥ 459 | ¥(1,146,021) | ¥ 146,280 |
| Total assets | ¥ 405,630 | ¥ 1,291,215 | ¥ 11,347 | ¥(1,146,021) | ¥ 562,171 |
| Liabilities: | | | | | |
| Derivative liabilities | | | | | |
| Foreign exchange contracts..... | — | ¥ 56,071 | — | | |
| Interest rate contracts | ¥ 4,798 | 16,187 | — | | |
| Commodity contracts | 32,442 | 1,189,324 | ¥ 486 | | |
| Total derivative liabilities (current and non-current)..... | ¥ 37,240 | ¥ 1,261,582 | ¥ 486 | ¥(1,198,585) | ¥ 100,723 |
| Total liabilities | ¥ 37,240 | ¥ 1,261,582 | ¥ 486 | ¥(1,198,585) | ¥ 100,723 |

| March 31, 2011 | Millions of Yen | | | | |
|---|-------------------------------|-------------|----------|----------------------|------------------|
| | Fair value measurements using | | | Netting adjustments* | Total fair value |
| | Level 1 | Level 2 | Level 3 | | |
| Assets: | | | | | |
| Equity securities and debt securities: | | | | | |
| Marketable equity securities (Japan)..... | ¥ 387,889 | — | — | | |
| Marketable equity securities (Non-Japan)..... | 42,975 | — | ¥ 8,374 | | |
| Preferred stock that must be redeemed | — | ¥ 72,232 | — | | |
| Government bonds..... | — | 5,022 | — | | |
| Other securities | — | 3,761 | — | | |
| Total equity securities and debt securities..... | ¥ 430,864 | ¥ 81,015 | ¥ 8,374 | | ¥ 520,253 |
| Derivative assets | | | | | |
| Foreign exchange contracts..... | — | ¥ 56,531 | — | | |
| Interest rate contracts | ¥ 1,751 | 32,066 | — | | |
| Commodity contracts | 26,267 | 1,041,018 | ¥ 1,828 | | |
| Total derivative assets (current and non-current) | ¥ 28,018 | ¥ 1,129,615 | ¥ 1,828 | ¥(1,004,081) | ¥ 155,380 |
| Total assets..... | ¥ 458,882 | ¥ 1,210,630 | ¥ 10,202 | ¥(1,004,081) | ¥ 675,633 |
| Liabilities: | | | | | |
| Derivative liabilities | | | | | |
| Foreign exchange contracts..... | — | ¥ 52,987 | — | | |
| Interest rate contracts | ¥ 1,311 | 12,367 | — | | |
| Commodity contracts | 36,170 | 1,061,051 | ¥ 1,592 | | |
| Other contracts..... | — | 17 | — | | |
| Total derivative liabilities (current and non-current)..... | ¥ 37,481 | ¥ 1,126,422 | ¥ 1,592 | ¥(1,046,979) | ¥ 118,516 |
| Total liabilities | ¥ 37,481 | ¥ 1,126,422 | ¥ 1,592 | ¥(1,046,979) | ¥ 118,516 |

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

The reconciliation for all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the nine-month period ended December 31, 2011 is as follows:

| December 31, 2011 | Millions of Yen | |
|---|--|---|
| | Fair value measurements using significant unobservable inputs (Level 3) | |
| | Equity securities and debt securities Marketable equity securities (Non-Japan) | Derivative assets (liabilities)—net Commodity contracts |
| Beginning balance | ¥ 8,374 | ¥ 236 |
| Total gains or losses (realized/unrealized): | | |
| Included in earnings..... | 533 | 671 |
| Included in other comprehensive income (loss) .. | 533 | 671 |
| Included in other comprehensive income (loss) .. | — | — |
| Purchases, sales, issuances, and settlements:..... | 2,581 | (728) |
| Purchases | 2,581 | — |
| Sales | — | — |
| Issuances | — | — |
| Settlements | — | (728) |
| Transfers into and/or (out of) Level 3 | — | (203) |
| Translation adjustments..... | (600) | (3) |
| Ending balance..... | ¥10,888 | ¥ (27) |
| The amount of total gains for the period included in earnings attributable to the change in unrealized gains or losses relating to assets still held at the reporting date | ¥ 533 | ¥ 27 |

| | Millions of Yen | | | |
|---|-----------------|-----------------------------|-----------------------------------|-------------|
| | Other sales | Cost of products sold | Other (income) expenses—net | Total gains |
| Total gains included in earnings for the period | ¥ 431 | ¥ 722 | ¥ 51 | ¥ 1,204 |
| Change in unrealized gains relating to assets still held at the reporting date | 451 | 58 | 51 | 560 |

The reconciliation for all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the nine-month period ended December 31, 2010 is as follows:

| December 31, 2010 | Millions of Yen | |
|--|---|--|
| | Fair value measurements using significant unobservable inputs (Level 3) | |
| | Equity securities and debt securities Marketable equity securities (Non-Japan) | Derivative assets (liabilities)—net Commodity contracts |
| Beginning balance | ¥ 8,663 | ¥ (6,551) |
| Total gains or losses (realized/unrealized): | | |
| Included in earnings..... | (94) | (1,063) |
| Included in other comprehensive income (loss) .. | (94) | (1,063) |
| — | — | — |
| Purchases, sales, issuances, and settlements:..... | 1,265 | 6,978 |
| Transfers into and/or (out of) Level 3 | — | — |
| Translation adjustments..... | (1,190) | 397 |
| Ending balance..... | ¥ 8,644 | ¥ (239) |
| The amount of total (losses) or gains for the period included in earnings attributable to the change in unrealized gains or losses relating to assets still held at the reporting date..... | ¥ (94) | ¥ 132 |

| | Millions of Yen | | |
|---|------------------------|----------------------------------|------------------------------------|
| | Other sales | Cost of products sold | Total (losses) or gains |
| Total losses included in earnings for the period..... | ¥ (222) | ¥ (935) | ¥ (1,157) |
| Change in unrealized gains or (losses) relating to assets still held at the reporting date | 155 | (117) | 38 |

The reconciliation for all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the three-month period ended December 31, 2011 is as follows:

| December 31, 2011 | Millions of Yen | |
|---|--|---|
| | Fair value measurements using significant unobservable inputs (Level 3) | |
| | Equity securities and debt securities Marketable equity securities (Non-Japan) | Derivative assets (liabilities)—net Commodity contracts |
| Beginning balance | ¥ 9,970 | ¥ 44 |
| Total gains or losses (realized/unrealized): | | |
| Included in earnings..... | — | 278 |
| Included in other comprehensive income (loss) .. | — | — |
| Purchases, sales, issuances, and settlements:..... | 771 | (172) |
| Purchases | 771 | — |
| Sales | — | — |
| Issuances | — | — |
| Settlements | — | (172) |
| Transfers into and/or (out of) Level 3 | — | (175) |
| Translation adjustments..... | 147 | (2) |
| Ending balance..... | ¥10,888 | ¥ (27) |
| The amount of total gains for the period included in earnings attributable to the change in unrealized gains or losses relating to assets still held at the reporting date | — | ¥ 325 |

| | Millions of Yen | | |
|---|-----------------|--------------------------|-------------|
| | Other sales | Cost of products sold | Total gains |
| Total (losses) or gains included in earnings for the period... | ¥ (14) | ¥ 292 | ¥ 278 |
| Change in unrealized gains relating to assets still held at the reporting date | 3 | 322 | 325 |

The reconciliation for all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the three-month period ended December 31, 2010 is as follows:

| December 31, 2010 | Millions of Yen | |
|--|--|---|
| | Fair value measurements using significant unobservable inputs (Level 3) | |
| | Equity securities and debt securities Marketable equity securities (Non-Japan) | Derivative assets (liabilities)—net Commodity contracts |
| Beginning balance | ¥ 8,795 | ¥ (1,188) |
| Total gains or losses (realized/unrealized): | | |
| Included in earnings..... | (94) | 296 |
| Included in other comprehensive income (loss) .. | (94) | 296 |
| Purchases, sales, issuances, and settlements:..... | — | — |
| Transfers into and/or (out of) Level 3 | 188 | 629 |
| Translation adjustments..... | — | — |
| Ending balance..... | (245) | 24 |
| | ¥ 8,644 | ¥ (239) |
| The amount of total (losses) or gains for the period included in earnings attributable to the change in unrealized gains or losses relating to assets still held at the reporting date..... | ¥ (94) | ¥ 449 |

| | Millions of Yen | | |
|---|-----------------|--------------------------|-------------|
| | Other sales | Cost of products sold | Total gains |
| Total (losses) or gains included in earnings for the period..... | ¥ (89) | ¥ 291 | ¥ 202 |
| Change in unrealized gains relating to assets still held at the reporting date | 66 | 289 | 355 |

Assets and liabilities measured at fair value on a nonrecurring basis

Certain non-marketable equity securities and investments in associated companies are written down to fair value if the fair value of these investments has declined and such decline is judged to be other-than-temporary. Retained investments in the former consolidated subsidiaries are remeasured at fair value using principally a discounted cash flow model with gains and losses recognized in earnings when subsidiaries are deconsolidated. The investments in listed associated companies are measured at fair value using unadjusted quoted prices in active markets for identical assets. Some non-marketable equity securities are valued based primarily on quoted market prices for similar securities. Other non-marketable equity securities, apart from these classified as level 2, and investments in unlisted associated companies are primarily valued by unobservable inputs based on financial information obtained from counterparties or third parties.

Financial assets measured at fair value on a nonrecurring basis for the nine-month and three-month periods ended December 31, 2011 and December 31, 2010 are as follows:

| | Millions of Yen | | | | |
|---|-----------------|-------------------------------|---------|----------|---|
| | Fair value | Fair value measurements using | | | Nine-month period ended December 31, 2011 Total losses |
| | | Level 1 | Level 2 | Level 3 | |
| Non-marketable equity securities | | | | | |
| Japan | ¥ 6,319 | — | ¥ 1,844 | ¥ 4,475 | ¥ (2,597) |
| Non-Japan | 10,283 | — | 3,860 | 6,423 | (7,722) |
| Total non-marketable equity securities | ¥ 16,602 | — | ¥ 5,704 | ¥ 10,898 | ¥ (10,319) |
| Investments in associated companies | | | | | |
| Japan | ¥ 37,141 | ¥ 36,043 | — | ¥ 1,098 | ¥ (13,684) |
| Non-Japan | 6,725 | 6,725 | — | 0 | (19,418) |
| Total investments in associated companies | ¥ 43,866 | ¥ 42,768 | — | ¥ 1,098 | ¥ (33,102) |

| | Millions of Yen | | | | |
|---|-----------------|-------------------------------|---------|----------|--|
| | Fair value | Fair value measurements using | | | Nine-month period ended December 31, 2010 Total (losses) or gains |
| | | Level 1 | Level 2 | Level 3 | |
| Non-marketable equity securities | | | | | |
| Japan | ¥ 5,796 | — | ¥ 750 | ¥ 5,046 | ¥ (893) |
| Non-Japan | 3,155 | — | — | 3,155 | (3,855) |
| Total non-marketable equity securities | ¥ 8,951 | — | ¥ 750 | ¥ 8,201 | ¥ (4,748) |
| Investments in associated companies | | | | | |
| Japan | ¥ 17,502 | ¥ 13,060 | — | ¥ 4,442 | ¥ (4,859) |
| Non-Japan | 20,364 | — | — | 20,364 | 354 |
| Total investments in associated companies | ¥ 37,866 | ¥ 13,060 | — | ¥ 24,806 | ¥ (4,505) |

| | Millions of Yen | | | | |
|---|-----------------|-------------------------------|---------|---------|--|
| | Fair value | Fair value measurements using | | | Three-month period ended December 31, 2011 Total losses |
| | | Level 1 | Level 2 | Level 3 | |
| Non-marketable equity securities | | | | | |
| Japan | ¥ 2,032 | — | ¥ 1,844 | ¥ 188 | ¥ (1,300) |
| Non-Japan | 1,858 | — | — | 1,858 | (393) |
| Total non-marketable equity securities | ¥ 3,890 | — | ¥ 1,844 | ¥ 2,046 | ¥ (1,693) |
| Investments in associated companies | | | | | |
| Japan | ¥ 3,593 | ¥ 2,495 | — | ¥ 1,098 | ¥ (69) |
| Non-Japan | 6,725 | 6,725 | — | 0 | (4,619) |
| Total investments in associated companies | ¥ 10,318 | ¥ 9,220 | — | ¥ 1,098 | ¥ (4,688) |

| | Millions of Yen | | | | |
|--|-----------------|-------------------------------|---------|---------|--|
| | Fair value | Fair value measurements using | | | Three-month period ended December 31, 2010 Total losses |
| | | Level 1 | Level 2 | Level 3 | |
| Non-marketable equity securities | | | | | |
| Japan | ¥ 121 | — | — | ¥ 121 | ¥ (30) |
| Non-Japan | 1,090 | — | — | 1,090 | (2,293) |
| Total non-marketable equity securities | ¥ 1,211 | — | — | ¥ 1,211 | ¥ (2,323) |

Long-lived assets are reviewed for impairment using undiscounted future cash flows whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If the sum of the undiscounted future cash flows is less than the carrying amount of the assets, the assets are

determined to be impaired and written down to the amount of fair value. Long-lived assets are primarily valued by unobservable inputs based on an operating plan reflecting the most recent condition of the long-lived assets or prices for similar assets.

The carrying amount of goodwill is assessed for impairment annually or upon the occurrence of an indicator of impairment at each of the subsidiaries, which for the purpose of the impairment testing, are considered to be reporting units. If the implied fair value of goodwill, which is measured on the basis of the fair value of the subsidiary, falls below the carrying amount of goodwill, the impairment loss is recognized as the amount equal to the excess of the carrying amount of goodwill over the implied fair value of goodwill. Goodwill is primarily valued by unobservable inputs based on financial information including the business plan of the subsidiary.

Nonfinancial assets measured at fair value on a nonrecurring basis for the nine-month and three-month periods ended December 31, 2011 and December 31, 2010 are as follows:

| Millions of Yen | | | | | |
|------------------------|------------|-------------------------------|---------|---------|---|
| | Fair value | Fair value measurements using | | | Nine-Month Period Ended December 31, 2011 Impairment losses |
| | | Level 1 | Level 2 | Level 3 | |
| Long-lived assets..... | ¥ 4,395 | — | — | ¥ 4,395 | ¥ (5,214) |
| Goodwill..... | 1,742 | — | — | 1,742 | (2,305) |

| Millions of Yen | | | | | |
|------------------------|------------|-------------------------------|---------|---------|---|
| | Fair value | Fair value measurements using | | | Nine-Month Period Ended December 31, 2010 Impairment losses |
| | | Level 1 | Level 2 | Level 3 | |
| Long-lived assets..... | ¥ 2,346 | — | — | ¥ 2,346 | ¥ (3,114) |

| Millions of Yen | | | | | |
|------------------------|------------|-------------------------------|---------|---------|--|
| | Fair value | Fair value measurements using | | | Three-Month Period Ended December 31, 2011 Impairment losses |
| | | Level 1 | Level 2 | Level 3 | |
| Long-lived assets..... | ¥ 1,097 | — | — | ¥ 1,097 | ¥ (3,097) |
| Goodwill..... | 0 | — | — | 0 | (445) |

| Millions of Yen | | | | | |
|------------------------|------------|-------------------------------|---------|---------|--|
| | Fair value | Fair value measurements using | | | Three-Month Period Ended December 31, 2010 Impairment losses |
| | | Level 1 | Level 2 | Level 3 | |
| Long-lived assets..... | ¥ 1,288 | — | — | ¥ 1,288 | ¥ (587) |

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

On April 20, 2010, the Deepwater Horizon, a third party semi-submersible drilling rig conducting exploration work on the Mississippi Canyon 252 block in the Gulf of Mexico experienced a blow-out event that led to an explosion, fire and the extensive release of oil into the Gulf of Mexico (Incident). At the time of the Incident, MOEX Offshore 2007 LLC (MOEX Offshore), a 100% subsidiary of MOEX USA Corporation (MOEX USA), owned a 10% working interest in the block as a non-operator (Interest). On September 19, 2010, BP Exploration and Production Inc. (BP), the owner of a 65% interest in the block and the operator of the exploration project in the block at the time of the Incident, publicly announced that the operations to plug the well were successfully completed in cooperation with U.S. government agencies. MOEX USA is a 100% subsidiary of Mitsui Oil Exploration Co., Ltd. (MOECO) in which Mitsui & Co., Ltd. (Mitsui) has a 70.45% equity interest.

On May 20, 2011, MOEX Offshore, MOEX USA and MOECO (collectively, MOEX Parties) entered into a settlement (Settlement) with BP and BP Corporation North America Inc. (collectively, BP Parties) with regard to the Incident. Pursuant to the Settlement, the MOEX Parties made payment of US\$1.065 billion and MOEX Offshore assigned to BP the Interest and most of the MOEX Parties' claims against other parties involved in the Incident. BP, under the terms of the Settlement, waived and released all of its claims against the MOEX Parties and all other Mitsui companies. In addition, the BP Parties agreed to fully indemnify the MOEX Parties and all other Mitsui companies as to the claims, except for those described below, arising from the Incident. The indemnification covers, for example, claims asserted under the Oil Pollution Act of 1990 (OPA). Excepted from the BP Parties' indemnification obligation are fines, penalties or sanctions (collectively, Penalties) assessed against the MOEX Parties, and punitive damages, solely to the extent arising from conduct of the MOEX Parties. There are some additional categories of claims that have been excluded from the indemnity, but none of those claims has been alleged against the MOEX Parties at this point.

Mitsui recognized an impairment loss for the amounts invested to acquire the Interest that were booked as "Property and Equipment (Mineral Rights)" in "Impairment loss of long-lived assets," and also recognized expense relating to the well that had been capitalized as "Property and Equipment (Projects in Progress)" in "Other income-net" for the nine-month period ended December 31, 2010.

As a result of the Settlement, Mitsui recognized in the financial statements the effects of subsequent events of the Settlement, and recognized the Settlement amount as "Settlement of the oil spill incident in the Gulf of Mexico" in the Statement of Consolidated Income for the year ended March 31, 2011, and "Other current liabilities" in the Consolidated Balance Sheet as of March 31, 2011.

The Settlement amount recognized as "Other current liabilities" in the Consolidated Balance Sheet as of March 31, 2011 was paid during the nine-month period ended December 31, 2011.

As of February 13, 2012, Mitsui is not able to estimate the total amount of the liabilities that it and its consolidated subsidiaries may incur as a result of the Incident that are in addition to the liabilities that have previously been recognized as a result of the Settlement, but is recording an amount, which is not material, in accordance with appropriate accounting practice as related accounting liabilities for costs and claims not covered under the indemnity by the BP Parties as of December 31, 2011. However, this is not intended to represent an opinion of Mitsui that it and its consolidated subsidiaries will not incur any material future liability related to the Incident. Rather, it is the result of the application of accounting rules, under which loss recognition is not required in situations where a loss is not considered probable or cannot be reasonably estimated, to the currently available set of facts as summarized below.

A complaint filed by the United States in the federal district court for the Eastern District of Louisiana on December 15, 2010 seeks from MOEX Offshore, among other things, civil penalties under the Clean Water Act (CWA) and other relief. The United States alleges that MOEX Offshore, because of its Interest at the time of the Incident, is subject to liability for civil penalties under the CWA. In making its determination as to the amount of civil penalties under the CWA, the court will consider the seriousness of the violation or violations, the degree of culpability involved and the history of prior violations, among other factors. In the federal district court for the Eastern District of Louisiana, two gulf coast states and local governmental entities filed complaints seeking from the MOEX Parties and others penalties, punitive damages and other relief under state environmental and other laws.

Most of the civil lawsuits brought by various types of businesses, government, property owners and individuals, seeking recovery for alleged property damages, personal injuries and economic losses caused by the Incident, and alleged injuries and damages caused by post-incident clean up activities, as well as the lawsuits brought by the United States seeking penalties and other relief described above, were sent for pretrial proceedings to a federal district court judge in the Eastern District of Louisiana (MDL Proceedings) and separated into several bundles based upon the nature of the claims being asserted. An admiralty action and cross-claims were filed

against the MOEX Parties, as part of the MDL Proceedings, seeking indemnification and contribution as to claims filed against certain of the other defendants in the MDL proceedings. In addition to the above claims, the plaintiffs in some of the civil lawsuits have requested the award of punitive damages from the MOEX Parties and others.

On August 26, 2011 and September 30, 2011, the court dismissed a number of the causes of action filed against the MOEX Parties and others in the bundles of cases seeking recovery by private parties for alleged economic loss and property damage and for personal injury and costs caused by the clean-up efforts. Similarly, on November 14, 2011 and December 9, 2011, the court dismissed all state law claims, including the civil penalty claims, and maritime negligence claims against MOEX Offshore and MOEX USA filed by the gulf coast states and local governmental entities. On November 18, 2011, the court dismissed the indemnification and contribution claims filed by co-defendants against MOEX Offshore and MOEX USA. While these orders are not final, for these bundles, the state law and maritime claims against MOEX Offshore and MOEX USA were dismissed by these orders. As the result of these orders, the only claims that remain in these bundles of cases against MOEX Offshore and MOEX USA, except those claims brought by the United States, are those arising under OPA. Further, the court stated that punitive damages are not available under OPA.

The Bureau of Ocean Energy Management, Regulation and Enforcement's portion of a joint report, dated September 14, 2011, that it prepared with the United States Coast Guard, addressed the causes of the Incident. The report stated that there were a variety of factors that led to the Incident, and did not identify any actions on the part of MOEX Parties as being among those factors. Various other government investigations into the Incident are ongoing.

A trial of a number of the issues presented by the lawsuits that are part of the MDL Proceedings is scheduled to start on February 27, 2012.

Under the terms of the Settlement, the MOEX Parties are continuing to defend all the claims filed against them in the MDL Proceedings. As noted above, punitive damages, solely to the extent arising from conduct of the MOEX Parties, if awarded, as well as Penalties, will not be covered by the indemnification provided by the BP Parties in the Settlement. However, because these lawsuits are still on-going, the MOEX Parties currently are unable to reasonably estimate the total amount of their liability for Penalties and their liability, if any, for punitive damages.

The MOEX Parties have sought insurance coverage with respect to the Incident, but the maximum potential insurance recovery is substantially less than the Settlement amount. ■