

To Our Investors

On behalf of the Board of Management, I would like to offer my view on the operating environment and Mitsui's performance and strategies.

A portrait of Masami Iijima, President and Chief Executive Officer of Mitsui. He is a middle-aged man with dark hair, wearing a dark blue pinstriped suit jacket, a white shirt, and a pink and purple striped tie. He is seated at a dark wooden desk, looking slightly to the right of the camera with a gentle smile. A black pen and a dark folder are visible on the desk in front of him. The background consists of a wood-paneled wall and a window with blinds on the left.

Masami Iijima
President and
Chief Executive Officer

Operating Environment

For the fiscal year ended March 31, 2009, from the beginning to the middle of the year, it seemed to be another robust year with even some fear of inflation. Energy and Mineral & Metal Resources businesses again led the way thanks to a further run-up in prices of oil, coal, iron ore, and other metals. Non-commodities businesses also posted solid results carrying over from the previous year's positive trend into this fiscal year.

However, the situation quickly morphed to a banking and credit crisis following a full-scale blowout of the financial crisis in September 2008, triggered by the default by a large U.S. investment bank resulting in a flight to quality that depressed yields on the most liquid government securities and an evaporation of wholesale funding that prompted a disorderly deleveraging that cascaded across the rest of the global financial system. The financial crisis also triggered an acute loss of confidence. Industrial production and merchandise trade plummeted in the latter half of the fiscal year across both advanced and emerging economies. Continued falling of equity markets all over the globe and the depreciation of all currencies against the yen also had a huge impact on our operating results and financial condition.

Highlights of Financial Results for the Year Ended March 31, 2009

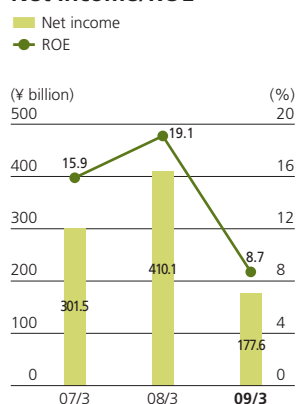
Operating Results

For the fiscal year ended March 31, 2009, our consolidated net income was ¥177.6 billion, a substantial decline of ¥232.5 billion from the previous fiscal year. Several factors led to the substantial decline in earnings. The first factor was the recognition of substantial impairment losses on listed securities due to the continued falling of equity markets all over the globe. The second was the reporting of impairment losses on unlisted securities, goodwill, and long-lived assets as a result of economies around the world being seriously affected by the financial crisis and a slump in activity. The third factor was the sharp decline in profitability in all other operating segments, with the exception of the Energy and the Asia Pacific segments, also as a result of the contraction of the global economy.

Financial Condition

Total assets as of March 31, 2009 were ¥8.4 trillion, a decline of ¥1.1 trillion from the level at the previous fiscal year-end. Current assets declined by ¥0.6 trillion, mainly reflecting a sharp drop in commodity prices during the year. Investments and long-lived assets declined

Net Income/ROE



Balance Sheet

(¥ trillion)

08/3		09/3	
Current assets	5.0	Current assets	4.4
Investments and other assets	4.5	Investments and other assets	4.0
Other liabilities	3.6	Other liabilities	2.8
Interest-bearing debt	3.7	Interest-bearing debt	3.7
(2.8)*		(2.5)*	
Shareholders' equity	2.2	Shareholders' equity	1.9
Total assets	¥9.5tn	Total assets	¥8.4tn
Shareholders' equity	¥2.18tn	Shareholders' equity	¥1.88tn
ROE	19.1%	ROE	8.7%
Net DER	1.27x	Net DER	1.34x

* Figures in brackets for interest-bearing debt denote "net interest-bearing debt," which is interest-bearing debt minus cash and cash equivalents and time deposits.

by ¥0.5 trillion, due to a stronger yen and a sharp decline in equity markets all over the world, partially offset by various capital expenditures for the expansions made by the Mineral & Metal Resources and the Energy segments. Although the retained earnings increased, shareholders' equity declined by ¥0.3 trillion from the previous fiscal year-end, due to a decline in foreign currency adjustments as a result of the appreciation of the yen against major currencies and a decline in unrealized gains on securities accounts, reflecting a falling of equity markets.

Our net debt-to-equity ratio (net DER*) increased only marginally to 1.34 times, compared with 1.27 times as of March 31, 2008. Our current ratio improved from 147% at the previous year-end to 158% as of March 31, 2009. In addition, reflecting the acceleration of long-term debt funding, among our long-term liabilities, obligations with maturities of over five years now account for nearly half of the total. Even in the midst of the turmoil in financial markets, we intend to maintain our credit standing by continuing to maintain and strengthen this strong financial condition.

* The net debt-to-equity ratio (DER) is interest-bearing debt less cash and cash equivalents and time deposits (net interest-bearing debt), divided by shareholders' equity.

Key Strategies of Outlook for the Fiscal Year Ending March 31, 2010

In May 2006, we announced our Medium-Term Management Outlook, based on the company-wide consideration of the various business models that we intend to seek to develop over the next three-to-five years: namely, the period of 2009 to 2011.

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

- (1) Development of strategic business portfolios,
- (2) Evolution of business models leveraging business engineering capabilities,
- (3) Implementation of global strategies, and
- (4) Reinforcement of the management framework to support growth.

With the dramatically different economic environment today, compared with the one when we announced our Medium-Term Management Outlook in May 2006, we see this fiscal year as a time for using our sense of crisis as leverage to accelerate the implementation of the above-mentioned four key strategies contained in the Medium-Term Management Outlook.



**(1) Development of strategic business portfolios**

It is essential for us to optimize the allocation of management resources for expanding our global business and achieving sustainable growth. We review each segment's development of portfolio strategy periodically and reallocate management resources to business areas where we expect higher potential of growth while enhancing the recycling of existing investments if we judge potential of growth is limited or strategically not important anymore, aiming to develop strategic portfolios.

As for human resources, beginning in the fiscal year ended March 2009, in addition to reallocating our business portfolio, we started to take steps to reallocate our portfolio of human resources as well. We are continuing to implement measures aimed at moving human resources internally across the boundary lines of business units, an integral part of our management approach.

By creating our strategic portfolios and reallocating them flexibly in response to the significantly changing social and economic environment in which we do business, we intend to develop our business activities dynamically in high-priority fields.

To this end, for the year ending March 31, 2010, we have regrouped the Chemical Segment and restructured the Consumer Service & IT Segment as of April 1, 2009. We will specify approaches for expanding earnings bases in non-resource areas.

(2) Evolution of business models leveraging business engineering capabilities

Following the establishment of the Automotive Strategy Department and the Medical Healthcare Business Division in the year ended March 31, 2008, we established the Agri-Food Business Strategic Planning Department and the Renewable Energy Division in the year ended March 31, 2009, and intend to follow our commitment to expand earnings bases.

In the year ending March 31, 2010, we will work on opportunities for growth generated by industrial

structural changes occurring through the world recession. We will also develop the environment and energy related businesses in response to the increasing global awareness of environmental issues while continuing to seek to develop new operations in the automotive, medical healthcare, and agri-food businesses as well.

(3) Implementation of global strategies

The trend toward economic globalization will, undoubtedly, continue to expand and deepen. For us to expand our global business and sustain our growth amid this trend, it will be indispensable to train and draw on the capabilities of a broad range of human resources and continue to promote diversity. Our Head Office and our three region-focused operating segments—the Americas Segment; the Europe, the Middle East and Africa (“EMEA”) Segment; and the Asia Pacific Segment—are actively engaging in activities to promote “the globalization of human resources.” Achieving the globalization of human resources will take considerable time and presents major challenges. We intend to move persistently toward this objective.

To this end, for the year ending March 31, 2010, we will establish an efficient management system of region-focused operating segments and clarify their strategic business domains upon which to be focused.

(4) Reinforcement of the management framework to support growth

During the fiscal year under review and in April 2009, we found that improper transactions had occurred in agricultural materials dealings in our Kyushu Branch and in export transactions to Southeast Asia in our Performance Chemicals Business Unit. We have been working to maintain internal controls and high standards of compliance, but realized that these efforts have been insufficient, and are endeavoring to further heighten the awareness of compliance and strengthen a company-wide risk management system.



Financial Outlook for the Fiscal Year Ending March 31, 2010

Outlook for Net Income

For the year ending March 31, 2010, we project our earnings for the new fiscal year to decline to ¥120 billion.

While there should be a substantial reversal effect related to the huge impairment losses on securities, goodwill, and long-lived assets that we recognized in the previous fiscal year, the impact of a likely decline in prices of iron ore, coal, and oil is expected to more than offset such reversal effect.

As for the operating environment for the new fiscal year, recent data suggest that the rate of decline in economic activity is moderating. The global economy appears to have started to pull out of a recession unprecedented in the post-World War II era, but stabilization is uneven and the recovery is expected to be sluggish. Despite such positive signs, the global recession is far from being over, and the recovery is still expected to be slow. In addition, since net income for the year ending March 31, 2010 will be strongly influenced by the prices of oil, nonferrous metals, and other commodities as well as fluctuations in the value of the yen against such foreign currencies as the U.S. dollar, Australian dollar, and Brazilian real, we need to remain cautious and carefully monitor the changes in the overall environment.

Investment and Loan Plans and Cash Flows

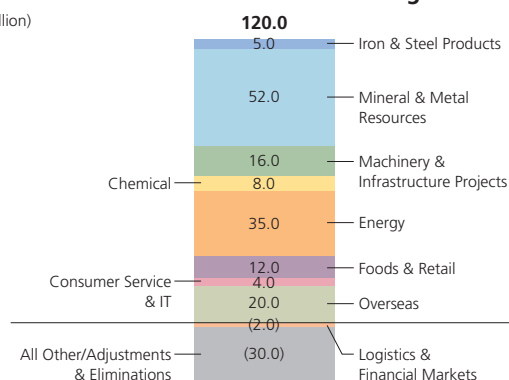
Free cash flow is the key management indicator we use in implementing our strategic portfolio management, aiming to adhere to a positive free cash flow on a company-wide basis. Accordingly, we monitor the progress of investment against our investment plan, while, at the same time, working to divest existing investments and long-lived assets to generate cash flow.

Free cash flow for the year ended March 31, 2009, was a net inflow of ¥291.8 billion, approximately the same level of positive free cash flow as in the previous fiscal year. Although there were no large-scale divestitures of assets such as those in the prior year, free cash flow turned positive as a result of our continued efforts to improve our cash position through strict investment discipline and reduction in working capital.

For the fiscal year ending March 31, 2010, we are expecting to make investment and loan expenditures of ¥360 billion. This will include investments of ¥120 billion in projects under development or for expansion in the Mineral Resources & Energy business area, ¥140 billion in the Infrastructure business area, and ¥100 billion in the Global Marketing Networks business area and the Consumer Services business area. We also plan to continue with our asset divestiture efforts for a total sum of approximately ¥120 billion. During the current fiscal year, our basic policy will be to aim for generating positive free

Net Income Outlook for the Year Ending March 2010

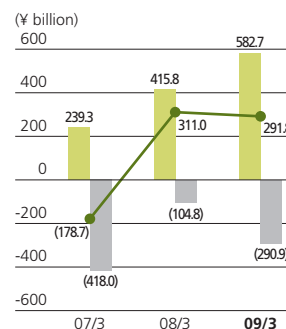
(¥ billion)



1. "All Other" includes business activities which primarily provide services, such as financing services, and operations services to external customers, and/or to us and associated companies.
 2. Net loss of "Adjustments and Eliminations" includes income and expense items that are not allocated to specific reportable operating segments, such as certain expenses of corporate departments, and eliminations of intersegment transactions.

Cash Flow

Operating cash flow
 Investment cash flow
 Free cash flow



cash flow, but, if opportunities arise for the acquisition of high-quality assets, we will pursue those aggressively.

Compensation to Shareholders

Our policy on shareholder returns is to place emphasis on utilizing retained earnings for reinvesting to meet strong demand for funds in key business sectors on the one hand, and rewarding shareholders directly in line with Company performance by increasing dividend payments.

In preparing our business plans for the current fiscal year, as a result of the careful examination of investment and loan plans from a company-wide perspective, we ascertained that there is continued strong demand for investments. Despite positive signs in the global economy, we believe that financial conditions and commodity markets will remain uncertain. Given these circumstances, we intend to remain disciplined in strengthening our financial position and executing selected investments to build the foundation for future growth that will contribute to increasing our corporate value in the medium-to-long term. Based on this conclusion, we believe that maintaining the consolidated dividend payout ratio of 20% is appropriate. Going forward, in deciding the appropriate allocation of net income, we will consider the operating environment, future trends in demand for investments, trends in free cash flow, the level of our interest-bearing debt, and our return on equity.

In Closing

During the current fiscal year, we will confront major challenges in the operating environment. We consider this year as a time for using our sense of crisis as leverage to accelerate efforts in building foundations for the next phase of long-term growth. We intend to respond to the support of customers and shareholders by working on a company-wide basis, to implement initiatives to substantially strengthen our earnings base and financial position, contribute to society as a whole, and aim to continue to be a company that is trusted by our stakeholders.

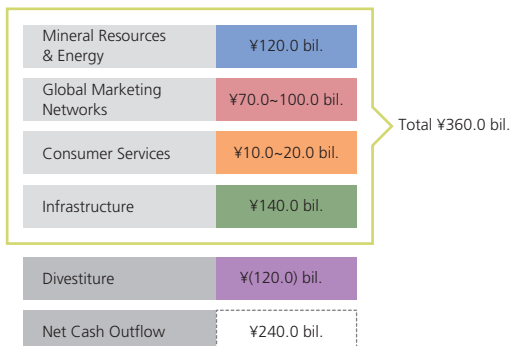
We appreciate the support we have received from our shareholders, customers, and other stakeholders, and we ask for your ongoing support as we continue to pursue our objectives.

September 2009



Masami Iijima
President and Chief Executive Officer

Investment and Loan Plans for the Year Ending March 2010



Dividend Outlook

