

MITSUI & CO LTD
Form 6-K
May 09, 2003

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FORM 6-K
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Report of Foreign Private Issuer

Consolidated Financial Results for the Year Ended March 31, 2003

**Pursuant to Rule 13a-16 or 15d-16
of the Securities Exchange Act of 1934**

For the month of May 9 , 2003

Commission File Number 09929

Mitsui & Co., Ltd.

(Translation of registrant's name into English)

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

(Address of principal executive offices)

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

Form 20-F Form 40-F

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

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

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

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

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

Yes No

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

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Signatures

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

Date: May 9, 2003

MITSUI & CO., LTD.

By: /S/ Tasuku Kondo

Name: Tasuku Kondo
Title: Executive Director
Senior Executive Managing Officer
Chief Financial Officer

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Consolidated Financial Results for the Year Ended March 31, 2003
(Accounting Principles Generally Accepted in the United States of America)

Mitsui & Co., Ltd. and subsidiaries
(Web Site <http://www.mitsui.co.jp>)

President and Chief Executive Officer, Shoei Utsuda
Investor Relations Contacts Yuji Takagi, General Manager, Corporate Communications Division TEL (03) 3285-7533

1. Consolidated financial results for the year ended March 31, 2003
(from April 1, 2002 to March 31, 2003)

(1) Consolidated operating results information

| | Total trading transactions | | Income from continuing operations before income taxes, minority interests and equity in earnings | | | |
|---------------------------|----------------------------|-------|--|--------|--|--|
| | Millions of Yen | % | Millions of Yen | % | | |
| Year ended March 31, 2003 | 13,236,683 | 4.8 | 62,409 | (1.8) | | |
| Year ended March 31, 2002 | 12,634,686 | (3.0) | 63,573 | (22.8) | | |

| | Net income | Net income per share, basic | Net income per share, diluted | Return on equity | Income from continuing operations before income taxes, minority interests and equity in earnings to total assets ratio | Income from continuing operations before income taxes, minority interests and equity in earnings to total trading transaction ratio |
|---------------------------|------------|-----------------------------|-------------------------------|------------------|--|---|
| | | | | | % | % |
| Year ended March 31, 2003 | 31,138 | (43.8) | 19.68 | 18.69 | 3.5 | 0.9 |
| Year ended March 31, 2002 | 55,371 | 7.3 | 34.97 | 32.85 | 6.3 | 1.0 |

Notes:

- Equity in earnings of associated companies net for the fiscal years ended March 31, 2003 and 2002 were ¥13,405 million and ¥23,783 million, respectively.
- Average number of outstanding shares during the years ended March 31, 2003 and 2002 were 1,582,278,485 and 1,583,427,407, respectively.
- Change in accounting principles applied: No
- Percentage figures for Total trading transactions, Income from continuing operations before income taxes, minority interests and equity in earnings, and Net income represent changes from the previous year.

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5. Parentheses represent negative figures or decreases.
6. Effective April 1, 2002, Mitsui & Co., Ltd. and subsidiaries (the companies) adopted Statement of Financial Accounting Standards (SFAS) No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. The above-mentioned figures for the fiscal year ended March 31, 2002 have been reclassified to conform to the current year presentation of the statement of consolidated income.
7. Total trading transactions represents gross transaction volume for Revenue gross trading profit reported in the Statements of Consolidated Income, and is a financial measure commonly used by similar Japanese trading companies. It is a voluntary disclosure as permitted by the Emerging Issues Task Force, Issue No. 99-19, Reporting Revenue Gross as a Principal versus Net as an Agent.

(2) Consolidated financial position information

| | <u>Total assets</u> | <u>Total Shareholders' equity</u> | <u>Shareholders' equity ratio</u> | <u>Shareholders' equity per share</u> |
|----------------|---------------------|-----------------------------------|-----------------------------------|---------------------------------------|
| | Millions of Yen | Millions of Yen | % | Yen |
| March 31, 2003 | 6,540,520 | 862,147 | 13.2 | 545.19 |
| March 31, 2002 | 6,668,366 | 914,970 | 13.7 | 577.93 |

Note: Number of outstanding shares at March 31, 2003 and 2002 were 1,581,376,992 and 1,583,179,977, respectively.

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(3) Consolidated cash flows information

| | Net cash provided by operating activities | Net cash used in investing activities | Net cash provided by (used in) financing activities | Cash and cash equivalents at end of year |
|---------------------------|--|--|--|---|
| | <u>Millions of Yen</u> | <u>Millions of Yen</u> | <u>Millions of Yen</u> | <u>Millions of Yen</u> |
| Year ended March 31, 2003 | 52,148 | (13,244) | 17,824 | 660,216 |
| Year ended March 31, 2002 | 133,712 | (108,212) | (126,076) | 607,987 |

2. Forecast of consolidated operating results for the fiscal year ending March 31, 2004
(fiscal year from April 1, 2003 to March 31, 2004)

| | Total trading transactions | Net income |
|--|-------------------------------|------------------------|
| | <u>Millions of Yen</u> | <u>Millions of Yen</u> |
| Six-month period ending September 30, 2003 | 5,800,000 | 25,000 |
| Fiscal year ending March 31, 2004 | 12,200,000 | 65,000 |

Note: Forecasted basic net income per share for the fiscal year ending March 31, 2004: Yen 41.10

A Cautionary Note on Forward-Looking Statements:

This report contains statements (including figures) regarding Mitsui & Co., Ltd. (Mitsui)'s views of future developments that are forward-looking in nature and are not simply reiterations of historical facts. These statements are presented to inform stakeholders of the views of Mitsui's management but should not be relied on solely in making investment and other decisions. You should be aware that a number of important risk factors could lead to outcomes that differ materially from those presented in such forward-looking statements. These include, but are not limited to, (i) change in economic conditions that may lead to unforeseen developments in markets for products handled by Mitsui, (ii) fluctuations in currency exchange rates that may cause unexpected deterioration in the value of transactions, (iii) adverse political developments that may create unavoidable delays or postponement of transactions and projects, (iv) changes in laws, regulations, or policies in any of the countries where Mitsui conducts its operations that may affect Mitsui's ability to fulfill its commitments, and (v) significant changes in the competitive environment. In the course of its operations, Mitsui adopts measures to control these and other types of risks, but this does not constitute a guarantee that such measures will be effective.

Table of Contents**Statements of Consolidated Income**

(Millions of Yen)

| | | Year ended March 31, 2003 | Year ended March 31, 2002 | Comparison with previous period | |
|---|--|------------------------------|------------------------------|------------------------------------|--------|
| | | | | Increase/(Decrease) | |
| | | | | Amount | % |
| Revenue | Gross Trading Profit | ¥569,802 | ¥546,549 | ¥ 23,253 | 4.3 |
| Total Trading Transactions: | | | | | |
| | 2003 | ¥13,236,683 million | | | |
| | 2002 | ¥12,634,686 million | | | |
| Expenses and Other: | | | | | |
| | Selling, general and administrative | 457,803 | 446,013 | 11,790 | |
| | Provision for doubtful receivables | 14,293 | 21,191 | (6,898) | |
| | Interest expense, net of interest income | 2,868 | 12,876 | (10,008) | |
| | Dividend income | (16,267) | (18,192) | 1,925 | |
| | Gain on sales of securities net | (11,026) | (31,308) | 20,282 | |
| | Gain on securities contributed to an employee retirement benefit trust | (15,831) | (29,242) | 13,411 | |
| | Loss on the write-down of securities | 37,921 | 43,605 | (5,684) | |
| | Loss on disposal or sale of property and equipment net | 1,765 | 2,577 | (812) | |
| | Impairment loss of long-lived assets | 24,558 | 24,732 | (174) | |
| | Other expense net | 11,309 | 10,724 | 585 | |
| | Total | 507,393 | 482,976 | 24,417 | |
| Income from Continuing Operations before Income Taxes, Minority Interests and Equity in Earnings | | | | | |
| | | 62,409 | 63,573 | (1,164) | (1.8) |
| Income Taxes | | | | | |
| | Current | 39,208 | 32,545 | 6,663 | |
| | Deferred | (1,373) | (1,010) | (363) | |
| | Total income taxes | 37,835 | 31,535 | 6,300 | |
| Income from Continuing Operations before Minority Interests and Equity in Earnings | | | | | |
| | | 24,574 | 32,038 | (7,464) | (23.3) |
| Minority Interests in (Earnings) Losses of Subsidiaries | | | | | |
| | | (4,365) | 3,070 | (7,435) | |
| Equity in Earnings of Associated Companies Net (After Income Tax Effect) | | | | | |
| | | 13,405 | 23,783 | (10,378) | |
| Income from Continuing Operations | | | | | |
| | | 33,614 | 58,891 | (25,277) | (42.9) |
| Loss from Discontinued Operations Net (After Income Tax Effect) | | | | | |
| | | (2,476) | (3,520) | 1,044 | |
| Net Income | | | | | |
| | | ¥ 31,138 | ¥ 55,371 | ¥(24,233) | (43.8) |

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(Millions of Yen)

| | March 31, 2003 | March 31, 2002 | Increase/ (Decrease) |
|---|-------------------|-------------------|-------------------------|
| Assets | | | |
| Current Assets: | | | |
| Cash and cash equivalents | ¥ 660,216 | ¥ 607,987 | ¥ 52,229 |
| Time deposits | 37,702 | 78,211 | (40,509) |
| Marketable securities | 99,084 | 102,664 | (3,580) |
| Trade receivables: | | | |
| Notes and loans, less unearned interest | 467,820 | 532,708 | (64,888) |
| Accounts | 1,589,379 | 1,560,041 | 29,338 |
| Associated companies | 195,411 | 152,537 | 42,874 |
| Allowance for doubtful receivables | (21,236) | (20,625) | (611) |
| Inventories | 488,672 | 485,147 | 3,525 |
| Advance payments to suppliers | 57,090 | 66,785 | (9,695) |
| Deferred tax assets - current | 35,819 | 31,120 | 4,699 |
| Other current assets | 221,787 | 187,182 | 34,605 |
| Total current assets | 3,831,744 | 3,783,757 | 47,987 |
| Investments and Non-current Receivables: | | | |
| Investments in and advances to associated companies | 584,511 | 459,797 | 124,714 |
| Other investments | 525,063 | 741,934 | (216,871) |
| Non-current receivables less unearned interest income | 674,681 | 805,243 | (130,562) |
| Allowance for doubtful receivables | (139,793) | (139,478) | (315) |
| Property leased to others - at cost less accumulated depreciation | 240,304 | 270,274 | (29,970) |
| Total investments and non-current receivables | 1,884,766 | 2,137,770 | (253,004) |
| Property and Equipment at Cost: | | | |
| Land, land improvements and timberlands | 232,469 | 230,577 | 1,892 |
| Buildings, including leasehold improvements | 347,408 | 334,445 | 12,963 |
| Equipment and fixtures | 342,012 | 330,426 | 11,586 |
| Vessels | 19,970 | 19,075 | 895 |
| Projects in progress | 20,801 | 35,791 | (14,990) |
| Total | 962,660 | 950,314 | 12,346 |
| Accumulated depreciation | (391,733) | (364,873) | (26,860) |
| Net property and equipment | 570,927 | 585,441 | (14,514) |
| Intangible Assets, less Accumulated Amortization | 71,179 | 45,155 | 26,024 |
| Deferred Tax Assets - Non-current | 53,527 | 24,668 | 28,859 |
| Other Assets | 128,377 | 91,575 | 36,802 |
| Total | ¥6,540,520 | ¥6,668,366 | ¥(127,846) |

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(Millions of Yen)

Liabilities and Shareholders Equity

| | March 31, 2003 | March 31, 2002 | Increase/ (Decrease) |
|---|-------------------|-------------------|-------------------------|
| Current Liabilities: | | | |
| Short-term loans | ¥ 612,645 | ¥ 567,413 | ¥ 45,232 |
| Current maturities of long-term debt | 495,299 | 454,787 | 40,512 |
| Trade payables | | | |
| Notes and acceptances | 124,276 | 179,129 | (54,853) |
| Accounts | 1,417,472 | 1,407,512 | 9,960 |
| Associated companies | 77,033 | 68,926 | 8,107 |
| Accrued expenses: | | | |
| Income taxes | 23,076 | 18,588 | 4,488 |
| Interest | 23,633 | 27,004 | (3,371) |
| Other | 39,681 | 41,735 | (2,054) |
| Advances from customers | 73,155 | 79,387 | (6,232) |
| Other current liabilities | 139,060 | 142,195 | (3,135) |
| Total current liabilities | 3,025,330 | 2,986,676 | 38,654 |
| Long-term Debt, less Current Maturities | 2,500,470 | 2,619,867 | (119,397) |
| Accrued Pension Costs and Liability for Severance | | | |
| Indemnities | 53,148 | 41,561 | 11,587 |
| Deferred Tax Liabilities Non-current | 31,459 | 47,093 | (15,634) |
| Minority Interests | 67,966 | 58,199 | 9,767 |
| Shareholders Equity: | | | |
| Common stock | 192,487 | 192,487 | |
| Capital surplus | 287,756 | 287,756 | |
| Retained earnings: | | | |
| Appropriated for legal reserve | 36,382 | 35,873 | 509 |
| Unappropriated | 494,038 | 476,074 | 17,964 |
| Accumulated other comprehensive income (loss): | | | |
| Unrealized holding gains and losses on available-for-sale securities | 3,405 | 44,246 | (40,841) |
| Foreign currency translation adjustments | (141,053) | (118,669) | (22,384) |
| Minimum pension liability adjustment | (6,731) | (373) | (6,358) |
| Net unrealized gains and losses on derivatives | (2,759) | (2,122) | (637) |
| Total accumulated other comprehensive loss | (147,138) | (76,918) | (70,220) |
| Treasury stock, at cost | (1,378) | (302) | (1,076) |
| Total shareholders equity | 862,147 | 914,970 | (52,823) |
| Total | ¥6,540,520 | ¥6,668,366 | ¥(127,846) |

Table of Contents**Statements of Consolidated Shareholders' Equity**

(Millions of Yen)

| | Year ended March 31, 2003 | Year ended March 31, 2002 |
|---|---------------------------------|---------------------------------|
| Common Stock: | | |
| Balance at beginning of year | ¥ 192,487 | ¥ 192,487 |
| Balance at end of year | ¥ 192,487 | ¥ 192,487 |
| Capital Surplus: | | |
| Balance at beginning of year | ¥ 287,756 | ¥ 287,756 |
| Balance at end of year | ¥ 287,756 | ¥ 287,756 |
| Retained Earnings: | | |
| Appropriated for Legal Reserve: | | |
| Balance at beginning of year | ¥ 35,873 | ¥ 34,341 |
| Transfer from unappropriated retained earnings | 509 | 1,532 |
| Balance at end of year | ¥ 36,382 | ¥ 35,873 |
| Unappropriated: | | |
| Balance at beginning of year | ¥ 476,074 | ¥ 437,548 |
| Net income | 31,138 | 55,371 |
| Cash dividends paid (annual rate per share: 2003 ¥8.0; 2002 ¥8.0) | (12,665) | (12,669) |
| Transfer to retained earnings appropriated for legal reserve | (509) | (1,532) |
| Effect of change in fiscal year-end of certain subsidiaries | | (2,644) |
| Balance at end of year | ¥ 494,038 | ¥ 476,074 |
| Accumulated Other Comprehensive Income (Loss) (After Income Tax Effect): | | |
| Balance at beginning of year | ¥ (76,918) | ¥ (117,705) |
| Unrealized holding gains and losses on available-for-sale securities | (40,841) | (51,384) |
| Foreign currency translation adjustments | (22,384) | 69,057 |
| Minimum pension liability adjustment | (6,358) | 24,514 |
| Net unrealized gains and losses on derivatives | (637) | (2,950) |
| Effect of change in fiscal year-end of certain subsidiaries | | 1,550 |
| Balance at end of year | ¥ (147,138) | ¥ (76,918) |
| Treasury stock, at cost | | |
| Balance at beginning of year | ¥ (302) | ¥ |
| Purchase of treasury stock | (1,076) | (302) |
| Balance at end of year | ¥ (1,378) | ¥ (302) |

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Note: Appropriations of retained earnings are reflected in the financial statements for the following year upon shareholders' approval.

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(Millions of Yen)

| | Year ended March 31, 2003 | Year ended March 31, 2002 |
|--|---------------------------------|---------------------------------|
| | <u> </u> | <u> </u> |
| Summary of Changes in Equity from Nonowner Sources (Comprehensive Income (Loss)): | | |
| Net income | ¥ 31,138 | ¥ 55,371 |
| | <u> </u> | <u> </u> |
| Other comprehensive income (loss) (after income tax effect): | | |
| Unrealized holding gains and losses on available-for-sale securities | (40,841) | (51,384) |
| Foreign currency translation adjustments | (22,384) | 69,057 |
| Minimum pension liability adjustment | (6,358) | 24,514 |
| Net unrealized gains and losses on derivatives | (637) | (2,950) |
| | <u> </u> | <u> </u> |
| Changes in equity from nonowner sources | ¥ (39,082) | ¥ 94,608 |
| | <u> </u> | <u> </u> |

Note: Changes in equity from nonowner sources (comprehensive income (loss)) for the fiscal year ended March 31, 2002, including the effect of a change in fiscal year-end of certain subsidiaries, was ¥93,514 million. The difference between the amount and comprehensive income stated in the above table consisted of a charge to retained earnings of ¥2,644 million and a credit to accumulated other comprehensive income of ¥1,550 million to record the effect of a change in fiscal year-end of certain subsidiaries.

Table of Contents**Statements of Consolidated Cash Flows**

(Millions of Yen)

| | Year ended March 31, 2003 | Year ended March 31, 2002 |
|---|--------------------------------------|--------------------------------------|
| Operating Activities: | | |
| Net income | ¥ 31,138 | ¥ 55,371 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Loss from discontinued operations net (after income tax effect) | 2,476 | 3,520 |
| Depreciation and amortization | 58,547 | 56,974 |
| Provision for doubtful receivables | 14,293 | 21,191 |
| Equity in earnings of associated companies, less dividends received | (368) | (14,193) |
| Deferred income taxes | (1,373) | (1,010) |
| Gain on sales of securities net | (11,026) | (31,308) |
| Gain on securities contributed to an employee retirement benefit trust | (15,831) | (29,242) |
| Loss on the write-down of securities | 37,921 | 43,605 |
| Loss on disposal or sale of property and equipment net | 1,765 | 2,577 |
| Impairment loss of long-lived assets | 24,558 | 24,732 |
| (Increase) decrease in trade receivables | (42,115) | 148,412 |
| (Increase) decrease in inventories | (27,512) | 32,586 |
| Decrease in trade payables | (12,703) | (166,813) |
| Net change in accrued pension costs and liability for severance indemnities | (9,660) | (1,725) |
| Other net | 2,038 | (10,965) |
| Net cash provided by operating activities | 52,148 | 133,712 |
| Investing Activities: | | |
| Net decrease (increase) in time deposits | 40,220 | (17,102) |
| Investments in and advances to associated companies | (63,769) | (38,008) |
| Collection of advances to associated companies | 10,111 | 25,377 |
| Acquisition of other investments | (298,515) | (164,684) |
| Proceeds from sale of other investments | 331,463 | 103,260 |
| Increase in long-term loan receivables | (56,169) | (40,424) |
| Collection of long-term loan receivables | 84,445 | 61,472 |
| Additions to property leased to others and property and equipment | (123,216) | (89,060) |
| Proceeds from sale of property leased to others and property and equipment | 62,186 | 50,957 |
| Net cash used in investing activities | (13,244) | (108,212) |
| Financing Activities: | | |
| Net increase(decrease) in short-term borrowings | 54,972 | (89,672) |
| Proceeds from long-term debt | 587,753 | 404,629 |
| Repayment of long-term debt | (611,150) | (428,227) |
| Acquisition of treasury stock | (1,086) | (137) |
| Payment of cash dividends | (12,665) | (12,669) |
| Net cash provided by (used in) financing activities | 17,824 | (126,076) |
| Effect of Exchange Rate Changes on Cash and Cash Equivalents | (4,499) | 9,433 |
| Effect of Change in Fiscal Year-End of Certain Subsidiaries | | (6,201) |

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| | | |
|--|-------------------|-------------------|
| Net Increase (Decrease) in Cash and Cash Equivalents | 52,229 | (97,344) |
| Cash and Cash Equivalents at Beginning of Year | 607,987 | 705,331 |
| | <u> </u> | <u> </u> |
| Cash and Cash Equivalents at End of Year | ¥ 660,216 | ¥ 607,987 |
| | <u> </u> | <u> </u> |

Effective April 1, 2002, the companies adopted SFAS No.144. The above-mentioned figures for the fiscal year ended March 31, 2002 have been reclassified to conform to the current year presentation.

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Supplemental Information:

(Millions of Yen)

| | <u>Year ended March 31, 2003</u> | <u>Year ended March 31, 2002</u> |
|--|--------------------------------------|--------------------------------------|
| Cash paid during the year for: | | |
| Interest | ¥55,211 | ¥79,614 |
| Income taxes | 31,002 | 59,017 |
| Non-cash investing and financing activities: | | |
| Exchange of shares in connection with a business combination of investees (EITF 91-5): | | |
| Fair market value of shares received | 7,110 | 35,874 |
| Cost of shares surrendered | 2,635 | 18,649 |
| Acquisition of investment by business split-off: | | |
| Transferred assets | | 43,450 |
| Transferred liabilities | | 39,365 |
| Acquired investments | | 4,085 |
| Contribution of securities to an employee retirement benefit trust | ¥27,343 | ¥45,770 |

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**Basis of Financial Statements and Summary of
Significant Accounting Policies**

I. Basis of Financial Statements

The accompanying consolidated financial statements of Mitsui & Co., Ltd. (the Company) and its subsidiaries (collectively, the companies) have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S.GAAP). The presentation of certain prior year information has been reclassified to conform to the current year presentation.

II. Summary of Significant Accounting Policies

(1) Inventories

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

(2) Marketable securities and investments

The companies classify debt and marketable equity securities, at acquisition, into one of three categories: held-to-maturity, available-for-sale or trading under provisions of Statement of Financial Accounting Standards (SFAS) No. 115.

Trading securities are carried at fair value and unrealized holding gains and losses are included in net income.

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. Premium and discount 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 such unrealized holding gains and losses reported as Unrealized holding gains and losses on available-for-sale securities in the Shareholders Equity after income tax effects.

(3) Depreciation

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.

(4) Pension and severance indemnities plans

The companies have pension plans and/or severance indemnities plans covering substantially all employees other than directors. The costs of the pension plans and severance indemnities plans are accrued based on amounts determined using actuarial methods.

(5) Derivative instruments and hedging activities

All derivative instruments are recognized and measured at fair value as either assets or liabilities and changes in the fair value are currently recognized in earnings or reported as Net unrealized gains and losses on delivatives in the Shareholders Equity after income tax effects, depending on the intended use of the derivative instruments and its resulting hedge designation.

(6) Business combinations and intangible assets

On April 1, 2002, the companies fully adopted SFAS No. 141, Business Combinations and SFAS No.142, Goodwill and Other Intangibles Assets. All business combinations are accounted for using the purchase method, and goodwill acquired upon business combinations and indefinite-lived intangible assets are not amortized but instead tested for impairment annually or more frequently if impairment indicators arise. The cumulative effect of a change in accounting principle on the write-off of any unamortized deferred credit related to an excess of fair value of acquired net assets over cost arising from business combinations for which the acquisition date was before July, 1, 2001 and investments accounted for by the equity method acquired before July 1, 2001 was immaterial. The companies completed the transitional impairment test

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for goodwill and indefinite-lived intangible assets at April 1, 2002 and determined that the fair value of these assets was in excess of the carrying amount.

(7) Discontinued operations

On April 1, 2002, the companies adopted SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. The companies report the results of the discontinued operations (including gain or loss related to subsidiaries that either have been disposed of or are classified as held for sale), less applicable income taxes (benefit), as a separate line item in the Statements of Consolidated Income under Loss from Discontinued Operations Net (After Income Tax Effect). The amounts in the Statements of Consolidated Income and the Statements of Consolidated Cash Flows in the previous year have been reclassified to conform to the current period presentation.

Table of Contents**Net Income per Share**

The following is a reconciliation of basic net income per share to diluted net income per share for the years ended March 31, 2003 and 2002:

Year ended March 31, 2003 (from April 1, 2002 to March 31, 2003)

| | <u>Net income</u> (numerator) | <u>Shares</u> (denominator) | <u>Per share</u> <u>amount</u> |
|---|----------------------------------|--------------------------------|-----------------------------------|
| | Millions of Yen | In Thousands | Yen |
| Basic Net Income per Share: | | | |
| Net income available to common shareholders | 31,138 | 1,582,278 | 19.68 |
| Effect of Dilutive Securities: | | | |
| 1.5% convertible bonds redeemed on March 31, 2003 | 189 | 19,266 | |
| 1.05% convertible bonds due 2009 | 581 | 105,319 | |
| | <u> </u> | <u> </u> | |
| Diluted Net Income per Share: | | | |
| Net income available to common shareholders after effect of dilutive securities | 31,908 | 1,706,863 | 18.69 |
| | <u> </u> | <u> </u> | |

Year ended March 31, 2002 (from April 1, 2001 to March 31, 2002)

| | <u>Net income</u> (numerator) | <u>Shares</u> (denominator) | <u>Per share</u> <u>amount</u> |
|---|----------------------------------|--------------------------------|-----------------------------------|
| | Millions of Yen | In Thousands | Yen |
| Basic Net Income per Share: | | | |
| Net income available to common shareholders | 55,371 | 1,583,427 | 34.97 |
| Effect of Dilutive Securities: | | | |
| 1.5% convertible bonds due 2003 | 150 | 19,266 | |
| 1.05% convertible bonds due 2009 | 581 | 105,319 | |
| | <u> </u> | <u> </u> | |
| Diluted Net Income per Share: | | | |
| Net income available to common shareholders after effect of dilutive securities | 56,102 | 1,708,012 | 32.85 |
| | <u> </u> | <u> </u> | |

Table of Contents**Operating Segment Information**

Year ended March 31, 2003 (from April 1, 2002 to March 31, 2003)
(Millions of Yen)

| | Metal Products & Minerals | Machinery, Electronics & Information | Chemical | Energy | Consumer Products & Services | Domestic Branches and Offices |
|--------------------------------|--|---|------------------|------------------|---|--|
| Total Trading Transactions: | | | | | | |
| External customers | 1,612,401 | 2,294,414 | 1,099,142 | 2,837,166 | 2,077,329 | 1,547,002 |
| Intersegment | 265,050 | 162,294 | 322,658 | 68,397 | 127,811 | 237,165 |
| Total | 1,877,451 | 2,456,708 | 1,421,800 | 2,905,563 | 2,205,140 | 1,784,167 |
| Revenue | | | | | | |
| Gross Trading Profit | 70,674 | 117,987 | 60,871 | 53,027 | 105,947 | 41,405 |
| Operating Income (Loss) | 25,722 | 10,607 | 16,248 | 25,541 | 19,897 | 6,760 |
| Net Income (Loss) | 14,944 | (4,916) | (5,850) | 22,605 | 3,983 | 6,994 |
| Total Assets at March 31, 2003 | 887,517 | 1,250,695 | 484,628 | 572,660 | 803,842 | 488,026 |

| | Americas | Europe | Other Overseas Areas | Corporate and Eliminations | Consolidated Total |
|--------------------------------|------------------|----------------|---------------------------------|---------------------------------------|-------------------------------|
| Total Trading Transactions: | | | | | |
| External customers | 786,707 | 355,061 | 577,425 | 50,036 | 13,236,683 |
| Intersegment | 485,566 | 224,247 | 729,116 | (2,622,304) | |
| Total | 1,272,273 | 579,308 | 1,306,541 | (2,572,268) | 13,236,683 |
| Revenue | | | | | |
| Gross Trading Profit | 44,584 | 22,470 | 23,503 | 29,334 | 569,802 |
| Operating Income (Loss) | 9,485 | 4,163 | (1,931) | (18,786) | 97,706 |
| Net Income (Loss) | 3,291 | 2,845 | 6,193 | (18,951) | 31,138 |
| Total Assets at March 31, 2003 | 412,659 | 218,304 | 208,318 | 1,213,871 | 6,540,520 |

Year ended March 31, 2002 (from April 1, 2001 to March 31, 2002)
(Millions of Yen)

| | Metal Products & Minerals | Machinery, Electronics & Information | Chemical | Energy | Consumer Products & Services | Domestic Branches and Offices |
|--|--|---|-----------------|---------------|---|--|
|--|--|---|-----------------|---------------|---|--|

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| | | | | | | |
|---------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Total Trading Transactions: | | | | | | |
| External customers | 1,501,933 | 2,335,049 | 1,019,745 | 2,367,078 | 2,034,648 | 1,633,061 |
| Intersegment | 282,948 | 170,725 | 292,098 | 87,215 | 139,398 | 272,492 |
| Total | 1,784,881 | 2,505,774 | 1,311,843 | 2,454,293 | 2,174,046 | 1,905,553 |
| Revenue | 67,397 | 112,425 | 53,476 | 48,061 | 108,610 | 47,553 |
| Gross Trading Profit | 19,847 | 10,027 | 8,185 | 16,661 | 5,082 | 8,873 |
| Operating Income (Loss) | 9,449 | 13,377 | (4,893) | 22,152 | 2,756 | 6,773 |
| Net Income (Loss) | 935,835 | 1,419,375 | 511,248 | 459,226 | 863,005 | 538,853 |
| Total Assets at March 31, 2002 | | | | | | |

| | Americas | Europe | Other Overseas Areas | Corporate and Eliminations | Consolidated Total |
|---------------------------------------|------------------|----------------|-----------------------------|-----------------------------------|---------------------------|
| Total Trading Transactions: | | | | | |
| External customers | 691,271 | 414,857 | 590,622 | 46,422 | 12,634,686 |
| Intersegment | 492,620 | 179,837 | 798,560 | (2,715,893) | |
| Total | 1,183,891 | 594,694 | 1,389,182 | (2,669,471) | 12,634,686 |
| Revenue | 45,096 | 20,623 | 21,929 | 21,379 | 546,549 |
| Gross Trading Profit | 11,750 | 4,484 | (4,700) | (864) | 79,345 |
| Operating Income (Loss) | 6,461 | 3,911 | 5,271 | (9,886) | 55,371 |
| Net Income (Loss) | 400,387 | 232,656 | 241,271 | 1,066,510 | 6,668,366 |
| Total Assets at March 31, 2002 | | | | | |

Notes: 1. From the fiscal year beginning April 1, 2002, Electronics & Information is combined with Machinery, and Transportation Logistics, which was included in Consumer Products & Services before, is included in Corporate and Eliminations.

The operating segment information for the fiscal year ended March 31, 2002 has been restated to conform to the presentation for the fiscal year ended March 31, 2003.

Electronics & Information included in Machinery, Electronics & Information for the fiscal year ended March 31, 2003 is as follows:

| | |
|------------------------------|---------|
| Total Trading Transactions | 437,884 |
| Revenue-Gross Trading Profit | 46,552 |
| Operating Income | 3,506 |
| Net Loss | (3,130) |
| Total Assets | 230,164 |

2. Effective April 1, 2002, the companies adopted SFAS No.144. The figures of Consolidated Total for the fiscal year ended March 31, 2002 have been reclassified to conform to the current year presentation. The reclassifications to Loss from Discontinued Operations Net (After Income Tax Effect) are included in Corporate and Eliminations.

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3. Net loss of Corporate and Eliminations for the fiscal year ended March 31, 2003 includes, a) a charge of ¥7,485 million for an early retirement support program, b) ¥5,814million in losses on the write-down of marketable securities, c) ¥3,142 million in losses on sale of marketable securities (all amounts are after income tax effects). Net loss of Corporate and Eliminations for the fiscal year ended March 31, 2002 includes, a) ¥16,200 million in losses on the write-down of marketable securities, b) ¥10,084 million in impairment losses of long-lived assets, c) a gain of ¥9,375million from a nonmonetary exchange of shares in connection with a business combination of certain financial institutions, and d) a gain of ¥8,895 million from contribution of securities to an employee retirement benefit trust (all amounts are after income tax effects).
4. Total assets of Corporate and Eliminations at March 31, 2003 and 2002 include corporate assets, consisting primarily of cash and cash equivalents and time deposits maintained for corporate finance activities and similar assets of certain subsidiaries operating with corporate departments.
5. Transfers between operating segments are made at cost plus a markup.
6. Operating Income (Loss) reflects the companies a) Revenue Gross Trading Profit, b) Selling, general and administrative expenses, and c) Provision for doubtful receivables.

Table of Contents**Marketable Securities****Debt and Equity Securities**

At March 31, 2003 and 2002, the aggregate cost, fair value and unrealized holding gains net on available-for-sale securities and the amortized cost, fair value and unrealized holding gains net on held-to-maturity debt securities were as follows:

March 31, 2003:

(Millions of Yen)

| | <u>Aggregate Cost</u> | <u>Fair Value</u> | <u>Unrealized Holding Gains net</u> |
|--|---------------------------|-------------------|---|
| Available-for-sale: | | | |
| Marketable equity securities | 140,475 | 156,146 | 15,671 |
| Foreign debentures, commercial paper and other debt securities | 130,091 | 130,175 | 84 |

| | <u>Amortized Cost</u> | <u>Fair Value</u> | <u>Unrealized Holding Gains net</u> |
|--|---------------------------|-------------------|---|
| Held-to-maturity debt securities, consisting principally of foreign debentures | 16,793 | 16,804 | 11 |

March 31, 2002:

(Millions of Yen)

| | <u>Aggregate Cost</u> | <u>Fair Value</u> | <u>Unrealized Holding Gains net</u> |
|--|---------------------------|-------------------|---|
| Available-for-sale: | | | |
| Marketable equity securities | 177,835 | 266,079 | 88,244 |
| Foreign debentures, commercial paper and other debt securities | 155,639 | 156,339 | 700 |

| | <u>Amortized Cost</u> | <u>Fair Value</u> | <u>Unrealized Holding Gains net</u> |
|--|---------------------------|-------------------|---|
| Held-to-maturity debt securities, consisting principally of foreign debentures | 23,356 | 23,381 | 25 |

Table of Contents**Retirement Benefits****1. Summary of Pension and Other Severance Indemnities Plan**

The Company had a non-contributory defined benefit pension plan (the Tax Qualified Pension Plan, TQPP) and participates in a contributory defined benefit Japanese government welfare pension program for its employees (the Employees Pension Fund, EPF) covering substantially all of its employees other than directors. Effective April 1, 1997, the Company merged TQPP into EPF. TQPP remained only for the retired employees with vested benefits as of March 31, 1997.

EPF is composed of a substitutional portion of Japanese Pension Insurance and a corporate portion of a contributory defined benefit plan. For the former, the benefits are based on a standard remuneration schedule under the Welfare Pension Insurance Law and the length of participation, and, for the latter, the benefits are based on the length of service.

EPF was approved by the government for an exemption from the obligation to pay benefits for future employee service related to the substitutional portion on October 01, 2002. In January 2003, the Emerging Issues Task Force reached a final consensus on Issue 03-2 (EITF 03-2), Accounting for the Transfer to the Japanese Government of the Substitutional Portion of Employee Pension Fund Liabilities. EITF 03-2 addresses accounting for a transfer to the Japanese government of a substitutional portion of EPF. EITF 03-2 requires employers to account for the entire separation process of a substitutional portion from a plan upon completion of the transfer to the government of the substitutional portion of the benefit obligation and related plan assets as the culmination of a series of steps in a single settlement transaction. Under this approach, the difference between the fair value of the obligation and the assets required to be transferred to the government should be accounted for and separately disclosed as a subsidy. The related gain or loss on the transfer of the substitutional portion is expected to be recorded during the year ending March 31, 2004 based on completion of the entire process.

The Company has unfunded severance indemnities plans accounted for in accordance with SFAS No. 87, Employers Accounting for Pensions.

Certain subsidiaries participate in other pension plans and/or have unfunded severance indemnities plans. Benefits under the plans are based on the level of compensation at retirement or earlier termination of employment and the length of services.

2. Retirement Benefit Costs and Retirement Benefit Obligation Recognized in the Consolidated Balance Sheets**(1) Pension and severance indemnities costs**

Pension and severance indemnities costs under defined benefit plans of the companies for the year ended March 31, 2003 and 2002 were as follows:

(Millions of Yen)

| Year ended March 31, 2003 (April 1, 2002 March 31, 2003) | Year ended March 31, 2002 (April 1, 2001 March 31, 2002) |
|---|---|
| 21,639 | 24,172 |

(2) Pension and severance indemnities obligation recognized in the Consolidated Balance Sheets

Pension and severance indemnities obligation of the companies recognized in the Consolidated Balance Sheets at March 31, 2003 and 2002 were as follows:

(Millions of Yen)

| | March 31, 2003 | March 31, 2002 |
|---|-----------------------|-----------------------|
| Intangible assets | 180 | 128 |
| Other assets (prepaid pension costs) | 119,727 | 80,410 |
| Accrued pension costs and liability for severance indemnities | (53,148) | (41,561) |
| | 13,663 | 3,079 |

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Accumulated other comprehensive loss (before
income tax effect)

(3) Actuarial Assumptions

| | <u>March 31, 2003</u> | <u>March 31, 2002</u> |
|--|-----------------------|-----------------------|
| Discount rate | Primarily 2.25% | Primarily 3.00% |
| Expected long-term rate of return on plan assets | Primarily 3.50% | Primarily 3.50% |