



# Gearing Up for Sustained Growth

>P. 12



An Interview with  
President & CEO Yutaka Kase

>P. 19



Feature: Many Banners, One Sojitz

>P. 32



Machinery Division

>P. 36



Energy & Metal Division

>P. 40



Chemicals & Functional Materials  
Division

>P. 44



Consumer Lifestyle Business Division

>P. 48



Management Foundation

>P. 60



The Sojitz Group's  
Corporate Social Responsibility

## Contents

Corporate Profile .....	2
Sojitz Snapshot .....	4
Directors and Corporate Auditors .....	6
Financial Highlights .....	8
<b>To Our Stakeholders .....</b>	<b>10</b>
<b>An Interview with President &amp; CEO Yutaka Kase .....</b>	<b>12</b>
<b>Feature: Many Banners, One Sojitz .....</b>	<b>19</b>
<b>Review of Business Operations .....</b>	<b>28</b>
A Message from Executive Vice President Kazunori Teraoka ....	29
Sojitz at a Glance .....	30
Machinery Division .....	32
Energy & Metal Division .....	36
Chemicals & Functional Materials Division .....	40
Consumer Lifestyle Business Division .....	44
<b>Management Foundation .....</b>	<b>48</b>
A Message from Chairman Akio Dobashi .....	49
Corporate Governance .....	50
Portfolio Management and Risk Management .....	56
Compliance .....	58
<b>The Sojitz Group's Corporate Social Responsibility ....</b>	<b>60</b>
Making the Sojitz Group Statement a Reality .....	61
Promotion of CSR Supply Chain Management .....	63
Promotion of Businesses That Contribute to Preventing Climate Change .....	64
Promotion of Businesses That Contribute to the Advance of Developing and Emerging Countries .....	66
Establishment of Personnel Systems and Workplace Environments That Enable All Employees to Flourish .....	68
<b>Organization .....</b>	<b>70</b>
Organization Chart .....	71
Principal Operating Bases .....	72
Main Subsidiaries and Affiliates .....	75
<b>Financial Section .....</b>	<b>81</b>
A Message from Executive Vice President Yoji Sato .....	82
Financial Summary .....	83
Management's Discussion and Analysis of Operations .....	84
Consolidated Financial Statements .....	100
Corporate Data/Stock Information .....	137



# Gearing Up for Sustained Growth

Sojitz aims to strengthen its management foundation to achieve sustained growth. This is the theme of ***Shine* 2011**, the medium-term management plan that Sojitz is currently executing. Under the theme of Gearing Up for Sustained Growth, Annual Report 2011 covers how Sojitz is stepping up initiatives to achieve sustained growth while reporting on business activities during the past fiscal year. Other topics include strategies for future growth, initiatives to strengthen Sojitz's management foundation, and Sojitz's corporate social responsibility (CSR) initiatives.

### Editorial Policy

Annual Report 2011 incorporates our CSR Report, formerly published separately. The combined report covers Sojitz from many angles, presenting management strategies, operations, organization and finances while providing an explanation of the Sojitz Group's CSR initiatives and efforts to achieve sustained growth.

Annual Report 2011 is a key publication that helps stakeholders understand Sojitz. Index tabs have been incorporated to make the report easier to navigate.

Additional information is available on the Sojitz website at <http://www.sojitz.com/en>.

### Forward-Looking Statements

The information in this annual report about future performance (forward-looking statements) is based on information available to management at the time of its disclosure. Accordingly, readers are advised that actual results may differ from forward-looking statements due to a wide variety of factors including, but not limited to, conditions in the Company's principal overseas and domestic markets, economic conditions, and changes in foreign currency exchange markets.

## The Sojitz Group Symbol and Slogan



***New way, New value***

Our Group slogan “New way, New value” stands for our commitment to generating “new value” for society unique to Sojitz in our distinctive “new way.” Each and every one of our employees will think freely and generate innovative ideas that leverage our history, human resources, business rights and every other capability, tangible or intangible.

Sojitz conducts its operations across a broad range of business fields, and in each of these areas we have extremely knowledgeable specialists. The Sojitz Group slogan encourages these personnel to constantly take on new challenges and practice business in a “new way” on a day-to-day basis in order to create “new value,” thereby enhancing the corporate value of the Company.

---

### Sojitz Group Statement

The Sojitz Group produces new sources of wealth by connecting the world’s economies, cultures and people in a spirit of integrity.

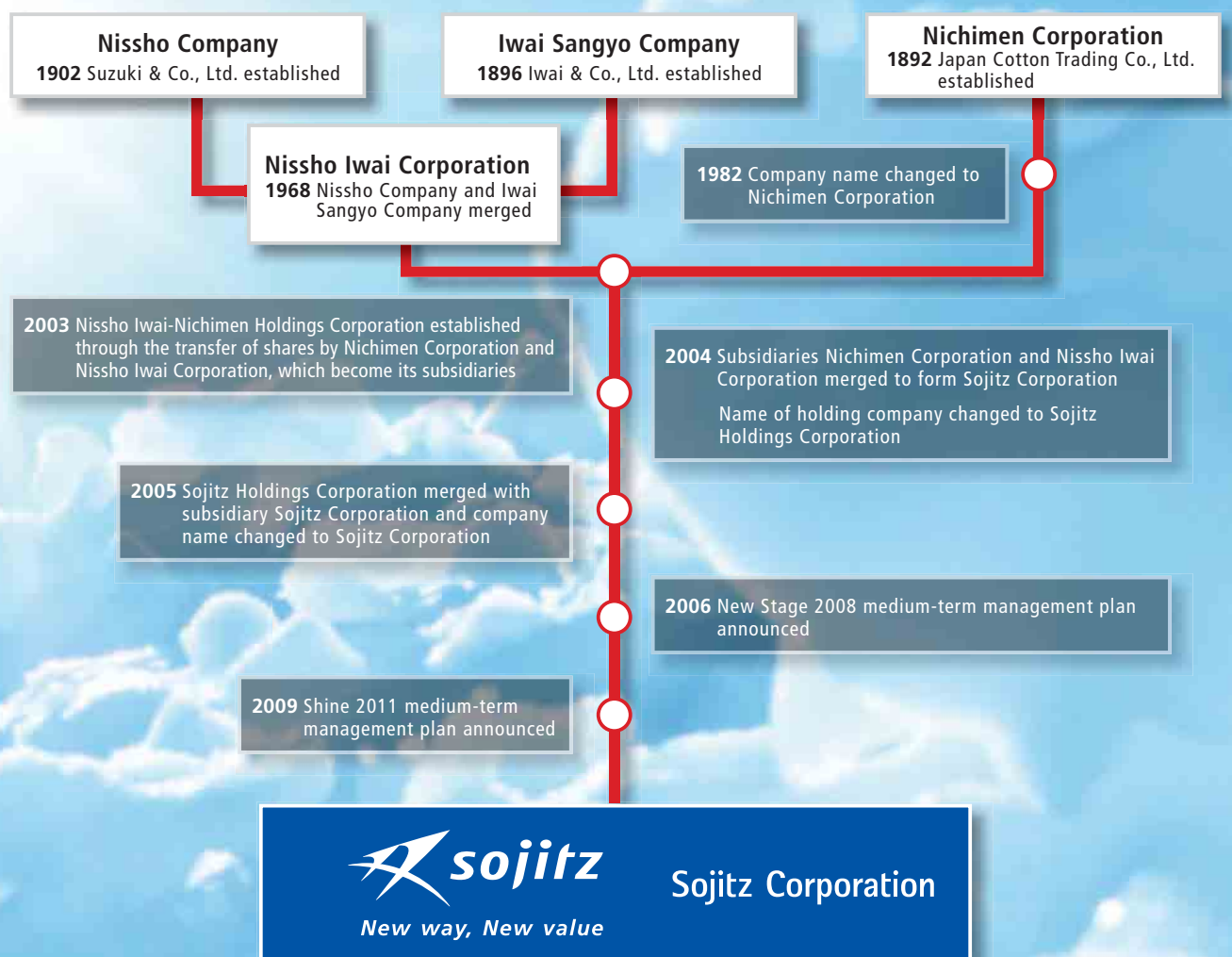
### Sojitz Group Management Vision

- Unrelentingly enhance the Group’s trading company functions, as demanded by clients, by fully grasping and anticipating clients’ diverse needs (Function-oriented trading company)
- Take advantage of changes and continuously develop new business fields (Innovating trading company)
- Become a company in which each and every employee can work with pride and pursue challenges and explore opportunities to realize his or her own personal goals and ambitions (Open and flexible company)
- Seek to harmonize the Group’s corporate activities with the society and the environment by consistently putting the Group’s Statement into practice (Socially contributive company)

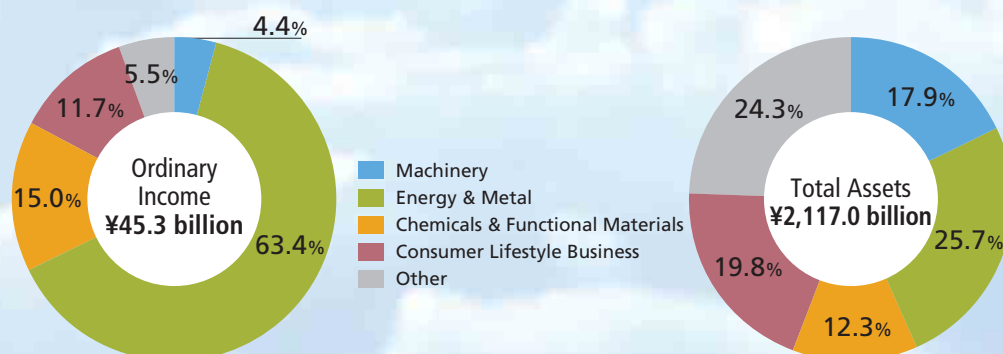


## The History of Sojitz

Two companies that drove Japan's renaissance after World War II, Nichimen Corporation and Nissho Iwai Corporation, merged to form Sojitz Corporation. As a general trading company that creates new businesses and new value, Sojitz is involved in a broad range of businesses worldwide, including automobiles, plants, energy, mineral resources, chemicals and foodstuff resources.



Ordinary Income and Total Assets by Business Division (Year ended March 31, 2011)



# Sojitz Snapshot

Sojitz operates globally in a wide range of businesses through its Machinery Division, Energy & Metal Division, Chemicals & Functional Materials Division, and Consumer Lifestyle Business Division. Snapshot provides an overview of Sojitz's operations by business and region.

	Japan	China	Asia & Oceania
Machinery Division	<ul style="list-style-type: none"> <li>Smart city development</li> <li>Export of automobiles</li> <li>Industrial machinery</li> <li>Commercial aircraft sales representative</li> <li>Sales and brokerage of ships, ship chartering, sale of ship equipment</li> <li>Sales of IT and related equipment; solutions and service; data centers</li> </ul>	<ul style="list-style-type: none"> <li>Smart city development</li> <li>Water business</li> <li>Automobile dealerships</li> <li>Industrial machinery</li> <li>Plants</li> </ul>	<ul style="list-style-type: none"> <li>Smart city development</li> <li>Water business</li> <li>Transportation infrastructure</li> <li>Automobile assembly, sales, and distribution</li> <li>Industrial machinery</li> <li>Plants and IPP</li> <li>Business jets</li> </ul>
Energy & Metal Division	<ul style="list-style-type: none"> <li>Sales of various types of energy (LNG, petroleum products, coal, etc.)</li> <li>Service station and tank storage operation</li> <li>Sales of steel-making materials (iron ore, coal, etc.)</li> <li>Sales of various rare metals and industrial minerals</li> <li>Steel products</li> </ul>	<ul style="list-style-type: none"> <li>Sales of coal</li> <li>Sales of industrial minerals</li> <li>Sales of various rare metals</li> <li>Sales of iron ore</li> </ul>	<ul style="list-style-type: none"> <li>Coal mines and coal trading</li> <li>LNG</li> <li>Trading of petroleum products</li> <li>Rare metals (nickel, cobalt)</li> <li>Nonferrous metals (alumina)</li> <li>Development of iron mines and iron ore trading</li> </ul>
Chemicals & Functional Materials Division	<ul style="list-style-type: none"> <li>Sales and import of rare earths, lithium compounds and industrial salt</li> <li>Sales of solvents and thinners</li> <li>Plastic resins</li> <li>Sales of electronic materials</li> <li>Sales of cellulose</li> <li>Sales of cosmetics</li> </ul>	<ul style="list-style-type: none"> <li>Procurement of rare earths</li> <li>Sales of organic chemicals</li> <li>Sale of resin compounds</li> </ul>	<ul style="list-style-type: none"> <li>Manufacture and sales of methanol</li> <li>Rare earth mines</li> <li>Manufacture and sales of marine chemicals (potash, industrial salt)</li> <li>Sales of flat-panel display materials</li> <li>Sales of plastic resins</li> </ul>
Consumer Lifestyle Business Division	<ul style="list-style-type: none"> <li>Sales of various foodstuffs and food materials</li> <li>Sales of grain and feed</li> <li>Sales of processed seafood</li> <li>Fish farming</li> <li>Tobacco</li> <li>Import of brand sundries</li> <li>Airport retail</li> <li>OEM textiles</li> <li>Apparel brands</li> <li>Condominium development</li> <li>Import and sale in Japan of timber, plywood, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Foodstuff logistics</li> <li>Manufacture and sales of apparel</li> <li>Sales of lumber</li> </ul>	<ul style="list-style-type: none"> <li>Chemical fertilizers</li> <li>Wholesaling of foodstuffs</li> <li>Flour mills, port silos</li> <li>Feed</li> <li>Fish farming</li> <li>Woodchips and afforestation</li> <li>Industrial park development</li> <li>Sales of grain</li> <li>Bread production</li> <li>Rice bran oil</li> </ul>

## The Americas

- Transportation infrastructure
- Solar power
- Automobile assembly, sales and distribution; automobile dealerships
- Industrial machinery
- IT infrastructure and service
- IPP

- Oil and gas, including unconventional oil and gas
- Production of bioethanol; biopower generation
- Nonferrous metals (copper)
- Rare metals (molybdenum, niobium)
- Iron ore trading

- Manufacture and sales of dicyclopentadiene
- Manufacture and sales of Metton® resins
- Sales of butadiene
- Manufacture and sales of packaging materials

- Agriculture
- Meat processing and packing
- Shoe purchasing
- Production of ingredients for bread
- Consolidation and sales of specialized grain

## Europe, Russia & NIS

- Automobile distribution
- Industrial machinery
- Plants
- Newbuilding orders, ship chartering
- Solar power

- Oil and gas
- Nuclear fuel enrichment
- Sales of biofuel
- Rare metals (tungsten)

- Manufacture and sale of packaging materials
- Sales of solvents
- Sales of industrial films
- Sales of plastic resins

- Grain

## Middle East & Africa

- Solar power
- Water business
- Automobile dealerships
- Plants and IPP

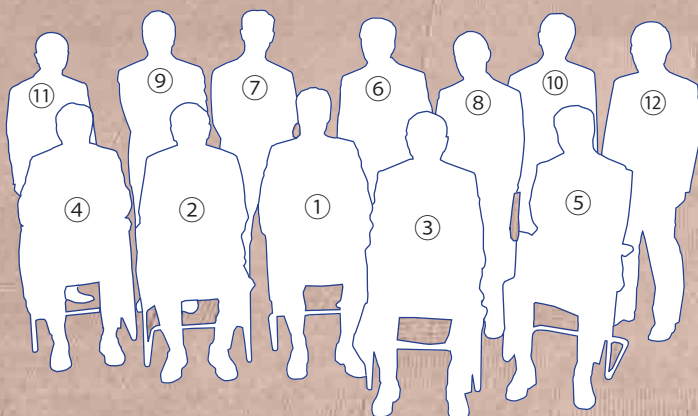
- Oil and gas
- LNG
- Rare metals (vanadium, ferrochrome)

- Woodchips



# Directors and Corporate Auditors

(As of July 1, 2011)



- |                    |                     |                   |
|--------------------|---------------------|-------------------|
| ① Akio Dobashi     | ⑤ Kazunori Teraoka  | ⑨ Takashi Tsukada |
| ② Masaki Hashikawa | ⑥ Yoshikazu Sashida | ⑩ Susumu Komori   |
| ③ Yutaka Kase      | ⑦ Toru Nagashima    | ⑪ Yukio Machida   |
| ④ Yoji Sato        | ⑧ Kazuhiko Tokita   | ⑫ Mitsuki Yuasa   |



## Directors

### ① Director Chairman

#### Akio Dobashi\*

1972: Joined Nichimen Company, Limited  
(former Nichimen Corporation)  
2004: Director of Sojitz Corporation  
2005: Representative Director, President &  
CEO of Sojitz Corporation  
2007: Representative Director and Chairman  
of Sojitz Corporation

### ② Director Vice Chairman

#### Masaki Hashikawa\*

1971: Joined The Sanwa Bank, Limited  
(now Bank of Tokyo-Mitsubishi UFJ)  
2003: Director and Executive Vice President of  
Sojitz Corporation  
2008: Representative Director and Vice  
Chairman of Sojitz Corporation

### ③ Director President & CEO

#### Yutaka Kase\*

1970: Joined Nissho Iwai Corporation  
2005: Representative Director and Executive  
Vice President of Sojitz Corporation  
2007: Representative Director, President &  
CEO of Sojitz Corporation

### ④ Director Executive Vice President Corporate Management, CFO

#### Yoji Sato\*

1973: Joined Nissho Iwai Corporation  
2005: Director and Managing Executive  
Officer of Sojitz Corporation  
2008: Representative Director and Executive  
Vice President of Sojitz Corporation

### ⑤ Director Executive Vice President Business Group

#### Kazunori Teraoka\*

1970: Joined Nissho Iwai Corporation  
2009: Representative Director and  
Executive Vice President of Sojitz  
Corporation

### ⑥ Director

#### Yoshikazu Sashida\*\*

1963: Joined Nisshin Spinning Co., Ltd.  
2009: Adviser of Nisshinbo Holdings Inc.  
2009: Director of Sojitz Corporation

### ⑦ Director

#### Toru Nagashima\*\*

1965: Joined Teijin Limited  
2008: Chairman of the Board, Teijin  
Limited  
2009: Director of Sojitz Corporation

## Corporate Auditors

### ⑧ Corporate Auditor

#### Kazuhiko Tokita\*\*\*

1972: Joined The Sanwa Bank, Limited  
(now Bank of Tokyo-Mitsubishi UFJ)  
2009: Full-time Auditor of Sojitz Corporation

### ⑨ Corporate Auditor

#### Takashi Tsukada

1975: Joined Nichimen Company, Limited  
(former Nichimen Corporation)  
2009: Full-time Auditor of Sojitz Corporation

### ⑩ Corporate Auditor

#### Susumu Komori

1968: Joined Nissho Company  
(former Nissho Iwai Corporation)  
2008: Full-time Auditor of Sojitz Corporation

### ⑪ Corporate Auditor

#### Yukio Machida\*\*\*

1969: Public Prosecutor, Tokyo District Public  
Prosecutor's Office  
2008: Auditor of Sojitz Corporation

### ⑫ Corporate Auditor

#### Mitsuaki Yuasa\*\*\*

1970: Joined Peat, Marwick, Mitchell & Co.  
2009: Auditor of Sojitz Corporation

\* Representative Director

\*\* Mr. Yoshikazu Sashida and Mr. Toru Nagashima satisfy the requirements to be an outside director as stipulated in the Companies Act of Japan.

\*\*\* Mr. Kazuhiko Tokita, Mr. Yukio Machida and Mr. Mitsuaki Yuasa satisfy the requirements to be an outside corporate auditor as stipulated in the Companies Act of Japan.

# Financial Highlights

For the years ended March 31, 2011, 2010, 2009, 2008 and 2007

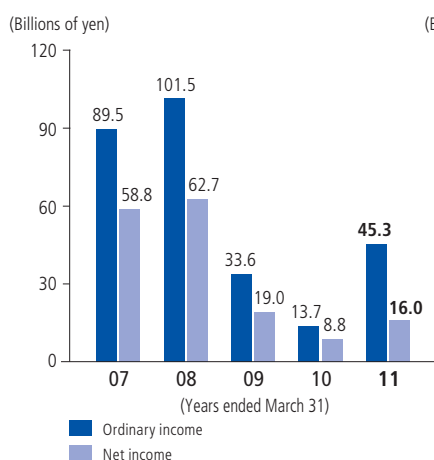
- With emerging countries in Asia and elsewhere driving the global economy, Sojitz restored earnings and achieved profitability in each of its business divisions. Ordinary income increased 231% compared with the year ended March 31, 2010 to ¥45.3 billion, while net income increased 82% to ¥16.0 billion.
- Shareholders' equity\* decreased because of an increase in negative foreign currency translation adjustments, but Sojitz maintained fiscal soundness with an equity ratio of 15.6% and a net debt equity ratio of 2.1 times.
- Cash dividends per share increased ¥0.50 compared with the year ended March 31, 2010 to ¥3.00, and the consolidated payout ratio was 23.5%.

\*Shareholders' equity = Total net assets – Minority interests

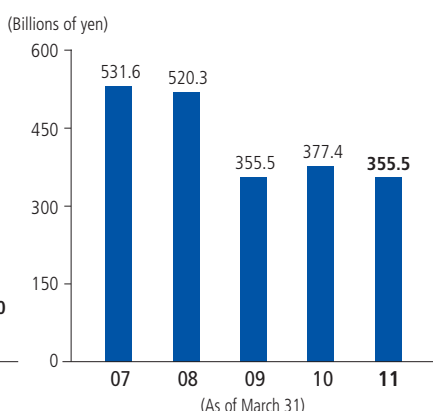
Years ended March 31	Billions of yen					Millions of U.S. dollars (Note 1)
	2011	2010	2009	2008	2007	2011
<b>Operating Results:</b>						
Net sales (Total trading transactions) .....	¥4,014.6	¥3,844.4	¥5,166.2	¥5,771.0	¥5,218.2	\$48,369
Gross trading profit .....	192.7	178.2	235.6	277.7	254.5	2,322
Operating income .....	37.5	16.1	52.0	92.4	77.9	452
Ordinary income .....	45.3	13.7	33.6	101.5	89.5	546
Net income .....	16.0	8.8	19.0	62.7	58.8	193
Core earnings (Note 2) .....	41.9	14.4	48.3	110.7	89.8	505
Net cash provided by operating activities..	67.9	107.2	103.7	35.4	7.0	818
Net cash provided by (used in) investing activities ..	(19.9)	28.4	(17.2)	(68.7)	42.7	(240)
Net cash used in financing activities.....	(72.1)	(102.6)	(6.0)	(53.7)	(95.5)	(868)
Cash and cash equivalents at the end of the year ..	415.3	454.3	414.4	373.9	464.3	5,003
<b>Balance Sheet Data (As of March 31):</b>						
Total assets.....	¥2,117.0	¥2,160.9	¥2,313.0	¥2,669.4	¥2,619.5	\$25,506
Net assets .....	355.5	377.4	355.5	520.3	531.6	4,283
Interest-bearing debt .....	1,116.3	1,193.5	1,287.0	1,299.1	1,317.7	13,449
Net interest-bearing debt .....	700.6	737.8	865.3	918.9	846.1	8,441
<b>Per Share Data (Yen/Dollars):</b>						
Net income .....	¥ 12.77	¥ 7.08	¥ 15.39	¥ 51.98	¥ 83.20	\$0.15
Net assets .....	263.79	281.69	256.17	383.46	144.22	3.18
Dividends (Note 3) .....	3.00	2.50	5.50	8.00	6.00	0.04
<b>Ratios (%):</b>						
ROA .....	0.7	0.4	0.8	2.4	2.3	
ROE .....	4.7	2.6	4.8	13.0	12.8	
Equity ratio.....	15.6	16.3	13.8	17.8	18.7	
Net debt equity ratio (DER) (Times).....	2.1	2.1	2.7	1.9	1.7	
Long-term debt ratio .....	72.3	74.3	66.7	54.0	61.1	
Consolidated payout ratio (Note 3) .....	23.5	35.6	35.7	15.7	10.9	

Notes: 1. The U.S. dollar amounts represent translations of Japanese yen at the approximate exchange rate at March 31, 2011 of ¥83=\$1.  
2. Core earnings = Operating income before Provision for doubtful receivables + Net interest income + Dividends received + Equity in earnings of unconsolidated subsidiaries and affiliates  
3. Calculated based on annual dividends applicable to common shares issued and outstanding as of March 31.

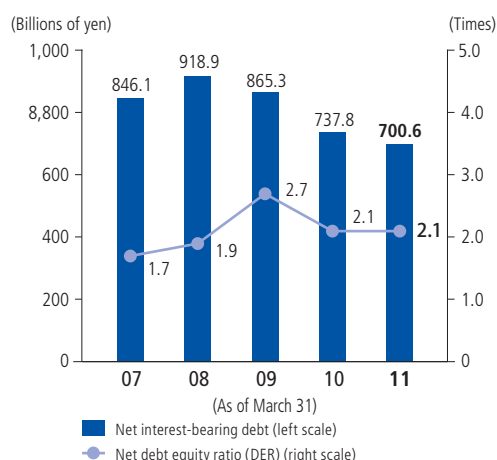
## Ordinary Income and Net Income



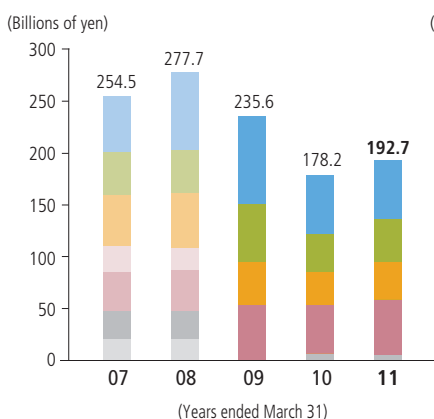
## Net Assets



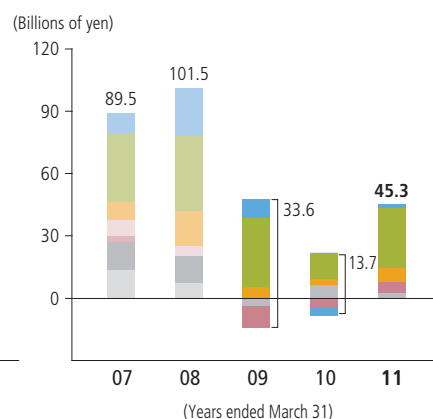
## Net Interest-bearing Debt and Net DER



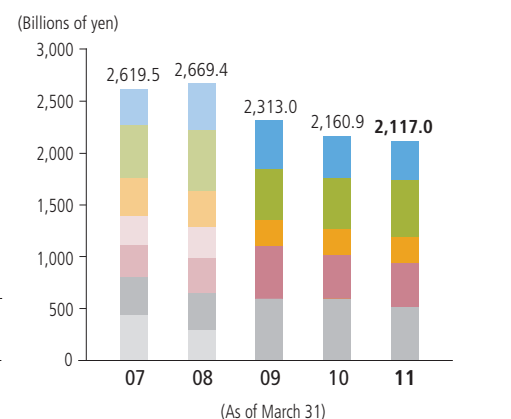
## Segment Gross Trading Profit



## Segment Ordinary Income



## Segment Total Assets



### Former Industry Segments

- Machinery & Aerospace
- Energy & Mineral Resources
- Chemicals & Plastics
- Real Estate Development & Forest Products
- Consumer Lifestyle Business
- Overseas Subsidiaries
- Other

### New Industry Segments

- Machinery
- Energy & Metal
- Chemicals & Functional Materials
- Consumer Lifestyle Business
- Other

### Former Industry Segments

- Machinery & Aerospace
- Energy & Mineral Resources
- Chemicals & Plastics
- Real Estate Development & Forest Products
- Consumer Lifestyle Business
- Overseas Subsidiaries
- Other

### New Industry Segments

- Machinery
- Energy & Metal
- Chemicals & Functional Materials
- Consumer Lifestyle Business
- Other

### Former Industry Segments

- Machinery & Aerospace
- Energy & Mineral Resources
- Chemicals & Plastics
- Real Estate Development & Forest Products
- Consumer Lifestyle Business
- Overseas Subsidiaries
- Other

### New Industry Segments

- Machinery
- Energy & Metal
- Chemicals & Functional Materials
- Consumer Lifestyle Business
- Other

Note: The Sojitz Group changed its industry segments as of April 1, 2009. As a result, segment information for the year ended March 31, 2009 has been reclassified to conform to the new segments. Segment information for years ended March 31, 2008 and earlier is presented as per the former segments.

## Sojitz Corporation's Ratings (As of March 31, 2011)

	Issuer Credit Ratings	Senior Unsecured Debt Ratings	Short-term Ratings
Japan Credit Rating Agency, Ltd. (JCR)	BBB	BBB	J-2
Moody's Investors Service	Baa3	—	—
Rating and Investment Information, Inc. (R&I)	BBB	—	a-2
Standard & Poor's (S&P)	BBB-	BBB	—



# To Our Stakeholders



# Gearing Up for Sustained Growth

**Sojitz aims to meet stakeholder expectations by accelerating initiatives to strengthen its earnings foundation and achieve sustained growth.**

During the year ended March 31, 2011, the second year of the Shine 2011 medium-term management plan, Sojitz built on its successes in enhancing its operating base by focusing on strengthening its earnings foundation to restart growth.

With emerging countries in Asia and elsewhere driving the global economy, Sojitz accurately linked earnings to recovering demand. As a result, we achieved targets such as profitability in all business segments, which we had planned for the final year of Shine 2011. This enabled us to substantially exceed our initial plan. At the same time, we made steady progress in new investments and loans that will generate growth in the future by expanding energy and mineral resource interests and accumulating other quality assets.

During the year ending March 31, 2012, the final year of Shine 2011, we will gear up efforts to strengthen our earnings foundation with a view to full-scale growth during the medium-term management plan that will start in the year ending March 31, 2013. We will focus our efforts on areas that we expect to grow and in which we can effectively exercise our unique strengths and originality. Creating original businesses will enable us to continuously take on challenges for sustained growth beyond Shine 2011.

At the same time, providing sustained support for reconstruction in the wake of the Great East Japan Earthquake will remain an urgent task during the year ending March 31, 2012. With a record of contributing to development at a national level in various areas, we can assume a significant role in the reconstruction. We intend to deploy the experience and expertise of all Sojitz Group employees in supporting the reconstruction.

Since the year ended March 31, 2010, we have issued our Annual Report and CSR Report together as a single publication. In Annual Report 2011, the feature article explains the Sojitz Group's unique initiatives in businesses and regions where it has a strong presence. In addition, the section titled "The Sojitz Group's Corporate Social Responsibility" introduces relevant Group activities and initiatives under four CSR priority themes. We hope that Annual Report 2011 will enhance reader understanding of our initiatives aimed at sustained growth.

We are counting on the continued understanding and support of all our stakeholders.

August 2011



**Yutaka Kase**  
President & CEO

# An Interview with President & CEO Yutaka Kase

“ We will overcome the challenges we face while advancing swiftly toward sustained growth. ”

**Q** Before covering results and strategies, please explain the impact of the Great East Japan Earthquake and future reconstruction initiatives.

**A** We have a significant role to assume in reconstructing the affected areas and the Japanese economy as quickly as possible.

The Great East Japan Earthquake struck the Japanese archipelago on March 11, 2011, a truly unprecedented disaster that wrought unimaginable damage. Tragically, a number of employees of Sojitz Group companies and their families lost their lives in the disaster.

Our thoughts and prayers go out to those who perished, and we extend our heartfelt condolences to the victims of the disaster.

Sojitz provided support to the stricken area immediately after the earthquake, including a monetary donation and equipment for evacuation centers and transportation support. This quick response successfully fulfilled one of our responsibilities.

The bigger responsibility going forward is to provide constant support for reconstruction. Sojitz has contributed to the development of many countries at the national level, and recognizes that it has a significant role to assume in reconstructing the disaster area and Japan's economy. Naturally, we will secure and supply raw materials as a trading company. In addition,

we have established a reconstruction and education fund to help university students who are having economic difficulties attending school because of the disaster, and implemented a system to support the volunteer activities of executives and employees. Further, we are reviewing reconstruction support operations in collaboration with various economic organizations, and we are also formulating our own medium-term reconstruction support plan. The earthquake reconstruction fund we are planning to set up is particularly significant. While strengthening overseas cooperation, Sojitz intends to create a new regional industry model and social contribution scheme.

The earthquake caused direct losses that impacted Sojitz's performance in the year ended March 31, 2011. We also expect it to have a considerable impact on our operations going forward because consumer spending and the production activities of domestic companies will take time to recover. However, I believe that Sojitz certainly has the capacity to address the external environmental changes, just as it has done in the past.

After the earthquake, Sojitz received condolences and encouragement from governments and business partners worldwide, which reaffirmed the strong bonds of trust that Sojitz has built. At the same time, we will demonstrate the strength of Japanese companies by generating strong growth in a challenging environment as we prevail over unprecedented difficulties.





**Yutaka Kase**  
President & CEO

**Q** Sojitz exceeded its targets in the year ended March 31, 2011. What is your evaluation of the second year of the Shine 2011 medium-term management plan?

**A** We steadily rebuilt and strengthened our earnings foundation in ways such as achieving our goal of making each division profitable a year ahead of plan.

Performance in the year ended March 31, 2011 exceeded our targets as our initiatives to date began to generate positive results.

The year ending March 31, 2012 is the final year of Shine 2011, our current medium-term management

plan. A key theme for the year will be establishing a strong earnings foundation for sustained growth. Although results did not improve in the year ended March 31, 2010, the first year of the plan, Sojitz concentrated on establishing a firm footing and achieved definite successes such as reducing inventories and building a system to control risk.

These successes were the basis for initiatives to generate growth in the year ended March 31, 2011 as we advanced at full speed toward the goal of strengthening our earnings foundation.

Consequently, all business divisions performed well against the backdrop of global economic recovery driven by emerging countries. Coal and

## ■ Shine 2011 Highlights

**Establish a strong earnings foundation conducive to sustained growth by improving earnings quality**

### Key themes of Shine 2011

- **Accumulate quality businesses/assets:** Secure medium/long-term earnings foundation (Build quality asset holdings in absolute-volume terms)
- **Branch into new business:** Cultivate new business in pursuit of sustained growth (Groundwork for future growth)
- **Ensure asset liquidity:** Pursue asset structure that is resilient to market fluctuations
- **Develop globally competent human resources:** Develop human resources capable of achieving sustained growth

### Targets to be achieved

- ◆ Build an earnings foundation that is resilient to change ● Net DER: approximately 2.0 times
- ◆ Optimize asset portfolio ● Risk assets: Under 1.0 times shareholders' equity

**Toward  
sustained  
growth**

Consolidated ROA 3%  
Consolidated ROE 15%

ferroalloys supported the strong performance of the Energy & Metal Division, while the Chemicals & Functional Materials Division significantly increased earnings by meeting steadily expanding demand in Asia. The recovery in the Machinery Division's automotive business and strong results in the Consumer Lifestyle Business Division's fertilizer business supported substantial improvement in earnings in these divisions as well.

Ordinary income increased ¥31.6 billion, or 231%, compared with the previous fiscal year to ¥45.3 billion, significantly exceeding our initial target of ¥26.0 billion. Net income increased ¥7.2 billion, or 82%, year on year to ¥16.0 billion, surpassing our initial target of ¥11.0 billion. Sojitz was therefore able to increase cash dividends per share by ¥0.50 year on year to ¥3.00.

Sojitz's earnings foundation is steadily recovering and strengthening as a result of the key initiatives of Shine 2011. In addition, we achieved our target for the final year of Shine 2011 of making each division profitable on an ordinary income basis one year ahead of schedule. This is the most notable demonstration to stakeholders that the initiatives we have been implementing are yielding results.

**Q During the year ended March 31, 2011, Sojitz aggressively made new investments and loans to achieve future growth. Please comment on the progress of these initiatives.**

**A We made investments and loans consistent with our targets in multiple areas, thus progressing steadily toward a stronger earnings foundation.**

Under Shine 2011, we plan to make new investments and loans totaling approximately ¥150.0 billion over the two-year period ending March 31, 2012. During the year ended March 31, 2011, we made a total of ¥73.0 billion in new investments and loans, thus progressing steadily toward a stronger earnings foundation.

In the core Energy & Metal Division, we significantly expanded our interest in a coal business in Australia,

while in our rare metals business we invested in a Brazilian niobium producer and added to our molybdenum interests in Canada.

Sojitz also made numerous new investments and loans in areas outside of the Energy & Metal Division, including contracts for three independent power producer (IPP) projects in the Middle East. In other moves, we built on our traditional focus on logistics in the Chemicals & Functional Materials Division with the decision to further enhance our strength in rare earths by acquiring an equity stake in Lynas Corporation Limited of Australia. Moreover, the division's investment in a marine chemical project in India to produce potash fertilizer and industrial salt was a significant accomplishment. Elsewhere, we established an agricultural business in Argentina to build our position in this new field, which I strongly expect to grow in strategic significance in the future.

Sojitz focuses on asset reallocation in making new investments and loans. We avoid expanding our balance sheet, keeping our finances sound by structuring a balanced portfolio of businesses and earnings. In the year ended March 31, 2011, we maintained a sound financial position and met the targets of Shine 2011 with an equity ratio of 15.6%, a net debt equity ratio of 2.1 times, and a ratio of risk assets to shareholders' equity of 0.9 times as of March 31, 2011. Our credit rating remained BBB.

### ■ Results for Shine 2011

		(Billions of yen)		
		Year ended March 31, 2010 (Actual)	Year ended March 31, 2011 (Actual)	Year ending March 31, 2012 (Target)
P/L	Gross trading profit	178.2	192.7	214.0
	Ordinary income	13.7	45.3	46.0
	Net income	8.8	16.0	16.0
	Core earnings	14.4	41.9	54.5
B/S	Total assets	2,160.9	2,117.0	2,070.0
	Net interest-bearing debt	737.8	700.6	730.0
	Shareholders' equity*	352.4	330.0	340.0
Financial targets	Net DER	2.1 times	2.1 times	2.1 times
	Current ratio	153%	142%	120% or higher
	Long-term debt ratio	74%	72%	Approx. 70%
New investments and loans		27.0	73.0	70.0 to 80.0

\* Shareholders' equity = Total net assets – Minority interests



**Q** What is in store for the final year of Shine 2011, ending March 31, 2012?

**A** We certainly need to meet our target for earnings. At the same time, we will gear up efforts to strengthen our earnings foundation with a focus on future growth.

The year ending March 31, 2012 is the conclusion of Shine 2011. It is a critical 12 months in which we will set the stage for full-scale growth during the subsequent medium-term management plan. We intend to gear up and accelerate our efforts to establish a strong earnings foundation.

The impact of the Great East Japan Earthquake, currency movements and other factors forced us to revise our quantitative targets of ¥56.0 billion for ordinary income and ¥25.0 billion for net income to ¥46.0 billion and ¥16.0 billion, respectively. These figures are essentially the same as our results for the year ended March 31, 2011. The factors necessitating the revisions were external and unforeseen, but I am firmly convinced that we can achieve our targets now that we have revised them.

Similarly, I am emphasizing new investments and loans to achieve future growth. We plan to make new investments and loans in the ¥70.0 to ¥80.0 billion range to accumulate the quality assets that will be integral to establishing a strong earnings foundation for the next medium-term management plan.

Sojitz intends to maintain cash dividends per share

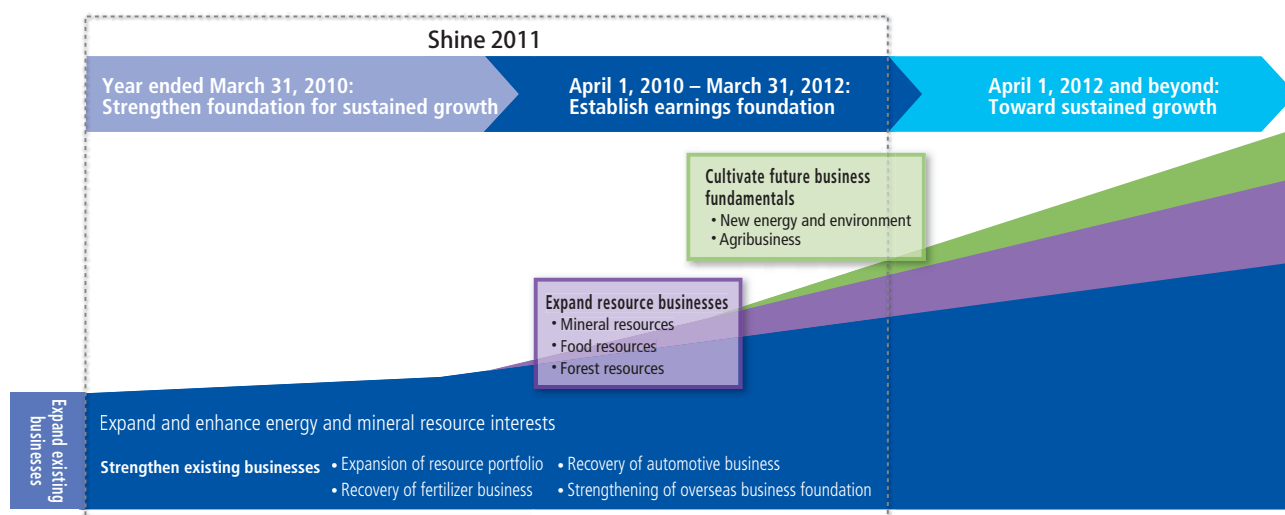
at ¥3.00 for the year ending March 31, 2012 to provide stable, continuous dividends while addressing issues such as increasing internal capital reserves to enhance corporate value.

**Q** Please explain your strategies for gearing up initiatives to strengthen the earnings foundation.

**A** We will accelerate overseas business development while concentrating on expanding existing businesses, expanding resource businesses and cultivating future business fundamentals.

Given that emerging countries are driving the global economy, Sojitz clearly must accelerate overseas business development and expand its earnings foundation in emerging countries and elsewhere. In doing so, we are executing three key strategies of Shine 2011: expanding existing businesses, expanding resource businesses and cultivating future business fundamentals.

## ■ Establishing a Strong Earnings Foundation during Shine 2011





In expanding existing businesses, we are concentrating on adding to our energy and mineral resource interests because they are a source of stable, long-term earnings. In addition to expanding existing interests, we are acquiring interests in coal, rare metals, and non-ferrous metals such as copper and alumina, areas in which we have a competitive advantage and where we expect demand to increase in the future. Expansion of our Australian coal interests substantially increased our share of coal production, which we expect to reach approximately 7 million tons in the year ending March 31, 2012. We will continue to concentrate on expanding existing coal interests to further raise our share of production. In the rare metals business, we acquired an equity stake in a Brazilian niobium producer with world-leading market share, thus building a stable, long-term supply structure. Sojitz will expand its interests and product offerings in the rare metals business, which is well suited to its capabilities. Moreover, Sojitz will deploy its many years of experience in the IPP plant business to win contracts for projects in Southeast Asia and the Middle East, where demand for power is growing. We will also grow the automotive business in Southeast Asia and in Central and South America. In the chemicals and functional materials business, we will build on recent upstream investments and loans in areas such as rare earths and industrial salt that enhanced our earnings foundation.

While investing in businesses and other quality assets, we will further strengthen our value chains.

Expanding resource businesses will involve accelerating business development with an emphasis on securing food resources. We have a significant advanced chemical fertilizer business in Southeast Asia, and are moving to serve additional areas such as Indonesia. In Vietnam, we completed the largest specialized port for grains in the ASEAN region. This port infrastructure is a strength we will use to expand earnings in the grain business. Sojitz also operates a tuna farm and a shrimp farm in the marine products business, which we have targeted for full-scale expansion to secure marine resources.

Cultivating future business fundamentals is strategic in terms of medium-to-long-term growth. Sojitz is concentrating on two key areas: new energy and environment, and agribusiness. In the bioethanol business, a major business integration in Brazil in February 2010 created one of the world's largest producers of sugar cane-based bioethanol. We will work to grow this business in the future. In the solar power generation business, Sojitz is aggressively moving to build a value chain integrated from the silicon metal used as a solar panel raw material to power generation. Further, Sojitz will carefully monitor risks in strengthening the agricultural business it initiated in Argentina in 2010.

---

**Q** What kind of management will Sojitz promote to achieve the sustained growth it is aiming for beyond Shine 2011?

**A** We will build both the scale and quality of earnings by concentrating the deployment of resources in businesses and regions in which Sojitz is strong.

---

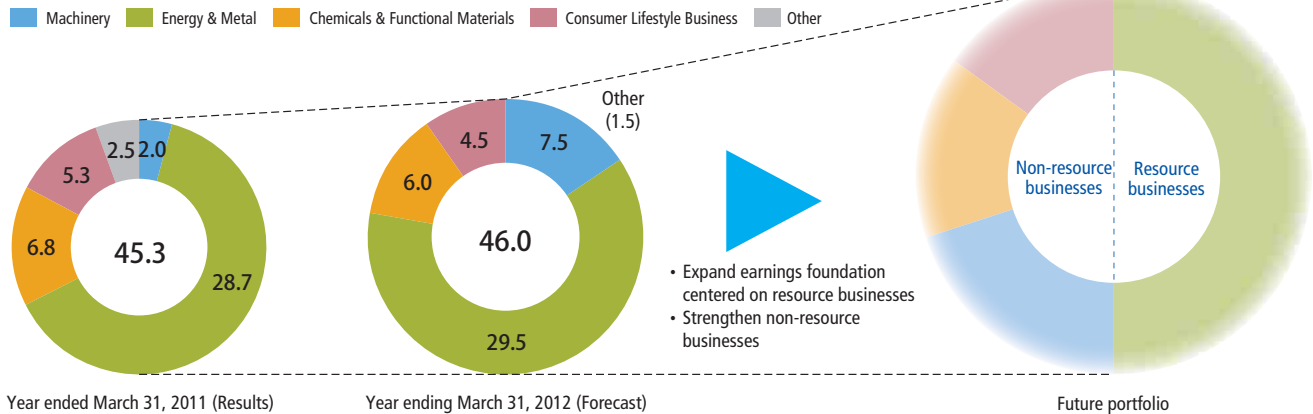
We are formulating our next medium-term management plan so I cannot be too specific, but I can outline our current concept.

First is the scale of earnings. I want Sojitz to get back to ordinary income of ¥100.0 billion, the level prior to the collapse of Lehman Brothers, as quickly as possible. However, the source of Sojitz's earnings will shift from the focus on trading (distribution) prior



## ■ Sojitz's Future Earnings Portfolio

Ordinary Income by Segment (Billions of yen)



to the Lehman collapse to earnings that we generate from quality assets such as investments in interests and businesses.

We will make this transition by concentrating near-term allocation of resources in the Energy & Metal Division. This will help us build a strong earnings foundation, because the resource business is currently driving earnings. At the same time, we will accelerate the structural reforms currently under way in the Machinery, Chemicals & Functional Materials and Consumer Lifestyle Business divisions to increase profitability in non-resource businesses while increasing the scale of earnings. I want to promote these initiatives to build a portfolio in the future with equivalent proportions of resource and non-resource assets and earnings.

One key will be concentrating the deployment of resources in businesses and regions in which Sojitz is strong to accumulate quality assets. This will be highly effective in strengthening our earnings foundation, because investment and asset efficiency are high in these businesses and regions, and quantifying risk and building partnerships are relatively easy.

Currently we have established the Sojitz name in a number of areas, including Africa and scarce resources such as rare metals and rare earths. Increasing our involvement in unique regions and businesses such as these is directly related to accumulating quality assets. Only eight years have

elapsed since the merger that created Sojitz. As a young company, we intend to enhance our presence and make the Sojitz brand known globally through these initiatives.

(Please see the feature article Many Banners, One Sojitz on pages 19 to 27 for a detailed explanation of Sojitz's initiatives to further reinforce activities in businesses and regions in which it is strong.)

**Q Sojitz operates in a broad array of countries. Please explain Sojitz's focus in CSR.**

**A We will continue to focus on CSR priority themes in responding to the expectations of society. At the same time, the Sojitz Group will unite to carry out its most pressing CSR task: supporting reconstruction in the aftermath of the Great East Japan Earthquake.**

Sojitz believes that CSR is a management responsibility. Our CSR consists of fulfilling our responsibilities as a trading company by stably securing and supplying goods and resources, and contributing to the industrial development of many countries through our various corporate activities. At the same time, we believe that conducting corporate activities with consideration of the environment and society leads to the sustained development of both Sojitz and the communities we serve. For this reason, we joined the United Nations Global Compact in April 2009.

In the year ended March 31, 2010, we moved to further deepen our CSR activities by selecting four priority themes that correlate issues important to the Sojitz Group with society's expectations and interests. During the year ended March 31, 2011, we continued to concentrate on responding to society's expectations with a focus on these themes.

In addition to the CSR initiatives we undertake through our businesses, we also energetically engage in activities that contribute to regions and local communities. A project that supports education in Tanzania is representative. Building on its traditionally deep relationships in Africa, Sojitz has constructed a pre-school facility in a village and provided study materials to the children. In the year ending March 31, 2012, we plan to improve sanitation and nutrition conditions of the village. We also plan to build a second pre-school facility in another village as part of our ongoing activities aimed at co-existence with local communities.

Our biggest and most pressing CSR task in the year ending March 31, 2012, however, is supporting reconstruction in the aftermath of the Great East Japan Earthquake. As I mentioned earlier, we have important responsibilities as a trading company and a Japanese corporation. As a member of society, the Sojitz Group will unite in undertaking support activities under the theme of "working toward a brighter future for the people and local community" with the goal of completing reconstruction as quickly as possible.

---

**Q In closing, please share your vision and intentions for the future with stakeholders.**

**A Sojitz will meet the expectations of stakeholders by overcoming the challenges it faces while maintaining its swift advance toward sustained growth.**

---

The twenty-first century is the century of the emerging country. For a trading company, these emerging countries will be large markets with power that will sometimes create rivalry and sometimes strong partnerships. The opportunities that emerging

countries offer are virtually limitless, and the businesses we can enter and collaboratively develop are countless. I am confident that the century of the emerging country will also be the century of the trading company.

As global competition intensifies, Sojitz will capture these business opportunities and accelerate overseas business development. Collaborating with a wide array of partners will be key. An order Sojitz recently received for a fertilizer plant in the Republic of Tatarstan, Russia is a good example. Rather than simply involving Japanese partners, the deal involves a team of four partner companies from Japan, China and Russia. Bringing together optimum members with superior competitive advantages from each country has maximized competitiveness. Our network of excellent partners around the world is an asset we intend to utilize fully to create quality businesses. This is our surest way to prevail against global competition and achieve sustained growth.

I have instructed Sojitz employees to energetically examine every growth opportunity that arises to create businesses that are unique to Sojitz. These initiatives are gradually yielding results and creating a strong earnings foundation. We will promote the initiatives I have explained here to strengthen our earnings foundation and move us within striking distance of our key performance targets of ROA of 3% and ROE of 15%.

We expect a difficult business environment due to factors such as the impact of the Great East Japan Earthquake. However, Sojitz will move even more quickly as it continues to take on challenges with the aim of sustained growth.

Sojitz is absolutely determined to meet the expectations of stakeholders by overcoming the challenges it faces while maintaining its swift advance toward sustained growth.





## Feature: Many Banners, One Sojitz

Sojitz is building on the many representative businesses and regional affiliations it has created in implementing a new phase of initiatives to generate sustained growth.

Sojitz is known as a supplier of scarce resources. And it is known as a leader in business development in Africa. These are among the many banners that define Sojitz because of its broad array of strengths in multiple regions and businesses. This feature article describes several Sojitz initiatives to concentrate the deployment of resources under these banners, to build its presence in regions and businesses in which it is strong.

# Gearing Up for Sustained Growth

# “We want Sojitz banners



The Sojitz banner flies in areas in which the Company is strong – regions and businesses in which we have a thorough understanding and a broadly based network. We are able to quickly and efficiently strengthen our earnings foundation in these areas because we can develop business ahead of other companies and identify risks more easily.

Sojitz is building its global presence by creating operations in many regions and businesses. We intend to accelerate such business development because it is the fastest way to generate sustained growth.

We will continue to unfurl Sojitz banners worldwide.

**Yutaka Kase**  
President & CEO

## Sojitz and ASEAN

Sojitz is building a powerful business base in ASEAN, from fertilizer and automobile sales in Thailand to LNG development and production in Indonesia, forest products in Malaysia, and nickel in the Philippines. In Vietnam, Sojitz contributed in many ways to the post-war recovery and now has a strong position in businesses including chemical fertilizer, flour milling, port silos, power generation, industrial parks, and woodchips and afforestation. Sojitz will further enhance its presence in ASEAN by accelerating business development.



## Sojitz and Bioethanol

Sojitz's Brazilian bioethanol business is expected to become the world's largest producer of sugar cane-based bioethanol. We will continue to expand production capacity to enhance our ability to supply the rapidly growing global market for biofuels.



## Sojitz and Industrial Salt

Sojitz is a leader among trading companies handling industrial salt, which is an irreplaceable raw material for inorganic chemicals.

We are now building on a recent investment in a marine chemical business in India involved in industrial salt and potash fertilizer from production to marketing.



# to fly worldwide.”

## Sojitz and Scarce Resources

This section covers Sojitz's initiatives to generate further growth as a leading Japanese supplier of scarce resources such as rare metals and rare earths.

>P. 22

## Sojitz and Agribusiness

Strong in the fertilizer business, Sojitz is also taking on the challenge of agriculture. This section explains how Sojitz is aggressively developing businesses to address the issue of increasing production of and securing food resources.

>P. 24

## Sojitz and Africa

Africa has enormous potential. This section outlines Sojitz's initiatives for the future in Africa, where it aims to establish a leading position.

>P. 26

Feature: Many  
Banners, One Sojitz

## Sojitz and Methanol

Sojitz operates a methanol manufacturer in Indonesia, and sells its output and other companies' methanol in Asia, Europe and North America. Our annual methanol trading volume is now 1 million tons. Strengths in areas such as delivery drive this company's business model, which we intend to employ in developing business in other regions.



## Sojitz and the Power Generation Business

Sojitz has been involved in power generation for more than two decades, and positions it as a key business that will be a stable source of earnings over the medium-to-long term. The business has generated steady success, including participation in three independent power producer (IPP) projects in the Middle East during the year ended March 31, 2011, and Sojitz will continue to aggressively acquire new orders.



## Sojitz and Brazil



Brazil has been Sojitz's base for developing business in Central and South America since Sojitz established a subsidiary there in the 1950s. Complementing its industry-leading trading volume in iron ore, Sojitz has taken an equity stake in a Brazilian company that is a leading global producer of the rare metal niobium. Our broad range of businesses in Brazil also includes a bioethanol company that is integrated from sugar cane cultivation to bioethanol and sugar production, and the first oil development project involving Japanese companies to commence crude oil production. We employ our advantageous relationships with outstanding Brazilian partner companies such as Petróleo Brasileiro S.A. (Petrobras), Brazil's national oil company, in concentrating on the continuous creation of businesses that are unique to Sojitz.



## Sojitz and Scarce Resources

“Sojitz will shoulder the responsibilities of leadership in generating additional growth while enhancing its name worldwide.”

**Kazuyoshi Shioda**

General Manager, Ferroalloys Department,  
Ferrous Materials & Steel Products Unit,  
Energy & Metal Division

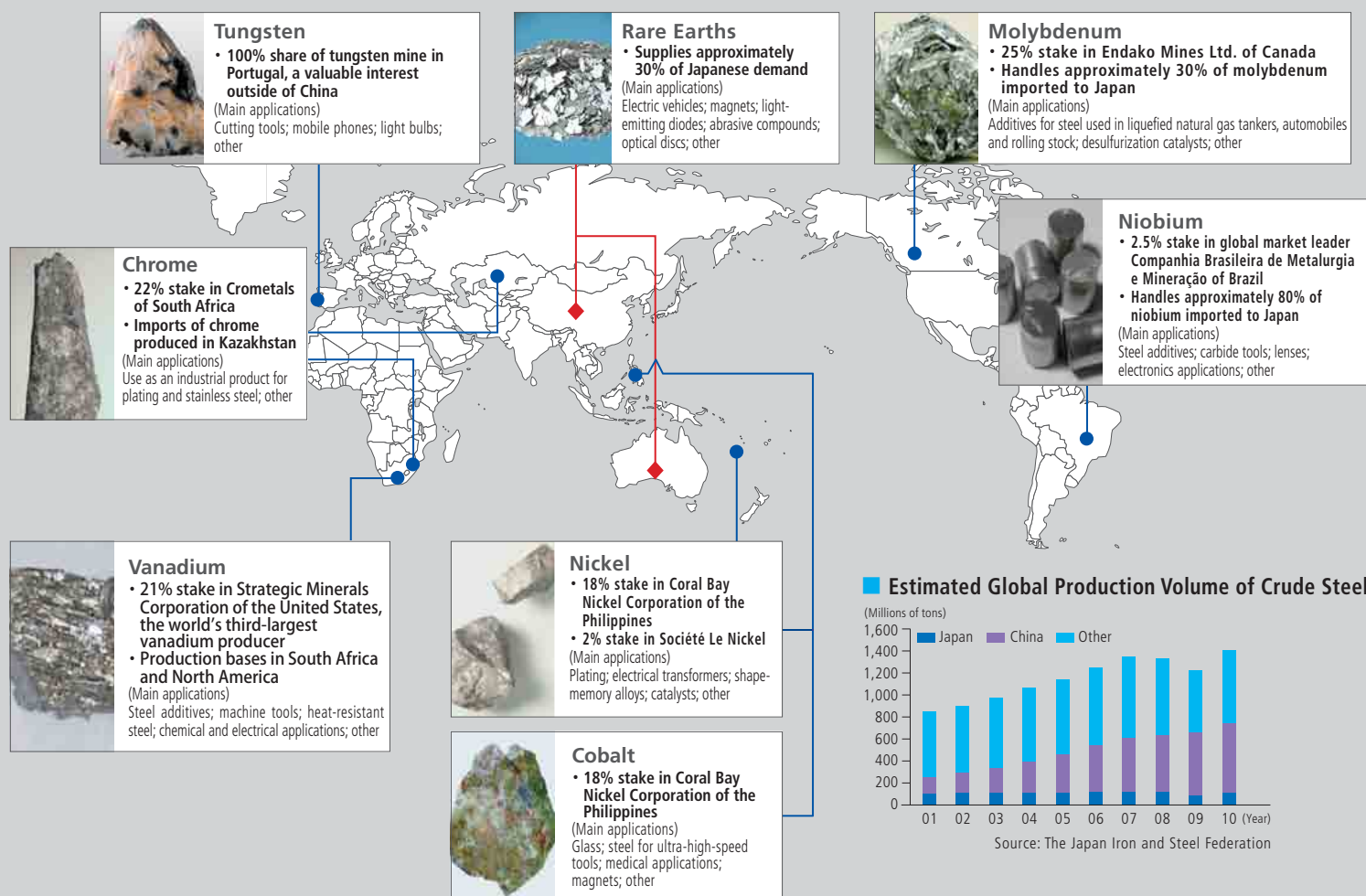
**Hironori Funahashi**

General Manager, Chemical Resources  
Department, Chemicals Unit,  
Chemicals & Functional Materials Division

### Map of Scarce Resource Business Development

● Rare metals

◆ Rare earths





## “A solid position built over 40 years.”

Sojitz is well known globally for the scarce resources of rare metals and rare earths. We have one of the largest domestic trading volumes of these resources and a portfolio of interests that covers a broad range of products, including the seven primary rare metals. Sojitz is therefore able to build on its solid position.

Sojitz has been a driving force in rare metals and rare earths since the 1970s, and has extremely close relationships with customers and suppliers. Customers appreciate that we have interests in these resources that are termed “rare” because only a few areas supply them, as well as our long-term

record of continuous, stable supply and specialized expertise. We have increased the number of customers we serve despite the historical volatility of conditions in the rare metals and rare earths markets, building strong bonds of trust with suppliers through sustained procurement and a history of collaboration.

The rare metals and rare earths markets have a specialized supply and demand structure. Sojitz handles the volumes and broad product line needed to balance demand and supply and deliver value to the market as a whole. We are proud of our accomplishments as a trading company.

## “Sojitz’s missions are stable supply and further growth.”

The markets for scarce resources are expected to expand significantly in the future. Demand for rare metals that are essential for high-grade steel products is likely to increase further because of expansion of global crude steel production and the ongoing development of the high-end steel segment. Demand for rare earths is also forecast to increase steadily because they are crucial materials for products ranging from electric vehicles to magnets and electronic components.

Given this environment, Sojitz has focused investment on outstanding upstream interests with the aim of building a stable supply framework. In the year ended March 31, 2011, we began expanding our existing molybdenum interests and have made new investments and loans for two highly significant projects.

One of these involves the rare metal niobium. We invested in and concluded a long-term offtake agreement with Companhia Brasileira de Metalurgia e Mineração (CBMM), a Brazilian company that produces 70 thousand tons of niobium annually and has an overwhelming share of the global market. Sojitz has built solid trust with CBMM over more than 40 years as trading partners, and the niobium procurement framework that Sojitz has structured is extremely close-knit.

The other project involved investment in Lynas

Corporation Limited, which develops rare earth resources in Australia. We signed a long-term procurement agreement with Lynas under which we will supply 8,000 to 9,000 tons of rare earths to the Japanese market annually. This is approximately 30% of rare earth consumption in Japan. About 90% of global rare earth production is concentrated in China, underscoring the importance of adding stability to the supply of rare earths by diversifying supply sources.

Sojitz is also expanding existing interests. Expansion is currently in progress at a molybdenum mine in Canada that will increase production by approximately 60%. We plan to raise our share of production to about 2,000 tons annually by 2012. We are also moving forward with plans to increase production at a tungsten mine in Portugal by improving operating efficiency.

Sojitz will also work actively to accumulate quality interests in areas in which it is not yet number one, including rare metals such as manganese and a variety of medium and heavy rare earths.

Our progress in the rare metals and rare earths businesses symbolizes our initiatives to enhance its capabilities in areas in which we are strong. We will continue to fulfill our mission as a leading company to ensure a stable, sustained supply by targeting further growth.

## Sojitz and Agribusiness

“Sojitz is expanding and enhancing its capabilities in the fertilizer business and taking on the new challenge of agriculture to make both representative of Sojitz.”

Chikahide Mori

General Manager, Agribusiness Department,  
Foods Resources Unit,  
Consumer Lifestyle Business Division

### Fertilizer Business Area in Southeast Asia

#### Japan Vietnam Fertilizer Company

- Main applications: Rice, coffee, vegetables, pepper, fruit, sugar, rubber
- Market share in Vietnam: approximately 30%
- Total annual advanced chemical fertilizer demand in Vietnam: approximately 800 thousand tons



#### Atlas Fertilizer Corporation

- Main applications: Rice, coffee, fruit, sugar
- Market share in the Philippines: approximately 45%
- Total annual advanced chemical fertilizer demand in the Philippines: approximately 530 thousand tons



#### Thai Central Chemical Public Co., Ltd.

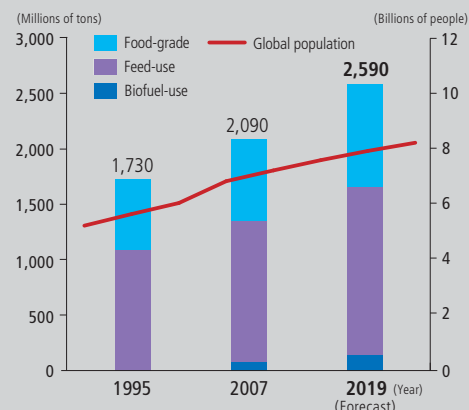
- Main applications: Rice, vegetables (including cassava), fruit, rubber, palm
- Market share in Thailand: approximately 40%
- Total annual advanced chemical fertilizer demand in Thailand: approximately 1.9 million tons



Sojitz's sales area for advanced chemical fertilizer

Note: Figures for market share and demand are Sojitz's estimates based on data for 2009.

### Global Grain Consumption and Population



Source: Policy Research Institute, Ministry of Agriculture, Forestry and Fisheries; United Nations

### Sojitz's Agricultural Production Area in South America



### Main Crops Produced Using Sojitz's Fertilizer



## “Sojitz’s fertilizer business supports agriculture in Southeast Asia.”

Growth of the world’s population is increasing global demand for food, and growth in demand for grain continues to be particularly pronounced. In addition to rising demand for food-grade grains, demand for feed-use grains is also expanding strongly because of the rapid increase in meat consumption in emerging countries with changes in dietary customs. However, the amount of land under cultivation worldwide is not growing. As a result, the balance of demand and supply is tight.

Given these circumstances, food is an important resource. The agribusinesses of fertilizer and agriculture are key to increasing production of and securing food resources. Sojitz has therefore designated them as key businesses and is aggressively developing them. In particular, since fertilizer is essential to increasing grain production, Sojitz sees its mission as exercising its potent and unique strengths in the fertilizer business to generate additional growth. Fertilizer is central to Sojitz’s agribusinesses. With operating companies handling advanced chemical fertilizer production and sales in

Thailand, Vietnam and the Philippines, Sojitz has built the largest advanced chemical fertilizer production capacity and sales network in Southeast Asia. Compared to straight fertilizers, advanced chemical fertilizers can significantly increase crop yields. They therefore contribute to increased food production in emerging countries, where demand for food is growing rapidly. Our products have the leading share of the market for advanced chemical fertilizers in each of these countries because we have been serving them for 40 years, and our brands are consistently trusted for their quality.

We are now expanding the fertilizer business beyond Thailand, Vietnam and the Philippines into contiguous countries such as Myanmar, Cambodia and Laos. In Indonesia, a promising growth market, we aim to build a production and marketing business. We have targeted the start of distribution and sales in collaboration with an Indonesian partner during the year ending March 31, 2012. Sojitz will leverage the strong name it has cultivated in fertilizer over many years to take its fertilizer business to a higher level.

## “We are aiming for stable supply of food resources by taking on the new challenge of agriculture.”

Agriculture is a new challenge for Sojitz in supplying food resources that will complement its contribution to increased food production through the fertilizer business.

Conventionally, general trading companies such as Sojitz have not been deeply involved in large-scale agricultural production and processing businesses overseas. A major reason was that these businesses are heavily influenced by external factors including weather and insect damage that make risks difficult to manage. However, circumstances have changed significantly for reasons including the use of weather insurance, geographical diversification through leasing, and technological advances that have improved varieties of agricultural commodities. Because of these changes, Sojitz has expanded into the upstream food resource business of agriculture.

Sojitz initiated a full-scale agricultural business by establishing a subsidiary in Argentina, Sojitz Buenas Tierras del Sur S.A., during the year ended March 31, 2011. Sojitz decided to develop this business in Argentina because it found an outstanding partner,

and restrictions on the participation of foreign companies are few. Other merits included a well-developed market for leasing agricultural land. This venture will concentrate on producing soybeans, demand for which is expected to grow dramatically as a feed crop, as well as other grains including corn, wheat and sunflowers. Sojitz will export the harvest to Japan and other countries in Asia. We have achieved steady production and shipments, and see great promise for future growth in this business.

Sojitz plans to rapidly expand the area under cultivation from the current 11 thousand hectares to approximately 300 thousand hectares in five years to build a business that can make a substantial contribution to earnings. This will raise crop yield to about 1 million tons, which will give us a solid market presence.

In the near term, Sojitz plans to expand in South America in Argentina and Brazil, where it is strong and which have significant potential for growth. We are also looking at future development in Africa and elsewhere as we nurture agriculture into a full-blown business.





## Sojitz and Africa

“Sojitz aims to establish a leading position in Africa, which has enormous potential. We will achieve this by leveraging the many relationships we have built in Africa to create future sources of earnings.”

Tatsunobu Sako  
Managing Executive Officer,  
President & CEO for the Middle East & Africa

### Businesses in Africa

- Sojitz operating base
- ◆ Import and export, etc.
- Investment and loan projects

◆ Fertilizer raw materials  
(produced in Morocco)



● Crude oil production (Gabon)



◆ Plant equipment  
(Algeria and Nigeria)



◆ Crab export and sales  
(produced in Namibia and Angola)



◆ Cement plant construction  
(Angola)



◆ Steel plant equipment  
(South Africa)



● Ferrochrome production and  
sales (South Africa)



◆ Vermiculite (South Africa)



◆ CBU vehicle sales to Angola,  
Egypt, Kenya, Djibouti, Zimbabwe,  
Senegal, Nigeria, Mali, South  
Africa, Mauritius and Mozambique



● Crude oil production (Egypt)



● Manufacture and export of  
woodchips (Mozambique)





## “Our strengths are a function of collaboration with valued strategic partners.”

Sojitz has a long history of doing business in Africa. For example, Sojitz began exporting cotton from Egypt to Japan in the 1890s, and in 1923 became the first Japanese general trading company to establish a representative office in Egypt. We have financed and developed oilfields in Angola that contributed to the country's recovery from civil war, constructed pipelines in Kenya and developed resources in South Africa. These initiatives show how we have helped African nations develop indigenous industries through our businesses. And as a result of such initiatives, Sojitz has built an extensive network of relationships in Africa. We have gained strong trust among government officials and the leading companies we partner with particularly in countries such as Angola and Nigeria.

The future potential of African markets is enormous. For example, the population of Africa is expected to grow rapidly, doubling from approximately 1 billion today to about 2 billion in 2050, representing an increase from approximately

15% to 25% of the global population. Yet the country risk of African nations is high, and issues are numerous.

Based on Sojitz's advantages and the business environment in Africa, we are taking a medium-to-long term approach in African markets. We are identifying projects that have the potential to quickly contribute to earnings while creating future sources of earnings as well. We have dispatched strategic personnel\* to Africa twice, and opportunities for various new projects have emerged. In April 2011, we moved to realize potential with actual business by dispatching additional personnel to Africa. We are now deepening our partner strategy and strengthening collaboration with existing partners in various countries, while finding new and reliable partners.

\*People selected from each business division to take on missions that include developing specific projects and building our operating foundation

## “We are increasing business opportunities through an organic approach.”

To remain as a leader in Africa, it is crucial for us to create businesses that set us apart from others in terms of scale and profitability, matching businesses in which we have a competitive edge with countries where we can exercise our strengths. Moreover, we must contribute to society through our business activities as we have done in the past, developing businesses that vitalize industries in the countries where we operate. We therefore focus on development of infrastructure, resources, energy, and indigenous demand.

Developing new businesses is not easy, but we have made steady progress through our day-to-day activities. Preparations to launch the woodchip business in Mozambique during the year ending March 31, 2012 are proceeding steadily, and we continue to strengthen relationships with partner companies in building businesses including fertilizer,

agriculture, foodstuffs and energy in selected countries in Africa.

My focus in developing businesses is to link them organically to exercise Sojitz's many strengths rather than treating each business discretely. For example, rather than limiting our efforts to a gas exploration project, we need to diversify into businesses such as LNG, fertilizer plants and power generation as well. Sojitz has divisions organized by product, so people like me who manage regions and operating bases must use our local relationships to tie businesses together in our respective regions to increase business opportunities.

Sojitz will use its solid advantages in Africa to attain the leading position and create future sources of earnings.

# Review of Business Operations

## Quality Earnings for Sustained Growth

### Contents

A Message from Executive Vice President Kazunori Teraoka	P. 29
Sojitz at a Glance	P. 30
Machinery Division	P. 32
Main Businesses of the Machinery Division	P. 34
Energy & Metal Division	P. 36
Main Businesses of the Energy & Metal Division	P. 38
Chemicals & Functional Materials Division	P. 40
Main Businesses of the Chemicals & Functional Materials Division	P. 42
Consumer Lifestyle Business Division	P. 44
Main Businesses of the Consumer Lifestyle Business Division	P. 46

As a general trading company, the Sojitz Group contributes to global economic and cultural development by operating a wide array of global businesses in Japan and overseas. In addition to distribution and foreign trade, these include manufacturing and selling various products; planning and executing various projects; investing in various business sectors; and engaging in financial activities.



Senior Managing Executive Officer  
**Shigeki Dantani**  
President, Energy & Metal Division



Managing Executive Officer  
**Shinichi Teranishi**  
President, Consumer Lifestyle Business Division



Managing Executive Officer  
**Satoshi Mizui**  
President, Chemicals & Functional Materials Division



Managing Executive Officer  
**Yoshihisa Suzuki**  
President, Machinery Division



Managing Executive Officer  
**Hiroshi Matsumura**  
Senior Vice President, Energy & Metal Division  
Senior General Manager, Coal & Non-Ferrous Metals Unit



Executive Officer  
**Masaru Ogawa**  
Senior Vice President, Consumer Lifestyle Business Division  
Senior General Manager, Forest Products & Real Estate Development Unit



Executive Officer  
**Toshihiko Kita**  
Senior Vice President, Machinery Division  
Senior General Manager, Marine & Aerospace Unit



Executive Officer  
**Hideaki Kato**  
Senior Vice President, Chemicals & Functional Materials Division  
Senior General Manager, Functional Materials Unit



Executive Officer  
**Shigeru Ohno**  
Senior Vice President, Energy & Metal Division  
Senior General Manager, Ferrous Materials & Steel Products Unit



Executive Officer  
**Takeshi Yoshimura**  
Senior Vice President, Machinery Division  
Senior General Manager, Infrastructure Project & Industrial Machinery Unit



Executive Officer  
**Masashi Shinohara**  
Senior Vice President, Energy & Metal Division  
Senior General Manager, Energy & Nuclear Unit



Executive Officer  
**Tsutomu Tanaka**  
Senior Vice President, Chemicals & Functional Materials Division  
President, Sojitz Pla-Net Corporation

# A Message from Executive Vice President Kazunori Teraoka



**We will achieve sustained growth by strengthening our earnings foundation with bold initiatives that emphasize speed and efficiency.**

During the year ended March 31, 2011, the second year of the Shine 2011 medium-term management plan, we shifted our focus to growth, executing initiatives to strengthen our earnings foundation based on our successes in establishing a firm footing and enhancing our operating base.

Each segment was profitable against a backdrop of recovery in global demand, especially in emerging countries. Sojitz made new investments and loans for large-scale coal and niobium projects in the energy and mineral resource sector that will generate earnings in the future, as well as investments and loans to build existing businesses including rare earths, marine chemicals encompassing industrial salt and potash fertilizer, and the independent power producer (IPP) business. We also began participating in new businesses such as agriculture in Argentina.

During the year ending March 31, 2012, the final year of the Shine 2011 medium-term management plan, Sojitz will further strengthen its efforts to enhance its earnings foundation. In accumulating quality assets, we will emphasize speed and efficiency in initiatives such as

expanding existing projects and building operations in businesses and regions where we are strong. In the near term, we will focus on investments and loans in energy and mineral resource interests. Going forward, we will build a strong earnings foundation by increasing involvement in food resources, forestry resources, new energy and the environment, which are areas with considerable growth potential where Sojitz can effectively exercise its strengths.

The world changes with each minute, which gives a general trading company such as Sojitz unlimited opportunities. All Sojitz employees will share opportunities and issues in proactively and boldly taking on the challenge of achieving sustained growth.

**Kazunori Teraoka**  
Representative Director,  
Executive Vice President, Business Group

# Sojitz at a Glance

## Main Businesses

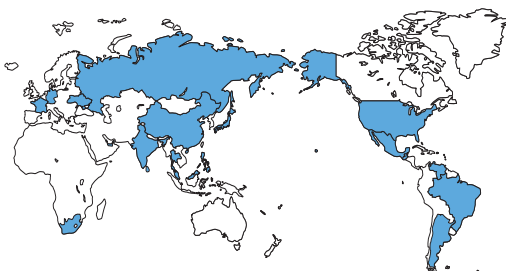
## Distribution of Main Subsidiaries

## Performance Highlights

### Machinery Division



- Automotive Unit
- Infrastructure Project & Industrial Machinery Unit
- IT Business Unit
- Marine & Aerospace Unit



- In the automotive business, earnings increased in emerging markets as Sojitz improved performance in Russia, the CIS, and Central and South America.
- Plant-related transactions increased in the infrastructure business.
- As a result, Machinery Division ordinary income was ¥2.0 billion in the year ended March 31, 2011 compared with ordinary loss of ¥4.1 billion in the year ended March 31, 2010.

### Energy & Metal Division

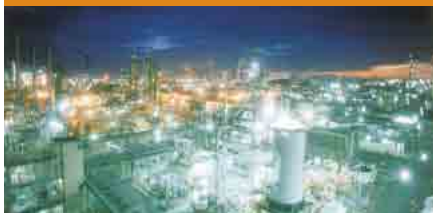


- Energy & Nuclear Unit
- Coal & Non-Ferrous Metals Unit
- Ferrous Materials & Steel Products Unit

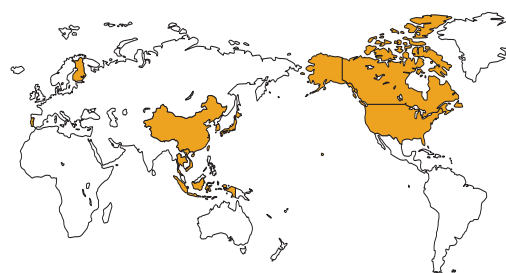


- Trading volume for coal, ferroalloys and other commodities increased as markets recovered.
- Equity in earnings of unconsolidated subsidiaries and affiliates, including a steel-related company, increased.
- As a result, Energy & Metal Division ordinary income increased 127.8% in the year ended March 31, 2011 compared with the year ended March 31, 2010 to ¥28.7 billion.

### Chemicals & Functional Materials Division



- Chemicals Unit
- Functional Materials Unit

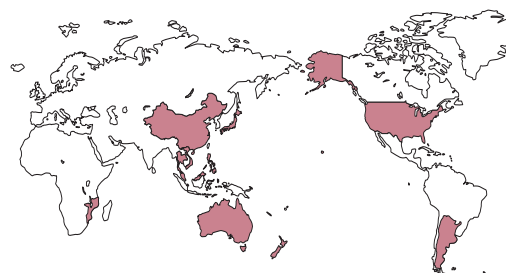


- Overall trading volume increased as demand recovered in China and elsewhere in Asia.
- Higher prices drove increased earnings in the methanol business.
- As a result, Chemicals & Functional Materials Division ordinary income increased 134.5% in the year ended March 31, 2011 compared with the year ended March 31, 2010 to ¥6.8 billion.

### Consumer Lifestyle Business Division



- Foods Resources Unit
- Consumer Service Business Unit
- Forest Products & Real Estate Development Unit



- Earnings expanded substantially in the fertilizer business in Southeast Asia.
- Tobacco and forest product trading volume increased.
- As a result, Consumer Lifestyle Business Division ordinary income was ¥5.3 billion in the year ended March 31, 2011 compared with ordinary loss of ¥4.1 billion for the year ended March 31, 2010.



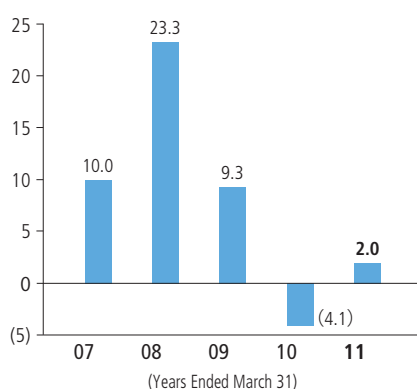
# Gross Trading Profit

(Billions of yen)



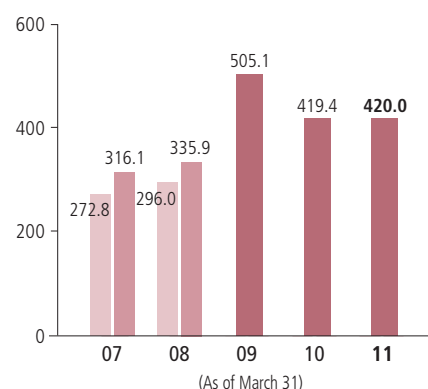
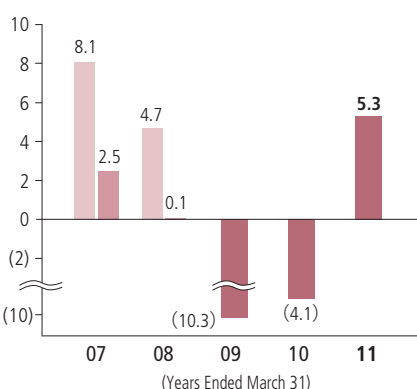
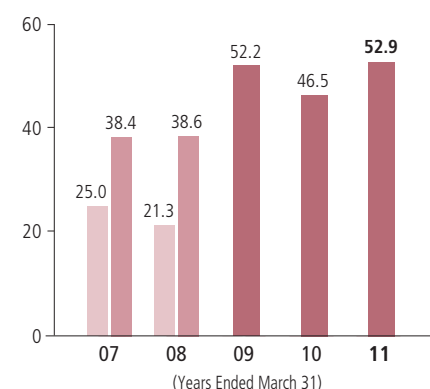
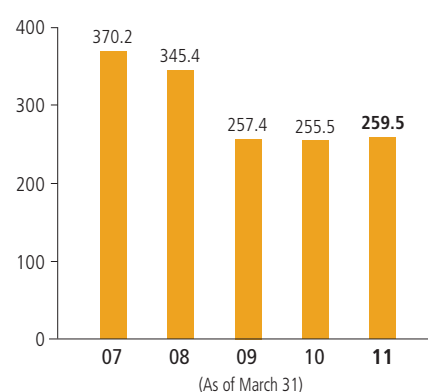
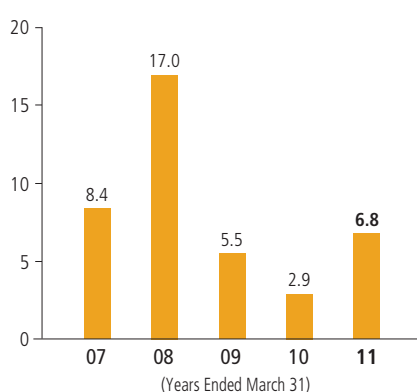
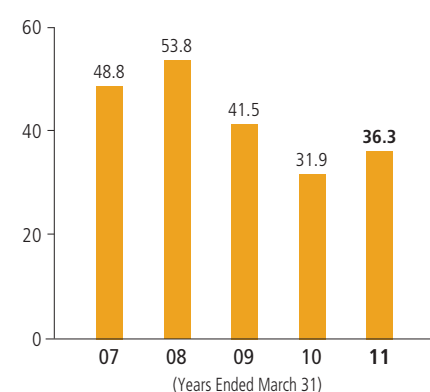
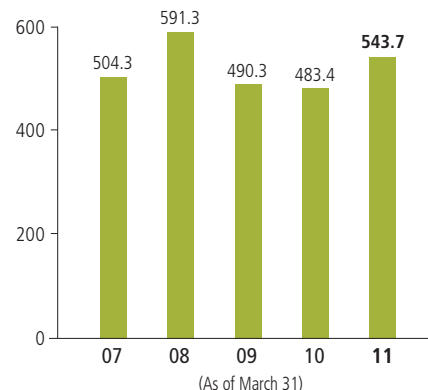
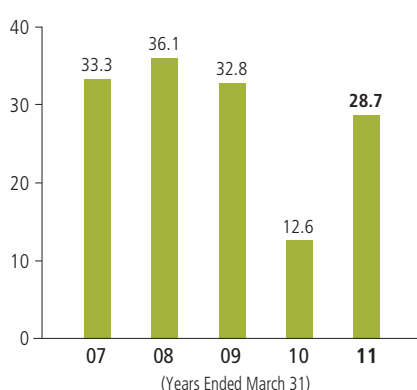
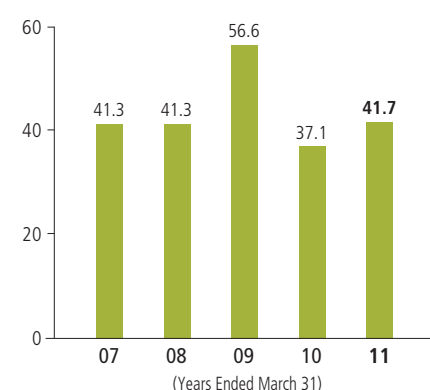
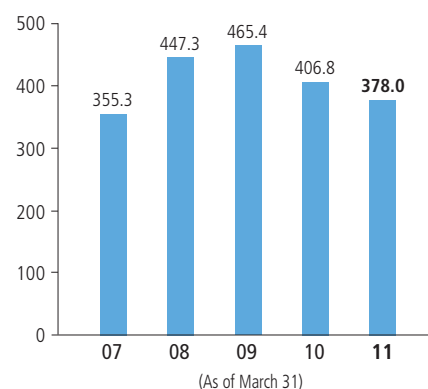
# Ordinary Income (Loss)

(Billions of yen)



# Total Assets

(Billions of yen)



Former Real Estate Development &amp; Forest Products Division

Former Consumer Lifestyle Business Division


Consumer Lifestyle Business Division

Notes: 1. Segment information excludes Overseas Subsidiaries and Other.

2. The Sojitz Group changed its industry segments as of April 1, 2009. As a result, segment information for the year ended March 31, 2009 has been reclassified to conform to the new segments. Segment information for years ended March 31, 2008 and earlier is presented as per the former segments.

3. Sojitz reorganized certain businesses in the year ended March 31, 2011. Figures for the year ended March 31, 2010 are restated accordingly.

## Machinery Division



In the year ended March 31, 2011, the Machinery Division improved earnings in the automotive business and achieved profitability across the board. We will continue moving toward sustained growth through ongoing improvement of our earnings foundation and by shifting to businesses that provide long-term, steadily growing returns.

### Overview of the Year Ended March 31, 2011

In the year ended March 31, 2011, we achieved profitability one year earlier than originally planned with recovery in overall performance. This was primarily due to progress in restructuring our automotive business, which recorded a considerable loss in the previous fiscal year. We worked to reduce inventory and use assets more efficiently in the Russia and NIS automotive business, which was in a slump in the previous fiscal year. At the same time, we established a mechanism to comprehensively gauge and manage risk exposure, as well as a system for managing currency fluctuations and other risks. We successfully expanded earnings by focusing on the fast-growing regions of Asia and Central and South America. In the Venezuela automotive business, we addressed labor problems through labor-management agreements and are returning to stable production.

The infrastructure business picked up significantly. We received orders for three large IPP projects in Saudi Arabia and Oman, and concluded an agreement for a large-scale fertilizer plant in the Republic of Tatarstan in Russia. Having steadily accumulated a backlog of orders in the year ended March 31, 2011, we expect stable earnings in the future.

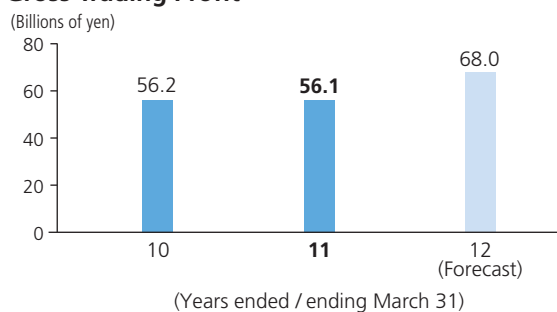
In the IT business, we initiated and completed a takeover bid to acquire a majority interest in equity-method affiliate SAKURA Internet Inc., making it our consolidated subsidiary. This action will lead our information and communication technology (ICT) business to further growth.

The marine business remained relatively firm over the course of the year despite a sharp drop in cargo movement in the dry bulk carrier business due to flooding in Australia. In the aircraft business, we continued our steady performance as Japan's top sales representative for commercial aircraft. In the promising growth area of business jets, we established a foothold in the Philippines with a business that operates six aircraft.

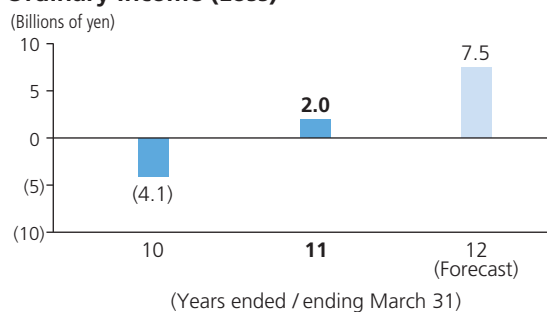
### Strategies for the Future

We have established a new mission for the division: Lead new businesses with technological innovation, and

### Gross Trading Profit



### Ordinary Income (Loss)



create new value by establishing and operating public and production infrastructure. Based on this mission, we will advance initiatives aimed at sustained growth. We will continue working to improve our earnings foundation. At the same time, with a focus on strong growth in the next medium-term management plan, we will expand investment in businesses that provide long-term, steadily growing returns. The business reform verification team established in April 2011 will lead a thorough examination of asset efficiency, drastically narrow its focus on priority areas, enhance growth sectors and aggressively reallocate assets.

Specifically, in the automotive business, we aim to maximize earnings while continuing to strictly manage risk exposure. We expect significant improvements in profitability in Russia, the NIS and Venezuela. At the same time, we will grow the business in Southeast Asia and Central and South America, where robust demand can be expected.

In the infrastructure business, we will step up active investment in the plant business, which we expect to contribute to earnings over the medium-to-long term. We aim to aggressively build a backlog of orders in fertilizer plants and also actively invest in the IPP business to accumulate good assets. These businesses are the key to realizing steady returns over the medium-to-long term.

In the IT business, we will work to achieve significant growth in the promising ICT business by strengthening coordination among Group companies with a focus on Nissho Electronics Corporation, which became a subsidiary in the year ended March 31, 2010. We will grow earnings from service businesses

such as cloud platform and IT outsourcing, which we hope to develop into fields of expertise for Sojitz.

In the marine business, we will continue to secure income from our stable earnings foundation of ship-owning, newbuilding and second-hand ship trading. At the same time, we will develop new products in the environment and energy conservation fields, and focus on market development in Central and South America. In the aircraft business, we will expand the range of products handled by our sales representative business while strengthening the promising growth areas of business jets and components.

In addition, in April 2011, we established the Environment & Urban Infrastructure Development Office under direct control of the Machinery Division. Through this office, we intend to strengthen inter- and intra-divisional coordination to build a multi-faceted business in the field of smart cities, a market with considerable growth potential.

In the past, the Machinery Division was a major pillar of earnings for Sojitz. Although we were not able to contribute to earnings in the past two years, the structural reforms we enacted got us through the crisis and have invigorated the division. By fully exercising our unique ability "to organize projects," we will create synergies with other divisions and grow once more into an earnings driver for Sojitz.

**Yoshihisa Suzuki**  
President, Machinery Division

## Main Businesses of the Machinery Division

### Automotive Unit

#### Businesses

- Completely built-up (CBU) vehicle export business; local vehicle assembly, manufacturing and sales business; wholesale and retail business; component and tire exports; automotive equipment and engineering business

#### Automotive Business

Expanding the earnings base through cost-competitive products in growing markets



Headquarters of Hyundai de Puerto Rico

#### Operating Environment

The key markets of Russia and the NIS have begun to recover. Demand remains solid in Southeast Asia while markets in Latin America are expanding steadily.

#### Strengths, Distinguishing Features and Initiatives

Sojitz has an upstream-to-downstream value chain in the automotive business that extends from production-related fields such as equipment and engineering to CBU vehicle export, local vehicle assembly, wholesale, retail and beyond, to tires and components. We are looking to expand the earnings foundation by operating world-class, cost-competitive automobile import and sales businesses in growing emerging countries.

#### Strategies for the Future

In the year ended March 31, 2011, Sojitz established a mechanism for comprehensively monitoring and managing exposure. We will employ this mechanism to thoroughly manage risk while conducting asset replacement. At the same time, we aim to optimize our portfolio with a focus on rapidly growing emerging countries.

### Infrastructure Project & Industrial Machinery Unit

#### Businesses

- Plants (steel, fertilizer, chemical, energy); infrastructure (power)
- Industrial machinery and production systems (surface mounters, bearings, equipment related to the environment and new energy, etc.)

#### Infrastructure Project Business

Expertise in large-scale projects cultivated through the plant business



Fertilizer plant of Fatima Fertilizer Company Ltd.

#### Operating Environment

Focused on emerging and resource-rich countries, which were the first to recover after the collapse of Lehman Brothers, demand remains strong for backbone infrastructure: steel, fertilizer, energy and power plants. Business opportunities are expanding in these sectors, including opportunities to invest in businesses and to sell advanced technologies.

#### Strengths, Distinguishing Features and Initiatives

Sojitz has cultivated expertise in large-scale projects through a track record of results built by working closely with top global manufacturers and developers. We have also accumulated extensive knowledge of building strong networks in Asia, the Middle East, Russia and the NIS and Africa, where we have concentrated management resources. These strengths enable us to respond precisely to various consumer needs.

#### Strategies for the Future

Sojitz has positioned the IPP business as a key sector and aims to accumulate outstanding assets globally as long-term stable sources of earnings. We are also working to increase the number of orders in our plant business. These initiatives will help establish a strong earnings foundation.

## Feature Topics for the Year Ended March 31, 2011

### Building a Stronger, More Stable Earnings Foundation for the Long-Term: IPP Business

Fast-developing countries in Southeast Asia, the Middle East and other regions are planning numerous IPP projects open to foreign investment to address rapidly rising demand for electricity. In the year ended March 31, 2011, Sojitz acquired business licenses for three IPP projects in Saudi Arabia and Oman. We will continue to step up efforts in this area to build a stronger, more stable earnings foundation for the long-term.



Power plant in Phu My Industrial District, Vietnam



## IT Business Unit

### Businesses

- Sales and maintenance of communications and IT equipment; systems integration
- Software development and sales
- Data centers, cloud services and managed services
- Business Process Outsourcing (BPO) and Information Technology Outsourcing (ITO)

### IT Business

Expanding the IT services business and developing business in Asian markets



High-speed Internet backbone routers from Juniper Networks, Inc.

### Operating Environment

Corporate investment in IT remains restrained, but the cloud services market in Japan is expanding rapidly. Demand for ITO, BPO and other IT services is rising as corporate IT investment and the business model shift from hardware to services.

### Strengths, Distinguishing Features and Initiatives

Sojitz is taking steps to firmly establish stock-type IT services that are in tune with current trends. We have positioned Nissho Electronics Corporation, a comprehensive IT solution provider, as the core company of our information and communication technology (ICT) business. We are also promoting coordination among Group companies such as Sojitz Systems Corporation and SAKURA Internet Inc., which have unique strengths in a variety of ICT fields.

### Strategies for the Future

Sojitz will expand the IT services business of Nissho Electronics and develop it in Asian markets. We will also strengthen the business in the field of software and services by pursuing capital alliances with IT service providers in Japan and overseas.

## Marine & Aerospace Unit

### Businesses

- Newbuilding, second-hand ships, ship chartering, ship equipment sales business and ship-owning business
- Commercial aircraft sales representative for The Boeing Company, Bombardier Inc., etc.; defense equipment agency and sales business; business-jet business

### Marine and Aerospace Businesses

Comprehensive strengths in the marine business and the top share of the domestic commercial aircraft agency business



Boeing 787 Dreamliner

Launching ceremony for the Solar Africa

### Operating Environment

The dry bulk carrier market, the focus of our shipping business, was firm throughout the year despite the effects of flooding in Australia. In the airline industry, the defense business is experiencing environmental changes, but the commercial aircraft agency business is stable.

### Strengths, Distinguishing Features and Initiatives

The strength of our marine business is our ability to provide one-stop, comprehensive services encompassing maritime and shipbuilding fields from ship equipment, newbuilding, second-hand ships and ship chartering to ship owning. In the aircraft business, Sojitz is the sales representative for major overseas manufacturers. We also offer comprehensive business jet services from sales to operational management as a result of our association with Aviation Concepts Inc., which has a U.S. air operating certificate for on-demand charter flights.

### Strategies for the Future

In the marine business, Sojitz will expand business with overseas shipyards and equipment manufacturers and develop new environment-related products in fields such as water treatment and wind power generation. We will also cultivate new business in the markets of Central and South America. In our ship-owning business, we will continue to replace assets. In the aircraft business, we will develop the parts business and the business-jet business in Asia.

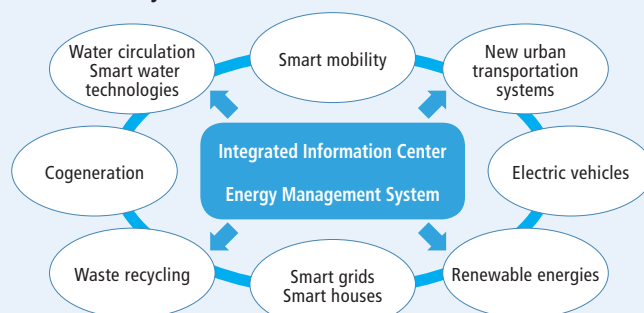
### Smart City Business Development: Environment & Urban Infrastructure Development Office

Sojitz has established the Environment & Urban Infrastructure Development Office to develop business in the field of smart cities, which aim to achieve a sustainable low-carbon society by taking advantage of IT. At present we are participating in the creation of the master plan for the China-Japan Caofeidian Eco-Industrial Park concept in Tangshan City, China. Going forward, we intend to establish our presence in the creation of future cities through joint public-private initiatives in Japan and overseas.

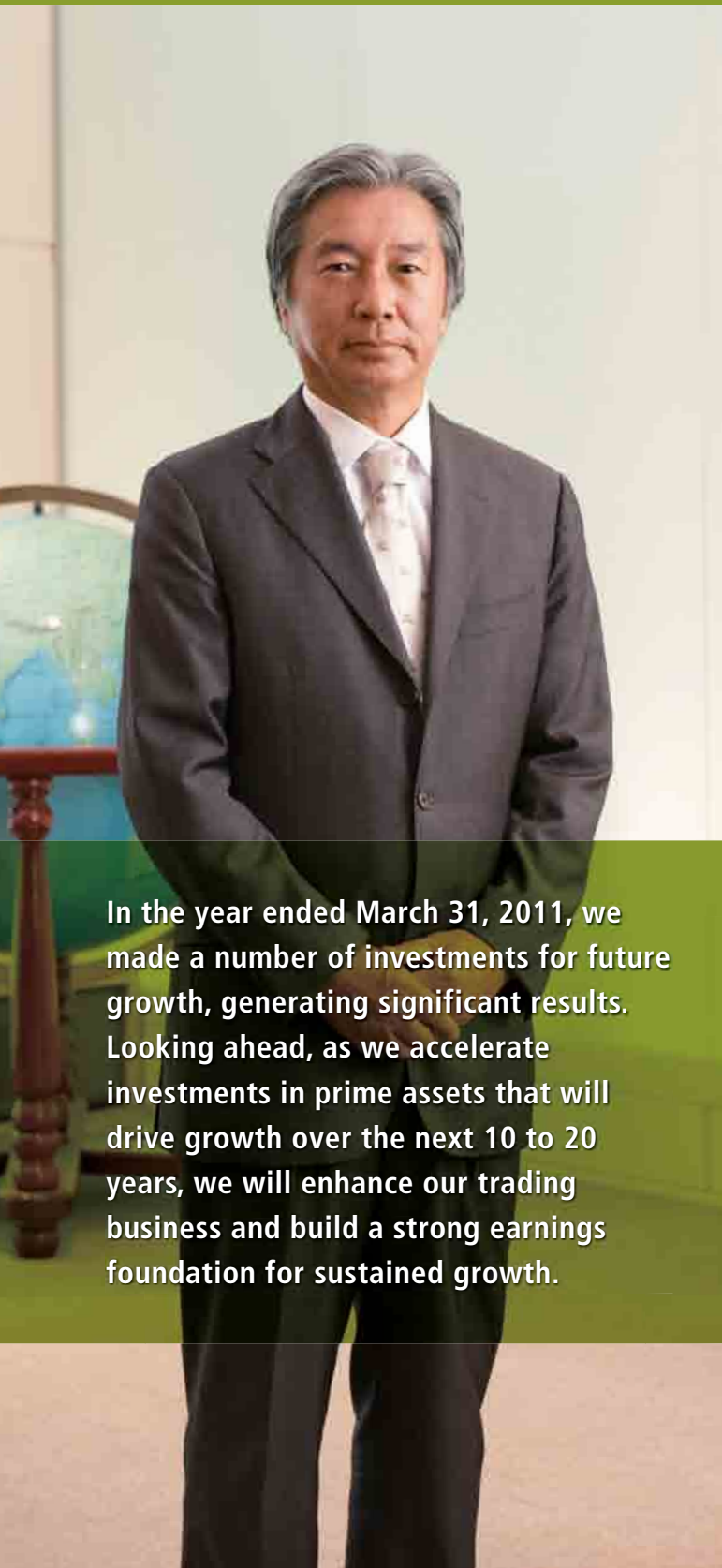


China-Japan Caofeidian Eco-Industrial Park concept

### Smart City Business Areas



## Energy & Metal Division



In the year ended March 31, 2011, we made a number of investments for future growth, generating significant results. Looking ahead, as we accelerate investments in prime assets that will drive growth over the next 10 to 20 years, we will enhance our trading business and build a strong earnings foundation for sustained growth.

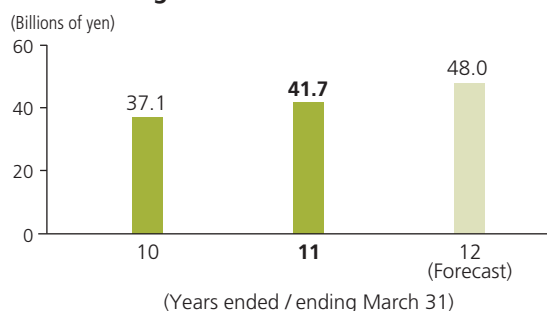
### Overview of the Year Ended March 31, 2011

Under Shine 2011, the Energy & Metal Division has set a key theme of developing business with a balance between upstream investment and trading. Based on this theme, our aggressive initiatives in the year ended March 31, 2011 generated significant results in terms of both earnings and investment.

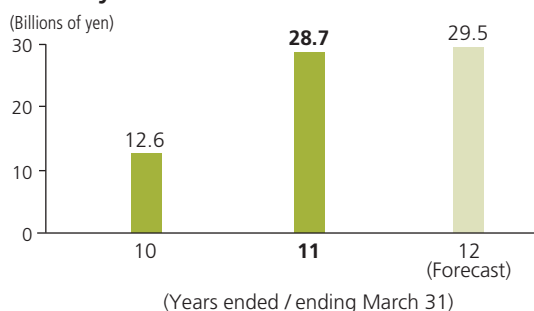
We significantly expanded income through increased trading volumes of products including coal and ferroalloys, and strong performance in the steel business. Earnings from trading were steady amid expanding demand in emerging countries including China and other Asian nations, in addition to solid returns from prime assets accumulated in the past.

It was also a significant year in terms of investment. We made multiple investments for future growth under a policy of focusing on large-scale projects. Our coal project is particularly noteworthy. We raised our stake in the Minerva Coal Joint Venture in Australia to 96%, expanding our share of production and assuming control of coal mine operations. With the expertise we gain in operations, we aim to expand the scope of this business and achieve significant growth in the future. As the leading importer of rare metals to Japan, Sojitz initiated one of its largest ever investment projects by acquiring shares in a Brazilian niobium producer. Demand is expected to grow for niobium, a rare metal indispensable to the production of high-grade steel. Given the Brazilian company's top share in the global market for niobium, we foresee stable returns and have strong expectations that the long-term offtake agreement we concluded will boost earnings in trading. We also made an additional investment in the Lake Vermont Coal Mine in Australia, as well as in alumina and molybdenum, to increase our share of production. In the energy business, we steadily increased our share of production by adding to our oil field interests in Qatar and commencing oil production at the Phoenix Oil Field in the United States.

### Gross Trading Profit



### Ordinary Income



### Strategies for the Future

In the year ending March 31, 2012, the final year of Shine 2011, we will generate steady earnings from our recently expanded investment portfolio and also enhance trading. In coal and other mineral resources, we aim to expand earnings by accurately meeting strong demand in China, Asia, and Central and South America in addition to trading products destined for Japan.

Aiming for sustained growth, we will continue to emphasize acquisition of prime assets and improvement of asset efficiency through asset reallocation. In addition to accumulating prime assets, we are poised to make focused investments in projects in which we can be truly competitive: projects in large markets, sectors with growth potential, and areas in which we are traditionally strong. Coal, for example, is an area in which we are strong. We expect our investments in the year ended March 31, 2011 to boost our total share of coal production to about 7 million tons, and plan to further accelerate investment in the future. We will also step up efforts to develop new iron ore mines to address the expected increase in demand as the economies of emerging countries expand. In the energy business, we will respond to new proposals including development of unconventional shale oil and gas in the United States. Moreover, in new energy and environment, a key field for the entire Company, we will aggressively develop business. Initiatives will include expanding the business of the Brazilian bioethanol producer that is expected to

become the industry's largest in 2014, and advancing into high-purity silicon metal used in solar panels.

Energy and mineral resources are key areas requiring a long-term approach. Most of our current earnings are based on investments made 10 to 20 years ago; we see many examples in which Sojitz's advantageous position is directly tied to supply sources built up over decades of transactions. The mission of our division is to make maximum use of the earnings foundation and relationships with customers and suppliers that we have built over time, and to accelerate investment in prime assets that will drive future growth. Achieving this mission makes it critical that we view human resource development from a medium-to-long-term standpoint. We will therefore cultivate highly skilled personnel with broad perspectives through measures including active job rotation within and outside the division to provide varied work experience. Through such initiatives, we are aiming for sustained growth.

**Shigeki Dantani**  
President, Energy & Metal Division

## Main Businesses of the Energy & Metal Division

### Energy & Nuclear Unit

#### Businesses

- Oil, natural gas, LNG, gasoline, light oil, heavy oil and jet fuel
- Nuclear fuel cycle services and nuclear equipment
- Other

#### Energy Development

Focusing on acquisition of upstream energy interests and securing regionally balanced interests



Al Karkara Oil Field, offshore Qatar

#### Operating Environment

Despite political instability in North Africa and the Middle East and other destabilizing factors, global energy demand is expected to continue expanding, especially in emerging countries. At the same time, attention is focused on factors expected to have a medium-to-long-term impact on energy-related businesses, such as the promotion of renewable energy in Japan and overseas and the possible revision of energy plans in Japan.

#### Strengths, Distinguishing Features and Initiatives

In the oil and gas upstream interests business, Sojitz aims to increase its prime assets by diversifying investment through its global network. We contribute to Japan's energy industry in the nuclear power business with our experience and know-how as distributing agent in Japan for Areva NC of France.

#### Strategies for the Future

Sojitz aims to raise the efficiency of its upstream oil and gas interest assets. At the same time, we will maintain a sound risk-return profile by promoting a regionally diverse portfolio and securing new interests. We will achieve steady earnings from the shale oil, gas and tight-sand gas businesses, which are gaining attention as unconventional oil and gas sources.

### Coal & Non-Ferrous Metals Unit

#### Businesses

- Coal (thermal coal, PCI coal, coking coal)
- Non-ferrous metals (alumina, copper concentrates, copper, etc.)
- Other

#### Coal and Copper Businesses

Pursuing synergies between trading and investment growth



Lake Vermont Coal Mine in Australia

#### Operating Environment

Demand for copper, aluminum and other base metals in emerging markets is expected to increase. In addition, coal is expected to continue playing an important role in energy supply due to its fairly even regional distribution, abundant reserves, and price competitiveness.

#### Strengths, Distinguishing Features and Initiatives

The coal business has several outstanding interests in Australia and Indonesia, and the top share of coal imports to Japan from Russia and Indonesia. Moreover, we have begun managing a coal mine in Australia. The non-ferrous metals business acquired a 12.5% equity interest in the Gibraltar Copper Mine in Canada, making it an earnings driver along with world-leading Worsley Alumina's integrated bauxite and alumina production business.

#### Strategies for the Future

In the coal business, we have positioned trading and upstream interests as the twin pillars of growth, and will work for a stable supply of coal by continuing to increase production volume and maximize earnings from existing interests. In the non-ferrous metals business, we will work to strengthen the business foundation based on upstream interests in alumina and copper.

### Feature Topic for the Year Ended March 31, 2011

#### Acquiring Management and Operational Expertise in the Coal Business through Additional Interest in a Coal Mine

Sojitz's twin pillars of growth in the coal business are investments, primarily in Australia and Indonesia, and trading focused on Asian markets. In December 2010 we raised our stake in the Minerva Coal Joint Venture in Australia to 96% by acquiring an additional 51% interest in the mine, making us one of the few general trading companies currently engaged in coal mine management. In addition to expanding our existing assets, we aim to strengthen earnings and create new opportunities to develop outstanding coal mines in the future by acquiring expertise in direct operations.





## Ferrous Materials & Steel Products Unit

### Businesses

- Rare metals (molybdenum, niobium, vanadium, tungsten, etc.)
- Iron ore, iron ore pellets, hot briquetted iron
- Industrial minerals (fluorite, zircon, etc.)
- Steel products
- Other

### Ferrous Materials & Steel Products Business

Focusing on stable supply of iron ore and mineral products, as well as the largest rare metals business among general trading companies



Araxá Factory of Companhia Brasileira de Metalurgia e Mineração (CBMM) in Brazil

### Operating Environment

Global production of crude steel in 2010 showed double-digit growth compared with the previous year. Demand is expected to grow firmly with economic development over the medium-to-long-term, especially in emerging countries.

### Strengths, Distinguishing Features and Initiatives

Sojitz is further strengthening synergies in the field of rare metals by trading and securing interests. Our rare metal mine investments include molybdenum, tungsten and nickel in the Americas, Europe and Asia. We have also acquired an interest in a niobium mine in Brazil. In the import of iron ore, Sojitz ranks in the top group of importers to Japan, where the product comes mainly from Brazil. In addition to trading, we are focusing on developing our iron ore mine interests in West Australia.

### Strategies for the Future

We will fortify our business base for rare metals, a strong area for Sojitz, through initiatives such as expansion projects at our existing interests. The iron ore business will establish its earnings foundation through its traditional sales to Japan while promoting the development of iron ore interests in Australia.

## New Energy & Environmental Business Department

### Businesses

- Biofuels (bioethanol, bio-ETBE, etc.)
- High-purity silicon metal for solar battery manufacturing
- Other

### New Energy & Environmental Business

Enhancing initiatives in biofuels, solar battery materials and renewable energy business development



Alto Taquari Plant of ETH Bioenergia S.A. in Brazil

### Operating Environment

Demand for sugarcane-based bioethanol is growing, primarily in major producer Brazil, due to its effectiveness in reducing CO<sub>2</sub> emissions. Demand for other renewable energies such as solar power, solar thermal and biomass is also expected to increase.

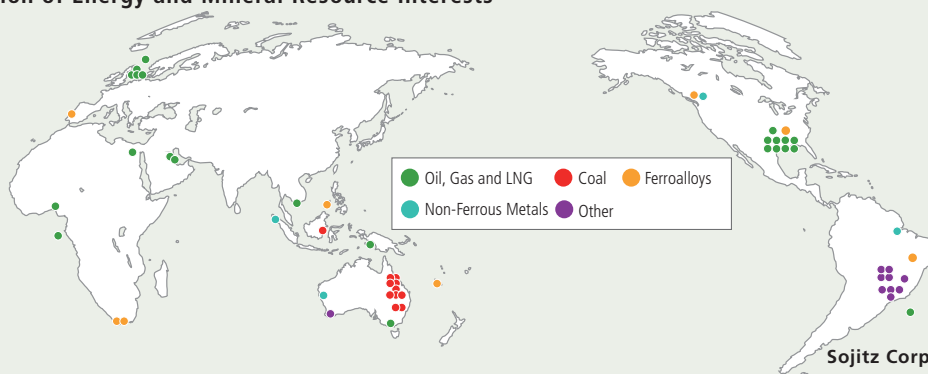
### Strengths, Distinguishing Features and Initiatives

We will continue to promote new business development to expand company-wide environmental and new energy businesses. In collaboration with our existing energy businesses, we will work to quickly establish the earnings foundation through initiatives in biofuel, solar power, solar thermal and other renewable energy businesses, as well as effective application of low-grade coal.

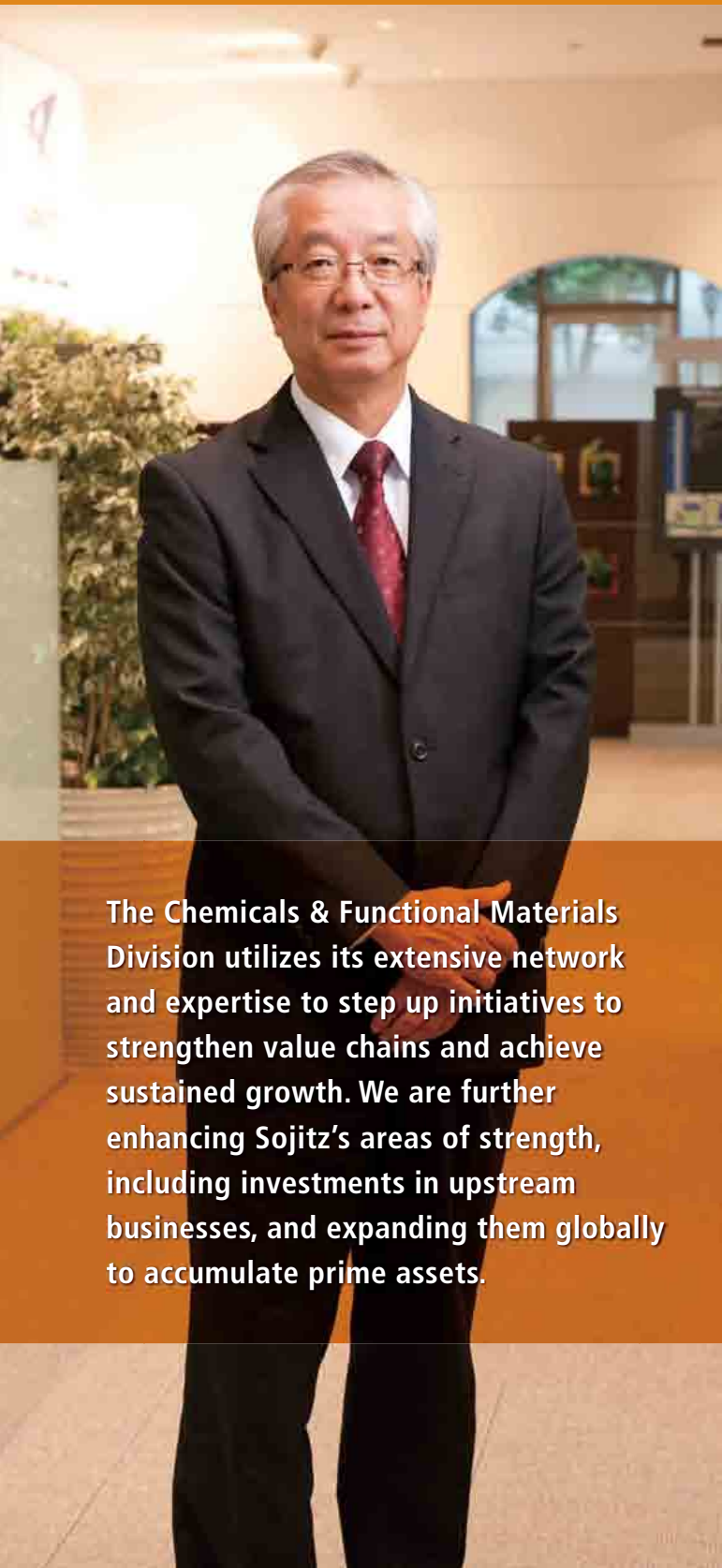
### Strategies for the Future

Sojitz's high-purity silicon metal business has the top share of imports into Japan. In addition to increasing distribution to other countries, we aim to expand into the silicon manufacturing business overseas. Moreover, we will promote projects that contribute to reducing environmental impact, including next-generation environmental materials, new energy materials, and effective use of low-grade coal.

## Distribution of Energy and Mineral Resource Interests



## Chemicals & Functional Materials Division



The Chemicals & Functional Materials Division utilizes its extensive network and expertise to step up initiatives to strengthen value chains and achieve sustained growth. We are further enhancing Sojitz's areas of strength, including investments in upstream businesses, and expanding them globally to accumulate prime assets.

### Overview of the Year Ended March 31, 2011

Under Shine 2011, the Chemicals Unit's five core businesses are industrial salt, C5\*, lithium, rare earths and methanol, and the Functional Materials Unit's three core businesses are electronics, environment & alternative energy, and health care & life science.

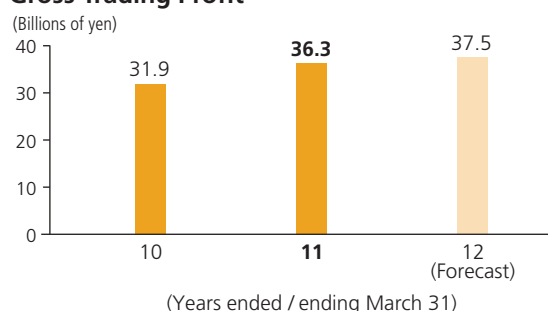
Earnings expanded steadily in the year ended March 31, 2011 as we accurately responded to growing demand in Asia, including China. Market prices were favorable for methanol, and the rare earths, industrial salt, and lithium businesses also contributed to earnings.

Against this backdrop, three investment and loan projects during the year stand out as noteworthy achievements of the division, which focuses on the logistics business.

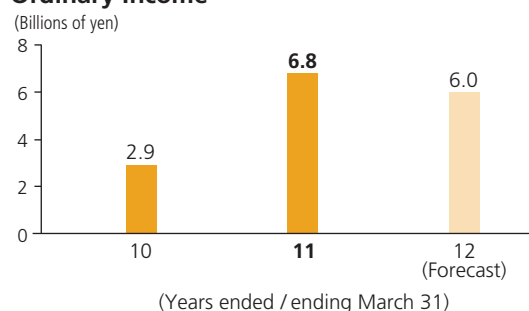
The first of these is our investment and participation in a marine chemical project in India. This business produces potash fertilizer from the potassium of salt marshes that form during the monsoon season. Sojitz plans to sell the industrial salt produced as a by-product (2 million tons initially, 5 million tons in the future) to Asian and Middle Eastern growth markets. The second investment and loan project is our participation in the butadiene business in Brazil. Under a long-term (five and a half years) purchase agreement with Braskem S.A., the largest petrochemical company in South America, we built a stable supply structure for butadiene, demand for which is expected to expand globally. We also plan to commercialize high-value-added butadiene derivatives in the future. The third project involves an investment in and loan for Lynas Corporation of Australia in our rare earths business. Through this project, we have addressed procurement issues by preparing a structure to stably supply the Japanese market with rare earths for 10 years. This is a considerable achievement, because it will further augment Sojitz's strength in the rare earths business while fulfilling the Company's responsibility as a leading supplier in the industry.

\*C5: Chemicals with five carbon atoms, such as the organic solvent pentane.

### Gross Trading Profit



### Ordinary Income



## Strategies for the Future

The Chemicals & Functional Materials Division handles diverse products, with a focus on intermediate products for a wide range of applications in rapidly changing markets and operating environments. Responding appropriately to these changes requires that we view industries from a broad perspective and quickly absorb information through the logistics value chains we are building. The customer base we have developed over time is one of our key assets. Our role is to make maximum use of collected information to change and evolve together with customers, and to encourage innovation from a forward-looking perspective.

Accordingly, we intend to step up initiatives to strengthen value chains to achieve sustained growth. The division will further enhance Sojitz's areas of strength, including investment in upstream businesses, and expand those areas globally to accumulate prime assets.

In areas where Sojitz is strong, we have solid, longstanding relationships and networks with partners and customers. We also have high-level expertise across the value chain, including facility construction, operation, production and sales. These are areas in which we are able to gather information easily and build business foundations efficiently and quickly. The three investment and loan projects mentioned earlier involved investing in and financing longstanding partners, and were largely made

possible by the expertise and experience we have cultivated in the respective businesses.

As we move ahead, a truly global perspective will be the key to all our initiatives. Although we make our livelihood in overseas development, we tend to view other countries from a Japanese perspective. Therefore, to accumulate prime assets overseas, it is important that we view all countries, including Japan, from a global standpoint. If the talented, skilled personnel in the division adopt such a perspective in their work, the quality and strength of our business foundation is sure to increase. Going forward, we will assign even more personnel overseas and focus on human resource development as we work to achieve sustainable growth.

**Satoshi Mizui**

President, Chemicals & Functional Materials Division

### Chemicals Unit

#### Businesses

- Chemical resources: Import and overseas sales of industrial salt; import and sales of rare earths and lithium; sales of aluminum hydroxide
- Organic chemicals: Production and sales of methanol and high-performance resin monomers; import and domestic sales of raw materials for paints

#### Industrial Salt Business

A key raw material for basic chemicals, with broad applications



Salt stocks before shipment in India

#### Operating Environment

Alkaline products and chlorine derivatives made with industrial salt have a wide range of applications as basic raw materials essential to many industries. Strong demand for industrial salt is expected over the medium-to-long-term in the Far East Asia, China, Southeast Asia and the Middle East, which are Sojitz's main markets.

#### Strengths, Distinguishing Features and Initiatives

Sojitz handles industrial salt produced in Australia and India, and has a leading share among trading companies in the Japanese market. Annual salt production fluctuates with the weather, but we obtain supplies from multiple salt evaporation ponds. This has enabled us to spread the climate risk inherent in procurement and ensure a stable supply to users over many years.

#### Strategies for the Future

Sojitz will maintain steady procurement to meet strong demand by further strengthening its efforts in India, one of its existing supply sources. We will also work to increase the volume we handle by utilizing our production, logistics and marketing knowledge gained over many years to develop new markets and supply sources.

#### Methanol Business

Rising demand as a chemical raw material as well as for fuel applications



Methanol manufacturing facilities in Indonesia

#### Operating Environment

Methanol has traditionally been used mainly as a chemical raw material in products such as adhesives, synthetic fibers and high-performance plastics. However, applications for fuels such as LPG and biodiesel are expanding. Demand for methanol as a gasoline additive is growing rapidly, especially in China.

#### Strengths, Distinguishing Features and Initiatives

Sojitz sells 1 million tons of methanol annually, primarily in Asian markets. The mainstay of this business is the Indonesia-based methanol manufacturer PT. Kaltim Methanol Industri (KMI), in which we hold an 85% stake. KMI has been highly evaluated by customers for its prompt and flexible delivery, which takes advantage of the company's proximity to demand in Asian markets.

#### Strategies for the Future

Sojitz will strengthen its market presence by building a business equal to KMI. At the same time, we plan to extend the use of our methanol sales and distribution functions to other liquid chemicals.

### Feature Topic for the Year Ended March 31, 2011

#### Aiming to Build a Structure for Stable Supply to Customers in the Rare Earths Business

Demand for rare earths is growing year by year with increasing use in hybrid vehicles, energy-saving appliances and other products aimed at creating a low-carbon society. Sojitz will seek new sources of rare earths while maintaining a stable supply from China, its main source. In collaboration with the Japan Oil, Gas and Metals National Corporation (JOGMEC), we have decided to invest in and provide loans to

Lynas Corporation Limited of Australia to develop rare earth resources. Under a long-term agreement concluded in conjunction with the investment and loans, Sojitz will serve as sole distributor and agent in Japan for 10 years, supplying approximately 8,500 tons ( $\pm 500$  tons) annually of rare earths produced by Lynas, which is equivalent to approximately 30% of Japan's current demand.



## Functional Materials Unit

### Businesses

- Fine chemicals: Import and export of agrichemical intermediates, raw materials and finished products; export of catalysts; import of high-performance resin monomers; planning, development and sales of cosmetics
- Functional materials: Export and import of carbon fiber and cellulose; sales of high-performance nonwoven cloth
- Advanced electronic materials: Sales of flat-panel displays (FPD); sales of printed circuit boards

### High-Performance Resin Monomer Business

Expanding demand for high-performance resins as raw materials that replace metal



Solpit 6,6-PI soluble polyimide resin solution

### Operating Environment

High-performance resins are gaining attention as substitutes for metals as demand grows for thinner and lighter products of all types. Aramid resin is used as a substitute for steel to make tires lighter, while polyimide resin is used to make mobile phones and smart phones thinner. Demand is also expected to grow for high-performance resin monomers in solar cell and lithium ion battery applications.

### Strengths, Distinguishing Features and Initiatives

For 10 years, Sojitz has handled a variety of chemical products as the sole agent in Japan for Aarti Industries Inc. of India. Amid increasing dependency on China for procurement of raw materials, we diversified our sources by adding India, which has enabled us to maintain a stable supply.

### Strategies for the Future

Solpit Industries, Ltd. has developed solution-based soluble polyimide, a resin which until now could only be distributed in film form. With the development of applications now possible in new fields, Sojitz plans to expand its high-performance resin business by promoting initiatives that cover the range from raw materials to finished product.

### Tencel® Cellulose Business

A plant-derived raw material that achieves harmony with the environment



Bio-resin compound material using Tencel®

### Operating Environment

The need for plant-derived materials is growing in every industrial sector with the progress of global market initiatives to create a low-carbon society. Tencel® is a plant-derived fiber with eucalyptus as its main ingredient. Demand for Tencel® is growing in the apparel sector as a substitute for cotton. It is also gaining attention as a bio-resin compound material.

### Strengths, Distinguishing Features and Initiatives

For over a decade, Sojitz has handled the Tencel® and rayon products of Lenzing AG of Austria, one of the world's largest producers of cellulose fiber. As Lenzing's sales agent in Japan, we have approximately a 50% share of total cellulose fiber imports into Japan (about 7,500 tons), making us the leading importer in the cellulose industry.

### Strategies for the Future

Sojitz will focus on continuing expansion of its share of existing textile markets and the development of markets for bio-resin compounds and other products in non-textile fields. We intend to develop the fiber-reinforced plastics market for Tencel®, which has a lower specific gravity than glass fibers.

## ■ The Value Chain in the Rare Earths Business (Upstream Investment to Strengthen the Earnings Foundation)

### Upstream



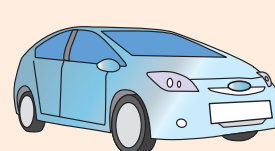
Lynas' Mount Weld Mine

### Midstream



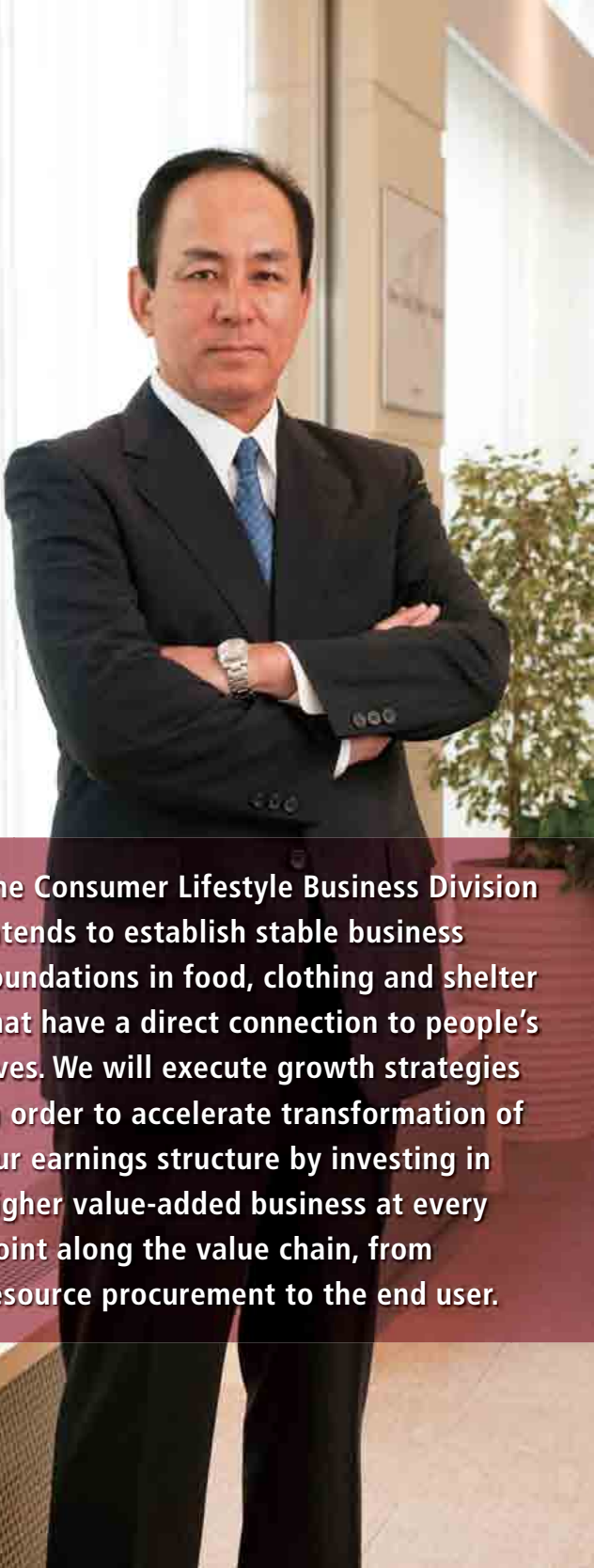
A rare earth alloy of niobium, iron and boron

### Downstream



Electric vehicle

## Consumer Lifestyle Business Division



The Consumer Lifestyle Business Division intends to establish stable business foundations in food, clothing and shelter that have a direct connection to people's lives. We will execute growth strategies in order to accelerate transformation of our earnings structure by investing in higher value-added business at every point along the value chain, from resource procurement to the end user.

### Overview of the Year Ended March 31, 2011

"Grow, process, make and then sell"

For the Consumer Lifestyle Business Division, which is involved in all aspects of food, clothing, and shelter, the above phrase represents the basic policy for achieving sustained growth under Shine 2011. Our aim is to shift from Japanese to overseas markets, and from our traditional trading-based business to a business investment model that creates higher value-added.

Under this policy, in the year ended March 31, 2011 we shifted the focus of our efforts from solidifying our foothold to more aggressive initiatives. Earnings were higher than planned due to strong performance by the fertilizer business in Asia. At the same time, we made steady progress in transforming our earnings structure.

The Foods Resources Unit established a wholly owned agricultural business in Argentina. The company produces soybeans and other crops, and in its first fiscal year successfully harvested and shipped products without incident. In forest products, the woodchip and afforestation business added to existing operations in Vietnam and Australia by establishing a woodchip processing company in Mozambique, Africa. In textiles, the apparel brand business launched a new brand and has begun retailing it at stores. In the real estate business, we resumed sales of condominiums.

### Strategies for the Future

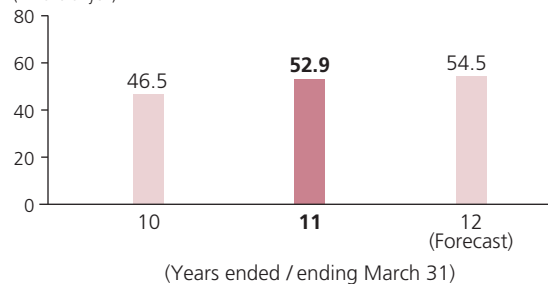
"Accelerate transformation of the earnings structure"

In the year ending March 31, 2012, the final year of Shine 2011, our employees will unite to carry out growth strategies that accelerate transformation of the earnings structure. We will actively develop businesses in growing overseas markets based on three growth strategies: shift from trading to a business investment model; secure upstream resources in the agriculture, forest products and marine products sectors; and shift from Japanese to overseas markets.

Business opportunities abound in emerging countries with growing populations and abundant

### Gross Trading Profit

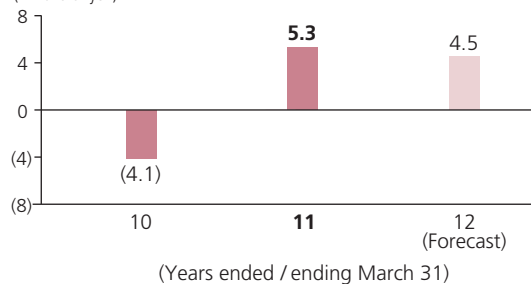
(Billions of yen)



(Years ended / ending March 31)

### Ordinary Income (Loss)

(Billions of yen)



(Years ended / ending March 31)

resources. In our shift to overseas markets, we will focus on countries where we expect growth, including China, Vietnam, Indonesia, India and Brazil. In the two years since the start of Shine 2011, our division has dispatched about 20 additional personnel to overseas posts in these countries as well as to Cambodia and Russia. We are also planning to send additional staff to Indochina and Africa.

One example of how we are accelerating transformation of our earnings structure in the year ending March 31, 2012 is our use of the port facilities of the leading Vietnamese flour milling company Interflour Vietnam Ltd. (IFV), in which we have a 20% stake. In addition to handling grain in general, we will use the facilities to develop a compound feed business. We will also expand the agricultural business we launched in Argentina, adding cropland in Brazil and elsewhere in Central and South America. We will accumulate experience and expertise with the aim of achieving grain output of approximately 1 million tons in five years.

Sojitz Tuna Farm Takashima Co., Ltd., which we began in 2008, made its first product shipment in December 2010, and shipped about 1,300 bluefin tuna in its first fiscal year ended March 31, 2011. We are also actively engaged in joint research with Kinki University to shift completely to raising artificially hatched tuna. Our aim is to build a sustainable business while preserving natural resources by increasing catch ten-fold by March 31, 2015. We will also move to develop similar businesses overseas for marine resources other than tuna.

In forest products, we are implementing plans to double annual production at our woodchip joint

venture in Vietnam from the current 500 thousand tons to 1 million tons (BDT\*). We will actively supply woodchips not only to Japan but also to areas in which demand is growing, such as China and elsewhere in Asia. Demand is growing for environmentally responsible products such as timber from plantations and certified forests in North America, the South Seas and elsewhere. As with woodchips, we will increase overseas trading with a focus on China, Vietnam, India, and other Asian markets where demand for timber is expected to grow.

We will also focus on expanding our real estate operations overseas. By developing and selling lots in industrial parks in Vietnam and India, we hope to contribute to local growth.

Developing human resources is paramount to transforming our earnings structure and achieving sustained growth. In all of our businesses, we will develop global personnel who have a sense of ownership in their work and can succeed in any field in any country. They will implement strategies and achieve successes one step at a time by becoming familiar with their work and its importance to the Company as a whole. Everyone in the division will work to realize higher value-added overseas businesses that "grow, process, make and then sell," as we continue expanding our business involving food, clothing, and shelter across the globe.

\*BDT: bone dry ton. The actual weight of woodchips with all moisture removed.

**Shinichi Teranishi**

President, Consumer Lifestyle Business Division

## Main Businesses of the Consumer Lifestyle Business Division

### Foods Resources Unit

#### Businesses

- Grains and feed materials: Wheat, soybeans, corn, rice, pasture, compound feed, etc.
- Food raw materials: Sugar, coffee, oil and fat, flour, flour milling, etc.
- Marine products: Tuna, shrimp, processed seafood and fish farming
- Agribusiness: Chemical fertilizer and agriculture

#### Overseas Wheat and Flour Milling Business

Interflour Vietnam Ltd. to become Vietnam's leading flour milling company



IFV's flour mill, silos and port facilities

#### Operating Environment

Vietnam's economy is expanding steadily, with 6.8% growth in real GDP in 2010. Moreover, the country's population is forecast to exceed 90 million in 2012. Demand is therefore expected to increase for grain and feed raw materials in the future.

#### Strengths, Distinguishing Features and Initiatives

In 2010, Interflour Vietnam Ltd. (IFV), one of the top Vietnamese flour milling companies in which Sojitz has invested, completed facilities at its specialized grain port, now the largest of its kind in the ASEAN region that can accommodate Panamax-class cargo vessels. IFV aims to become Vietnam's leading flour milling company by doubling its milling capacity with the addition of new milling lines by March 2012.

#### Strategies for the Future

While promoting its compound feed business in Vietnam, Sojitz will utilize IFV's port facilities to expand food and feed grain imports and grow the flour milling business. We aim to develop and grow the food industry in Vietnam and the rest of Asia by achieving a stable supply of food resources.

### Consumer Service Business Unit

#### Businesses

- Retail: Imported brand sundries business including cigarettes and shoes; retail business at airports with JALUX; overseas wholesale, distribution and retail businesses.
- Textiles: OEM and apparel brand business

#### Brand and Retail Businesses

A brand business at the leading edge of diversifying lifestyles and changing consumer psychology and awareness



Casual shoe brand "Admiral"

#### Operating Environment

Needs for consumer products have diversified with the rapid transformation of the economy and social environment. Sojitz must meet potential consumer desires by combining diverse values in everyday life, such as eco-friendliness, simplicity, and interpersonal connections.

#### Strengths, Distinguishing Features and Initiatives

Sojitz has launched "McGREGOR CLASSIC," a new "McGREGOR" brand, and has begun retailing it with a family theme at stores in shopping malls. We target emerging lifestyles with various brands, including "Admiral" casual shoes and "REEF" surfing goods.

#### Strategies for the Future

Sojitz will use its experience in the brand business in Japan to develop retail businesses in emerging markets that are expected to grow rapidly. Accurately determining diversifying consumer trends, Sojitz will propose and enable the lifestyles of the future in new markets.

## Feature Topic for the Year Ended March 31, 2011

### First Shipment of Tuna from Sojitz Tuna Farm Takashima

In September 2008, Sojitz began a tuna farming business in Takashima, Nagasaki Prefecture to provide a stable supply of tuna amid growing global consumption and increasingly stringent fishing regulations. Employing thorough quality control to ensure safety and taste, we made our first shipment of high-quality bluefin tuna in December 2010. Sojitz is a leader among general trading companies in tuna business initiatives. We handle approximately 15% of total annual tuna imports into Japan from locations including the Mediterranean,

Australia, and Mexico, and have established a company in China for ultra-low temperature storage, processing, and sales. Aiming for stable supply of food resources, we will further expand our tuna farming business while raising both natural juvenile tuna and artificially hatched juvenile tuna obtained from a joint research project with Kinki University.



A 30.5mm bluefin tuna 22 days after hatching  
(Photo: Kinki University)



## Forest Products & Real Estate Development Unit

### Businesses

- Forest products: Import, offshore trading and sales in Japan of timber, lumber, plywood, building materials, woodchips, pulp, etc.; overseas afforestation and woodchip production businesses
- Real estate: Condominium development, overseas industrial park development, etc.

### Woodchip and Afforestation Businesses

Developing woodchip businesses in Africa, in addition to Asia and Australia



A plantation site in South Africa for supplying woodchip materials

### Operating Environment

Demand for paper in developed countries has leveled off, but demand in emerging countries is expected to increase and diversify with economic growth. Securing a stable supply of pulp for the future from multiple regions and coping with price volatility have become issues. Going forward, demand is also expected for biomass fuel as a source of renewable energy that counters global warming.

### Strengths, Distinguishing Features and Initiatives

Sojitz will use its experience and expertise gained in Vietnam and Australia to promote development of afforestation and woodchip production businesses in Africa. Trees grown on plantations in Swaziland, South Africa will be processed in woodchip production plants established in Mozambique for export to Japan. We will move proactively to supply woodchips to China and other Asian countries where demand is rising.

### Strategies for the Future

Sojitz is taking steps to build a stable supply system and strengthen sales through new initiatives in Africa and by implementing plans to double the volume of woodchips it handles in Vietnam. We will supply products for diverse applications in addition to paper production, such as biomass fuel for power generation, demand for which is expected to grow in developed countries.

### Overseas Industrial Park Business

Developing, selling lots in and managing industrial parks in rapidly growing Asia



Long Binh Techno Park in Vietnam

### Operating Environment

The ongoing push by Japanese, Chinese and Korean companies to establish operations in Vietnam and India has created a need for experienced industrial park management. In addition to providing standard requisite functions such as favorable location, water supply and disposal, power and communications, industrial park managers must handle an array of issues associated with customers.

### Strengths, Distinguishing Features and Initiatives

Sojitz can provide diverse high-value-added services tailored to the needs of individual customers because it is involved in the entire industrial park process from development to management and operation. For example, we provide transplant assistance that ranges from helping establish local offices to providing logistics functions, raw materials and standard factories, as well as factory design and construction contracting.

### Strategies for the Future

Sojitz will develop industrial infrastructure to assist the growth of emerging countries by advancing the development of and sale of lots in new Long Duc Industrial Park in addition to Long Binh Techno Park in Vietnam, which is now under full operation, and SMIP Industrial Park in India.

## ■ Takashima Bluefin Tuna: Three Commitments for Taste and Safety



1. **A marine environment suitable for fish farming**  
(aquaculture equipment installed in a rich natural environment)
2. **Strict management of feeding**  
(complete production history maintained)
3. **Initiatives to maintain quality**  
(thorough monitoring and management of water and mud quality, disease, etc.)

# Management Foundation

## Consistent Management for Sustained Growth

### Contents

A Message from Chairman Akio Dobashi	P. 49
Corporate Governance	P. 50
Portfolio Management and Risk Management	P. 56
Compliance	P. 58

The Sojitz Group must strengthen its management foundation to achieve sustained growth, and will therefore further enhance corporate governance, ensure thorough compliance, strengthen risk management and work to raise the quality of its management foundation.



Senior Managing Executive  
Officer  
**Shinichi Taniguchi**  
CCO  
Risk Management Planning  
Department,  
Risk Management Department 1,  
Risk Management Department 2,  
Legal Department



Senior Managing Executive  
Officer  
**Joji Suzuki**  
CIO  
Internal Control Administration  
Department,  
IT Planning Department



Managing Executive Officer  
**Yoshio Mogi**  
Finance Department,  
Forex & Securities Department,  
Structured Finance Department,  
Corporate Accounting Department,  
Asset Management Department



Managing Executive Officer  
**Shinichi Kamoizaki**  
Assistant Operating Officer,  
Risk Management Planning  
Department,  
Risk Management Department 1,  
Risk Management Department 2,  
Legal Department



Executive Officer  
**Junichi Hamatsuka**  
Assistant Operating Officer,  
Finance Department,  
Forex & Securities Department,  
Structured Finance Department,  
Corporate Accounting Department,  
Asset Management Department



Executive Officer  
**Masayuki Hanai**  
Secretariat Department,  
Human Resources & General Affairs  
Department,  
Public Relations Department



Executive Officer  
**Shigeru Nishihara**  
Corporate Planning Department,  
Regional Coordination &  
Administration Department,  
Investor Relations Office  
General Manager, Corporate  
Planning Department

## A Message from Chairman Akio Dobashi



**We work to realize the Sojitz Group Statement by aiming for sound, transparent and efficient management while enhancing corporate governance.**

Enhancing corporate governance is a key management task in realizing the Sojitz Group Statement, “The Sojitz Group produces new sources of wealth by connecting the world’s economies, cultures and people in a spirit of integrity.”

We maintain soundness and transparency in the relationship between management and employees, and in the relationship between Sojitz and society. We set clear goals, and then work together to achieve them. At the same time, we clarify how efficiently we have progressed, and indicate internally and externally how we will resolve difficulties should they arise. This sound, transparent and efficient management draws fully on Sojitz’s latent strengths and earns the trust of stakeholders.

I have led meetings of the Board of Directors since becoming its Chairman in April 2007. This has improved management and supervision and enhanced corporate governance by segregating business management and execution. In addition, in order to strengthen supervision of business execution, we established the Internal Control Committee, the Compliance Committee and the CSR Committee as internal executive bodies under the President & CEO to promote necessary actions from a company-wide

standpoint. This has further strengthened our corporate governance.

Annual Report 2011 incorporates the CSR Report formerly published separately, an approach we initiated with Annual Report 2010. We have adopted this new format in order to report on the CSR initiatives of the Sojitz Group to our wide-ranging stakeholders. Recognizing that a strong management foundation is essential for promoting robust CSR, in Annual Report 2011 we have reported on our management structure in greater detail.

We will continue working to further enhance corporate governance in a variety of ways. These include augmenting the legal and ethical compliance functions of the entire Sojitz Group to prevent illegal or unethical behavior, as well as building an advanced internal control system and mechanisms for effective decision-making, business execution, management, supervision and disclosure.

**Akio Dobashi**

Chairman

# Corporate Governance

## Basic Corporate Governance Policy

Companies have many objectives, including securing profit and enhancing corporate value. Continuing to promote the ceaseless strengthening of corporate governance is essential for establishing a foundation that enables continuous achievement of corporate objectives and creates a corporation that stakeholders, including shareholders, customers, business partners and employees, continue to trust. The Sojitz Group is composed of a diverse array of business types, business functions, countries, regions, people and other features. For that reason, and to further strengthen its competitiveness as a global corporation, it is particularly important for the Sojitz Group to continuously study more effective styles of corporate governance for the Group as a whole.

Based on this view, the Sojitz Group is executing various policies on behalf of shareholders and all other stakeholders to clarify management responsibility and accountability and establish a highly transparent management structure. To date, the Sojitz Group has promoted initiatives including a system of internal control, efficient decision-making, the creation of mechanisms for handling execution and supervision, development of the audit function and enhancement of information disclosure. These efforts are never complete, because the Sojitz Group must work to constantly raise the sophistication of its governance structure. Under the Sojitz Group Statement, "The Sojitz Group produces new sources of wealth by connecting the world's economies, cultures, and people in a spirit of integrity," the Sojitz Group aims to provide outstanding value from the perspective of all stakeholders. As a company, Sojitz is working to enhance corporate governance while identifying and applying concepts, approaches, and initiatives that will allow it to continue producing new sources of wealth.

## Corporate Governance Framework

Sojitz employs an executive officer system that separates management decision-making and business execution to clarify authority and responsibility and expedite business execution. The term of directors and executive officers has been set at one year so that the Sojitz Group can respond quickly and appropriately to its rapidly changing operating environment.

Sojitz is a company with a board of corporate auditors who are independent from directors and audit their business performance. In addition, Sojitz appoints outside directors to give management an external perspective and further strengthen supervision of execution of duties. The Company also has a Nomination Committee and Remuneration Committee, which are consultative organizations for the Board of Directors and are chaired by outside directors of the Company.

### 1. Board of Directors

As the Company's chief decision-making organization, the Board of Directors debates and resolves basic policies and important matters. It consists of seven directors, including two outside directors, and is striving to add greater efficiency and depth to discussions and expedite decision-making. In principle, the Board of Directors convenes at least once each month, and holds ad hoc meetings if crucial matters arise.

To improve management oversight and further the separation of management and execution, the position of Chairman of the Board is filled by the Chairman of the Company, not by the President & CEO, who is the head of business execution.

### 2. Board of Corporate Auditors

The Board of Corporate Auditors consists of five members, three of whom are outside corporate auditors. In addition, three of the corporate auditors on the Board are full-time auditors. Independent from the Board of Directors, the corporate auditors audit the business performance of directors.

### 3. Nomination Committee

The Nomination Committee is chaired by an outside director. It discusses and proposes standards and methods for selecting director and executive officer candidates, and considers candidate proposals.

### 4. Remuneration Committee

The Remuneration Committee is chaired by an outside director. It discusses and proposes remuneration levels and various systems of evaluation and remuneration.





### Function of Outside Directors and Reason for Appointment

The appointment of outside directors to provide an external perspective on management and further strengthen supervision of execution is a part of the Sojitz Group's efforts to enhance corporate governance. The Company appointed two outside directors: Mr. Yoshikazu Sashida, Adviser of Nisshinbo Holdings Inc., and Mr. Toru Nagashima, Chairman of the Board of Teijin Limited. Neither Nisshinbo Holdings Inc. nor Teijin Limited is a major transaction partner of the Sojitz Group. For this and other reasons, the Company determined that the appointments maintained independence. Each outside director chairs either the Remuneration Committee or the Nomination Committee to ensure fair, transparent compensation and appointment of directors. In addition, the outside directors provide the Board of Directors with appropriate advice from an objective perspective.

Name	Yoshikazu Sashida	Toru Nagashima
Position	Adviser, Nisshinbo Holdings Inc.	Chairman of the Board, Teijin Limited
Reason for Appointment	Sojitz determined that the candidates had successively held important posts in the business world and are able to provide advice relevant to the Sojitz Group's businesses drawn from their broad management knowledge and deep insight.	

(As of June 23, 2011)

### Initiatives to Strengthen Corporate Governance under Shine 2011

Under Shine 2011, the Sojitz Group has set the goals of establishing a strong earnings foundation that ensures sustained growth and developing globally competent human resources, and is building higher-level corporate governance as a global corporation. As Sojitz steps up its overseas expansion, it is emphasizing policies to strengthen corporate governance to respond appropriately to such issues as compliance, cash management, and optimal levels of inventory at Group companies overseas. Specifically, it is creating a system that determines corporate participation in administrative categories set according to relative impact on Group management and

corporate management. The objective of this system is to strengthen checks and balances covering overseas Group companies under the direct control of the Business Group.

Going forward, the Company will develop checks and balances for overseas Group companies and formulate policies for further strengthening the management foundation in overseas regions.

### Major Board and Committee Meetings

Major board and committee meetings convened during the year ended March 31, 2011 were as follows.

Boards and Committees	Times Convened
Board of Directors	16
Board of Corporate Auditors	14
Management Committee	25
Nomination Committee	3
Remuneration Committee	3
Finance & Investment Deliberation Council	28
Internal Control Committee	4
Compliance Committee	4
CSR Committee	4
Portfolio Management Committee	3

### Officer Remuneration and Determination Policy

Remuneration of directors is based on the Company's overall performance and is decided by the Board of Directors following deliberation by the Remuneration Committee. Remuneration of corporate auditors is deliberated and decided by the Board of Corporate Auditors as a general rule. However, remuneration for directors and corporate auditors is within the limits set by the resolutions of the General Shareholders' Meeting on the maximum amount of remuneration.

Moreover, the Company has entered into agreements with the outside directors, Mr. Yoshikazu Sashida and Mr. Toru Nagashima, and the outside corporate auditors, Mr. Kazuhiko Tokita, Mr. Yukio Machida and Mr. Mitsuaki Yuasa, whereby their liability is limited to the greater of ¥10 million or the amount provided for in Article 425, Paragraph 1 of the Companies Act of Japan.

## ■ Officer Remuneration

Category	Year ended March 31, 2010		Year ended March 31, 2011	
	Recipients	Amount	Recipients	Amount
Directors (Outside directors, included in above)	9 (3)	¥328 million (¥21 million)	7 (2)	¥343 million (¥24 million)
Corporate auditors (Outside corporate auditors, included in above)	8 (5)	¥133 million (¥58 million)	5 (3)	¥131 million (¥57 million)

Resolutions of the General Shareholders' Meeting on the Maximum Amount of Remuneration:

1. Directors: Resolution at the Ordinary General Shareholders' Meeting on June 27, 2007 (Excluding outside directors) ¥550 million annually (does not include employee remuneration for directors who are also Sojitz employees)  
(Outside directors) ¥50 million annually
2. Corporate auditors: Resolution at the Ordinary General Shareholders' Meeting on June 27, 2007 ¥150 million annually

## Independent Officer

Pursuant to a partial revision to the Securities Listing Regulations implemented in December 2009 (Rule 436-2), listed companies are required to secure an independent officer in order to protect general shareholders. An independent officer is an outside director or corporate auditor who is unlikely to have a conflict of interest with general shareholders. An independent officer is expected to protect general shareholders of listed companies by providing necessary opinions at Board of Directors and other meetings to ensure their interests are taken into consideration in decisions related to the execution of duties. The Company designated Mr. Yukio Machida, one of its outside corporate auditors, as independent officer.

Name	Yukio Machida
Position	Lawyer, Nishimura & Asahi
Reason for Designation as Independent Officer	After working mainly as a public prosecutor on criminal cases for over 30 years and having held an important post at the Public Prosecutors Office, Mr. Machida now monitors the management of Sojitz as an outside corporate auditor of the Company. Sojitz determined that he is suitable for the position of independent officer because he maintains independence as an outside corporate auditor by offering accurate advice and proposals in and outside of Board of Directors meetings from an independent standpoint and with an objective view, and carries out all the responsibilities of that position appropriately.

(As of June 23, 2011)

## Votes For and Against Proposals

Sojitz aims to hold open General Shareholders' Meetings. The Notice of Convocation is sent three weeks prior to the General Shareholders' Meeting. The date of the meeting is selected so that as many shareholders as possible may attend and participate.

Since the General Shareholders' Meeting in June 2005, we have used mobile phone and Internet voting in addition to voting by mail so that shareholders who are unable to attend can exercise their voting rights. Moreover, since the General Shareholders' Meeting in June 2006, we have used an electronic voting platform for institutional investors so that institutional investors with material voting rights may exercise those rights. In addition, Sojitz provides video of the General Shareholders' Meeting via its website after the meeting has ended with the objective of fair information disclosure.

At the General Shareholders' Meeting on June 23, 2011, voting rights exercised in writing and via the Internet represented shares held by 62,807 shareholders, of which 1,133 shareholders including 17 directors, corporate auditors and executive officers attended the meeting, and accounted for 62.41% of total voting rights.

## ■ Number of Shareholders in Attendance and Voting Rights

Shareholders Who Can Exercise Voting Rights	193,289
Total Voting Rights	12,499,274
Shareholders Who Exercised Voting Rights	62,807
Voting Rights Exercised	7,800,903
Percentage of Voting Rights Exercised	62.41%

## ■ Voting on Resolutions by Voting Card or Internet

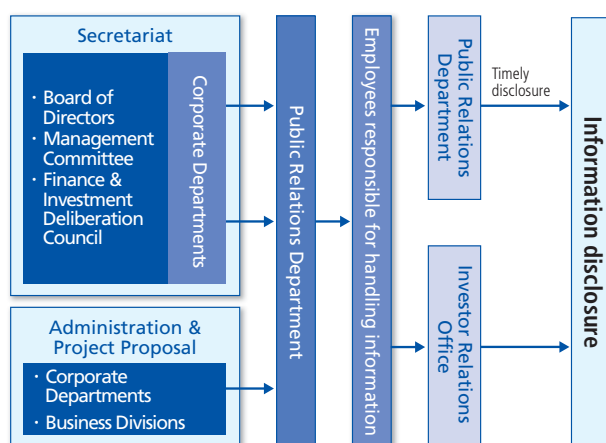
Matters for Resolution	For	Against	Abstained
Proposal No. 1 Dividends from Surplus (Year-End Dividends for the 8th Fiscal Year)	6,759,311	418,617	35,635
Proposal No. 2 Partial Amendments to the Articles of Incorporation	6,820,646	356,910	36,896
Proposal No. 3 Election of Seven Directors			
Akio Dobashi	6,230,112	948,144	35,635
Masaki Hashikawa	6,498,341	679,917	35,635
Yutaka Kase	6,582,832	595,426	35,635
Yoji Sato	6,578,500	599,758	35,635
Kazunori Teraoka	6,575,971	602,287	35,635
Yoshikazu Sashida	6,525,998	652,259	35,635
Toru Nagashima	6,528,413	649,844	35,635

Note: The voting rights exercised prior to the date of the meeting satisfied the requirements for adoption of all proposals, and therefore the number of voting rights of approval, disapproval or abstention of shareholders present on the date of the meeting has not been included in the calculation.

### Basic Policy for Information Disclosure

To ensure highly transparent management and remain accountable to all stakeholders, it is essential that Sojitz promptly, accurately, and fairly discloses important corporate information and information that facilitates understanding of its business activities from the perspective of stakeholders. Sojitz discloses information via stock exchanges in a timely manner in accordance with provisions for publicly listed companies, and uses media organizations and the Company website to provide information to as many stakeholders as possible.

#### ■ Group Internal Report and Information Disclosure Framework



### Initiatives to Incorporate the Views of Shareholders and Investors in Management

Sojitz emphasizes active communication with all investors and shareholders because it recognizes the importance of listening attentively to their opinions and incorporating their views in management.

Specifically, Sojitz holds an informal discussion session for shareholders after the Ordinary General Shareholders' Meeting, and held a briefing for 253 shareholders in Osaka in February 2011 as an additional venue to facilitate dialogue. To communicate with analysts and institutional investors, Sojitz holds regular briefings at the time of quarterly earnings announcements, as well as proactively convening one-on-one meetings.

For overseas shareholders and investors, Sojitz conducts meetings twice a year in the United States and

Europe, and once a year in Asia, in addition to actively providing information on the Company website.

### Internal Control System

Beginning with the fiscal year ended March 31, 2009, the Financial Instruments and Exchange Law requires publicly listed companies to have their management executives prepare assessment reports concerning internal controls on financial reporting and have those reports audited by an external auditor. This is known as the "internal control reporting system." In practice, this means that more visibility in operational procedures is required so that management executives can assess and confirm the effective functioning of mechanisms to ensure appropriate and accurate financial reporting and other information disclosure, and an outside auditor can then audit such assessment.

Sojitz is treating the legislation of the internal control reporting system as an opportunity to move beyond the basic legal requirements to ensure appropriate operational procedures and reliable financial reporting. Its policy is more broadly focused on promoting activities that further enhance the effectiveness, efficiency, and transparency of Group management in general. In the year ended March 31, 2011, management executives evaluated the status of the internal control system for financial reporting and its operation and concluded that the Sojitz Group's internal control system for financial reporting does not have any material weaknesses.

Going forward, the Sojitz Group will work to further enhance its internal control system.

#### ■ Main Initiatives Aimed at Strengthening the Internal Control System

November 2005	Internal Control Committee, chaired by the President & CEO, is established <ul style="list-style-type: none"> <li>Decides the Sojitz Group's internal control policies and monitors progress in establishing internal controls</li> <li>Executes initiatives to focus the attention of Group executives and employees on the internal controls in general</li> </ul>
May 2006	The Board of Directors adopts a resolution regarding the Company's basic policy for establishing a system to ensure proper and ethical business operations (an internal control system) (Partially revised in April 2008)
April 2008	The Board of Directors adopts a resolution regarding the Company's basic policy to ensure appropriate financial reporting



## Audit Structure

Corporate auditors, accounting auditors, and the Audit Department enhance the effectiveness of their respective audits by exchanging information to ensure their efforts are complementary and efficient.

### 1. Audits by Corporate Auditors

Corporate auditors attend important meetings of the Board of Directors, Management Committee, Finance & Investment Deliberation Council, and other managerial organizations in accordance with auditing plans, assignments, and other auditing standards set by the Board of Corporate Auditors. In addition, the corporate auditors oversee and monitor the operations of the Sojitz Group by conducting audits using means such as interviewing directors and other members of senior management regarding business execution, inspecting important documents relevant to major business decisions, and obtaining business reports and other information from subsidiaries.

### 2. Accounting Audits

In accordance with the Companies Act of Japan, which requires accounting audits, and the Financial Instruments and Exchange Law, which requires auditing of financial statements, quarterly reviews, and internal controls, Sojitz has appointed the independent auditing firm KPMG AZSA LLC. The accounting auditors explain their auditing plan to the corporate

auditors and periodically report on the status of the audits they are conducting. The accounting auditors share information with corporate auditors to enhance the effectiveness of accounting audits.

### 3. Internal Audits

Internal audits of the Company are led by the Board of Corporate Auditors and the Audit Department. Based on auditing plans approved by the Board of Directors at the beginning of each fiscal year, audits cover business, finance and other departments in the Company's corporate division and consolidated subsidiaries and overseas affiliates. To speed amelioration of problems and improvement of points raised during audits, audited departments are required to submit reports on the status of amelioration and improvements three months and six months after the audit, and follow-up audits are conducted for confirmation.

Moreover, the Sojitz Group has introduced a system under which business departments and Group companies conduct self inspection to promote swift discovery of problems and operating efficiency, preclude losses, and enhance awareness of risk management. Every six months the Audit Department follows up on the progress of improvements, verifies and evaluates the status of internal management risks, reports its findings to the President & CEO, and submits plans to improve effectiveness.

## Improving Management Transparency

As an auditor, I think it is important to monitor Sojitz's management from the perspective of social norms and values, as well to ascertain whether the Company is complying with laws and regulations. Therefore, in addition to conducting audits in accordance with auditing plans, I attend regular meetings and create other opportunities to exchange information with Company officers, employees, and Group company auditors in Japan and overseas in order to determine whether management is satisfactory.

Through this ongoing dialogue, I sense that the quality of governance at Sojitz is improving every year. Only eight years have passed since the merger that created Sojitz, but I believe the level of governance already exceeds that of other companies.

Transparency is of prime importance in corporate management. I hope to make Company management clearly visible to shareholders and other stakeholders by enhancing audit functions. This will also help people overseas better understand the general trading company form of business, which is unique to Japan.

**Susumu Komori**  
Corporate Auditor



# Portfolio Management and Risk Management

## Initiatives to Strengthen Portfolios

For the Sojitz Group to achieve sustained growth, it is essential to build a stable, strong earnings foundation. We must identify and allocate management resources to areas of growth and areas in which we can exert our strengths. In April 2009, Sojitz established the Portfolio Management Committee to build a quality asset portfolio and an optimal business portfolio by promoting the reallocation of management resources.

In the year ended March 31, 2010, the first year of the medium-term management plan, the Portfolio Management Committee chaired by the Executive Vice President of Corporate Management made balance sheet optimization a priority task and worked to improve and strengthen the balance sheets. As a result, we reduced the net debt equity ratio from 2.7 times as of March 31, 2009 (following the collapse of Lehman Brothers) to 2.1 times as of March 31, 2010. We also reduced the ratio of risk assets to shareholders' equity from 1.1 as of March 31, 2009 to 0.9 as of March 31, 2010.

In the year ended March 31, 2011, the second year of the plan, the President & CEO chaired the Portfolio Management Committee, leading efforts to achieve sustained growth. Focusing on risk and return, the Committee deliberated asset replacement and the reallocation of management resources to growth areas. Issues discussed included the necessary earnings structure and composition of assets and businesses for achieving sustained growth.

In the year ending March 31, 2012, we will continue working to build the optimal business portfolio and accelerate our efforts to achieve sustained growth.

## Evaluation of Risk and Return Using SCVA

Since 2004, the Sojitz Group has used a common management indicator known as Sojitz Corporation Value Added (SCVA). SCVA is the sum of capital cost (risk assets multiplied by the shared cost rate) reflecting risk deducted from profit. It is a quantitative indicator that measures the balance between risk and return for each business unit meticulously categorized by business model. It also serves as a standard for qualitative evaluation of market growth potential and competitive advantage that indicates the priorities of

each business unit. We will continue to use SCVA as a tool in building our business portfolio, for reallocating management resources when withdrawing from businesses that have low profitability and investing in growth areas.

## Basic Risk Management Policies

As a general trading company, the Sojitz Group is engaged in a diverse, globally dispersed range of businesses. Due to the nature of its businesses the Group is exposed to a variety of risks.

In compliance with its Basic Code of Corporate Risk Management, the Sojitz Group defines and categorizes risk, and manages it according to the nature of each risk. For quantifiable risks such as market risk, business investment risk, credit risk and country risk, integrated risk management involves quantifying risk and managing it based on a calculation of risk assets. Non-quantifiable risks such as legal risk, compliance risk, environmental risk, financing risk, disaster risk and system risk are managed in the same manner as quantifiable risks, using the Plan-Do-Check-Act (PDCA) cycle for reporting the status of the risk and other issues to management, based on the Risk Management Policy and Plan formulated by the executive officer responsible for managing that risk.

## Risk Measurement and Control

The aims of integrated risk management are to 1) control numerically quantified risk so that it is within the scope of the strength of the Company (its shareholders' equity), and 2) maximize earnings in line with the level of risk exposure. In other words, the Sojitz Group manages risk with a focus on both acceptability and profitability.

The Sojitz Group's objective for risk control has been to manage risk assets so that they total less than shareholders' equity. We are currently promoting risk control with this objective under Shine 2011 by working to accumulate quality businesses and assets through new investment. On the other hand, the Sojitz Group has a policy of steadily replacing underperforming risk assets to build a quality, resilient balance sheet. This policy involves withdrawing from business with low profitability and revising the existing portfolio. As a

result of these initiatives, the ratio of risk assets to shareholders' equity as of March 31, 2011 was 0.9, maintaining a level in line with our target of 1.0 times or less. We will continue to steadily reallocate risk assets in order to strengthen the balance sheet.

The Sojitz Group also employs level of risk exposure when examining individual investment projects as part of new investment discussions. In addition, risk for all projects is measured quarterly and reported to the Board of Directors and the Management Committee, and each business unit receives results of analysis of the change in risk assets for application in day-to-day risk management activities.

Note: Please refer to pages 94 to 97, "7. Business and Other Risks" in the "Management's Discussion and Analysis of Operations" for information on each risk category.

## Risk Management System

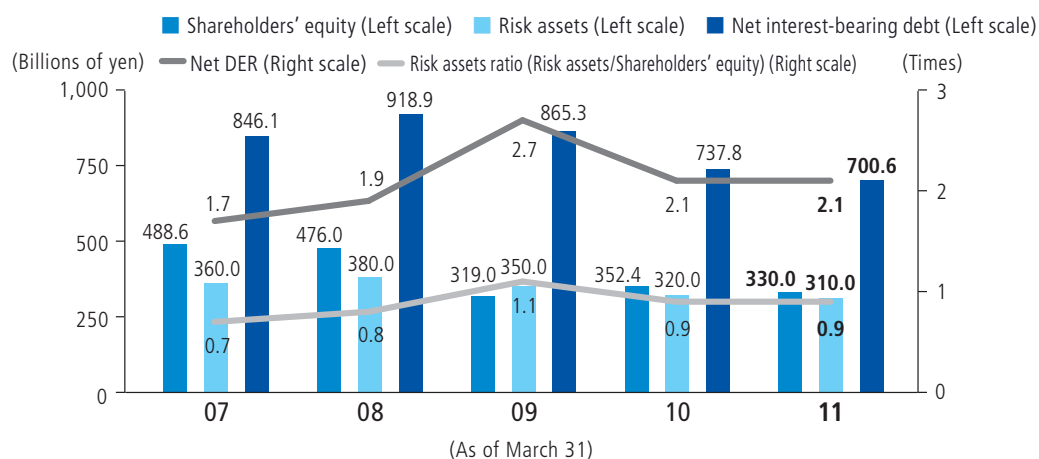
Sojitz continues to strengthen and increase the sophistication of its risk management while enhancing and expanding its risk management system. We reviewed the system to further enhance the awareness and practice of risk management in operations throughout the entire Group and now carry out risk management in a three-department structure consisting of Risk Management Departments 1 and 2, and the Risk Management Planning Department. The Risk Management Planning Department is in charge of the planning and establishment of overall rules,

systems and risk management policy and measuring risk. Risk Management Department 1 and Risk Management Department 2 are in charge of examining individual business proposals and monitoring business investments. This structure facilitates fast and meticulous operations.

The Finance & Investment Deliberation Council chaired by the Executive Vice President of Corporate Management examines each new investment and loan proposal. The council has established rules to visualize risks to facilitate deliberation. For example, single page documents are required, covering downside scenarios as well as expected scenarios. The general managers of Risk Management Department 1 and Risk Management Department 2, not the relevant business division, explain proposals to ensure objective evaluation of risk.

Simply establishing rules is not sufficient to build a risk management system. Rather, the system must permeate the work of all employees who run it. In order to spread awareness of risk management to all employees, the risk management departments provide training for groups of employees prior to their promotion to management positions and for managers at Group companies. Training entails the use of case studies of actual situations to learn from the mistakes of the past. Going forward, we will work to expand the scope of training and further spread awareness of risk management issues.

## Shareholders' Equity and Risk Assets



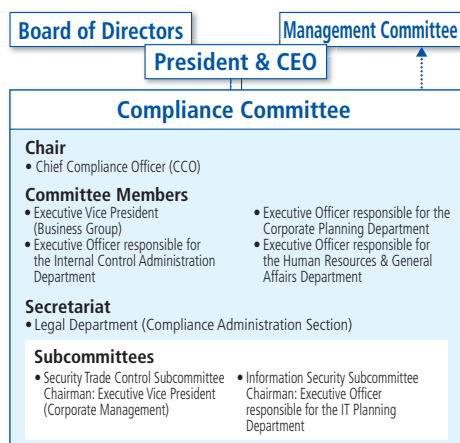
# Compliance

## Basic Compliance Initiatives

Companies must not concern themselves with the pursuit of profit alone; rather, they must work to develop their businesses while conducting themselves in accordance with social norms, and endeavor to make a contribution to society. Sojitz recognizes that thoroughgoing compliance is essential to living up to these requirements. We work to preclude legal and regulatory violations not simply through control, but also by working to share awareness of compliance within the Company. Teamwork through communication among employees is important to this effort, and the entire Company is working diligently to cooperate. In a challenging business environment, each frontline operation is carrying a heavier burden than ever. That is why the Sojitz Group is increasing its focus on meticulous compliance.

Sojitz has established the Sojitz Group Compliance Program, which lays out procedures to ensure thorough compliance. The Company has also prepared the Sojitz Group Code of Conduct and Ethics and distributes a booklet of case examples to all employees in order to enhance understanding and practice of compliance. Sojitz updated its Group-wide compliance conduct guidelines by introducing The Sojitz Group Code of Conduct and Ethics in the year ended March 31, 2010. This code integrates the earlier Sojitz Group Compliance Code of Conduct with the Compliance Code of Conduct Manual. Moreover, because sound and steady reinforcement of policies is crucial for ensuring thorough understanding of compliance, Sojitz conducts a variety of training programs such as e-learning and compliance training using visual materials containing specific case examples.

## Compliance Framework



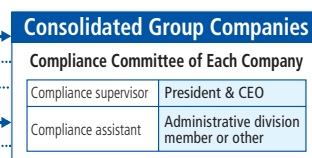
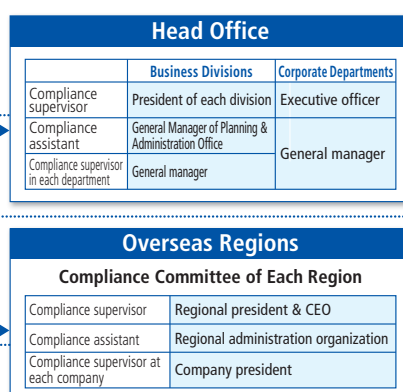
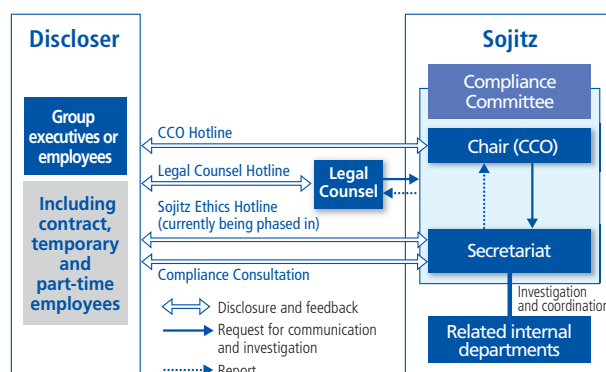
## Compliance Framework

The Compliance Committee, chaired by the Chief Compliance Officer (CCO), is at the core of activities to ensure adherence to laws, regulations, and corporate ethics. The CCO, the president of each division and the presidents of consolidated Group companies use meetings and other venues to exchange opinions on how the Group can eliminate legal and regulatory violations.

Compliance supervisors and assistants have also been assigned in Sojitz's domestic and overseas operating bases and consolidated Group companies in order to promote the establishment of frameworks for each region and company. They also promote educational activities and training, including for locally hired employees. Sojitz has set up five regional compliance committees that cooperate with the head office to carry out local compliance activities.

Moreover, Sojitz has a hotline (reporting system) that provide access to the CCO and outside legal counsel, and a consultation desk where Compliance Committee Secretariat members can be contacted, to help prevent or rapidly detect violations of compliance regulations.

## The Sojitz Group Compliance Hotlines



Reporting  
Guidance



## Compliance Highlights

Highlights of compliance initiatives and framework enhancements during the year ended March 31, 2011 follow here.

### Initiatives to Promote Group Compliance

Sojitz is working to make the Sojitz Group Code of Conduct and Ethics available in multiple languages to promote thorough understanding and practice. Currently available in 23 languages including Japanese and English, the code has been introduced at Group companies to achieve a shared mindset regarding compliance among all employees in Japan and overseas. To deepen understanding of the code, Sojitz has developed related e-learning materials and is conducting training at the head office, Group companies in Japan and overseas subsidiaries.

Moreover, as another method to identify noncompliance or potential noncompliance within the Group, Sojitz is phasing in a multi-lingual ethics hotline that Group executives and employees can contact 24 hours a day, 365 days a year, in addition to the previously mentioned hotlines that provide access to the CCO and outside legal counsel.



The Sojitz Group Code of Conduct and Ethics

### Comprehensive Compliance Inspections

Sojitz works to eliminate noncompliance by conducting comprehensive inspections at the head office, overseas sites, and major Group companies in Japan and overseas. In the year ended March 31, 2011, inspections were conducted at the head office, 50 overseas sites including subsidiaries, and 126 Group companies in Japan and overseas. Sojitz reviews and revises the list of inspection items every year based on the results of past inspections to flexibly respond to the rapidly changing environment. Inspections covered 93 items in the year ended March 31, 2011. Sojitz analyzes inspection results item by item and shares the findings across the Group.

### Initiatives Aimed at Protecting Personal Information

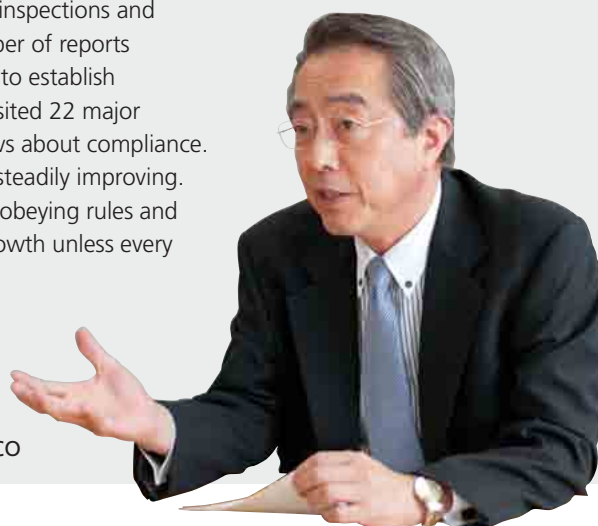
Sojitz introduced rules for protecting personal information when the pertinent legislation came into effect in April 2005. To address subsequent social and legislative changes concerning personal information, we have revised our original rules for the first time and formulated a new method for administering them. Specifically, we have established a series of steps that all employees must adhere to when handling personal information, from acquisition to disposal. We have also introduced a system for recording the status of personal information in a personal information register in order to centralize administrative control.

## Establishing a Compliance Mindset

Looking at the results of the yearly comprehensive compliance inspections and Sojitz's many training programs, I see a steady decline in the number of reports pointing out a need for improvement. This tells me that initiatives to establish compliance are paying off. In the year ended March 31, 2011, I visited 22 major subsidiaries to conduct issues awareness interviews and share views about compliance. I confirmed that the level of management at Group companies is steadily improving.

However, establishing compliance is an endless process. Simply obeying rules and mechanisms is not enough. Our efforts won't lead to sustained growth unless every employee is infused with a compliance mindset and working with integrity is constantly promoted. Eliminating noncompliance requires steady, repeated efforts, so we will continue advancing initiatives step by step throughout the Group.

**Shinichi Taniguchi**  
Senior Managing Executive Officer, CCO



# The Sojitz Group's Corporate Social Responsibility

## Social Responsibility for Sustained Growth

### Contents

Making the Sojitz Group Statement  
a Reality P.61

The Sojitz Group's CSR Priority Themes

- Promotion of CSR Supply Chain Management P.63
- Promotion of Businesses That Contribute to Preventing Climate Change P.64
- Promotion of Businesses That Contribute to the Advance of Developing and Emerging Countries P.66
- Establishment of Personnel Systems and Workplace Environments That Enable All Employees to Flourish P.68

As a corporate citizen, the Sojitz Group must show consideration for society in order to help achieve sustained growth. The Sojitz Group actively engages in CSR, which it regards as an important management issue.

#### Reporting Period and Scope of Coverage for "The Sojitz Group's Corporate Social Responsibility" (pages 60-69)

##### Reporting Period:

The period for performance data is fiscal 2010 (April 1, 2010 to March 31, 2011), although descriptions of some activities and projects and some data may be the most recent available.

##### Scope of Coverage:

Sojitz Corporation and some Sojitz Group companies

##### Reference Guidelines:

GRI Sustainability Reporting Guidelines, Version 3.1

More detailed information about our CSR initiatives and the latest information following the issue of this report are available in the "Corporate Social Responsibility" section of the Sojitz website. (<http://www.sojitz.com/en/csr/index.html>)

### Assisting in the Great East Japan Earthquake Reconstruction

We would like to express our deepest condolences to the victims of the Great East Japan Earthquake. We hope for the earliest possible recovery.

In addition to its four CSR priority themes, Sojitz recognizes the urgency of supporting the reconstruction in the areas affected by the earthquake. Leveraging our full array of resources, we will make every effort to support the people, our partners and other businesses in the affected areas, under the theme of "working toward a brighter future for the people and local community."

Note: Please see CSR Priority Themes on page 62 for more information.

#### ■ Sojitz's Initiatives to Support the Reconstruction

Aid and Donations for Affected Areas	The Sojitz Group donated ¥100 million in March 2011. An additional ¥16 million was collected by 5,100 Group executives and employees in Japan and overseas.*
Education Fund for Students Affected by the Earthquake	The Company established the Sojitz Reconstruction and Education Fund endowed with a total of ¥500 million. We will provide scholarships to college students who are experiencing financial difficulty because of the disaster. In each of the five years starting with the year ending March 31, 2012, we will select 30 students (150 in total) to receive scholarships for up to four years.
Support for Volunteer Activities of Executives and Employees	We support volunteer activities of executives and employees by giving them special leave and helping offset expenses related to their activities.

\* These contributions mainly go to non-profit organizations working in the affected areas.

Future support initiatives will be announced on the Sojitz website.

# Making the Sojitz Group Statement a Reality

As a member of society, the Sojitz Group aims to continue creating the “new sources of wealth” noted in the Sojitz Group Statement. Creating “new sources of wealth” means contributing to raising living standards for people around the world while respecting diverse cultures and values and in harmony with society and the environment.

## Basic Approach to CSR

The Sojitz Group’s corporate social responsibility (CSR) refers to activities undertaken to make the Sojitz Group Statement a reality. We have established the Sojitz Group CSR Policy based on the Sojitz Group Statement and reflected it in the Management Vision<sup>1</sup> to clarify CSR as an important management issue.

1. Please see page 2 for more information about the Management Vision.

### Sojitz Group Statement

**The Sojitz Group produces new sources of wealth by connecting the world’s economies, cultures and people in a spirit of integrity.**

### Sojitz Group CSR Policy

**We will strive to do business in harmony with society and the environment, consistently honoring the Sojitz Group Statement.**

## The Sojitz Group’s Basic Approach to CSR

Making the Sojitz Group Statement a Reality



## CSR Committee

The CSR Committee<sup>2</sup> deliberates key Group CSR issues. The committee is under the jurisdiction of the President & CEO and reports to the Management Committee.

2. For more information on the organization of the CSR Committee, please see the Sojitz website.  
(<http://www.sojitz.com/en/csr/index.html>)

## Initiatives to Promote CSR Awareness

In the course of its business activities, the Sojitz Group comes into contact with society in a variety of ways. Accordingly, we believe it is important for each Group employee to be always aware of society and work with sincerity to meet the expectations of society. We implement various initiatives to raise CSR awareness among employees.

### Sojitz Group CSR Seminars

The Sojitz Group holds CSR Seminars that incorporate the views of experts outside the Company in order to encourage each Group employee to practice CSR. Following the first seminar held in November 2009, we held two seminars in the year ended March 31, 2011 under the themes described below.

Second Seminar	Next-generation energy and environment businesses expected of general trading company groups
Third Seminar	Knowledge and practice of industrial waste risk management



An internal CSR seminar

### Other Initiatives

The Sojitz Group uses liaison meetings between Group company presidents, its “CSR & Environment” intranet website and its internal business magazine *HORIZON* to introduce Group CSR initiatives and social contribution activities, and to explain environmental laws and other pertinent information. In the year ended March 31, 2011, we also distributed the booklet *Sojitz Group’s CSR vol. 2* to inform all Group employees primarily about CSR initiatives in the Sojitz Group’s supply chains.



*Sojitz Group’s CSR vol. 2*

### Participation in the United Nations Global Compact

The United Nations Global Compact, espousing 10 principles in the areas of human rights, labour, the environment and anti-corruption, calls for businesses to act as good citizens and work toward achieving a sustainable society by providing responsible and creative leadership. Sojitz agrees with this purpose and joined the UN Global Compact in April 2009.



### Participation in Section Committee

The Global Compact Japan Network, consisting of companies belonging to the United Nations Global Compact, organizes several theme-based section committees. In the year ended March 31, 2011, Sojitz joined the Supply Chain Section Committee. Consisting of 20 companies from various business sectors,



Members of the Supply Chain Section Committee exchange opinions

the Supply Chain Section Committee exchanges views on how to develop CSR initiatives for supply chains and how to solve a variety of issues. We incorporate these views in the Sojitz Group's activities.

### ■ The UN Global Compact's Ten Principles

Human Rights	Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
	Principle 2: make sure that they are not complicit in human rights abuses.
Labour	Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
	Principle 4: the elimination of all forms of forced and compulsory labour;
	Principle 5: the effective abolition of child labour; and
	Principle 6: the elimination of discrimination in respect of employment and occupation.
Environment	Principle 7: Businesses should support a precautionary approach to environmental challenges;
	Principle 8: undertake initiatives to promote greater environmental responsibility; and
	Principle 9: encourage the development and diffusion of environmentally friendly technologies.
Anti-Corruption	Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

## The Sojitz Group's CSR Priority Themes

- Promotion of CSR Supply Chain Management
- Promotion of Businesses That Contribute to Preventing Climate Change
- Promotion of Businesses That Contribute to the Advance of Developing and Emerging Countries
- Establishment of Personnel Systems and Workplace Environments That Enable All Employees to Flourish

The Sojitz Group has identified CSR priority themes by correlating society's (stakeholders') expectations and interests with issues important to the Sojitz Group. In this report, we have presented the Sojitz Group's CSR initiatives with a focus on these CSR priority themes. More detailed information about the Sojitz Group's CSR initiatives and the latest information following the issue of this report are available in the "Corporate Social Responsibility" section of the Sojitz website. (<http://www.sojitz.com/en/csr/index.html>)

Notes: 1. The priority themes are not permanent. We plan to revise them as appropriate to reflect societal demands or changes in the Sojitz Group's circumstances.  
2. In addition to the priority themes, we recognize the urgency of reconstructing the areas affected by the Great East Japan Earthquake.



# Promotion of CSR Supply Chain Management

## The Sojitz Group's CSR – Advancing with Its Supply Chains

For the Sojitz Group, which conducts a diverse range of businesses on a global scale, promoting CSR initiatives in supply chains is important. In April 2010, we formulated the Sojitz Group CSR Action Guidelines for Supply Chains to clarify our initiative policies both inside and outside the Group. The guidelines are based on the previously mentioned Ten Principles of the United Nations Global Compact. We will share these guidelines with suppliers with the aim of working together to do business in harmony with society and the environment.

### Sojitz Group CSR Action Guidelines for Supply Chains (Excerpt)

1. We shall respect the human rights of employees, and never treat employees in an inhumane manner.
2. We shall prevent forced labor, child labor and unfair low-wage labor.
3. We shall not practice discrimination in hiring and employment.
4. We shall respect the rights of employees to organize for smooth negotiation between labor and management.
5. We shall strive to provide employees with a safe, sanitary and healthy work environment.
6. In the course of conducting business activities, we shall duly consider the need to conserve ecosystems as well as local and global environments, and strive to prevent the occurrence of any environmental pollution.
7. We shall observe all relevant laws and regulations, ensure fair transactions and prevent corruption.
8. We shall ensure the quality and safety of products and services.
9. We shall disclose information regarding the above items in a timely and appropriate manner.

## Main Initiatives Progress in the Year Ended March 31, 2011

### Inculcation of CSR Action Guidelines for Supply Chains

We explained CSR promotion in the supply chain to each department in the Company. Moreover, we presented the Sojitz Group's CSR Action Guidelines for Supply Chains to 56 suppliers selected on the basis of the value of their transactions and the importance of their regions and industries in terms of factors including CSR supply chain-related international indices, and conducted a survey about their CSR initiatives. Their responses revealed no urgent issues requiring immediate attention.



Sojitz Group Supply Chain CSR website

### Future Initiatives

We will continue conducting surveys of suppliers as in the year ended March 31, 2011 and expand initiatives to Sojitz Group companies. We also plan to send Company employees to talk to suppliers. In the future, we will continue to promote CSR in supply chains by emphasizing communication with suppliers and Group companies.

## A Supplier's View

Asian Transmission Corporation (ATC) has been guided by its corporate mission: "continuing growth through highest quality, for lifetime partners, investors, suppliers and the government." ATC has undertaken several initiatives in observance of this corporate mission, including: implementing fair labor standards; providing employees with a safe and healthy work environment; and operating its own waste water treatment facility to contribute in the abatement of pollution in Laguna Lake in the Philippines.

Without consciously knowing it, these initiatives are the main ingredients of what we call CSR. We all have a responsibility to each other and the world around us. Our actions affect a large number of stakeholders. It is therefore necessary that a CSR strategy should be aligned with Sojitz and other partners so that we head in a common direction together.

Mr. Roderick M. Tan  
Vice President - Personnel & Legal  
Asian Transmission Corporation



# Promotion of Businesses That Contribute to Preventing Climate Change

## What We Can Do as a General Trading Company to Help Prevent Climate Change

Given the search for global sustainable growth, Sojitz has designated the new energy and environment business as a new growth field under the Shine 2011 medium-term management plan. Sojitz shares information through the Environment and New Energy Business Committee to develop company-wide environment and renewable energy businesses that help prevent climate change.

In April 2011, Sojitz also established the Environment & Urban Infrastructure Development Office in the Machinery Division to focus on the smart city business, which will use IT to realize a sustainable low-carbon society.

## Main Initiatives and Progress in the Year Ended March 31, 2011

### Bioethanol Business in Brazil

In order to reduce reliance on fossil fuels, Sojitz has been working since 2007 to establish an integrated business from sugar cane cultivation to bioethanol and sugar production in Brazil through ETH Bioenergia S.A. (ETH), in which Sojitz has an equity interest. Bioethanol produced from sugar cane emits CO<sub>2</sub> when used as a fuel, but it is carbon neutral, since sugar cane, the main plant source of bioethanol, absorbs an equivalent amount of CO<sub>2</sub> through photosynthesis as it grows. Also, compared to corn-based bioethanol, sugar cane-based bioethanol has minimal impact on food supply. Moreover, the bagasse left over after the juice is extracted from the sugar cane is used as fuel to generate power, thus recovering CO<sub>2</sub>-free energy.

Sojitz and ETH are building a biofuel supply chain in which ETH provides a portion of its bioethanol to a major Brazilian

petrochemical company as an ingredient for bioplastic and bio-Ethyl Tertiary-Butyl Ether (bio-ETBE), and Sojitz sells a portion of the bio-ETBE produced to customers in Japan and Europe as an ingredient for biogasoline.

In February 2010, ETH further expanded its business by undertaking a strategic business integration with Brenco Holding S.A., a major company in the same sector. The new company will have bioethanol production capacity of nearly 3 million kiloliters annually by 2012, when nine plants are scheduled to be in operation, making it one of world's largest production bases for sugar cane-based bioethanol.



The Morro Vermelho plant of ETH Bioenergia S.A. in Brazil

### Solar Power-Related Business

Among all renewable energy sources, Sojitz places special focus on solar power generation. The expansion of solar power generation is desirable from the perspective of reducing CO<sub>2</sub> emissions. Moreover, its broad base of associated businesses and globally distributed technologies, logistics and markets make it a field in which a general trading company can put its strengths to use.

For solar power generation and related businesses, the Sojitz Group has created the value chain illustrated on the next page and is involved in

## Environmental Management System

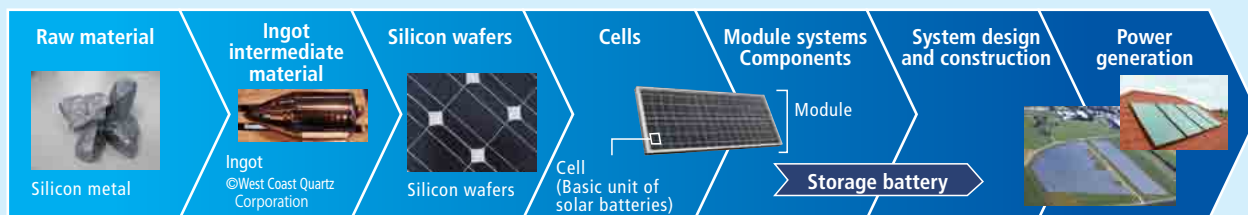
Sojitz's environmental management system (EMS) is one of the mechanisms supporting the new energy and environment business. Sojitz and relevant Group companies have acquired ISO 14001 certification, the international standard for environmental management, and are using environmental management systems based on this standard.

In its EMS, Sojitz has set the company-wide objective of promoting environmentally friendly businesses. In line with this objective, each department establishes and operates in accordance with goals that are compatible with its business activities. Sojitz offers various training and an e-learning program to improve employees' knowledge of its EMS and the environment. We also provide information on our "CSR & Environment" intranet website. In addition to continually encouraging employees to take the Eco Test, in the year ended March 31, 2011 we instituted the Sojitz Group Forest Preservation Campaign, in which approximately 30 participants engaged in grass mowing and tree-thinning activities at the Higashi Toyoda nature preservation area in Hino City.



The Forest Preservation Campaign

## Solar Power and Battery-Related Business Value Chain



### The Sojitz Group's Main Initiatives

Procurement and supply of silicon metal	Supply of carbon insulating materials for production of polysilicon	Sales of equipment to manufacture silicon wafers, cells and modules	Sales of module and panel components	Import and export of raw materials and components for lithium-ion batteries	Investment in lithium-ion capacitor manufacturer	Investment in power generation companies, developers and system integrators
---	---	---	--------------------------------------	---	--	---

numerous upstream to downstream projects in Japan and overseas.

To meet expanding demand for solar power generation, Sojitz is focusing on the upstream business of importing high-purity silicon metal, the main raw material used in making solar batteries. We have concluded an agreement with the world's largest silicon metal manufacturer, Globe Specialty Metals Inc. of the United States, to be its general distributor in Asia for silicon metal. As a result, Sojitz now supplies about 50% of Japan's high-purity silicon metal. Until now, we depended on China as our main supplier. However, we aim to stabilize our supply by increasing procurement from the United States and Brazil, and supply about half of the rapidly increasing demand in South Korea, Taiwan and elsewhere in Asia.



Silicon metal refinement in China

## Initiatives in Power Storage Technologies

Sojitz is also developing power storage technologies, which are the key to efficient power use. We have invested in Advanced Capacitor Technologies, Inc., a manufacturer of lithium-ion capacitors, which hold considerable promise as rechargeable and long-lasting power storage devices. The company increased its production capacity for high-quality capacitors by starting operation at a new plant in 2010. It is also applying its technology by developing a new power conditioner that stabilizes the output of residential solar power generation systems.

Sojitz also supplies the nonwoven fabric separator for lithium-ion batteries, which are used in the production of electric vehicles (EV) by a leading German automobile manufacturer. In Japan, the batteries are being developed as storage cells for wind and solar power generation.



Lithium-ion batteries using the nonwoven fabric separator supplied by Sojitz

## Initiatives in Biodiversity

Sojitz Marine & Engineering Corporation (SOMEK) is a dealer in Japan for ballast water treatment systems for ships manufactured by Ecochlor, Inc. of the United States.

Used to stabilize vessels at sea, ballast water is taken on in ports where cargo is unloaded and discharged in ports where new loading occurs. However, this raises a concern that marine creatures (alien species) in the ballast water from one port will invade native species at the next port where the water is discharged, resulting in damage to the ecosystem. The International Maritime Organization (IMO) adopted the International Convention for the Control and Management of Ships' Ballast Water and Sediments in 2004. The convention is expected to go into force in 2012, after which all ships in the world will be required to have a ballast water treatment system after a phase-in period. The system sold by SOMEK is compliant with United States Coast Guard standards, which are stricter than the IMO standard, and with the standards of individual U.S. states. A ship owned by Sojitz scheduled for completion at the end of 2011 will be the first in Japan to be equipped with this system.



Ballast water treatment system

# Promotion of Businesses That Contribute to the Advance of Developing and Emerging Countries

## Addressing Social Issues through Business

A variety of issues, including food, energy, environmental protection and the establishment of economic and social infrastructure, must be addressed and resolved in order to achieve development and growth in developing and emerging countries.\* Sojitz conducts businesses in various fields that take advantage of our functions as a general trading company to help resolve social issues.

\*Developing and emerging countries as defined by the International Monetary Fund.

## Main Initiatives and Progress in the Year Ended March 31, 2011

### Contributing to Environmental Measures and Energy Efficiency Improvement in the Russian Far East

In November 2010, Kawasaki Heavy Industries, Ltd. and Sojitz concluded an agreement with the Russian government-affiliated corporation Far Eastern Center



Natural gas pipeline in the Russian Far East

for Strategic Research on Fuel and Energy Complex Development to jointly undertake combined heat and power cogeneration projects in the Russian Far East.

A component of Russia's environmental improvement measures and energy efficiency improvement, the project will provide highly efficient cogeneration systems to municipalities located along a 1,800-kilometer-long natural gas pipeline

linking Sakhalin, Khabarovsk and Vladivostok, scheduled to open in 2012. The cogeneration systems will replace aging boilers currently in use in the Russian Far East, supplying energy-efficient electricity and hot water while significantly cutting CO<sub>2</sub> emissions.

A total of 30 gas turbine power generation systems and ancillary facilities are scheduled for delivery in the first phase of the project, from 2012 to 2014. Significantly lower electricity and heating costs due to fuel savings are expected to attract industry to the Russian Far East and reverse the region's ongoing population decline.

Positive evaluation of an earlier project awarded to Kawasaki Heavy Industries and Sojitz for the provision of seven cogeneration systems to be used at the 2012 APEC summit site in Vladivostok was key to winning these most recent contracts.



Kawasaki Heavy Industries M7A-02 Gas Turbine

## Pre-School Education Support Project in Tanzania

### Progress in the Year Ended March 31, 2011

In November 2010, Sojitz collaborated with the international non-governmental organization Plan Japan\* and built a pre-school facility called Maliza Kindergarten in the village of Maliza, located in Mwanza region of northern Tanzania. The facility includes two classrooms, an office, a kitchen, toilets and playground equipment. We also supplied study materials, and conducted awareness-raising activities and training in pre-school education for teachers and community leaders. We expect that such activities will result in high-quality classes relevant to the ages of the children and nurture their sound physical and mental growth.

\* Plan Japan is a member of Plan, a non-profit organization that provides assistance for community development involving the children in 50 countries worldwide.



Children aged two to six, learning in the new classroom (Photo courtesy of Plan Japan)



## Contributing to Industrial Development in the Republic of Tatarstan

In November 2010, Sojitz won an order from state-affiliated Joint Stock Company Ammoni of the Republic of Tatarstan, Russia, for a project to construct one of the world's largest urea

fertilizer plants capable of producing both ammonia and methanol concurrently. Production is scheduled to begin in 2015.



Signing ceremony

As the world's top producer of natural gas, Russia plans to promote industrial development by adding value to natural gas. The new fertilizer plant will use natural gas as a raw material. With demand for fertilizer forecast to steadily increase as food production rises to feed a growing global population, the fertilizer plant is expected to contribute to the development of industry and agriculture in Russia.

Sojitz is building a partnership with the Republic of Tatarstan through framework agreements, and has already taken part in initiatives in the region such as establishment of a joint venture to produce and market trucks. Our success in getting the fertilizer plant project contract reflects the recognition of these achievements.

## Contributing to the Development of Local Communities through Tree-Planting Activities

Sojitz engages in the woodchip processing business through four joint ventures in Vietnam that export

processed woodchips, mainly for use as raw materials by Japanese paper manufacturers.

The timber that serves as the raw material is produced through tree-planting activities initiated by Sojitz in 1995, primarily on degraded lands in Vietnam. We provide loans and free seedlings to local farmers, who raise the trees and sell the timber to us. The area of forest created under this program has grown to about 53,700 hectares. In the future, we plan to extend this community development-oriented program to Mozambique and Laos as well.

In 2009, we also initiated our "school plantation program." Under this program, we distribute free seedlings to junior and senior high schools in Vietnam while conducting environmental education, and buy the mature trees. We also provide free fertilizer for the program via Japan Vietnam Fertilizer Company, a Sojitz Group company that manufactures and sells fertilizer in Vietnam. After initial care, the distributed seedlings require little hands-on attention and mature to harvestable thickness in seven years. Students learn the importance of nature through this program, while schools use the proceeds earned to cover a portion of their expenses, such as educational material purchases and equipment repair. We intend to continue expanding the planted area under the program, which reached 150 hectares in 2010.



At a school near the Vung Ang Factory in Vietnam

## Future Initiatives

In the year ending March 31, 2012, we plan to improve sanitation and nutrition conditions in Maliza village by constructing water wells, conducting hygiene training and supplying gardening and poultry farming equipment. We plan to build similar educational facilities and provide training in Mahina Kati village of Mwanza region as well.

Improving the pre-school environment to promote early childhood education is one of the key goals of international education agreed upon by the international community led by the United Nations, and the need for and significance of such projects is increasing. We also aim to have community residents volunteer for the projects and utilize their experience to help attain the self-reliance of the entire region.

We will continue to implement such social contribution activities with the aim of co-existence with local communities, in line with the theme of education.

### Comments from the Local Community

- "Before, the floors got wet and dirty when it rained, but now we can have fun playing in the classroom." (Kabula, age 4)
- "We now have desks, so I can learn letters and shapes with my friends." (Mwishamda, age 3)
- "Maliza Kindergarten has become a model kindergarten for the region. Our kids are all happy and enjoy coming here. We're really thankful to Sojitz for their support." (Mr. Paschal, Maliza Village Chairman)

# Establishment of Personnel Systems and Workplace Environments That Enable All Employees to Flourish

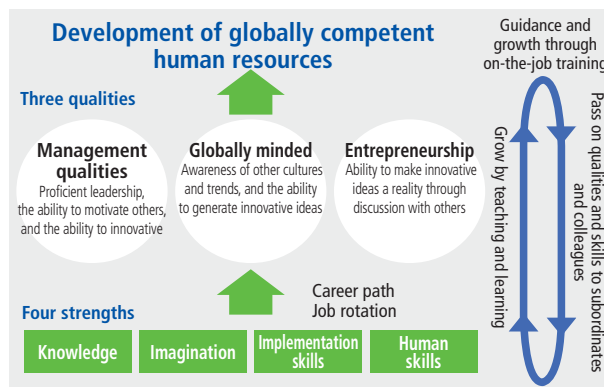
## The Sojitz Group's Approach to Human Resources

The Sojitz Group depends on its employees for growth and development. Sojitz implements various personnel and employee development systems to make it a rewarding company to work for and creates fulfilling workplace environments that support a diversity of people and work styles. Sojitz has identified developing globally competent human resources as one of its key themes under the Shine 2011 medium-term management plan, and confirmed the importance of training all employees in the Sojitz Group.



## A Rewarding Company Human Resources Development Policy

Sojitz defines globally competent human resources as self-aware, self-driven people who create a more affluent society by combining four strengths and three qualities to provide added value in an international business environment and by aiming to improve the organization overall. When recruiting, we carefully interview candidates and select those with the potential to become globally competent human resources. We provide employees with opportunities for independent action and an environment that enhances their ability to create value. We focus on cultivating self-driven, independent-minded employees who act responsibly.



## Diverse Training Programs

Sojitz has prepared a menu of training programs to hone the skills and personal qualities required for every type of work. We augment the menu with new content in response to changes in the work environment. In the year ended March 31, 2011, we strengthened training to enhance communication skills and on-the-job training functions, and our system for making employees more globally minded.

Note: Please see the Sojitz website for details regarding the training menu and achievements.  
(<http://www.sojitz.com/en/csr/employee/index.html>)

## Job Rotation System

Sojitz employs a job rotation system to promote systematic human resource training from a medium-to-long-term perspective. By experiencing several different jobs, employees acquire diverse expertise and skills, and well-rounded thinking and behavior. As a component of our job rotation system, in the year ended March 31, 2011 we implemented a career navigation system – a database of employees' work experiences – for use in dialogues with and reviews by supervisors.

## Fulfilling Workplace Environments Promoting Work-Life Balance

Sojitz offers systems that enable employees to balance work with child and nursing care. In the year ended March 31, 2010, we revised our child care system to extend child care leave until the child is two years and six months old, at the maximum, and introduced a system of shortened work hours for employees raising children. We also introduced a program to support employees taking child care leave. In the year ended March 31, 2011, we launched a subsidy system for the use of babysitters. As a result of this series of initiatives, more male employees have used the systems to take

part in child care. Sojitz received the *Kurumin* Mark for its efforts as a corporation to support the next generation.



In April 2011, we moved to further promote work-life balance by launching four new nursing care programs that increase the number of family care leave days, reduce working hours for caregivers, re-hire employees who leave the Company to care for family members, and allow employees to take long-term leave for family care multiple times.

### Promoting Diversity

To further develop an environment in which women can flourish, we hold comprehensive and supplementary training for female employees with the aim of helping them acquire management skills and create networks. In addition, the Sojitz Group actively employs persons with disabilities.

## Global Human Resources Strategy and Group Human Resources Strategy

### Global Human Resources Strategy

The Sojitz Group is actively strengthening human resources overseas. We assign overseas employees to serve as Global HR Representatives in each of our five overseas regions (the Americas; Europe, Russia & NIS; China; Asia & Oceania; and Middle East & Africa). They develop personnel systems at overseas offices, conduct training on the Sojitz Group Statement and the Company's history, and implement other initiatives

to hire, train, and utilize talented human resources. The Global Human Resources Team, which manages the Global Human Resources Strategy, undertakes initiatives such as promoting the creation of bilingual versions of internal documents, providing e-learning for overseas offices, and reinforcing language and cultural adaptability training for head office employees.

In the year ended March 31, 2011, Sojitz enhanced the English ability of head office employees assigned to overseas posts, sent young employees overseas as trainees and systemized head office training for overseas employees.

### Group Human Resources Strategy

To develop and strengthen the Sojitz Group's human resources, Sojitz provides Group company employees with a portion of its new employee training curriculum and the same basic and risk management training as it does for head office employees in Tokyo. We also have a system that offers practical training at the head office corporate division.

In addition, to develop, strengthen and build a network of the next generation of executive personnel and core Group management, from the year ended March 31, 2010 Sojitz has been progressively introducing cross-Group training programs for specific levels of management.



Cross-Group training for general managers

### Comments from a Child Care Leave User and the Supervisor



#### Yoko Miyata, Nuclear Energy Department

Thanks to the child care leave system, I could devote myself to child-rearing and spend quality time with my family. Although I felt some anxiety returning to the office after a long absence, I could fully enjoy the system because I knew I had the support of my colleagues. Now that I'm back at work, I am doing my best to show my gratitude to them.



#### Noboru Kataoka, General Manager, Nuclear Energy Department

I think it's important for employees taking child care leave, and their coworkers, to be aware of a couple of things. The first – which isn't limited to child care leave – is that relationships of trust with people inside and outside the Company and mutual understanding are built through daily efforts. In addition, it's important for coworkers to respect each other and each other's way of life.

# Organization

## Contents

Organization Chart	P.71
Principal Operating Bases	P.72
Main Subsidiaries and Affiliates	P.75

Sojitz currently comprises 12 units grouped in four business divisions operating from seven bases in Japan and 91 bases overseas. The Sojitz Group includes 143 subsidiaries and affiliates in Japan and 362 overseas.

Sojitz employs a matrix of five regions (the Americas; Europe, Russia & NIS; China; Asia & Oceania; Middle East & Africa) and four business divisions. This operating strategy encourages divisions at headquarters to work in concert with operations overseas.



Managing Executive Officer  
**Tetsuya Konoda**  
President & CEO for Europe, Russia & NIS  
Managing Director, Sojitz Europe plc  
Managing Director, Sojitz UK plc



Managing Executive Officer  
**Masahiro Komiyama**  
President & CEO for the Americas  
President, Sojitz Corporation of America  
President, Sojitz Canada Corporation



Managing Executive Officer  
**Tatsunobu Sako**  
President & CEO for the Middle East & Africa



Managing Executive Officer  
**Kazuhiko Kawasaki**  
President & CEO for China  
Chairman, Sojitz (China) Co., Ltd.,  
Sojitz (Shanghai) Co., Ltd.,  
Sojitz (Dalian) Co., Ltd.,  
Sojitz (Tianjin) Co., Ltd.,  
Sojitz (Qingdao) Co., Ltd.,  
Sojitz (Guangzhou) Co., Ltd.,  
Sojitz (Hong Kong) Ltd.  
General Manager, Beijing (Liaison) Office



Executive Officer  
**Katsuhiko Kobayashi**  
Executive Vice President for China  
CFO for China  
President, Sojitz (China) Co., Ltd.  
General Manager, Xi'an Office



Executive Officer  
**Takashi Ikeda**  
President & CEO for Asia & Oceania  
Managing Director, Sojitz Asia Pte. Ltd.  
General Manager, Singapore Branch

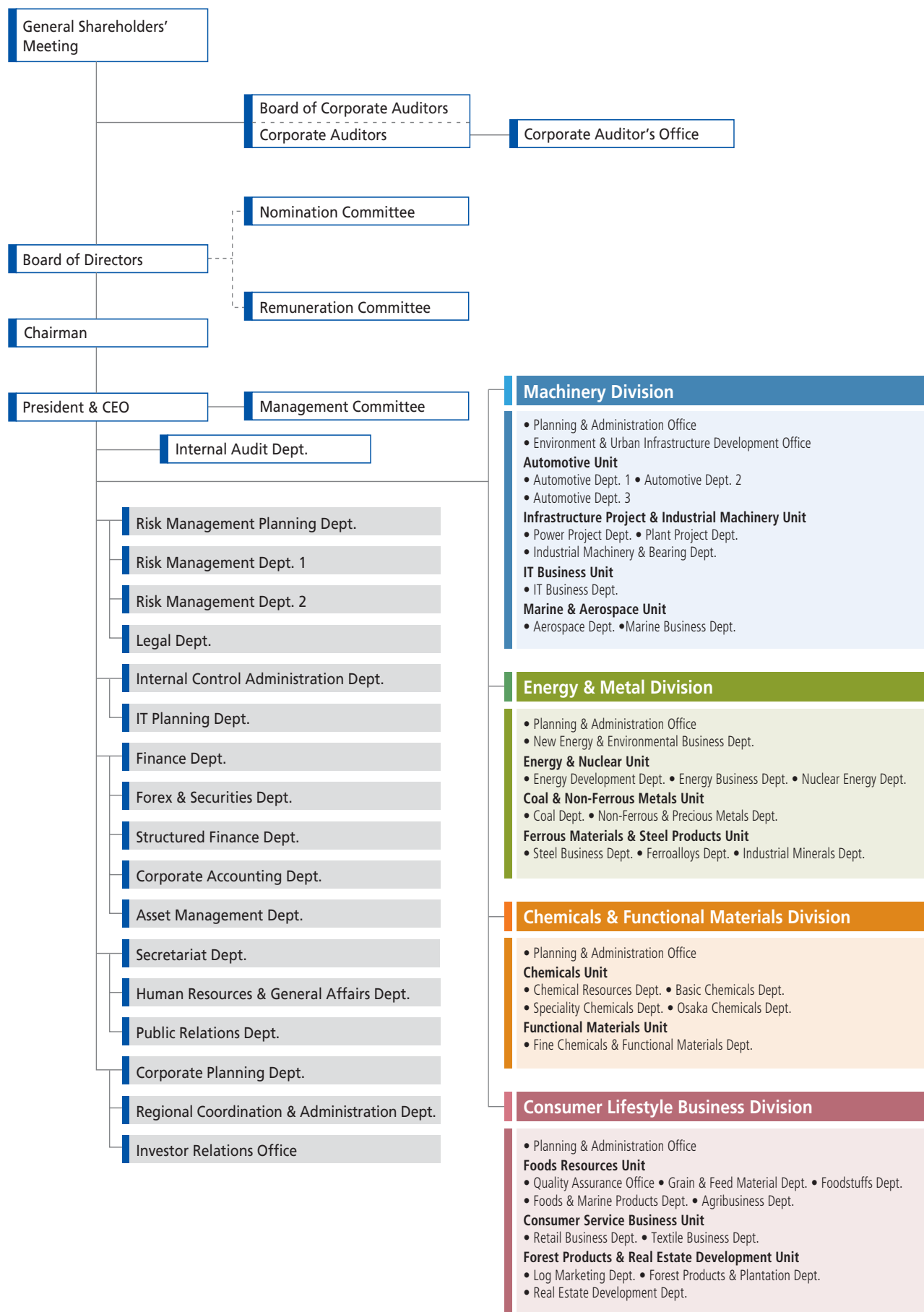


Executive Officer  
**Masao Goto**  
Executive Vice President for China  
President, Sojitz (Shanghai) Co., Ltd.  
General Manager, Nanjing Office  
General Manager, Suzhou Office



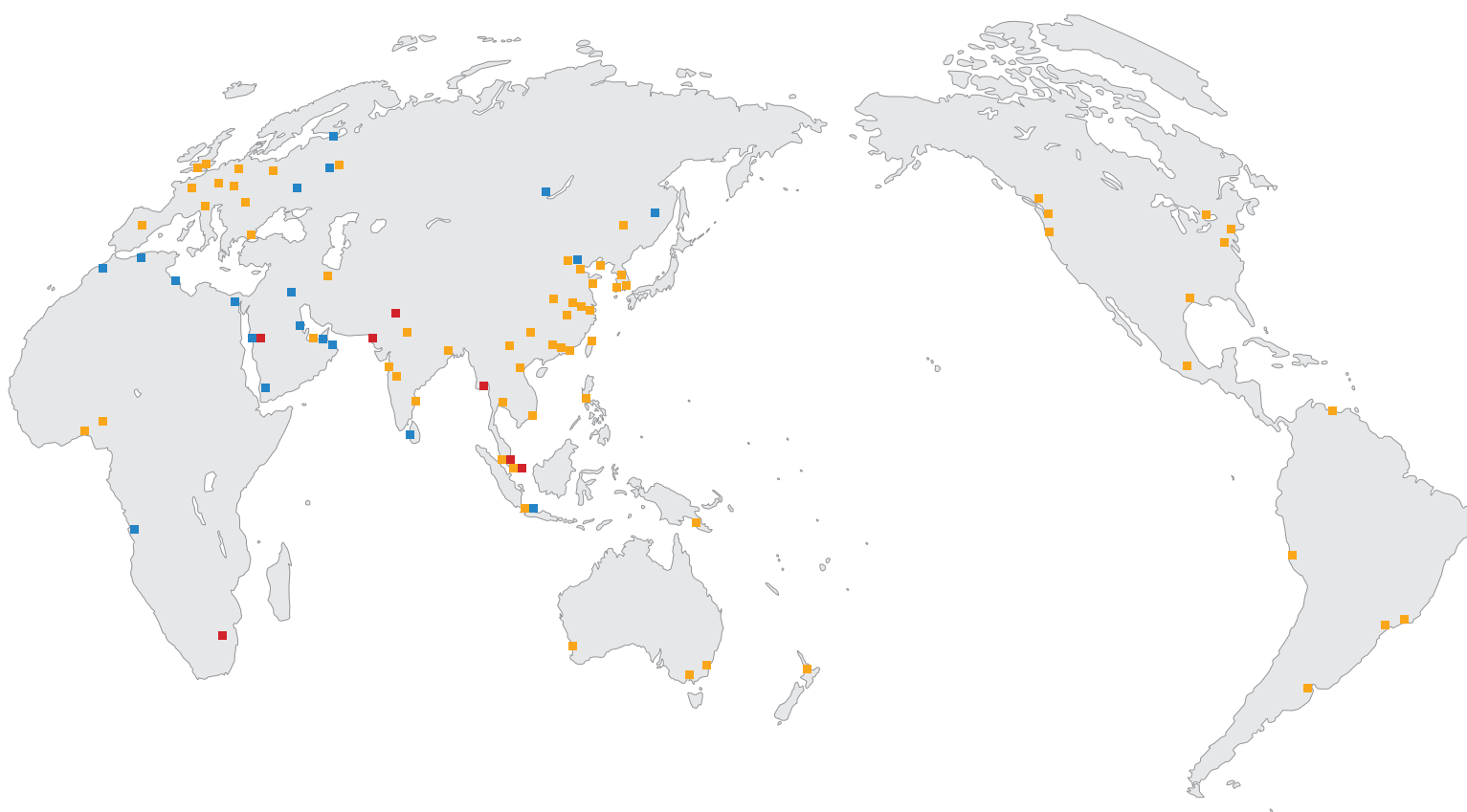
# Organization Chart

(As of July 1, 2011)



# Principal Operating Bases

(As of July 1, 2011)



■ Group Company ■ Branch ■ Office

JAPAN	
Sapporo	■ Sojitz Corporation, Hokkaido Branch
Sendai	■ Sojitz Corporation, Tohoku Branch
Nagoya	■ Sojitz Corporation, Nagoya Branch
Fukuoka	■ Sojitz Kyushu Corporation ■ Sojitz Corporation, Kyushu Branch
Nagasaki	■ Sojitz Kyushu Corporation, Nagasaki Branch
Naha	■ Sojitz Kyushu Corporation, Naha Branch

CHINA	
Beijing	■ Sojitz (China) Co., Ltd. ■ Sojitz Corporation, Beijing Office
Chongqing	■ Sojitz (China) Co., Ltd., Chongqing Office
Dalian	■ Sojitz (Dalian) Co., Ltd.
Guangzhou	■ Sojitz (Guangzhou) Co., Ltd.
Harbin	■ Sojitz (Dalian) Co., Ltd., Harbin Office
Hong Kong	■ Sojitz (Hong Kong) Ltd.
Kunming	■ Sojitz (Hong Kong) Ltd., Kunming Office
Nanjing	■ Sojitz (Shanghai) Co., Ltd., Nanjing Office
Qingdao	■ Sojitz (Qingdao) Co., Ltd.
Shanghai	■ Sojitz (Shanghai) Co., Ltd.
Shenzhen	■ Sojitz (Hong Kong) Ltd., Shenzhen Office
Suzhou	■ Sojitz (Shanghai) Co., Ltd., Suzhou Office
Tianjin	■ Sojitz (Tianjin) Co., Ltd.
Wuhan	■ Sojitz (China) Co., Ltd., Wuhan Office
Xi'an	■ Sojitz (China) Co., Ltd., Xi'an Office

ASIA & OCEANIA	
Australia	
Melbourne	■ Sojitz Australia Ltd., Melbourne Branch
Perth	■ Sojitz Australia Ltd., Perth Branch
Sydney	■ Sojitz Australia Ltd.
India	
Mumbai	■ Sojitz India Private Ltd., Mumbai Branch
New Delhi	■ Sojitz India Private Ltd.
Pune	■ Sojitz India Private Ltd., Pune Office
Chennai	■ Sojitz India Private Ltd., Chennai Branch
Kolkata	■ Sojitz India Private Ltd., Kolkata Branch
Indonesia	
Jakarta	■ PT. Sojitz Indonesia ■ Sojitz Corporation, Jakarta Liaison Office
Korea	
Kwangyang	■ Sojitz Korea Corporation, Kwangyang Office
Pohang	■ Sojitz Korea Corporation, Pohang Office
Seoul	■ Sojitz Korea Corporation
Malaysia	
Kuala Lumpur	■ Sojitz (Malaysia) Sdn. Bhd. ■ Sojitz Corporation, Kuala Lumpur Branch
Myanmar	
Yangon	■ Sojitz Corporation, Yangon Branch
New Zealand	
Auckland	■ Sojitz New Zealand Ltd.
Pakistan	
Karachi	■ Sojitz Corporation, Karachi Branch
Lahore	■ Sojitz Corporation, Karachi Branch, Lahore Liaison Office
Papua New Guinea	
Port Moresby	■ Sojitz Australia Ltd., Port Moresby Office
Philippines	
Manila	■ Sojitz Philippines Corporation
Singapore	
	■ Sojitz Asia Pte. Ltd. ■ Sojitz Corporation, Singapore Branch
Sri Lanka	
Colombo	■ Sojitz Corporation, Colombo Liaison Office
Taiwan	
Taipei	■ Sojitz Taiwan Corporation
Thailand	
Bangkok	■ Sojitz (Thailand) Co., Ltd.

Vietnam	
Hanoi	■ Sojitz Vietnam Company Ltd., Hanoi Branch
Ho Chi Minh	■ Sojitz Vietnam Company Ltd.

THE AMERICAS	
Argentina	
Buenos Aires	■ Sojitz Argentina S.A.
Brazil	
Rio de Janeiro	■ Sojitz do Brasil S.A., Rio de Janeiro Branch
Sao Paulo	■ Sojitz do Brasil S.A.
Canada	
Toronto	■ Sojitz Canada Corporation, Toronto Office
Vancouver	■ Sojitz Canada Corporation
Mexico	
Mexico City	■ Sojitz Mexicana S.A. de C.V.
Peru	
Lima	■ Sojitz Peru S.A.
U.S.A.	
Houston	■ Sojitz Corporation of America, Houston Branch
New York	■ Sojitz Corporation of America
Portland	■ Sojitz Corporation of America, Portland Branch
Seattle	■ Sojitz Corporation of America, Seattle Branch
Washington, D.C.	■ Sojitz Corporation of America, Washington Branch
Venezuela	
Caracas	■ Sojitz Venezuela C.A.

EUROPE, RUSSIA & NIS	
Czech Republic	
Prague	■ Sojitz Europe plc, Prague Office
France	
Paris	■ Sojitz Europe plc, Paris Branch
Germany	
Dusseldorf	■ Sojitz Europe plc, Dusseldorf Branch
Hamburg	■ Sojitz Europe plc, Hamburg Office
Hungary	
Budapest	■ Sojitz Europe plc, Budapest Office
Italy	
Milan	■ Sojitz Europe plc, Milan Branch
Poland	
Warsaw	■ Sojitz Europe plc, Warsaw Office

## Principal Operating Bases

Russia	
Irkutsk	■ Sojitz Corporation, Moscow Liaison Office, Irkutsk Office
Khabarovsk	■ Sojitz Corporation, Khabarovsk Liaison Office
Moscow	■ Sojitz LLC ■ Sojitz Corporation, Moscow Liaison Office
Saint-Petersburg	■ Sojitz Corporation, Saint-Petersburg Liaison Office
Spain	
Madrid	■ Sojitz Europe plc, Madrid Branch
Turkey	
Istanbul	■ Sojitz UK plc, Istanbul Branch
U.K.	
London	■ Sojitz Europe plc ■ Sojitz UK plc
Ukraine	
Kyiv	■ Sojitz Corporation, Kyiv Representative Office

### MIDDLE EAST & AFRICA

Algeria	
Algiers	■ Sojitz Corporation, Alger Liaison Office
Angola	
Luanda	■ Sojitz Corporation, Luanda Liaison Office
Egypt	
Cairo	■ Sojitz Corporation, Cairo Liaison Office
Iran	
Tehran	■ Sojitz Corporation Iran Ltd.
Iraq	
Baghdad	■ Sojitz Corporation, Baghdad Liaison Office
Libya	
Tripoli	■ Sojitz Corporation, Tripoli Liaison Office
Morocco	
Casablanca	■ Sojitz Corporation, Casablanca Liaison Office
Nigeria	
Abuja	■ Sojitz Global Trading Nigeria Ltd., Abuja Office
Lagos	■ Sojitz Global Trading Nigeria Ltd.
Oman	
Muscat	■ Sojitz Corporation, Muscat Liaison Office

### Saudi Arabia

Al-Khobar	■ Sojitz Corporation, Al-Khobar Liaison Office
Jeddah	■ Sojitz Corporation, Jeddah Branch ■ Sojitz Corporation, Al-Khobar Liaison Office, Jeddah Office

### South Africa

Johannesburg	■ Sojitz Corporation, Johannesburg Branch
--------------	---

### U.A.E.

Dubai	■ Sojitz Middle East FZE ■ Sojitz Corporation, MEA Office
-------	--

### Yemen

Sanaa	■ Sojitz Corporation, Sanaa Liaison Office
-------	--



# Main Subsidiaries and Affiliates

(As of July 1, 2011)

MACHINERY DIVISION			
Country	Company	Group Ownership	Main Business
JAPAN	Nissho Electronics Corporation	77.78%	Providing leading-edge IT solutions and services
	Nissin Gas Engineering Ltd.	30.00%	Sale of LPG reliquefaction equipment, heat exchangers for LPG ships, and repair services
	SAKURA Internet Inc.	40.29%	Internet-related services
	Sendzimir Japan, Ltd.	45.00%	Design and technical guidance for all types of rolling machines and auxiliary equipment
	Sojitz Aerospace Corporation	100.00%	Import/export and Japanese sales of aerospace-related equipment, components and materials
	Sojitz Automotive & Engineering, Inc.	100.00%	Trading of tires, automotive components, and automotive equipment supporting overseas transplants
	Sojitz Machinery Corporation	100.00%	Machinery general trading company
	Sojitz Marine & Engineering Corporation	100.00%	Sale, purchase and charter brokerage of new and used vessels, ship operation management, Japanese sales and import/export of marine-related equipment and materials
	Sojitz Systems Corporation	100.00%	SI, ASP, network security and international IT business
CHINA	Changshu Showa Bearing Components Co., Ltd.	33.30%	Manufacture of lathing rings used in the production of bearings
	Hubei Qianchao Precision Components Co., Ltd.	25.00%	Manufacture of rollers and needles used in the production of bearings
	Kunshan NSK Co., Ltd.	15.00%	Manufacture and sale of bearings
	Shaoxing Asahi Bearing Co., Ltd.	20.00%	Manufacture of lathing rings used in the production of bearings
	Sojitz Machinery (Shanghai) Corporation	100.00%	Machinery general trading company
	Tangshan Caoheidian Sojitz Starway Composite Pipe Co., Ltd.	61.00%	Manufacturing of steel reinforced plastic pipe for drains
	Zhejiang Asahi Bearing Co., Ltd.	20.00%	Manufacture of lathing rings used in the production of bearings
	Zhejiang FRT Bearing Co., Ltd.	25.00%	Manufacture of lathing rings used in the production of bearings
Hong Kong	First Technology China Ltd.	100.00%	Sale and service of Fuji Machine surface-mounting machines and semiconductor-related equipment
ASIA & OCEANIA			
India	NMTronics India Pvt. Ltd.	100.00%	Sale and service of Fuji Machine surface-mounted technology (SMT) equipment
Malaysia	Fuji Smt (Malaysia) Sdn. Bhd.	25.80%	Service of Fuji Machine surface-mounting machines
Philippines	Asian Transmission Corporation	5.29%	Assembly and sale of automobile transmission engines
	Fuji Machine Philippines Inc.	86.00%	Sale and service of Fuji Machine surface-mounted technology (SMT) equipment
	Mitsubishi Motors Philippines Corporation	49.00%	Import, assembly and sale of Mitsubishi automobiles
Singapore	Fuji Machine Mfg. (Singapore) Pte. Ltd.	86.00%	Sale and service of Fuji Machine surface-mounted technology (SMT) equipment
	Howa Machinery Singapore Pte. Ltd.	39.00%	Import and sale of industrial machinery and after-sales service
Sri Lanka	Asia Power (Private) Limited	48.50%	Power generation business
Thailand	AAPICO Hitech Public Company Limited	15.75%	Automotive stamping parts design & manufacturing; die & jig design & manufacturing; automotive plastic injection molding & forging parts manufacturing; car dealership; other automotive parts design, manufacturing and sale
	Autrans (Thailand) Co., Ltd.	73.75%	Agency transport operations for automobile parts
	Hyundai Motor (Thailand) Co., Ltd.	70.00%	Import and sale of Hyundai automobiles
THE AMERICAS			
Argentina	Hyundai Motor Argentina S.A.	34.00%	Import and sale of Hyundai automobiles
Brazil	Fuji do Brasil Maquinas Industriais Ltda.	60.00%	Sale and service of Fuji Machine surface-mounted technology (SMT) equipment
Guatemala	Central Motriz, S.A.	28.00%	Import and sale of automobiles

## Main Subsidiaries and Affiliates

Country	Company	Group Ownership	Main Business
<b>Mexico</b>	NAI Azteca S.A. de C.V.	100.00%	Investment in power generation projects
	NM Power Mexico, S.A. de C.V.	100.00%	Investment in power generation projects
<b>Puerto Rico</b>	Sojitz de Puerto Rico Corporation	100.00%	Import and exclusive distribution of Hyundai automobiles in Puerto Rico
<b>U.S.A.</b>	Autrans Corporation	100.00%	Provider of sub-assemblies and Just-in-Time delivery services for the automotive industries
	Plastic Trim International, Inc.	45.99%	Manufacturing and sales of automotive plastic trim components
	Sojitz Aerospace America Corporation	100.00%	Sale of aerospace-related equipment, components and materials
	Sojitz Printer Corporation	85.10%	Sale of printers
	Weatherford Motors, Inc.	100.00%	Franchised BMW automobile dealership
<b>Venezuela</b>	Autrans de Venezuela	100.00%	Import and modularization of Mitsubishi and Hyundai assembly components
	MMC Automotriz, S.A.	92.31%	Import and assembly of Mitsubishi and Hyundai automobiles
<b>EUROPE, RUSSIA &amp; NIS</b>			
<b>France</b>	Kyowa Synchro Technology Europe S.A.S.	51.00%	Sale of synchronizers for manual transmission in Europe
<b>Germany</b>	Sojitz Solar Betzweiler GmbH	100.00%	Solar power generation
<b>Russia</b>	Subaru Motor LLC	89.00%	Import and exclusive distribution of Subaru automobiles in Russia
<b>Ukraine</b>	Subaru Ukraine LLC	100.00%	Import and exclusive distribution of Subaru automobiles in Ukraine
<b>MIDDLE EAST &amp; AFRICA</b>			
<b>South Africa</b>	Sojitz Absolut Auto (Pty) Limited	34.00%	Sales of Suzuki automobiles in South Africa
<b>U.A.E.</b>	Blue Horizon Power International Limited	100.00%	Investment in power generation projects

### ENERGY & METAL DIVISION

Country	Company	Group Ownership	Main Business
<b>JAPAN</b>	CoalinQ Corporation	100.00%	Operation of an online site for coal users (e-trade and information services)
	Eco Energy Japan Corporation	51.00%	Industrial waste treatment with thermal recycling
	e-Energy Corporation	100.00%	Sale of nuclear fuel and equipment
	Japan-Brazil Niobium Corporation	25.00%	Investment and management of Niobium producing company
	LNG Japan Corporation	50.00%	LNG business and related investments
	Metal One Corporation	40.00%	Integrated steel trading company
	Nissho Koyu Co., Ltd.	49.07%	Sale of petroleum products
	Nissho Petroleum Gas Corporation	22.50%	Import and sale of LPG, LNG and petroleum products
	Qatar Petroleum Development Co., Ltd.	25.00%	Development of oil and gas fields
	Sojitz Energy Corporation	97.08%	Sale of petroleum products
	Sojitz Ject Corporation	100.00%	International and domestic trade and sale of coke, carbon materials, petroleum products, and LPG
	Sojitz Sawada Power Co., Ltd.	98.15%	Thermal power generation in Sadogashima
	Tokyo Yuso Co., Ltd.	100.00%	Tank storage operations for petroleum and chemical products
	Vermitech Corporation	100.00%	Processing and sale of vermiculite firings
	Volday Japan Co., Ltd.	50.00%	Import and sale of bentonite produced in the U.S. and China
<b>ASIA &amp; OCEANIA</b>			
<b>Australia</b>	Japan Alumina Associates (Australia) Pty. Ltd.	50.00%	Investment in Worsley alumina refinery
	Sojitz Coal Resources Pty. Ltd.	100.00%	Investment in coal mines (Jellinbah East, Coppabella, Minerva, Vermont and other projects)
	Sojitz Energy Australia Pty. Ltd.	100.00%	Development of oil and gas
	Sojitz Moolarben Resources, Pty. Ltd.	100.00%	Investment in Moolarben coal mine
	Sojitz Resources (Australia) Pty. Ltd.	100.00%	Investment in Worsley alumina refinery
<b>Philippines</b>	Coral Bay Nickel Corporation	18.00%	Nickel mining
<b>Singapore</b>	Sojitz Offshore Project Pte. Ltd.	100.00%	Investment in FPSO and FSO, and handling of equipment related to oil and gas production
	Sojitz Petroleum Co., (Singapore) Pte. Ltd.	100.00%	Sale of oil and petroleum products
<b>Vietnam</b>	SOPET Gas Joint Venture Company	60.00%	Import and sale of LPG

Country	Company	Group Ownership	Main Business
<b>THE AMERICAS</b>			
<b>Brazil</b>	Albacora Japao Petroleo Limitada	50.00%	Development of oil and gas fields (Albacora oil field)
	ETH Investimentos S.A.	19.23%	Investment in sugar, ethanol and electricity production
<b>Canada</b>	Cariboo Copper Corporation	50.00%	Investment in Gibraltar copper molybdenum mine in Canada (12.5%)
	Sojitz Moly Resources, Inc.	100.00%	Investment in Endako molybdenum mine in Canada (25%)
	Sojitz Tungsten Resources, Inc.	100.00%	Investment in Portuguese tungsten mining company Beral Tin & Wolfram (Portugal) S.A. (100%)
<b>U.S.A.</b>	Sojitz Energy Venture, Inc.	100.00%	Oil and gas development
	Sojitz Noble Alloys Corporation	100.00%	Investment in Strategic Minerals Corporation (vanadium producer)
	Strategic Minerals Corporation	25.00%	Production and sale of vanadium
	Trans World Prospect Corporation	28.57%	Investment in bentonite mining operation
<b>EUROPE, RUSSIA &amp; NIS</b>			
<b>Portugal</b>	Sojitz Beral Tin & Wolfram (Portugal) S.A.	100.00%	Portuguese tungsten mining company
<b>U.K.</b>	Sojitz Energy Project Ltd.	100.00%	Oil and gas development
	Sojitz Etame Ltd.	100.00%	Investment in Gabon Etame oil fields
	Sojitz Oil & Gas (Egypt) Ltd.	100.00%	Oil and gas development

## CHEMICALS & FUNCTIONAL MATERIALS DIVISION

Country	Company	Group Ownership	Main Business
<b>JAPAN</b>	Atsugi Plastics Co., Ltd.	20.00%	Manufacture and sale of plastic packing for foods
	Cosmic Farm Co., Ltd.	30.00%	Cultivation and sale of enoki mushrooms
	Hokko Chemical Co., Ltd.	90.00%	Manufacture, processing and sale of paint and ink thinners
	Japan Niigata Chemical Co., Ltd.	33.50%	Production and distribution of sodium chlorate, aqueous solution
	Mitsumoto Chemicals Co., Ltd.	98.82%	Coloring and compounding of plastic resins
	NI Chemical Corporation	100.00%	Warehousing (chemical tanks) business, import/export shipping service
	Nichipac Co., Ltd.	98.15%	Manufacture and sale of processed paper products, such as paper bags and wrapping paper, as well as plastic bags and other plastic products
	Nissho Iwai Cement Corporation	58.00%	All types of secondary cement/concrete products, concrete aggregate and general construction materials
	OJK Corporation	35.01%	Manufacture and sale of plastic sheets
	Pla Matels Corporation	46.56%	Sale of plastic raw materials, products, and processing equipment
	Santoku Co., Ltd.	19.25%	Manufacture and sale of alloys and compounds for permanent magnets and battery materials
	Sojitz Cosmetics Corporation	100.00%	Development, product planning and sale of cosmetics
	Sojitz Pla-Net Corporation	100.00%	Domestic and international trading of plastics and related products
	Sojitz Pla-Net Holdings, Inc.	100.00%	Holding company: plastic business
	Sojitz Technoplas Corporation	100.00%	Coloring and compounding of plastic resins
	Solpit Industries, Ltd.	35.55%	Research and development of soluble polyimide polymer
	Taiyo Chemical Industry Co., Ltd.	80.07%	Manufacture and sale of vinyl chloride film
	Yahata Ready Mixed Concrete Co., Ltd.	58.00%	Manufacture and sale of ready-mixed concrete, processing of interior floor coverings
<b>CHINA</b>	Asahi Kasei (Suzhou) Plastics Compound Co., Ltd.	49.00%	Coloring and compounding of plastic resins
	Hebei Rixin Chemical Co., Ltd.	19.50%	Manufacture and sale of barium and strontium compounds
	Japan Super Engineering Plastics (Shenzhen) Co., Ltd.	49.00%	Coloring and compounding of plastic resins
	Richao Engineering Plastics (Beijing) Co., Ltd.	49.00%	Coloring and compounding of plastic resins
	Sojitz Plastic (Shenzhen) Ltd.	100.00%	Sale of plastic resin materials and molding machines
	Suzhou Maruai Semiconductor Package Co., Ltd.	30.00%	Development, manufacture and sale of products with plastic sheeting conductive coatings
	Takagi Auto Parts (Foshan) Co., Ltd.	34.00%	Manufacture of automobile plastic components
	Yantai Sandie Plastic Products Co., Ltd.	71.43%	Manufacture of various types of polyethylene household bags
<b>Hong Kong</b>	Furukawa Circuit Foil (Hong Kong) Co., Ltd.	25.00%	Manufacture and sale of copper foils
	Sojitz Plastics (China) Ltd.	100.00%	Sale of plastic resin materials and molding machines
	Supreme Development Co., Ltd.	33.34%	Processing of plastic films
	Topla International (Hong Kong) Ltd.	40.95%	Manufacture and sale of plastic sheets

## Main Subsidiaries and Affiliates

Country	Company	Group Ownership	Main Business
<b>ASIA &amp; OCEANIA</b>			
<b>Indonesia</b>	PT. Kaltim Methanol Industri	85.00%	Manufacture and sale of methanol
	PT. Moriuchi Indonesia	20.00%	Manufacture of industrial fabrics
<b>Korea</b>	Sojitz Agro Corporation	100.00%	Sales promotion support of agrochemical products
<b>Taiwan</b>	Daigin Chemical Co., Ltd.	15.00%	Manufacture and sale of thinner, paint and solvent
	Furukawa Circuit Foil Taiwan Corporation	15.15%	Manufacture of copper foils
<b>Thailand</b>	Maruai (Asia) Co., Ltd.	49.00%	Development, manufacture and sale of products with plastic sheeting conductive coatings
	Thai GCI Resitop Co., Ltd.	39.79%	Manufacture and sale of various industrial phenol resins
<b>Vietnam</b>	Sojitz Chemical Distribution Service Co., Ltd.	100.00%	Inventory-based operations using proprietary storage tanks
<b>THE AMERICAS</b>			
<b>Canada</b>	American Biaxis Inc.	49.00%	Manufacture of biaxially oriented polyamide (BOPA) film
<b>U.S.A.</b>	Cymetech Corporation	100.00%	Manufacture and sale of dicyclopentadiene (DCPD)
	Metton America, Inc.	85.11%	Manufacture and sale of Metton® resins
	Sepro Membranes Inc.	50.00%	Manufacture of membranes for filtration
	Sojitz Plastics America Inc.	100.00%	Sale of nylon film and plastic resins
<b>EUROPE, RUSSIA &amp; NIS</b>			
<b>Finland</b>	Biaxis Oy, Ltd.	49.00%	Manufacture of biaxially oriented polyamide (BOPA) films
<b>Portugal</b>	Nemoto Portugal Quimica Fina Lda.	38.52%	Manufacture and sale of nonorganic fluorescent pigments

## CONSUMER LIFESTYLE BUSINESS DIVISION

Country	Company	Group Ownership	Main Business
<b>JAPAN</b>	Daiichibo Co., Ltd.	100.00%	Manufacture and sale of textiles, real estate leasing, storage distribution, shopping center management
	Fuji Nihon Seito Corporation	32.07%	Manufacture, refining, processing and sale of sugar
	Hanshin Silo Co., Ltd.	35.00%	Grain warehousing
	JALUX Inc.	30.00%	Logistics and service provision in the in-flight, airport retail, lifestyle-related, and customer service business fields
	N.I.F. Co., Ltd.	20.00%	Sale of food specifically made for vending machines
	N.I.M. Co., Ltd.	70.60%	Warehousing (chemical tanks) business
	Nissho Iwai Paper & Pulp Corporation	33.56%	Sales of pulp & recycle paper, and paper & paperboard products
	Quy Nhon Plantation Company	39.00%	Afforestation; manufacture and sale of woodchips
	Sanyo Food Co., Ltd.	20.00%	Manufacture and sale of frozen foods; food wholesale
	SOFCO Seafoods Inc.	100.00%	Production and sale of processed and side dish seafood
	Sojitz Building Materials Corporation	100.00%	Trading company specializing in sale of construction materials, lumber and residential-related equipment, building interior finish works
	Sojitz Fashion Co., Ltd.	100.00%	Processing and sale of fabrics
	Sojitz Foods Corporation	100.00%	Sale of sugar, farmed marine products, raw ingredients for feed, wheat flour and other foodstuffs
	Sojitz General Merchandise Corporation	100.00%	Import/export and domestic wholesale of footwear, furniture, miscellaneous goods and various materials
	Sojitz General Property Management Corporation	100.00%	Condominium and office building management, real estate agency services
	Sojitz Infinity Inc.	100.00%	Manufacture and sale of apparel
	Sojitz Logitech Co., Ltd.	99.67%	Cargo-handling contract work, product storage and management operations
	Sojitz Promotion Co., Ltd.	100.00%	Wholesale and retail of tobacco products
	Sojitz Realnet Corporation	100.00%	Consignment sales of newly constructed condominiums, sale of residential products, construction contracting for sales centers and model showrooms, real estate and logistics consulting

Country	Company	Group Ownership	Main Business
<b>JAPAN</b>	Sojitz Tuna Farm Takashima Co., Ltd.	100.00%	Tuna farming
	Sojitz Yoshimoto Ringyo Co., Ltd.	100.00%	Joint sales of imported and locally produced products
	Takahata Co., Ltd.	100.00%	Manufacture of sewn products
	Try-Tokyo Corporation	15.00%	Processing and sale of raw tuna
	Yamazaki-Nabisco Co., Ltd.	20.00%	Manufacture, sale and import/export of biscuits, snacks, candy and chocolate products
<b>CHINA</b>	A-Fontane Holdings Limited	15.00%	Retail of products for home
	Beijing Sanyuan Sojitz Foods & Logistics Co., Ltd.	49.00%	Foodstuff logistics
	Dalian Global Food Corporation	51.00%	Tuna processing
	Da Longmian Textile (Suzhou) Co., Ltd.	25.00%	Cotton mill, cotton and quilt processing, production and sale of sleepwear, inspection of all types of textile products
	Heilongjiang Beidahuang Potato Flake Co., Ltd.	25.00%	Processing and sale of potato flakes
	Liaoning Northern Foods Co., Ltd.	40.00%	Sorting and processing of wild and cultivated vegetables
	Manzhouli Triple Success Co., Ltd.	40.00%	Saw milling
	McGREGOR (Shanghai) Co., Ltd.	100.00%	Sale of apparel
	Qingdao Jifa Longshan Dyeing and Weaving Co., Ltd.	17.50%	Manufacture and sale of fabrics
	Qingdao Sojitz-Cherry Garments Co., Ltd.	25.00%	Manufacture of jeans
	Qingdao Sojitz-Cherry Washing Co., Ltd.	25.00%	Pre-washing of jeans
	Qingdao Sojitz-Jifa Garments Ltd.	50.00%	Manufacture and sale of shirts
	Qingdao Zhongmian Knitting Co., Ltd.	50.00%	Manufacture and sale of knitwear
	Sichuan Food Co., Ltd.	49.00%	Sale of everyday food items
	Sojitz Fashion (Shanghai) Trading Co., Ltd.	100.00%	Processing and wholesale of fabrics in China
	Sojitz Textile (Shanghai) Co., Ltd.	100.00%	Manufacture and sale of sewn products
<b>Hong Kong</b>	First Forest Limited	100.00%	Saw milling
	Sojitz Now Apparel Ltd.	100.00%	Garment agent and trader
<b>ASIA &amp; OCEANIA</b>			
<b>Australia</b>	Green Triangle Plantation Forest Company of Australia Pty. Ltd.	29.00%	Afforestation; manufacture and sale of woodchips
<b>Malaysia</b>	Sojitz Forest Products (EM) Sdn. Bhd.	100.00%	Sale of timber products and plywood
<b>New Zealand</b>	Tachikawa Forest Products (NZ) Ltd.	40.00%	Saw milling
<b>Philippines</b>	Atlas Fertilizer Corporation	100.00%	Manufacture and sale of fertilizers, sale of imported fertilizer products
<b>Thailand</b>	SNB Agriproducts Ltd.	29.00%	Extraction of rice bran oil, sale of pure and defatted rice bran oil
<b>Vietnam</b>	Huong Thuy Manufacture Service Trading Corporation	25.01%	Wholesale of foodstuffs
	Interflour Vietnam Ltd.	20.00%	Flour milling, port silo operations
	Japan Vietnam Fertilizer Company	75.00%	Manufacture and sale of fertilizers
	VIJACHIP Cai Lan Corporation	51.00%	Afforestation; manufacture and sale of woodchips
	VIJACHIP Corporation	60.03%	Afforestation; manufacture and sale of woodchips
	VIJACHIP Vung Ang Corporation	60.00%	Afforestation; manufacture and sale of woodchips
<b>THE AMERICAS</b>			
<b>U.S.A.</b>	Masami Foods, Inc.	21.08%	Meat processing and packing
	Specialty Grains, Inc.	49.00%	Contract cultivation of specialty corn and soybeans for export
<b>Argentina</b>	Sojitz Buenas Tierras del Sur S.A.	100.00%	Agricultural development
<b>MIDDLE EAST &amp; AFRICA</b>			
<b>Mozambique</b>	Sojitz Maputo Cellulose, Limitada	100.00%	Manufacture and sale of woodchips



## Main Subsidiaries and Affiliates

OTHER			
Country	Company	Group Ownership	Main Business
JAPAN	Akita New Urban-Center Building Co., Ltd.	100.00%	Ownership, leasing and management of A-LIVE shopping centers based in Akita Prefecture
	Sojitz Insurance Agency Corporation	100.00%	Accident insurance and life insurance agency services
	Sojitz Logistics Corporation	100.00%	Logistics service business: land, sea and air cargo handling, and international nonvessel operating common carrier (NVOCC) transportation
	Sojitz Private Equity, Inc.	67.60%	Investment management/advisory service
	Sojitz Research Institute, Ltd.	100.00%	Research and consulting
	Sojitz Shared Service Corporation	100.00%	Shared services and consulting regarding HR, accounting and finance; and temporary staffing and referral services
	Sojitz Tourist Corporation	100.00%	Travel agency
	Yamagata Newcity Development Co., Ltd.	100.00%	Ownership, leasing and management of Kajoh Central Building (Yamagata Prefecture)
CHINA			
Hong Kong	Sojitz Insurance Brokers (HK) Ltd.	100.00%	Insurance broker
EUROPE, RUSSIA & NIS			
Netherlands	Sojitz Aircraft Leasing B.V.	100.00%	Aircraft operating lease

# Financial Section

## Contents

A Message from Executive Vice President Yoji Sato	P. 82
Financial Summary	P. 83
Management's Discussion and Analysis of Operations	P. 84
Consolidated Balance Sheets	P. 100
Consolidated Statements of Income	P. 102
Consolidated Statements of Comprehensive Income	P. 103
Consolidated Statements of Changes in Net Assets	P. 104
Consolidated Statements of Cash Flows	P. 107
Notes to Consolidated Financial Statements	P. 108
Independent Auditors' Report	P. 136

## A Message from Executive Vice President Yoji Sato



**Aiming for sustained growth, Sojitz will continue to enhance its earnings foundation by maintaining sound finances and accumulating quality assets through asset reallocation.**

Emerging countries in Asia and elsewhere drove the global economy in the year ended March 31, 2011. In this environment, Sojitz increased sales and earnings as a result of recovery in the prices of products it handles and increased demand. We also began to see signs of a fundamental recovery in profitability.

Furthermore, we achieved steady success in strengthening the balance sheet, a goal of the Shine 2011 medium-term management plan. Our basic approach in making new investments and loans was asset reallocation that did not expand the balance sheet. Sojitz worked to increase asset efficiency by withdrawing from businesses with low profitability or without growth potential and redeploying funds to businesses in which Sojitz is strong and can expect growth.

As a result, Sojitz achieved the numerical targets of Shine 2011 as it did in the previous fiscal year, with a net debt equity ratio of 2.1 times and a ratio of risk assets to shareholders' equity below 1.0 times at 0.9 times. The appreciation of the yen caused net assets to decrease compared with the previous fiscal year-end, but Sojitz was able to remain in line with the levels of the previous fiscal

year by strengthening the balance sheet.

Sojitz maintained a stable funding structure and sound finances, with a long-term debt ratio of 72% and a current ratio of 142%. Moreover, Sojitz complemented an existing ¥100.0 billion commitment line by concluding an agreement for a US\$300 million multi-currency commitment line to further enhance liquidity.

Moving to generate sustained growth in the future, in the year ending March 31, 2012 Sojitz will continue to accumulate quality assets and businesses with a view to increasing asset efficiency. We will also further our efforts to maintain a sound financial foundation and build a strong earnings foundation.

A handwritten signature in black ink, appearing to read 'Yoji Sato'.

**Yoji Sato**

Representative Director  
Executive Vice President,  
Corporate Management, CFO

# Financial Summary

For the years ended March 31, 2011, 2010, 2009, 2008 and 2007

		Millions of yen				Thousands of U.S. dollars (Note 1)
	2011	2010	2009	2008	2007	2011
<b>Operating Results:</b>						
Net sales (Total trading transactions) .....	<b>¥4,014,640</b>	¥3,844,418	¥5,166,183	¥5,771,029	¥5,218,153	<b>\$48,369,157</b>
Gross trading profit .....	<b>192,725</b>	178,203	235,618	277,732	254,466	<b>2,321,988</b>
Operating income .....	<b>37,520</b>	16,129	52,007	92,364	77,932	<b>452,048</b>
Ordinary income .....	<b>45,316</b>	13,703	33,637	101,480	89,535	<b>545,976</b>
Net income .....	<b>15,982</b>	8,794	19,001	62,694	58,766	<b>192,554</b>
Core earnings (Note 2) .....	<b>41,891</b>	14,424	48,347	110,727	89,815	<b>504,711</b>
Net cash provided by operating activities .....	<b>67,863</b>	107,223	103,729	35,408	7,041	<b>817,627</b>
Net cash provided by (used in) investing activities .....	<b>(19,903)</b>	28,439	(17,198)	(68,723)	42,706	<b>(239,795)</b>
Net cash used in financing activities .....	<b>(72,054)</b>	(102,597)	(5,958)	(53,724)	(95,477)	<b>(868,121)</b>
Free cash flow .....	<b>47,960</b>	135,662	86,531	(33,315)	49,747	<b>577,832</b>
<b>Balance Sheet Data (As of March 31):</b>						
Total assets .....	<b>¥2,116,961</b>	¥2,160,919	¥2,312,958	¥2,669,352	¥2,619,508	<b>\$25,505,554</b>
Net assets .....	<b>355,511</b>	377,404	355,503	520,328	531,635	<b>4,283,265</b>
Interest-bearing debt .....	<b>1,116,303</b>	1,193,518	1,286,960	1,299,086	1,317,679	<b>13,449,434</b>
Net interest-bearing debt .....	<b>700,608</b>	737,790	865,330	918,890	846,108	<b>8,441,060</b>
			Yen			U.S. dollars (Note 1)
<b>Per Share Data:</b>						
Net income .....	<b>¥ 12.77</b>	¥ 7.08	¥ 15.39	¥ 51.98	¥ 83.20	<b>\$0.15</b>
Net assets .....	<b>263.79</b>	281.69	256.17	383.46	144.22	<b>3.18</b>
Dividends (Note 3) .....	<b>3.00</b>	2.50	5.50	8.00	6.00	<b>0.04</b>
<b>Ratios:</b>						
ROA (%) .....	<b>0.7</b>	0.4	0.8	2.4	2.3	
ROE (%) .....	<b>4.7</b>	2.6	4.8	13.0	12.8	
Equity ratio (%) .....	<b>15.6</b>	16.3	13.8	17.8	18.7	
Net debt equity ratio (DER) (times) .....	<b>2.1</b>	2.1	2.7	1.9	1.7	
Consolidated payout ratio (%) (Note 3) .....	<b>23.5</b>	35.6	35.7	15.7	10.9	

Notes: 1. The U.S. dollar amounts represent translations of Japanese yen at the approximate exchange rate at March 31, 2011 of ¥83=\$1.

2. Core earnings = Operating income before provision for doubtful receivables + Net interest income + Dividends received + Equity in earnings of unconsolidated subsidiaries and affiliates.

3. The amounts represent the annual dividends per share on common stock of Sojitz Corporation, and presented consolidated payout ratio is calculated based on the number of shares as of March 31.

# Management's Discussion and Analysis of Operations

## 1. Overview

The year ended March 31, 2011 began with a gradual recovery in the global economy supported by fiscal and monetary measures. While the developed economies of Europe and the Americas recovered slowly, Asian economies generally grew briskly, led by China and India. The U.S. economy avoided the recessionary relapse that had been a concern in the previous year, with improved corporate earnings and increased consumer spending supporting continued recovery despite persistently high unemployment. Germany led gradual economic recovery in Europe, although political turmoil erupted at fiscal year-end, with Ireland's ruling party voted out of power and Portugal's prime minister announcing his resignation. These events gave rise to renewed sovereign credit concerns.

The Japanese economy's growth rate turned negative in the fiscal third quarter (October – December 2010) for the first time in five quarters. Positive growth was initially expected to resume from the fiscal fourth quarter and the economy did regain momentum.

However, the repercussions of the Great East Japan Earthquake of March 11, 2011 have created uncertainty in the outlook for economic recovery in Japan due to concerns including the resulting nuclear power plant problems and electricity supply issues.

In addition to the above, the global economy faces risks from rising crude oil prices and unrest in the Middle East and Africa that has engulfed Tunisia, Egypt and Libya. Another risk factor that bears monitoring is intermittent monetary tightening in emerging countries, mainly in Asia. Under these conditions, economic recovery and growth rates are diverging among regions and countries.

## 2. Business Results

In the year ended March 31, 2011, the second year of the Shine 2011 medium-term management plan ending March 31, 2012, Sojitz moved to reinforce the earnings foundation of businesses that have been slow to recover and to accumulate high-quality businesses and assets. As a result,

consolidated ordinary income was ¥45.3 billion and consolidated net income was ¥16.0 billion. We therefore achieved both our forecast at the beginning of the fiscal year for ordinary income of ¥26.0 billion and net income of ¥11.0 billion and our forecast announced on October 29, 2010 for ordinary income of ¥40.0 billion and net income of ¥12.0 billion.

The following is an analysis of business performance for the year ended March 31, 2011.

### (1) Net Sales

Net sales increased 4.4% year on year to ¥4,014,640 million. Sales decreased in the Machinery segment due to lower aircraft-related sales. Sales in the Energy & Metal segment increased because of growth in coal trading volume and both higher prices and increased trading volume for several other products, including precious metals and ferroalloys. Sales in the Chemicals & Functional Materials segment increased due to factors including higher methanol prices and trading volume driven by demand recovery in China and elsewhere in Asia. Sales in the Consumer Lifestyle Business segment increased because of growth in tobacco and forest product sales.

### (2) Gross Trading Profit

Gross trading profit increased ¥14,522 million year on year to ¥192,725 million as a result of multiple factors, including higher sales and profits in the Consumer Lifestyle Business segment's overseas fertilizer business, profit growth in the Energy & Metal segment driven largely by increased coal sales, and profit growth in the Chemicals & Functional Materials segment resulting largely from sales growth fueled by demand recovery in China and elsewhere in Asia and higher methanol prices.

### (3) Selling, General and Administrative (SG&A) Expenses

SG&A expenses decreased ¥6,869 million year on year to ¥155,205 million due to factors including a decrease in provision for doubtful receivables.



#### (4) Operating Income

Consolidated operating income increased ¥21,391 million year on year to ¥37,520 million because of the increase in gross trading profit coupled with the decrease in SG&A expenses.

#### (5) Ordinary Income

Consolidated ordinary income increased ¥31,613 million year on year to ¥45,316 million as a result of growth in equity in earnings of unconsolidated subsidiaries and affiliates, most notably a bioethanol producer and a steel-related company, in addition to the increase in operating income.

#### (6) Extraordinary Gains and Losses

Despite gain on subsequent acquisitions of ¥10,307 million and gain on sale and disposal of property and equipment of ¥4,387 million, extraordinary gains and losses totaled net loss of ¥6,004 million due to impairment loss of ¥9,687 million, restructuring losses of ¥5,097 million, and loss and provision for loss on dissolution of subsidiaries and affiliates of ¥4,856 million.

#### (7) Net Income

Income before income taxes and minority interests was ¥39,312 million. After deduction of income taxes of ¥11,400 million and deferred income taxes of ¥9,103 million, income before minority interests was ¥18,809 million. After deduction of minority interests of ¥2,827 million, net income was ¥15,982 million, an increase of ¥7,188 million year on year.

### 3. Segment Information

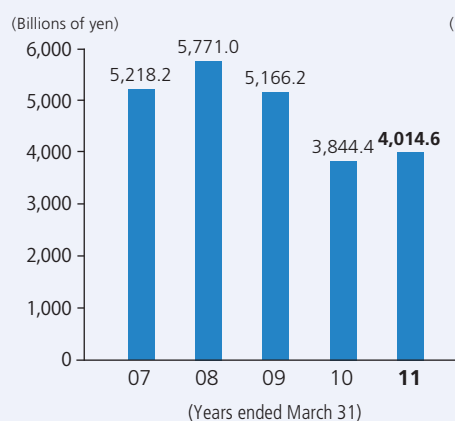
#### (1) Machinery

Net sales decreased 2.9% year on year to ¥965,412 million despite increased automobile sales in Europe because aircraft-related sales declined. Net income increased ¥2,421 million year on year to ¥3,392 million. An increase in equity in earnings of unconsolidated subsidiaries and affiliates and reduction in SG&A expenses more than compensated for lower earnings at an auto subsidiary in the Central and South America region.

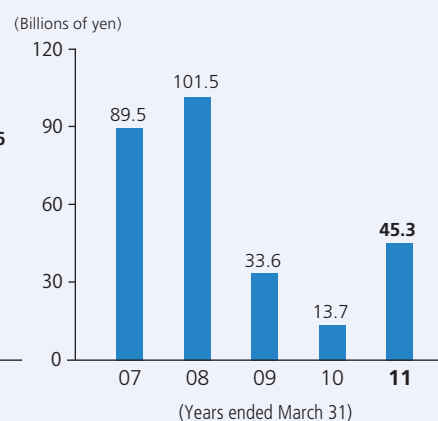
Performance improved in the automotive business during the year ended March 31, 2011 because a recovery in automobile demand in the key Sojitz Group markets of Russia and the NIS allowed Sojitz to rationalize inventory. We forecast that results in these markets will begin a full-scale recovery in the year ending March 31, 2012. Demand remained solid in Southeast Asia, and Sojitz expects robust performance in its business there. In Venezuela we will work to stabilize the assembly and sales businesses and reinforce our business in the strongly growing markets of Latin America.

In the plant and infrastructure business, during the year ended March 31, 2011 Sojitz made steady progress in building the foundation for stable earnings over the medium-to-long term with receipt of orders for three large-scale IPP projects in Saudi Arabia and Oman. We will also expand our equity-based generating capacity in environmentally friendly electric power, as exemplified by our participation in the solar power generation business in Germany. In the Republic of

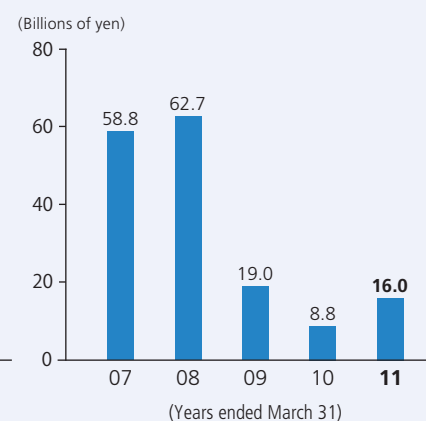
Consolidated Net Sales



Consolidated Ordinary Income



Consolidated Net Income



Tatarstan, Russia, we received an order for a large-scale fertilizer plant, along with an order for a cogeneration project in the Russian Far East. These and other orders demonstrate the Sojitz Group's steady success in accumulating a backlog of orders in the plant business in emerging and resource-rich countries.

Results in the industrial systems and bearings business were solid, supported by firm economic conditions in the key market of China and in other emerging markets.

In the information technology (IT) business, we are coordinating and cooperating with related companies to build a value chain in the information and communication technology business that is capable of providing integrated services ranging from system development and IT equipment sales and installation to maintenance and operation. Moreover, we aim to strengthen the data center business, which is critical in the IT outsourcing business. Sojitz therefore deepened its strategic partnership with Sakura Internet Inc. by making it a consolidated subsidiary through a tender offer to acquire a majority interest. Also, we are expanding into the promising growth market of Asia with the aim of serving it as a single IT services market.

In the marine business, the impact of factors such as floods in Australia from the end of 2010 resulted in a rapid decrease in cargo movement. Overall, however, demand in the marine business remained vigorous, which contributed to stable earnings. We are also concentrating on developing

new sources of earnings in the environmental area through businesses including the sale of water treatment systems for complying with ship ballast water discharge regulations.

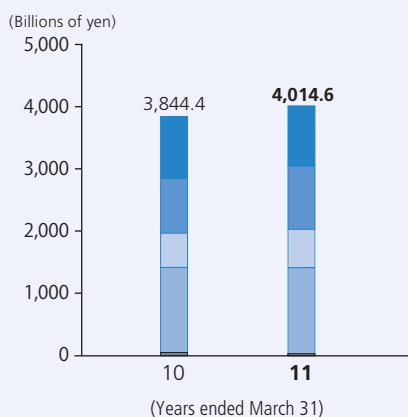
In the commercial aircraft business, we delivered a total of 27 aircraft including B737s and B777s to Japanese airlines as the import and sales consultant to The Boeing Company of the United States. Also, we delivered five aircraft to civilian customers and the Japan Coast Guard as the sales agent for the commuter planes and business jets produced by Bombardier Inc. of Canada.

## (2) Energy & Metal

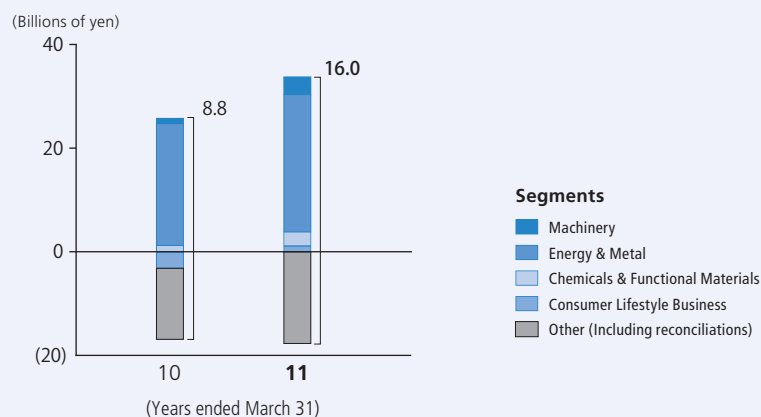
Net sales increased 15.9% year on year to ¥1,013,982 million, reflecting growth in coal trading volume and both increased trading volume and higher prices for several other products, including precious metals and ferroalloys. Net income increased ¥2,940 million year on year to ¥26,462 million as a result of increased equity in earnings of unconsolidated subsidiaries and affiliates, including a steel-related company and a bioethanol producer, and a gain on subsequent acquisition of an incremental interest in a mine by a subsidiary that holds mining interests.

Highlights in the upstream oil and gas businesses included the start of crude oil production at the Phoenix Field in the Gulf of Mexico in October 2010 and accelerated development of tight-sand gas in Texas, U.S.A. We expect our share of production volume to increase because of the start of production at newly

**Net Sales by Segment**



**Net Income by Segment**



acquired concessions and additional drilling and development at upstream concessions in which we have an ownership interest. We will respond to the global energy demand behind the persistently high price of crude oil.

In coal and non-ferrous metals, we are enhancing the foundation for generating growth by acquiring resources and expanding the trading business through ownership of upstream interests. Examples during the year ended March 31, 2011 included the acquisition of copper interests in Canada, expansion of our alumina refining business at the joint venture BHP Billiton Worsley Alumina Pty. Ltd. and development of coal fields. In December 2010, Sojitz raised its stake in the Minerva Coal Joint Venture in Australia to 96% by acquiring an additional 51% interest in the mine, and is now employing its unique and proprietary capabilities as one of the few general trading companies currently engaged in coal mine management. Sojitz also decided in December 2010 to add to its coking coal interests by increasing investment in the expansion of the Lake Vermont Coal Mine in Australia, and expects that its share of production volume will increase for coking coal for steel production in addition to thermal coal for power generation. Given firm markets for coal and non-ferrous metals, we expect increased share of production volume to contribute both to earnings and the stable supply of resources from the year ending March 31, 2012.

In ferrous materials & steel products, Sojitz initiated expansion of a molybdenum mine in Canada. We also acquired shares of Companhia Brasileira de Metalurgia e Mineração (CBMM), which owns niobium interests in Brazil, via investment in a special purpose company (SPC) formed in March 2011. CBMM is a leading global producer of niobium, which is a rare metal indispensable to the production of high-grade steel. The investment further strengthens Sojitz's stable niobium supply capabilities. Moreover, our progress in selling iron ore and developing iron ore mines contributed to our efforts to establish a stable earnings base from our own iron ore interests and a framework for iron ore supply. We also strengthened our cooperative relationship with affiliate Metal One to sell steel products in

Japan and around the world, which will build a solid base for an integrated business from steel raw materials to finished product sales.

In new energy & environmental business, ETH Bioenergia S.A., a Brazilian bioethanol company that has integrated bioethanol and sugar production and biomass power starting from sugar cane cultivation, made steady progress in business expansion. It is constructing two new plants that will complement its seven plants currently in operation, for a total of nine plants in operation by the end of 2011. This is projected to make it the largest sugar cane-based producer in Brazil. In addition, Sojitz is the leading importer to Japan of high-purity silicon metal, which is a key raw material in solar panels. We will use this strength in our initiatives to supply raw materials to the solar power business.

### **(3) Chemicals & Functional Materials**

Net sales increased 11.8% year on year to ¥612,511 million due to factors including higher methanol prices and trading volume driven by demand recovery in China and elsewhere in Asia. Net income increased ¥1,459 million year on year to ¥2,712 million.

The Group's business model for the Chemicals & Functional Materials segment focuses on distribution. We work to increase earnings by investing in upstream businesses to build a distribution value chain that ranges from the supply of raw materials to sales for strategic products, such as industrial salt, rare earths and methanol. All of these strategic products are basic raw materials, and we therefore expect business to grow in tandem with global economic development.

Trading volume increased in the chemicals business during the year ended March 31, 2011 because of recovery in demand centered on China and elsewhere in Asia. We expect this trend to continue in the year ending March 31, 2012. In November 2010, we concluded a strategic alliance agreement with Lynas Corporation Limited of Australia covering a project to supply and expand production of rare earths. In March 2011, Sojitz and Japan Oil, Gas and Metals National Corporation agreed to acquire 0.73% of Lynas' shares. Sojitz

also moved to meet the challenge of providing a long-term stable supply of rare earths to Japan by signing a sole distribution and agency agreement for the Japanese market. Additionally, in February 2011 Sojitz decided to invest in a marine chemical project in India to produce potash fertilizer and industrial salt. These initiatives exemplify our moves to strengthen our distribution value chain by locking in sources of supply for strategic products that we expect to be in demand in the future.

In functional materials, the plastics business was steady because demand recovered in China and elsewhere in Asia during the year ended March 31, 2011. We expect this trend to continue during the year ending March 31, 2012. Wholly owned subsidiary Sojitz Cosmetics Corporation made progress in developing its own cosmetics brands. In April 2010, it launched *naturecia*, a natural cosmetics brand that uses 100% natural water as its base, and in February 2011 it launched *AMIJOUE*, an anti-aging care cosmetics brand containing amino acids. Sojitz Cosmetics will focus on developing appealing new brands in the future.

### (4) Consumer Lifestyle Business

Net sales increased 1.0% year on year to ¥1,378,001 million because of growth in tobacco and forest product sales. Net income totaled ¥1,089 million, compared to a net loss of ¥3,226 million in the year ended March 31, 2010. Factors in the return to operating profitability included improved earnings from the overseas fertilizer business.

In food resources, the robust fertilizer business in Thailand, Vietnam and the Philippines drove segment earnings during the year ended March 31, 2011. Moving to secure food resources, Sojitz established a wholly owned agricultural business in Argentina to produce soybeans and other agricultural products. Sojitz is the first Japanese general trading company to establish and operate an agricultural business overseas. We plan to increase land under cultivation in South America and use the expertise we acquire to expand operations in emerging countries in Asia, Africa and elsewhere.

In marine products, in December 2010 wholly owned Sojitz Tuna Farm Takashima Co., Ltd. in Takashima, Nagasaki Prefecture began shipments of the bluefin tuna it raises. In overseas businesses, we completed a specialized port for grains for investee Interflour Vietnam Ltd. With 3 million tons of annual cargo-handling capacity and a warehouse and silos for grain storage, it is the largest specialized port for grains in the ASEAN region. Interflour Vietnam also added a flour milling line with the intention of doubling flour production capacity by the year ending March 31, 2012 to become the leading flour producer in Vietnam.

In forest products, Sojitz and Sojitz Building Materials Corporation have obtained CoC (Chain of Custody) certification verifying that the forest products they handle come from certified forests. We will strengthen our business in this area by focusing on securing environmentally responsible forest products that come from certified plantations and forests. In the woodchip and afforestation businesses, Sojitz is strong in Vietnam. We plan to establish the country as our most important base for woodchip production by doubling production capacity at our woodchip production bases there through moves such as plant expansion. We also established a woodchip processing and export company in the African country of Mozambique in 2010. Sojitz will expand its woodchip business in anticipation of increasing demand for paper in China as well as Japan, while moving to expand sales in European markets to meet projected growth in biomass demand.

In real estate development, we have been concentrating on selling existing condominium projects. We also plan to become involved in businesses overseas such as participation in the development of industrial parks in Vietnam and other emerging countries.

In textiles, we built on the 90-year tradition of the McGREGOR American casual brand by launching the new McGREGOR CLASSIC brand in June 2010. We are complementing our established presence in department stores by developing relationships with stores in urban shopping malls in

metropolitan Tokyo. In general commodities & retail, we import branded goods such as shoes and suitcases for sale in Japan and overseas. Our strategy for this business involves plans to develop retail businesses that benefit from the rapid growth of consumer markets in emerging countries.

## (5) Other

Net sales decreased 28.9% year on year to ¥44,734 million. Net loss improved ¥3,648 million compared with the previous fiscal year to ¥5,458 million, largely because the absence of the extraordinary loss on devaluation of securities related to the preferred shares of Japan Airlines Co., Ltd. in the year ended March 31, 2010 more than offset the recognition of restructuring losses resulting from asset reallocation.

## 4. Earnings of Group Companies

As of March 31, 2011, the Sojitz Group comprised 475 companies, a decrease of 15 companies compared with the end of the previous fiscal year. Of this number, 320 companies (93 in Japan,

227 overseas) were consolidated subsidiaries, and 155 companies (42 in Japan, 113 overseas) were affiliated companies accounted for under the equity method. Companies included in the scope of consolidation that reported net income included 208 consolidated subsidiaries, or 65.0% of the total (197 consolidated subsidiaries, or 59.9%, in the previous fiscal year), and 120 equity-method affiliates, or 77.4% of the total (122 equity-method affiliates, or 75.8%, in the previous fiscal year). On an overall basis, 69.1% (65.1% in the previous fiscal year) reported net income for the year ended March 31, 2011. The operating performance of companies included in the scope of consolidation is presented in the table below.

## 5. Financial Position

### (1) Consolidated Balance Sheets

#### 1) Assets

At March 31, 2011, total assets decreased ¥43,958 million from a year earlier to ¥2,116,961 million.

Current assets decreased ¥18,648 million from a year earlier to ¥1,266,630 million. While trade

### ■ Earnings of Group Companies (Year Ended March 31, 2011)

	Profitable		Unprofitable		Total	
	Number of companies	Net income (Billions of yen)	Number of companies	Net loss (Billions of yen)	Number of companies	Net income (Billions of yen)
<b>Consolidated subsidiaries</b>						
Domestic .....	54	7.4	39	(7.0)	93	0.4
Overseas .....	154	39.8	73	(14.0)	227	25.8
Total .....	208	47.2	112	(21.0)	320	26.2
% of total .....	65.0%	—	35.0%	—	100.0%	—
<b>Companies accounted for by the equity method</b>						
Domestic .....	31	11.1	11	(0.8)	42	10.3
Overseas .....	89	13.7	24	(1.4)	113	12.3
Total .....	120	24.8	35	(2.2)	155	22.6
% of total .....	77.4%	—	22.6%	—	100.0%	—
<b>Total</b>						
Domestic .....	85	18.5	50	(7.8)	135	10.7
Overseas .....	243	53.5	97	(15.4)	340	38.1
Total .....	328	72.0	147	(23.2)	475	48.8
% of total .....	69.1%	—	30.9%	—	100.0%	—



notes and accounts receivable increased ¥19,605 million because of factors including growth in tobacco sales, cash and cash equivalents decreased ¥39,001 million from a year earlier because Sojitz made new investments and loans, repaid loans and redeemed outstanding bonds.

Investments and long-term receivables decreased ¥27,864 million from a year earlier to ¥448,797 million due in part to sale of investment properties totaling ¥19,267 million.

Property and equipment decreased ¥6,890 million from a year earlier to ¥215,775 million.

Other non-current assets increased ¥9,444 million from a year earlier to ¥185,759 million.

### 2) Liabilities

At March 31, 2011, liabilities decreased ¥22,065 million from a year earlier to ¥1,761,450 million.

Current liabilities increased ¥49,012 million from a year earlier to ¥890,545 million. Primary factors included an increase of ¥37,348 million in trade notes and accounts payable due largely to growth in tobacco, coal, and non-ferrous metal sales.

Non-current liabilities decreased ¥71,077 million from a year earlier to ¥870,905 million due primarily to repayment of long-term loans and redemption of bonds.

Total interest-bearing debt decreased ¥77,215 million from a year earlier to ¥1,116,303 million. Net interest-bearing debt, calculated as total interest-bearing debt less cash and deposits, decreased ¥37,182 million from a year earlier to ¥700,608 million, resulting in a net debt equity ratio of 2.1 times at March 31, 2011.

### 3) Net Assets

Owner's equity increased ¥12,869 million from a year earlier to ¥471,689 million as net income after dividend payments more than compensated for reduction in retained earnings due to changes in accounting standards. In accumulated other comprehensive income, net unrealized gains (losses) on available-for-sale securities decreased ¥2,535 million from a year earlier due largely to fluctuation in stock prices and exchange rates. Moreover, foreign currency translation adjustments reduced accumulated other comprehensive income by an

additional ¥32,433 million compared with a year earlier. As a result, total net assets including minority interests at March 31, 2011 decreased ¥21,893 million from a year earlier to ¥355,511 million.

## (2) Cash Flow

### 1) Cash Flows from Operating Activities

Net cash provided by operating activities decreased ¥39,360 million year on year to ¥67,863 million. In the year ended March 31, 2011, increase in trade payables partially offset the use of cash for increases in trade receivables and inventories.

### 2) Cash Flows from Investing Activities

Net cash used in investing activities totaled ¥19,903 million. In the previous fiscal year, investing activities provided net cash totaling ¥28,439 million. In the year ended March 31, 2011, payments for purchase of property and equipment used cash totaling ¥27,253 million, with acquisitions including ferroalloy, oil and gas field facilities and alumina refining facilities. Payments for purchase of intangible assets used cash totaling ¥21,196 million for acquisitions including coal mine, oil and gas concessions. Payments for purchase of investment securities totaled ¥20,647 million including investment in a company that produces the rare metal niobium. Proceeds from sale/redemption of investment securities totaled ¥14,229 million, reflecting in part the redemption of bonds issued by oil and gas development companies, while collection of long-term loans receivable totaled ¥11,174 million due in part to repayment of loans by equity-method affiliates.

### 3) Free Cash Flow

As a result of the above, free cash flow for the year ended March 31, 2011 totaled ¥47,960 million, a decrease of ¥87,702 million from ¥135,662 million for the previous fiscal year.

### 4) Cash Flows from Financing Activities

Net cash used in financing activities decreased ¥30,543 million year on year to ¥72,054 million. In the year ended March 31, 2011, the use of cash

for repayment of loans and redemption of bonds and commercial paper exceeded proceeds from long-term debt and issuance of bonds.

As a result of the above, cash and cash equivalents at the end of the fiscal year, including the effect of exchange rates on cash and cash equivalents and the decrease in cash and cash equivalents resulting from change of scope of consolidation, decreased ¥39,001 million from a year earlier to ¥415,261 million.

### (3) Liquidity and Funding

As in the previous fiscal year, the Sojitz Group's fundamental policy under the Shine 2011 medium-term management plan is to maintain and improve the stability of its funding structure. Specific measures include continuing to flexibly shift from short-term to long-term funding to create a stable funding structure while ensuring a stable financial base by maintaining sufficient liquidity to accommodate changes in economic and financial conditions. As a result, as of March 31, 2011 the current ratio was 142% and the long-term debt ratio was 72%.

Unsecured bonds are one method Sojitz uses to procure long-term funding. Sojitz issued a total of ¥20.0 billion in unsecured bonds during the year ended March 31, 2011, consisting of a ¥10.0 billion issue in May 2010 and a ¥10.0 billion issue in October 2010. Sojitz will continue to base future decisions to issue bonds on interest rates, market trends, appropriate timing and cost.

Moreover, Sojitz ensures stable liquidity for dealing with unforeseen contingencies in both yen and foreign currencies through a ¥100.0 billion long-term commitment line and a US\$300 million multi-currency commitment line.

## 6. Summary of Significant Accounting Policies

The consolidated financial statements of the Company and its subsidiaries are prepared in conformity with accounting principles generally accepted in Japan. The reported amounts relating to assets and liabilities, the disclosure of contingent liabilities and the appropriate recording of revenues and expenses for the reporting period used in the

preparation of the consolidated financial statements are based on estimates and assumptions as determined by the Company's management. The Company constantly reviews and verifies estimates and assumptions relating to the evaluation of receivables, investments and inventories, fixed assets, recognition of revenue, income taxes, deferred tax assets, Group business reorganization, and restructuring costs including those for affiliated companies, retirement and severance benefits, contingent liabilities, and other items. Estimates, assumptions and decisions made by the Company are based on historical performance and other factors that are deemed most relevant to the situation. In the event that insufficient facts exist to enable the Company to make an objective decision regarding the accounting for assets and liabilities and income and expenses, the Company bases its decisions on estimates and assumptions. Accordingly, differing assumptions and changes in conditions may cause estimates and actual results to differ.

The following are significant accounting policies adopted by the Company and its consolidated subsidiaries.

### (1) Evaluation of Receivables

The Company provides for probable losses arising from uncollectible notes and accounts receivable and loans receivable by maintaining an allowance for doubtful receivables based on past credit loss experience over the preceding three years. For doubtful receivables, the Company records an allowance after evaluating the probability of recovery, considering the estimated realization value of collateral and amounts to be recovered by guarantees.

In order to accurately assess the allowance for doubtful receivables, the Company periodically verifies each customer's financial position, credit rating, conditions for collection of receivables, changes in payment terms and conditions, economic trends in the industry, conditions in the region in which the customer operates, and all other relevant information.

The Company's management believes that the Company maintains sufficient and adequate allowances for doubtful receivables.

### **(2) Evaluation of Investment Securities**

The Company maintains a significant level of investments that are classified according to the purpose for which they are held, with valuation subject to a variety of assumptions. Available-for-sale securities with available market values are stated at fair value based on market prices as of the balance sheet date with unrealized valuation gains and losses, net of tax, included in net assets in the consolidated balance sheet. The Company recognizes devaluation losses on investment securities whose values have declined by at least 50% of their book value. In cases in which the values have declined 30% to 50%, and where conditions remain substantially unchanged from the previous fiscal year, the Company's management evaluates the probability of recovery, and recognizes devaluation losses except when the value is deemed to be recoverable.

Available-for-sale securities with no readily available fair market value are valued at cost using the moving-average method. The Company assesses these securities by comparing its equity in the net asset value of the issuer with the book value of the investment. In the event the Company's equity in the net asset value of the issuer has declined by at least 50% of the book value, the Company's management assesses the probability of recovery considering each situation, such as venture investments or temporary declines due to initial losses in the start-up of companies, and recognizes devaluation losses except when the value is deemed to be recoverable. Furthermore, in the event the Company's equity in the net asset value of the issuer has declined to less than 50% of the book value, and there is no probability of recovery, the Company recognizes the impairment loss. In the case of bonds, the amortized cost method is applied on an individual basis and a loss recognized for the estimated non-redeemable portion based on credit risk.

In the non-consolidated financial statements, the Company prepares for any future investment losses in connection with marketable securities of related companies by maintaining an investment loss allowance for estimated losses calculated on an

individual basis according to prescribed criteria after considering such factors as the financial position and business value of the issuer.

In recognizing devaluation losses on investment securities and in deciding the investment loss allowance, the Company's management reaches a decision after considering not only the financial position of the issuer but also specific factors pertaining to the industry, location and region of the issuer.

### **(3) Evaluation of Inventories**

Inventories held for sale in the ordinary course of business are stated on the balance sheet at the lower of acquisition cost or net selling value that reflects any decline in profitability. Moreover, inventories held for trading purposes are stated on the balance sheet at the market price, and any gain or loss arising from revaluation of inventories for trading purposes is presented in net sales.

The market value of real estate for sale is valued on an individual property basis by selecting the most appropriate value from among sales price, appraisal amount, official announced value, and appraised value for inheritance tax purposes, taking into consideration various conditions at the time of appraisal. In the event conditions are unchanged, this value is carried forward to the following fiscal year.

### **(4) Depreciation and Valuation of Property, Equipment and Intangible Assets**

The Company and its consolidated subsidiaries principally depreciate property and equipment other than leased assets by the declining-balance method, and depreciate intangible assets other than leased assets by the straight-line method based on the estimated useful lives of the respective assets according to the Corporate Tax Law. However, buildings acquired after April 1, 1998 are depreciated by the straight-line method. Leased assets in finance lease transactions without transfer of ownership are depreciated using the straight-line method based on the assumption that the useful life is equal to the lease term and the residual value is equal to zero. The accounting

treatment of the Company and its domestic consolidated subsidiaries for finance lease transactions without transfer of ownership that commenced prior to April 1, 2008 is similar to that used for ordinary rental transactions. Investment properties are depreciated mainly using the straight-line method, with useful lives principally calculated according to the Corporate Tax Law.

A certain domestic consolidated subsidiary revalues commercial-use land pursuant to “Law Concerning Revaluation of Land” (Law No. 34 enforced on March 31, 1998). The related unrealized gains or losses are recorded as land revaluation difference in net assets in the consolidated balance sheets. This revaluation method is applied using the appraisal value as prescribed in Article 2-5 of “Guidelines for Enforcement Regulations of the Law Concerning Revaluation of Land” (Ordinance No. 119 enforced on March 31, 1998).

Impairment losses of the Company and its domestic consolidated subsidiaries are determined by comparing the carrying amount of assets or an asset group with their undiscounted estimated future cash flows. If the undiscounted estimated future cash flows are less than the carrying amount, the difference between the higher of either net selling price or present value of future projected cash flows and the carrying amount is recognized as an impairment loss. Accumulated impairment losses are deducted directly from the corresponding assets.

## **(5) Deferred Tax Assets and Liabilities**

Where temporary differences exist between the amount of assets and liabilities for financial reporting purposes and the bases of such assets and liabilities as measured by tax laws, deferred tax assets and liabilities are recorded taking into account the tax loss carryforwards in accordance with tax-effect accounting standards.

The Company evaluates the probability of realization of the benefits of those deferred tax assets based on future taxable income estimates and tax planning. A valuation allowance is established to reduce certain deferred tax assets relating to deductible temporary differences and

net operating loss carryforwards where it is more likely to be unable to realize the benefits of those deferred tax assets as a result of rigorous assessment by the Company's management.

Although the Company's management believes that the realization of deferred tax assets, less amount of valuation allowance, is probable, the valuation allowance may change depending on changes of estimates for future taxable income.

## **(6) Employees' Retirement and Severance Benefits**

Employees' retirement and severance benefits are accrued based on the present value of projected benefit obligations attributed to employee services rendered by the end of the year and the fair value of the pension plan assets at fiscal year-end.

The Company has adopted a “Defined Contribution Pension Plan” with a “Lump-sum Payment Plan” or a “Prepaid Retirement Allowance Plan” as its retirement and severance benefit scheme. Domestic consolidated subsidiaries maintain employees' welfare pension fund plans, tax qualified pension plans and lump-sum payment plans as defined fund plans for the most part. Some consolidated subsidiaries have established a retirement allowance trust. Some foreign consolidated subsidiaries also have defined benefit plans.

## **(7) Directors' and Corporate Auditors' Retirement Benefits**

Certain domestic subsidiaries recognize retirement benefits for directors and executive officers based on internal regulations to provide for expected retirement benefits for directors and corporate auditors as of the balance sheet date, based on “Auditing Treatment Relating to Reserve Defined under the Special Tax Measurement Law, Reserve Defined under the Special Law and Reserve for Director and Corporate Auditor Retirement Benefits” (Auditing and Assurance Practice Committee Report No. 42 issued by the Japanese Institute of Certified Public Accountants on April 13, 2007).

### 7. Business and Other Risks

#### (1) Business Risks

As a general trading company, Sojitz is engaged in a wide range of businesses globally, including buying, selling, importing, and exporting goods, manufacturing and selling products, providing services, and planning and coordinating projects, in Japan and overseas. The Group also invests in various sectors and conducts financing activities. These operations are inherently exposed to various risks. The Group defines and classifies risks and manages them in accord with their nature. For quantifiable risks (market risks, credit risk, business investment risk, and country risk), the Group conducts comprehensive risk management, measuring risks and monitoring them based on risk asset scores derived from risk measurements. Although the Group is strengthening and upgrading its risk management to deal with various risks, it cannot completely avoid these risks.

##### 1) Risk of changes in the macroeconomic environment

As a general trading company with global operations, Sojitz operates a wide range of businesses in Japan and overseas, including Machinery, Energy & Metal, Chemicals & Functional Materials, and Consumer Lifestyle Business. The Group's earnings are influenced by economic conditions in Japan and other countries and the overall global economy. A global or regional economic slowdown can adversely affect the Group's operating performance and/or financial condition.

##### 2) Market risks

The Group is exposed to market risks, including exchange rate risk associated with transactions denominated in foreign currencies in connection with international trade or business investments; interest rate risk associated with debt financing and portfolio investment; commodity price risk associated with purchase and sale agreements and commodity inventories incidental to operating activities; and market price risk associated with holding listed securities and other such assets. The Group pursues a basic policy of minimizing these

market risks through such means as matching assets and liabilities (e.g., long and short commodity exposures) and hedging with forward exchange contracts, commodity futures/forward contracts, and interest rate swaps.

##### (a) Currency risk

The Group engages in import and export transactions, and offshore transactions, denominated in foreign currencies as a principal business activity. Whereas the revenues and expenditures associated with such transactions are mainly paid in foreign currencies, the Group's consolidated reporting currency is the Japanese yen. The Group is therefore exposed to the risk of fluctuations in the yen's value against foreign currencies, and hedges its foreign currency exposure with forward exchange contracts to prevent or limit losses stemming from this currency risk. Even with such hedging, however, there is no assurance that the Group can completely avoid currency risk. The Group's operating performance and/or financial condition could be adversely affected by unanticipated market movements. Additionally, the Group's dividend income from overseas Group companies and the profits and losses of overseas consolidated subsidiaries and equity-method affiliates are largely denominated in foreign currencies. Their conversion into yen entails currency risk. The Group also owns many foreign subsidiaries and operating companies. When these companies' financial statements are converted into yen, exchange rate movements could impair the Group's net assets through the foreign currency translation adjustment account.

##### (b) Interest rate risk

The Group raises funds by borrowing from financial institutions or issuing bonds to acquire fixed assets, invest in securities, and extend credit (e.g., through trade receivables). An increase in funding costs due to a sharp rise in interest rates could adversely affect the Group's operating performance and/or financial condition through income derived from and expenses incurred on assets and liabilities on the Group's balance sheets.



### **(c) Commodity price risk**

As a general trading company, the Group deals in a wide range of commodities in its various businesses. It is consequently exposed to the risk of commodity price fluctuations. For market-traded commodities, the Group manages exposures and controls losses by setting (long and short) position limits and stop-loss levels for each of its organizational units. The Group also imposes and enforces stop-loss rules (i.e., organizational units must promptly liquidate losing positions and are prohibited from initiating new trades for the remainder of the fiscal year if unit losses, including valuation losses, exceed the stop-loss level). Even with these controls, however, there is no assurance that the Group can completely avoid commodity price risk. The Group's operating performance and/or financial condition could be adversely affected by unanticipated market movements. The Group also monitors commodity inventories by business unit on a monthly basis to control inventory levels.

### **(d) Listed securities price risk**

The Group has large holdings of marketable securities. For listed shares in particular, the Group periodically reviews its portfolio. Nonetheless, a major decline in the stock market could impair the Group's investment portfolio and, in turn, adversely affect the Group's operating performance and/or financial condition.

## **3) Credit risk**

The Group assumes credit risk by extending credit to many domestic and foreign customers through a variety of commercial transactions. The Group mitigates such credit risk by assigning credit ratings to the customers to which it extends credit, using an 11-grade rating scale and objective rating criteria. The Group also controls credit risk by setting rating-based credit limits on a customer-by-customer basis and enforcing the credit limits thus set. The Group also employs other safeguards (e.g., collateral and guarantees) as warranted by the customer's creditworthiness. Additionally, the Group has a system for assessing receivables in which it screens the customers to which it has

extended trade credit to identify those that meet certain criteria. It then reassesses the selected customers' creditworthiness and the status of the Group's claims against these customers. Through this approach, the Group is endeavoring to more rigorously ascertain credit risk and estimate provisions to allowance for doubtful accounts for individual receivables. For credit risk associated with deferred payments, loans, and credit guarantees, the Group periodically assesses whether profitability is commensurate with credit risk on a case-by-case basis. For transactions that do not generate risk-commensurate returns, the Group takes steps to improve profitability or limit credit risk.

However, even with such credit management procedures, there is no assurance that the Group can completely avoid credit risk. If, for example, receivables are rendered uncollectible by a customer's bankruptcy, the Group's operating performance and/or financial condition could be adversely affected.

## **4) Business investment risk**

The Group invests in a wide range of businesses as one of its principal business activities. In doing so, it assumes the risk of fluctuations in the value of these investments. Additionally, because many business investments are illiquid, the Group also faces the risk of being unable to recoup its investment as profitably as initially anticipated.

With the aim of preventing and limiting losses from business investments, the Group has established standards for rigorously prescreening prospective business investments and monitoring and withdrawing from investments.

In screening prospective investments, the Group analyzes business plans, including cash flow projections, and rigorously assesses the businesses' prospects. It has also established procedures, including an IRR (internal rate of return) hurdle rate screen, to enable it to identify investments with the potential to generate returns commensurate with risk.

Once the Group has invested in a business venture, it closely monitors the business through

such means as periodic reassessment of the business's prospects to minimize losses through early identification of problems. To identify problems with business investments at an early stage and minimize losses on divestiture or liquidation, the Group sets exit conditions and acts decisively to opportunistically exit investments that have failed to generate risk-commensurate returns.

Even with such procedures for screening prospective investments and monitoring existing investments, the Group cannot completely avoid the risk that investment returns will fall short of expectations or the risk that businesses will fail to perform according to plan. Moreover, the Group could incur losses when exiting business ventures or may be precluded from exiting business ventures as intended due to circumstances such as relationships with partners in the ventures. Such events could adversely affect the Group's operating performance and/or financial condition.

### 5) Country risk

To minimize losses that may result from country risk, the Group recognizes that it must avoid concentrated exposure to any single country or region. In conducting business in countries that pose substantial country risk, the Group generally hedges against country risk on a transaction-by-transaction basis through such means as purchasing trade insurance.

In managing country risk, the Group assigns country-risk ratings to individual countries and regions and sets net exposure (gross exposure less trade insurance coverage and/or other country-risk hedges) limits based on the country's size and assigned rating. The Group limits its net exposure to individual countries to no more than the net exposure limit. However, even with these risk controls and hedges, the Group cannot completely eliminate the risk that businesses will fail to perform according to plan or the risk of losses due to changes in political, economic, regulatory and societal conditions in the countries in which the Group conducts business activities or countries in which the Group's customers are located. In the

event of such losses, the Group's operating performance and/or financial condition could be adversely affected.

### 6) Impairment risk

The Group is exposed to the risk of impairment of the value of its real estate holdings and other property, equipment and intangible assets such as machinery, vehicles, mining rights and leased assets. The Group uses asset impairment accounting and recognizes necessary impairment losses at the end of the fiscal year in which they are identified. If assets subject to asset impairment accounting decline materially in value due to a decline in their market prices, recognition of necessary impairment losses could adversely affect the Group's operating performance and/or financial condition.

### 7) Financing risk

The Group largely funds its operations by issuing bonds and borrowing funds from financial institutions. Accordingly, in the event of a disruption of the financial system or financial or capital markets, or a major downgrade of the Group's credit rating by a rating agency, the Group's operating performance and/or financial condition could be adversely affected by funding constraints and/or increased financing costs.

### 8) Environmental risk

The Group regards environmental preservation as one of the most important management considerations. The Group has prescribed environmental policies and is proactively addressing environmental problems through such means as complying with environmental laws and regulations and assessing the environmental impact of prospective investments and loans and development projects. Despite such measures, the Group's business activities could still pollute the environment. In such an event, the Group could incur costs due to project suspension, environmental remediation and purification, and/or litigation.

## 9) Compliance risk

The Group's diverse business activities are subject to a broad range of laws and regulations, including corporation laws, tax laws, antitrust laws, foreign exchange laws and other trade-related laws, and various industry-specific laws, including chemical regulations. To ensure compliance with these laws and regulations, the Group has formulated a compliance program, established compliance committees, and promotes rigorous regulatory compliance on a Group-wide basis. However, such measures cannot completely eliminate the compliance risk entailed by the Group's business activities. Additionally, the Group's operating performance and/or financial condition could be adversely affected by major statutory or regulatory revisions or application of an unanticipated interpretation of existing laws or regulations.

## 10) Litigation risk

Litigation or other legal proceedings, such as arbitration, may be initiated in Japan or overseas against the Group or certain of its assets in connection with the Group's business activities. As of March 31, 2011, the Group was not involved in any litigation, arbitration, or other legal proceedings with the potential to have a material impact on its operating performance or financial condition.

## 11) Information system and information security risks

The Group has prescribed regulations and established oversight entities, mainly internal committees, to appropriately protect and manage information assets. The Group also has implemented safeguards, such as installation of duplicate hardware, against failure of key information systems and network infrastructure. Additionally, the Group is endeavoring to strengthen its safeguards against information leaks through such means as installing firewalls to prevent unauthorized access by outsiders, implementing antivirus measures, and utilizing encryption technologies.

While the Group is working to strengthen overall information security and prevent system failures, it cannot completely eliminate the risk of important information assets, including personal information, being leaked or damaged by an unknown computer virus or unauthorized access to its computer systems. Nor can the Group eliminate the risk of its information and communication systems being rendered inoperable by an unforeseeable natural disaster or system failure. In such an event, the Group's operating performance and/or financial condition could be adversely affected, depending on the extent of the damage.

## 12) Natural disaster risk

The Group could be directly or indirectly affected in the event of an earthquake, flood, storm, or other natural disaster that damages offices or other facilities or injures employees and their family members. The Group has prepared disaster response manuals, conducts disaster response drills, and has established an employee safety confirmation system and a business continuity plan, but it cannot completely avoid the risk of damage from natural disasters. The Group's operating performance and/or financial condition could be adversely affected by natural disasters.

## (2) Risks Related to the Shine 2011 Medium-term Management Plan

As noted in "8. Group Management Policy" below, the Group has formulated a new medium-term management plan, Shine 2011, for the period from the year ended March 31, 2010 to the year ending March 31, 2012 (April 1, 2009 to March 31, 2012). Despite the Group's efforts, there is no assurance that all Shine 2011 plan targets will be achieved. Initiatives directed at achieving the targets may not progress as planned or may not be as successful as anticipated.

## 8. Group Management Policy

### (1) Fundamental Policy

Sojitz has adopted a fundamental policy of establishing a strong earnings foundation that will ensure sustained growth by improving earnings

quality. Toward this end, Sojitz formulated a medium-term management plan named "Shine 2011 – Toward Sustained Growth" for the three years from the year ended March 31, 2010 through the year ending March 31, 2012. Sojitz will carry out the Shine 2011 plan by realizing its Management Vision of the company it aspires to become and the common principles it embraces in accord with the Sojitz Group Statement below.

### Sojitz Group Statement

The Sojitz Group produces new sources of wealth by connecting the world's economies, cultures and people in a spirit of integrity.

### Sojitz Group Slogan *New way, New value*

### Sojitz Group Management Vision

- ◆ Unrelentingly enhance the Group's trading company functions, as demanded by clients, by fully grasping and anticipating clients' diverse needs (Function-oriented trading company)
- ◆ Take advantage of changes and continuously develop new business fields (Innovating trading company)
- ◆ Become a company in which each and every employee can work with pride and pursue challenges and explore opportunities to realize his or her own personal goals and ambitions (Open and flexible company)
- ◆ Seek to harmonize the Group's corporate activities with the society and the environment by consistently putting the Group's statement into practice (Socially contributive company)

## (2) Targeted Performance Indicators

Under Shine 2011, Sojitz aims to optimize its asset

portfolio while pursuing qualitative improvement by accumulating high-quality businesses and assets and establishing a strong, risk-resistant earnings foundation by reconfiguring its operations. Future key performance targets are consolidated ROA of 3%, and consolidated ROE of 15%.

Sojitz continues to place priority on maintaining financial soundness and improving the stability of its funding structure. Its basic policy is to maintain the financial ratios shown in the table below. Sojitz will further strengthen its financial base by targeting a net debt equity ratio (DER)\* of approximately 2.0 times, which it will maintain by limiting additional borrowings through means including asset reallocation.

	Target	Value at March 31, 2011
Ratio of long-term debt to total debt	Approximately 70%	72%
Current ratio	At least 120%	142%
Net DER (times)*	Approximately 2.0	2.1

\*The figure for equity used as the denominator in the net debt equity ratio excludes minority interests.

In addition, risk assets were 0.9 times shareholders' equity at March 31, 2011. Sojitz has an ongoing target of limiting its risk assets to no more than 1.0 times its shareholders' equity. To do so, Sojitz will constantly devise and execute measures such as exiting low-margin businesses, rationalizing inventory and reducing holdings of listed stock.

## (3) Medium-to-Long-term Business Strategy

Under the Shine 2011 medium-term management plan intended to achieve sustained growth, Sojitz aims to establish a strong earnings foundation by improving earnings quality, thereby ensuring growth.

In accord with the four themes of Shine 2011 below, Sojitz will continuously work to strengthen existing businesses, expand resource businesses and cultivate new businesses, particularly in the environmental, new energy and agribusiness fields.

1. Accumulate high-quality businesses and assets  
Secure medium/long-term earnings foundation  
(Build high-quality asset holdings in absolute volume terms)
2. Branch into new businesses  
Cultivate new businesses in pursuit of sustained growth (Groundwork for future growth)
3. Ensure asset liquidity  
Pursue an asset structure that is resilient to market fluctuations
4. Develop globally competent human resources  
Develop human resources capable of achieving sustained growth

In the year ended March 31, 2011, the second year of Shine 2011, Sojitz worked to reinforce the earnings foundation of businesses that had been slow to recover while accumulating high-quality businesses and assets. Results of these efforts included improved earnings in the fertilizer business and rationalized inventory in the automotive business.

In resource businesses, Sojitz continued to secure resources by expanding existing interests while replacing existing assets with new ones.

Sojitz also made progress in building a medium-to-long-term earnings foundation, mainly in the environmental and new energy fields. Examples included participation in businesses related to solar power, reduction of supply risk in the rare earths business, participation in environmental and infrastructure projects in China, and IPP projects in the Middle East. Additionally, we made progress in one of our new areas – agribusiness – by launching an agricultural business in Argentina.

In the year ending March 31, 2012, the final year of Shine 2011, Sojitz aims to establish the strong earnings base required for sustained growth by accumulating high-quality businesses and assets and improving earnings in existing businesses. Looking ahead to future growth, we will also be aggressive in new areas. Asset reallocation will continue to be our fundamental consideration in selectively deploying new investments and loans to increase asset quality in businesses that generate stable earnings and growth.

## 9. Basic Policy on Dividends

Sojitz considers the stable, continuous payment of dividends to shareholders one of the most important management issues. An equally important issue is the need to enhance competitiveness and shareholder value by increasing internal capital reserves and using them effectively.

Sojitz decided to pay a year-end cash dividend of ¥1.50 per share for the year ended March 31, 2011 after considering factors including shareholders' equity and its requirements for funding investments in growth. Year-end dividends paid totaled ¥1,877 million. Including the interim dividend of ¥1.50 per share paid on December 2, 2010, cash dividends per share for the year ended March 31, 2011 totaled ¥3.00 per share, and dividends paid totaled ¥3,753 million. The payout ratio for the year ended March 31, 2011 was therefore 23.5%.

Sojitz's Articles of Incorporation permit the payment of interim cash dividends by the resolution of the Board of Directors as stipulated by Article 454, Paragraph 5 of the Companies Act of Japan. As a result, Sojitz's basic policy is to pay dividends twice annually, with the interim dividend being approved by resolution of the Board of Directors and the year-end dividend being approved by the Ordinary General Shareholders' Meeting.



# Consolidated Balance Sheets

Sojitz Corporation and Consolidated Subsidiaries  
As of March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
<b>ASSETS</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>
<b>Current Assets:</b>			
Cash and cash equivalents (Notes 4 and 12) .....	¥ 415,261	¥ 454,262	\$ 5,003,145
Time deposits (Notes 4 and 12) .....	4,728	6,757	56,964
Short-term investments (Notes 3 and 12) .....	1,313	1,005	15,819
Receivables (Notes 4 and 12):			
Trade notes and trade accounts .....	469,669	450,064	5,658,663
Loans .....	3,931	5,785	47,361
Unconsolidated subsidiaries and affiliates .....	13,800	14,328	166,265
Allowance for doubtful receivables .....	(7,348)	(9,089)	(88,530)
Inventories (Note 4) .....	243,210	248,630	2,930,241
Advance payments to suppliers .....	54,770	50,642	659,879
Deferred tax assets (Note 8) .....	15,403	13,484	185,578
Other current assets (Note 4) .....	51,893	49,410	625,217
Total current assets .....	1,266,630	1,285,278	15,260,602
<b>Investments and Long-term Receivables:</b>			
Investment securities (Notes 3, 4 and 12) .....	115,716	127,469	1,394,169
Investments in and advances to unconsolidated subsidiaries and affiliates (Note 12) .....	236,025	232,008	2,843,675
Long-term loans, receivables and other (Notes 4 and 12) .....	122,821	121,130	1,479,771
Investment properties (Notes 4 and 17) .....	33,994	53,261	409,566
Allowance for doubtful receivables (Note 12) .....	(59,759)	(57,207)	(719,988)
Total investments and long-term receivables .....	448,797	476,661	5,407,193
<b>Property and Equipment, at Cost</b> (Notes 4, 5 and 17):			
Land .....	55,114	57,442	664,024
Buildings and structures .....	111,538	112,592	1,343,831
Equipment, fixtures and others .....	179,187	185,992	2,158,880
Construction in progress .....	19,177	11,883	231,048
Accumulated depreciation .....	(149,241)	(145,244)	(1,798,084)
Net property and equipment .....	215,775	222,665	2,599,699
<b>Other Non-current Assets:</b>			
Goodwill .....	51,475	54,306	620,181
Deferred tax assets (Note 8) .....	52,882	61,432	637,132
Other intangible assets and deferred charges (Note 4) .....	81,402	60,577	980,747
Total other non-current assets .....	185,759	176,315	2,238,060
Total .....	¥2,116,961	¥2,160,919	\$25,505,554

See accompanying notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
<b>LIABILITIES AND NET ASSETS</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>
<b>Current Liabilities:</b>			
Short-term debt, principally unsecured (Notes 4, 6 and 12) .....	¥ 116,929	¥ 176,485	\$ 1,408,783
Commercial paper (Notes 6 and 12) .....	2,000	10,000	24,096
Current portion of long-term debt (Notes 4, 6 and 12) .....	190,727	120,287	2,297,916
Payables (Notes 4 and 12):			
Trade notes and trade accounts .....	407,926	370,578	4,914,771
Unconsolidated subsidiaries and affiliates .....	7,059	6,891	85,048
Accrued expenses .....	10,083	9,559	121,482
Income taxes payable (Note 12) .....	6,591	5,949	79,410
Advances received from customers .....	55,266	46,555	665,856
Deferred tax liabilities (Note 8) .....	146	44	1,759
Other current liabilities (Note 4) .....	93,818	95,185	1,130,337
Total current liabilities .....	890,545	841,533	10,729,458
<b>Non-current Liabilities:</b>			
Long-term debt, less current portion (Notes 4, 6 and 12) .....	806,646	886,746	9,718,627
Employees' retirement and severance benefits (Note 7) .....	13,136	13,280	158,265
Deferred tax liabilities (Note 8) .....	19,783	15,688	238,349
Directors' and corporate auditors' retirement benefits .....	834	932	10,048
Other non-current liabilities (Note 4) .....	30,506	25,336	367,542
Total non-current liabilities .....	870,905	941,982	10,492,831
Total liabilities .....	1,761,450	1,783,515	21,222,289
Contingent liabilities (Note 14)			
<b>Net Assets (Note 9)</b>			
<b>Owners' Equity:</b>			
Common and preferred stock .....	160,340	160,340	1,931,807
Common stock at March 31, 2011			
Authorized—1,349,000,000 shares			
Issued—1,251,499,501 shares			
Capital surplus .....	152,160	152,160	1,833,253
Retained earnings .....	159,359	146,489	1,919,988
Treasury stock: 416,962 shares and 408,488 shares at March 31, 2011 and 2010, respectively .....	(170)	(169)	(2,048)
Total owners' equity .....	471,689	458,820	5,683,000
<b>Accumulated Other Comprehensive Income, Net of Tax:</b>			
Net unrealized gains (losses) on available-for-sale securities .....	12,310	14,845	148,313
Net deferred gain (loss) on derivatives under hedge accounting .....	3,022	2,358	36,410
Land revaluation difference (Note 20) .....	(2,302)	(2,055)	(27,735)
Foreign currency translation adjustments .....	(153,984)	(121,551)	(1,855,229)
Minimum pension liability adjustment (Notes 1 and 16) .....	(706)	—	(8,506)
Total accumulated other comprehensive income, net of tax .....	(141,660)	(106,403)	(1,706,747)
<b>Minority Interests in Net Income</b> .....	25,482	24,987	307,012
Total net assets .....	355,511	377,404	4,283,265
Total .....	¥2,116,961	¥2,160,919	\$25,505,554

# Consolidated Statements of Income

Sojitz Corporation and Consolidated Subsidiaries  
For the years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
<b>Net Sales (Total Trading Transactions)</b> .....	<b>¥4,014,640</b>	¥3,844,418	<b>\$48,369,157</b>
Cost of sales .....	<b>3,821,915</b>	3,666,215	<b>46,047,169</b>
<b>Gross Trading Profit</b> .....	<b>192,725</b>	178,203	<b>2,321,988</b>
<b>Selling, General and Administrative Expenses</b> (Note 10) .....	<b>155,205</b>	162,074	<b>1,869,940</b>
<b>Operating Income</b> .....	<b>37,520</b>	16,129	<b>452,048</b>
<b>Other Income (Expenses):</b>			
Interest income .....	<b>4,309</b>	4,633	<b>51,916</b>
Interest expense .....	<b>(23,936)</b>	(25,987)	<b>(288,386)</b>
Dividends .....	<b>4,081</b>	5,040	<b>49,169</b>
Equity in earnings of unconsolidated subsidiaries and affiliates .....	<b>19,297</b>	9,180	<b>232,494</b>
Penalty income .....	<b>503</b>	3,802	<b>6,060</b>
Foreign exchange loss .....	<b>(2,848)</b>	(172)	<b>(34,313)</b>
Other, net .....	<b>6,390</b>	1,078	<b>76,988</b>
Total .....	<b>7,796</b>	(2,426)	<b>93,928</b>
<b>Ordinary Income</b> .....	<b>45,316</b>	13,703	<b>545,976</b>
<b>Extraordinary Gains (Losses)</b> (Note 11) .....	<b>(6,004)</b>	5,192	<b>(72,337)</b>
<b>Income before Income Taxes and Minority Interests</b> .....	<b>39,312</b>	18,895	<b>473,639</b>
<b>Income Taxes</b> (Note 8):			
Current .....	<b>(11,400)</b>	(8,563)	<b>(137,350)</b>
Deferred .....	<b>(9,103)</b>	294	<b>(109,675)</b>
Total .....	<b>(20,503)</b>	(8,269)	<b>(247,025)</b>
<b>Net Income before Minority Interests</b> .....	<b>18,809</b>	10,626	<b>226,614</b>
Minority interests .....	<b>(2,827)</b>	(1,832)	<b>(34,060)</b>
<b>Net Income</b> .....	<b>¥ 15,982</b>	¥ 8,794	<b>\$ 192,554</b>
	Yen		U.S. dollars (Note 1)
Net income per share — basic .....	<b>¥ 12.77</b>	¥ 7.08	<b>\$ 0.15</b>
Net income per share — diluted .....	<b>12.77</b>	7.06	<b>0.15</b>
Cash dividends per share* .....	<b>3.00</b>	2.50	<b>0.04</b>

\*The amounts represent the annual dividends per share on common stock of the Company.  
See accompanying notes to consolidated financial statements.

# Consolidated Statements of Comprehensive Income

Sojitz Corporation and Consolidated Subsidiaries  
For the years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
<b>Net Income before Minority Interests</b> .....	<b>¥ 18,809</b>	¥10,626	<b>\$ 226,614</b>
<b>Other Comprehensive Income</b>			
Net unrealized gains (losses) on available-for-sale securities .....	<b>(1,558)</b>	3,786	<b>(18,771)</b>
Net deferred gain (loss) on derivatives under hedge accounting .....	<b>1,165</b>	641	<b>14,036</b>
Foreign currency translation adjustments .....	<b>(26,545)</b>	14,218	<b>(319,819)</b>
Minimum pension liability adjustment .....	<b>129</b>	63	<b>1,554</b>
Other comprehensive income from investments accounted for under equity method ...	<b>(8,654)</b>	10,855	<b>(104,265)</b>
Total other comprehensive income.....	<b>(35,463)</b>	29,563	<b>(427,265)</b>
<b>Comprehensive Income</b> .....	<b>(16,654)</b>	40,189	<b>(200,651)</b>
Comprehensive income attributable to shareholders of Sojitz Group .....	<b>(18,318)</b>	37,870	<b>(220,699)</b>
Comprehensive income attributable to owners interests .....	<b>1,664</b>	2,319	<b>20,048</b>

# Consolidated Statements of Changes in Net Assets

Sojitz Corporation and Consolidated Subsidiaries  
For the years ended March 31, 2011 and 2010

Year ended March 31, 2011	Millions of yen				
	Owners' Equity				
	Common and preferred stock	Capital surplus	Retained earnings	Treasury stock	Total owners' equity
Balance at March 31, 2010 .....	¥160,340	¥152,160	¥146,489	¥(169)	¥458,820
Changes of items during the fiscal year					
Cash dividends.....			(1,877)		(1,877)
Net income .....			15,982		15,982
Increase in land revaluation difference.....			247		247
Effect of changes in the scope of consolidated subsidiaries and affiliates accounted for under the equity method .....			(936)		(936)
Effect of changes in accounting policy for overseas affiliates accounted for under the equity method.....			(1,343)		(1,343)
Purchase of treasury stock.....				(2)	(2)
Reclassification of minimum pension liability adjustment (Notes 1 and 16) .....			797		797
Effect of changes in equity interest of affiliates ....				1	1
Net changes of items other than owners' equity ..					
Total changes during the year .....	—	—	12,870	(1)	12,869
Balance at March 31, 2011 .....	¥160,340	¥152,160	¥159,359	¥(170)	¥471,689

	Accumulated Other Comprehensive Income							Minority Interests	Total net assets
	Net unrealized gains (losses) on available-for-sale securities	Net deferred gain (loss) on derivatives under hedge accounting	Land revaluation difference	Foreign currency translation adjustments	Minimum pension liability adjustment	Total accumulated other comprehensive income			
Balance at March 31, 2010 .....	¥14,845	¥2,358	¥(2,055)	¥(121,551)	¥ —	¥(106,403)	¥24,987		¥377,404
Changes of items during the fiscal year									
Cash dividends.....									(1,877)
Net income .....									15,982
Increase in land revaluation difference.....									247
Effect of changes in the scope of consolidated subsidiaries and affiliates accounted for under the equity method ...									(936)
Effect of changes in accounting policy for overseas affiliates accounted for under the equity method.....									(1,343)
Purchase of treasury stock.....									(2)
Reclassification of minimum pension liability adjustment (Notes 1 and 16) .....									797
Effect of changes in equity interest of affiliates.....									1
Net changes of items other than owners' equity ..	(2,535)	664	(247)	(32,433)	(706)	(35,257)	495		(34,762)
Total changes during the year .....	(2,535)	664	(247)	(32,433)	(706)	(35,257)	495		(21,893)
Balance at March 31, 2011 .....	¥12,310	¥3,022	¥(2,302)	¥(153,984)	¥(706)	¥(141,660)	¥25,482		¥355,511

See accompanying notes to consolidated financial statements.



Thousands of U.S. dollars (Note 1)

Year ended March 31, 2011	Owners' Equity				
	Common and preferred stock	Capital surplus	Retained earnings	Treasury stock	Total owners' equity
Balance at March 31, 2010 .....	\$1,931,807	\$1,833,253	\$1,764,928	\$(2,036)	\$5,527,952
Changes of items during the fiscal year					
Cash dividends.....			(22,614)		(22,614)
Net income .....			192,554		192,554
Increase in land revaluation difference.....			2,976		2,976
Effect of changes in the scope of consolidated subsidiaries and affiliates accounted for under the equity method .....			(11,277)		(11,277)
Effect of changes in accounting policy for overseas affiliates accounted for under the equity method.....			(16,181)		(16,181)
Purchase of treasury stock.....				(24)	(24)
Reclassification of minimum pension liability adjustment (Notes 1 and 16) .....			9,602		9,602
Effect of changes in equity interest of affiliates ....				12	12
Net changes of items other than owners' equity ..					
Total changes during the year .....	—	—	155,060	(12)	155,048
Balance at March 31, 2011 .....	\$1,931,807	\$1,833,253	\$1,919,988	\$(2,048)	\$5,683,000

Accumulated Other Comprehensive Income

	Net unrealized gains (losses) on available-for-sale securities	Net deferred gain (loss) on derivatives under hedge accounting	Land revaluation difference	Foreign currency translation adjustments	Minimum pension liability adjustment	Total accumulate other comprehensive income	Minority Interests	Total net assets
Balance at March 31, 2010 .....	\$178,855	\$28,410	\$(24,759)	\$(1,464,470)	\$ —	\$(1,281,964)	\$301,048	\$4,547,036
Changes of items during the fiscal year								
Cash dividends.....								(22,614)
Net income .....								192,554
Increase in land revaluation difference.....								2,976
Effect of changes in the scope of consolidated subsidiaries and affiliates accounted for under the equity method ...								(11,277)
Effect of changes in accounting policy for overseas affiliates accounted for under the equity method.....								(16,181)
Purchase of treasury stock.....								(24)
Reclassification of minimum pension liability adjustment (Notes 1 and 16) .....								9,602
Effect of changes in equity interest of affiliates.....								12
Net changes of items other than owners' equity ..	(30,542)	8,000	(2,976)	(390,759)	(8,506)	(424,783)	5,964	(418,819)
Total changes during the year .....	(30,542)	8,000	(2,976)	(390,759)	(8,506)	(424,783)	5,964	(263,771)
Balance at March 31, 2011 .....	\$148,313	\$36,410	\$(27,735)	\$(1,855,229)	\$(8,506)	\$(1,706,747)	\$307,012	\$4,283,265

## Consolidated Statements of Changes in Net Assets

Year ended March 31, 2010	Millions of yen				
	Owners' Equity				
	Common and preferred stock	Capital surplus	Retained earnings	Treasury stock	Total owners' equity
Balance at March 31, 2009 .....	¥160,340	¥152,160	¥142,158	¥(166)	¥454,492
Changes of items during the fiscal year					
Cash dividends .....			(4,340)		(4,340)
Net income .....			8,794		8,794
Increase in land revaluation difference .....			147		147
Effect of changes in the scope of consolidated subsidiaries and affiliates accounted for under the equity method ...			(286)		(286)
Minimum pension liability adjustment (Notes 1 and 16) ..			16		16
Purchase of treasury stock .....				(2)	(2)
Effect of changes in equity interest of affiliates .....				(1)	(1)
Net changes of items other than owners' equity ...					
Total changes during the year .....	—	—	4,331	(3)	4,328
Balance at March 31, 2010 .....	¥160,340	¥152,160	¥146,489	¥(169)	¥458,820

	Accumulated Other Comprehensive Income						Total net assets
	Net unrealized gains (losses) on available-for-sale securities	Net deferred gain (loss) on derivatives under hedge accounting	Land revaluation difference	Foreign currency translation adjustments	Total accumulated other comprehensive income	Minority Interests	
Balance at March 31, 2009 .....	¥ 6,237	¥1,511	¥(1,908)	¥(141,341)	¥(135,501)	¥ 36,512	¥355,503
Changes of items during the fiscal year							
Cash dividends .....							(4,340)
Net income .....							8,794
Increase in land revaluation difference .....							147
Effect of changes in the scope of consolidated subsidiaries and affiliates accounted for under the equity method ...							(286)
Minimum pension liability adjustment (Notes 1 and 16) ..							16
Purchase of treasury stock .....							(2)
Effect of changes in equity interest of affiliates .....							(1)
Net changes of items other than owners' equity ..	8,608	847	(147)	19,790	29,098	(11,525)	17,573
Total changes during the year .....	8,608	847	(147)	19,790	29,098	(11,525)	21,901
Balance at March 31, 2010 .....	¥14,845	¥2,358	¥(2,055)	¥(121,551)	¥(106,403)	¥ 24,987	¥377,404

# Consolidated Statements of Cash Flows

Sojitz Corporation and Consolidated Subsidiaries  
For the years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
<b>Cash Flows from Operating Activities:</b>			
Income before income taxes and minority interests .....	¥ 39,312	¥ 18,895	\$ 473,639
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization.....	24,096	23,197	290,313
Impairment loss .....	9,687	9,402	116,711
Loss on devaluation of securities.....	801	16,544	9,651
Amortization of goodwill .....	4,548	4,443	54,795
Increase (decrease) in allowance for doubtful receivables .....	1,620	(3,978)	19,518
Increase (decrease) in employees' retirement and severance benefits.....	902	(3,296)	10,867
Interest and dividend income .....	(8,390)	(9,673)	(101,085)
Interest expense .....	23,936	25,987	288,386
Foreign exchange (gain) loss, net .....	3,908	(1,832)	47,084
Equity in earnings of unconsolidated subsidiaries and affiliates .....	(19,298)	(9,179)	(232,506)
Gain on sale of investment securities .....	(755)	(32,376)	(9,096)
Gain on sale and disposal of property and equipment .....	(4,387)	(991)	(52,855)
Gain on subsequent acquisitions.....	(10,307)	—	(124,181)
Decrease (increase) in trade receivables .....	(30,329)	57,221	(365,410)
Decrease (increase) in inventories .....	(6,998)	80,619	(84,313)
Increase (decrease) in trade payables .....	52,368	(46,576)	630,940
Other, net.....	8,792	(2,434)	105,928
	¥ 89,506	¥ 125,973	\$ 1,078,386
Interest and dividends received .....	13,173	18,121	158,711
Interest paid .....	(24,014)	(26,380)	(289,325)
Income taxes paid .....	(10,802)	(10,491)	(130,145)
Net cash provided by operating activities .....	¥ 67,863	¥ 107,223	\$ 817,627
<b>Cash Flows from Investing Activities:</b>			
Net decrease (increase) in time deposits .....	5,592	(301)	67,373
Net decrease (increase) in marketable securities .....	(345)	293	(4,157)
Purchase of property and equipment .....	(27,253)	(21,189)	(328,349)
Proceeds from sale of property and equipment .....	6,655	5,444	80,181
Purchase of intangible assets .....	(21,196)	(7,265)	(255,373)
Payments for purchase of investment securities (Note 19) .....	(20,647)	(19,099)	(248,759)
Proceeds from sale/redemption of investment securities .....	14,229	66,099	171,434
Decrease in short-term loans receivable, net .....	3,050	4,857	36,747
Increase of long-term loans receivable .....	(4,482)	(2,263)	(54,000)
Collection of long-term loans receivable .....	11,174	1,786	134,626
Net increase from purchase of consolidated subsidiaries (Note 19) .....	2,552	23	30,747
Net decrease from sale of consolidated subsidiaries (Note 19) .....	(461)	(49)	(5,554)
Other, net (Note 19) .....	11,229	103	135,289
Net cash provided by (used in) investing activities .....	¥ (19,903)	¥ 28,439	\$ (239,795)
<b>Cash Flows from Financing Activities:</b>			
Net decrease in short-term debt .....	(49,686)	(41,620)	(598,627)
Net decrease in commercial paper .....	(8,000)	(25,000)	(96,386)
Proceeds from long-term debt .....	167,048	244,908	2,012,627
Repayment of long-term debt.....	(155,603)	(240,963)	(1,874,735)
Proceeds from issuance of bonds .....	19,900	—	239,759
Redemption of bonds .....	(41,048)	(33,489)	(494,554)
Proceeds from issuance of common stock to minority shareholders .....	464	14	5,590
Purchase of treasury stock .....	(2)	(2)	(24)
Dividends paid.....	(1,877)	(4,340)	(22,614)
Dividends paid to minority shareholders .....	(1,925)	(1,374)	(23,193)
Other, net.....	(1,325)	(731)	(15,964)
Net cash used in financing activities .....	¥ (72,054)	¥ (102,597)	\$ (868,121)
<b>Effect of Exchange Rate Changes on Cash and Cash Equivalents .....</b>	<b>(14,471)</b>	<b>6,825</b>	<b>(174,349)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents.....</b>	<b>(38,565)</b>	<b>39,890</b>	<b>(464,638)</b>
<b>Effect of Change in Scope of Consolidation .....</b>	<b>(436)</b>	<b>(48)</b>	<b>(5,253)</b>
<b>Cash and Cash Equivalents at the Beginning of the Year .....</b>	<b>454,262</b>	<b>414,420</b>	<b>5,473,036</b>
<b>Cash and Cash Equivalents at the End of the Year .....</b>	<b>¥ 415,261</b>	<b>¥ 454,262</b>	<b>\$ 5,003,145</b>

See accompanying notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

Sojitz Corporation and Consolidated Subsidiaries

## 1 BASIS OF PRESENTING FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Sojitz Corporation (the "Company") and consolidated subsidiaries are prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements from International Financial Reporting Standards.

The accounts of overseas subsidiaries are prepared based on International Financial Reporting Standards or accounting principles generally accepted in the United States of America ("U.S. GAAP"), with specific required adjustments.

The accompanying consolidated financial statements have been reclassified and translated into English from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law of Japan. Some supplementary information included in the statutory Japanese consolidated financial statements is not presented in the accompanying consolidated financial statements.

Certain reclassifications and modifications have been made to present the accompanying consolidated financial statements in a format which is familiar to readers outside Japan, and certain amounts of the prior year financial statements have been reclassified to conform to the presentation of the financial statements for the year ended March 31, 2011.

For the convenience of readers outside Japan, the accompanying consolidated financial statements are also presented in United States dollars by translating Japanese yen amounts at the exchange rate of ¥83 to U.S.\$1, the approximate rate of exchange at the end of March 31, 2011. Such translations should not be construed as representations that the Japanese yen amounts could be converted into United States dollars at the above or any other rate.

### Change in accounting policies

#### ● Unification of Accounting Policies Applied to Associated Companies Accounted for under the Equity Method

"Accounting Standard for Equity Method of Accounting for Investments" (Statement No. 16 revised by Accounting Standards Board of Japan (hereafter "ASBJ") on March 10, 2008), requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method unless it is impracticable to determine adjustments.

The Company applied this accounting standard effective April 1, 2010. As a result, the Company recognized reductions of ¥361 million (U.S.\$4,349 thousand) both in its ordinary income and income before taxes and minority interests, and a reduction of ¥1,343 million (U.S.\$16,181 thousand) in its beginning retained earnings.

#### ● Asset Retirement Obligations

In the year ended March 31, 2011, the Company and domestic consolidated subsidiaries adopted "Accounting Standard for Asset Retirement Obligations" (Statement No. 18 issued by ASBJ on March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (Guidance No. 21 issued by ASBJ on March 31, 2008).

The effect of this change was to decrease operating income and ordinary income by ¥107 million (U.S.\$1,289 thousand), and income before income taxes and minority interests by ¥1,068 million (U.S.\$12,867 thousand). The asset retirement obligation recognized firstly in applying this standard was ¥2,017 million (U.S.\$24,301 thousand).

#### ● Business Combination

On December 26, 2008, the ASBJ issued a revised accounting standard for business combinations, "Accounting Standard for Business Combinations" (Statement No. 21 issued by ASBJ on October 31, 2003), and the revised standard was applicable to business combinations undertaken on or after April 1, 2010.

Under the revised standard, the acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase allocation, although the previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years.

#### Additional information

##### Presentation of Comprehensive Income

The Company applied "Accounting Standard for Presentation of Comprehensive Income" (Statement No. 25 issued by ASBJ on June 30, 2010), from the year ended March 31, 2011. Under this accounting standard, a consolidated statement of comprehensive income is required from the fiscal year ended March 31, 2011 and has been presented herein. Also, accumulated other comprehensive income is required to be presented in the consolidated balance sheets and the consolidated statements of changes in net assets.

Accordingly, the minimum pension liability adjustments which are recognized in overseas subsidiaries are reclassified into accumulated other comprehensive income from retained earnings. The effect of this change was to increase retained earnings by ¥797 million (U.S.\$9,602 thousand).

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Principles of consolidation

The consolidated financial statements include the accounts of the Company and its 320 (329 for the year ended March 31, 2010) significant domestic and foreign subsidiaries. All significant intercompany transactions and accounts have been eliminated.

Investments in 155 (161 for the year ended March 31, 2010) unconsolidated subsidiaries and affiliates, with minor exceptions, are accounted for by use of the equity method.

Goodwill, and negative goodwill recognized through business combinations undertaken before April 1, 2010, which is the difference between the book value of the Company's investment in the consolidated subsidiaries and in the above unconsolidated subsidiaries and affiliates, and its equity in net assets, is being amortized over a period of 5 to 20 years using the straight-line method.

The accounts of the subsidiaries that have a fiscal year end within three months prior to March 31 have been included in the consolidated financial statements based on their fiscal year, with reasonable adjustments that would have been made to conform to the accounts as of March 31.

### Cash equivalents

The Company considers time deposits and highly liquid investments that are readily convertible to cash with a maturity of three months or less at the time of acquisition to be cash equivalents.

### Foreign currency translation

Current and non-current receivables and payables denominated in foreign currencies are translated at current rates prevailing at the balance sheet date and the resulting exchange gains or losses are recognized in earnings.

Translations of foreign consolidated subsidiaries' financial statements are made at the year-end rate for balance sheet items, except for net assets, which is translated at historical rates, and at the annual average rate for income statement items. Resulting translation adjustments are reflected in the consolidated financial statements as foreign currency translation adjustments under accumulated other comprehensive income in a separate component of net assets.

### Allowance for doubtful receivables

The allowance for doubtful receivables is stated in an amount sufficient to cover probable losses on collection of receivables outstanding based on estimates of individually uncollectible amounts. General reserve for other receivables is calculated based on the past credit losses experience.

### Inventories

Inventories held for sale in the ordinary course of business are principally stated at the lower of cost using the specific-identification method or on a moving-average basis, or net selling value. Foreign subsidiaries state inventories at the lower of specific-identified cost or market.

Inventories held for trading purposes are stated at the market price.

### Capitalization of interest costs

Interest costs on certain real estate under construction are capitalized until sales are realized to enable better matching of revenue and costs.

### Short-term investments and investment securities

Short-term investments and investment securities are classified as either (a) securities held for trading purposes (hereinafter referred to

as "Trading Securities"), (b) debt securities intended to be held to maturity (hereinafter referred to as "Held-to-Maturity Debt Securities") or (c) securities other than the above (hereinafter referred to as "Available-for-Sale Securities").

Trading Securities, Held-to-Maturity Debt Securities and Available-for-Sale Securities are stated in the following manner:

- (1) Trading Securities gains and losses realized on sales and unrealized gains and losses from market value fluctuations are recognized as gains or losses in the period of the change.
- (2) Held-to-Maturity Debt Securities are stated at amortized cost.
- (3) Available-for-Sale Securities with available fair market values are stated at fair value. Net unrealized gains and losses on available-for-sale securities are stated, net of tax, in net assets on the balance sheet. Available-for-Sale Securities with no readily available fair market value are stated at cost using the moving-average method.
- (4) Certain write-downs of securities are recognized in earnings when the securities have substantial losses and are not expected to recover such losses in the near future. Investments in a limited partnership for investment or a similar partnership (that can be considered as securities in accordance with Article 2, Paragraph 2 of the Financial Instruments and Exchange Law) are stated at their net equity value on the most recent financial statements that are available on the settlement report day as specified in the partnership agreement.

Short-term investments with a maturity of three months or less at the time of acquisition are included in cash and cash equivalents. The amount as of March 31, 2011 was ¥4,125 million (U.S.\$49,699 thousand).

### Deferred charges

Pre-operating and start-up costs of consolidated subsidiaries are amortized using the straight-line method over 5 years or less. All costs incurred in connection with the issuance of new shares and disposal of treasury stock are amortized over 3 years using the straight-line method. Bond issue expenses are amortized using the straight-line method over the period through redemption.

### Property and equipment (other than leased assets)

Property and equipment are principally depreciated using the declining-balance method, except that the buildings acquired after March 31, 1998 are depreciated using the straight-line method.

The estimated useful lives of "Buildings and structures" and "Equipment, fixtures and others" are mainly 2-60 years and 2-40 years, respectively.

### Intangible assets (other than leased assets)

Intangible assets are principally depreciated using the straight-line method. Internal use software is included in intangible assets and is amortized using the straight-line method over the estimated useful life of 5 years. Some consolidated subsidiaries amortize mining rights using the production output method.

### Leased assets

Leased assets in finance lease transactions without transfer of ownership are depreciated using the straight-line method based on the assumption that the useful life is equal to the lease term and the residual value is equal to zero. The Company and its domestic consolidated subsidiaries account for the lease transactions that commenced prior to April 1, 2008 and do not transfer ownership of the leased property to the lessee as operating lease transactions.



### Investment properties

Investment properties are principally depreciated using the straight-line method.

The estimated useful lives of "Buildings and structures" and "Equipment, fixtures and others" for investment are mainly 7-50 years and 10 years, respectively.

### Employees' retirement and severance benefits

The Company and certain consolidated subsidiaries provide for employees' retirement benefits based on the present value of projected benefit obligations attributable to employee services rendered by the end of the year and the fair value of the pension plan assets at the end of the fiscal years.

### Directors' and corporate auditors' retirement benefits

The provision for expecting payment of directors' and corporate auditors' retirement benefits of certain consolidated subsidiaries is recognized based on internal regulations.

### Net sales (total trading transactions) and gross trading profit

As general trading companies, the Company and certain of its consolidated subsidiaries act either as principal or agent in trading transactions. Net sales represent the sales volume of all those transactions in which the companies participate, whether as principal or agent. Gross trading profit consists of the gross margin (sales less cost of sales) on transactions in which the companies act as principal and commissions on transactions in which the companies serve as agent.

### Impairment loss

The Company and its consolidated subsidiaries reviews their property, equipment and intangible assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from

the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

### Income taxes

Deferred tax assets and liabilities are recognized for the estimated future tax effects attributable to temporary differences between the carrying amounts and the tax bases of assets and liabilities, and tax losses which can be carried forward, and are measured using the enacted tax rate which will be in effect when the differences are expected to be recovered or settled. The Company and some domestic subsidiaries apply the consolidated tax return reporting system.

### Net income per share

The computation of net income per share is based on the weighted average number of shares of common stock outstanding in each period. Diluted net income per share is based on the weighted average number of shares of common stock outstanding plus any potentially dilutive securities.

### Derivative financial instruments

The Company and certain consolidated subsidiaries state derivative financial instruments at fair value and recognize changes in fair value as gains or losses unless derivative financial instruments are used for hedging purposes.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Company and its consolidated subsidiaries defer recognition of gains or losses resulting from changes in fair value of derivative financial instruments until the related losses or gains on the hedged items are realized.

If interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

## 3 SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

Information regarding each category of securities classified as trading and available-for-sale with available fair market values at March 31, 2011 and 2010 is as follows:

Millions of yen				
March 31, 2011	Cost	Unrealized gains	Unrealized losses	Book value
Securities classified as:				
Available-for-sale with available fair market values:				
Equity securities .....	¥65,439	¥17,232	¥(7,520)	¥75,151
Debt securities				
Government bonds .....	10	1	—	11
Foreign bonds .....	88	494	—	582
Other .....	1,005	22	(20)	1,007
Total .....	¥66,542	¥17,749	¥(7,540)	¥76,751
Thousands of U.S. dollars				
March 31, 2011	Cost	Unrealized gains	Unrealized losses	Book value
Securities classified as:				
Available-for-sale with available fair market values:				
Equity securities .....	\$788,422	\$207,614	\$(90,602)	\$905,434
Debt securities				
Government bonds .....	121	12	—	133
Foreign bonds .....	1,060	5,952	—	7,012
Other .....	12,108	265	(241)	12,132
Total .....	\$801,711	\$213,843	\$(90,843)	\$924,711

In addition to the securities listed above, the Company and consolidated subsidiaries hold trading securities of ¥810 million (U.S.\$9,759 thousand) which are equal to their fair value, as of March 31, 2011. The net holding losses on trading securities included in earnings for the year ended March 31, 2011 amounted to ¥94 million (U.S.\$1,133 thousand).

The Company and consolidated subsidiaries hold no securities held to maturity at March 31, 2011.

Total proceeds from the sale of available-for-sale securities in the year ended March 31, 2011 amounted to ¥1,821 million (U.S.\$21,940 thousand) and the related gains and losses amounted to ¥956 million (U.S.\$11,518 thousand) and ¥36 million (U.S.\$434 thousand), respectively.

	Millions of yen			
March 31, 2010	Cost	Unrealized gains	Unrealized losses	Book value
Securities classified as:				
Available-for-sale with available fair market values:				
Equity securities .....	¥65,801	¥16,051	¥(5,184)	¥76,668
Debt securities .....				
Government bonds .....	9	1	—	10
Foreign bonds .....	100	456	(0)	556
Other .....	5,953	10	(19)	5,944
Total .....	¥71,863	¥16,518	¥(5,203)	¥83,178

In addition to the securities listed above, the Company and consolidated subsidiaries hold trading securities of ¥1,005 million which are equal to their fair value, as of March 31, 2010. The net holding gains on trading securities included in earnings for the year ended March 31, 2010 amounted to ¥43 million.

The Company and consolidated subsidiaries hold no securities held to maturity at March 31, 2010.

Total proceeds from the sale of available-for-sale securities in the year ended March 31, 2010 amounted to ¥61,854 million and the related gains and losses amounted to ¥33,146 million and ¥1,161 million, respectively.

Investment securities without fair market value at March 31, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Securities:			
Equity securities .....	¥33,984	¥36,189	\$409,446
Corporate bonds .....	268	4,471	3,229
Foreign bonds .....	—	0	—
Domestic bonds .....	1	0	12
Partnership .....	1,809	5,167	21,795

## 4 PLEDGED ASSETS

At March 31, 2011, the following assets are pledged as collateral for short-term debt, trade notes, accounts payable and other current liabilities of ¥4,555 million (U.S.\$54,880 thousand), long-term debt and other non-current liabilities of ¥48,732 million (U.S.\$587,133 thousand) and transactions and other guarantees:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Cash equivalents and time deposits .....	¥ 2,586	¥ 1,759	\$ 31,157
Trade notes and trade accounts receivable .....	502	626	6,048
Investment securities .....	40,491	58,367	487,843
Inventories .....	21,837	22,797	263,096
Short-term loans receivable .....	—	6	—
Other current assets .....	71	133	855
Long-term loans, receivables and other .....	—	2,100	—
Investment properties .....	2,731	2,650	32,904
Property and equipment, less accumulated depreciation .....	39,671	44,845	477,964
Other intangible assets and deferred charges .....	30	3,841	362
Total .....	¥107,919	¥137,124	\$1,300,229

Also pledged are the shares of consolidated subsidiaries amounting to ¥18,678 million (U.S.\$225,036 thousand) that are eliminated in consolidation as of March 31, 2011.

## 5 IMPAIRMENT LOSS

The impairment of property, equipment, and intangible assets resulted primarily from significant decline of profitability of properties.

Regional breakdown of impairment losses for the years ended March 31, 2011 and 2010 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Kanto region in Japan			
Assets used in common and idle properties			
Land .....	¥ 110	¥ —	\$ 1,325
Buildings and structures .....	402	—	4,843
Equipment, fixtures and others .....	140	—	1,687
Chubu region in Japan			
Idle properties and business properties			
Land .....	421	—	5,072
Equipment, fixtures and others .....	8	—	97
Kinki region in Japan			
Business properties and assets used in common			
Land .....	1,052	—	12,675
Buildings and structures .....	515	326	6,205
Equipment, fixtures and others .....	9	6	108
Construction in progress .....	—	3,998	—
United States of America			
Business properties			
Equipment, fixtures and others .....	—	741	—
Goodwill .....	—	181	—
Other intangible assets and deferred charges .....	1,712	800	20,627
Australia			
Business properties			
Buildings and structures .....	1,251	—	15,072
Other intangible assets and deferred charges .....	3,552	2,181	42,795
Thailand			
Business properties			
Equipment, fixtures and others .....	—	499	—
Other intangible assets and deferred charges .....	—	201	—
Other			
Idle properties and business properties			
Land .....	—	38	—
Buildings and structures .....	—	27	—
Equipment, fixtures and others .....	515	404	6,205
Total .....	¥9,687	¥9,402	\$116,711

Impairment loss was recorded at the amount by which the carrying amount of each asset exceeded its estimated fair value based on real estate appraisal standards or future cash flows from ongoing utilization and subsequent disposition of the asset discounted at 3.4% for the year ended March 31, 2011 and at 4.0% for the year ended March 31, 2010.

Impairment loss on property, equipment, and intangible assets is recorded as an extraordinary loss.

## 6 SHORT-TERM DEBT AND LONG-TERM DEBT

A summary of short-term debt at March 31, 2011 and 2010 is as follows:

Short-term loans are principally from financial institutions.

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Short-term loans at the average interest rate of 2.66% .....	¥116,929	¥176,485	\$1,408,783
Commercial paper at the average interest rate of 0.30% .....	2,000	10,000	24,096

A summary of long-term debt at March 31, 2011 and 2010 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
2.41% bonds due 2010 payable in Japanese yen .....	¥ —	¥ 10,000	\$ —
2.14% bonds due 2010 payable in Japanese yen .....	—	20,000	—
2.38% bonds due 2011 payable in Japanese yen .....	20,000	20,000	240,964
2.39% bonds due 2012 payable in Japanese yen .....	20,000	20,000	240,964
1.60% bonds due 2010 payable in Japanese yen .....	—	10,000	—
2.16% bonds due 2012 payable in Japanese yen .....	10,000	10,000	120,482
1.79% bonds due 2012 payable in Japanese yen .....	15,000	15,000	180,723
1.90% bonds due 2013 payable in Japanese yen .....	10,000	10,000	120,482
1.87% bonds due 2011 payable in Japanese yen .....	20,000	20,000	240,964
2.19% bonds due 2013 payable in Japanese yen .....	10,000	10,000	120,482
2.00% bonds due 2012 payable in Japanese yen .....	10,000	10,000	120,482
1.03% bonds due 2013 payable in Japanese yen .....	10,000	—	120,482
0.91% bonds due 2015 payable in Japanese yen .....	10,000	—	120,482
3.35% bonds due 2012 payable in Japanese yen (Note 1) .....	7,720	8,647	93,012
1.10% bonds due 2010 payable in Japanese yen (Note 2) .....	—	120	—
Long-term loans, principally from commercial and trust banks and insurance companies, maturing through 2025 at the average interest rate of 1.50% .....	766,062	751,816	9,229,663
Long-term loans, from governmental financial institutions, principally Japan Bank for International Cooperation, maturing through 2025 at an average interest rate of 1.54% .....	87,235	83,228	1,051,024
Other long-term indebtedness, maturing through 2031 at an average interest rate of 1.54% .....	1,356	8,222	16,337
Total .....	¥ 997,373	¥1,007,033	\$12,016,543
Less current portion .....	(190,727)	(120,287)	(2,297,916)
Total .....	¥ 806,646	¥ 886,746	\$ 9,718,627

Notes: 1. The bond was issued by Shobu Project.

2. The bond was issued by Sojitz GMC Corporation.

The aggregate annual amounts of long-term debt maturing in the years ending March 31, 2012 to 2017 and thereafter, are as follows:

	Millions of yen	Thousands of U.S. dollars
2012 .....	¥190,727	\$ 2,297,916
2013 .....	259,217	3,123,096
2014 .....	239,629	2,887,096
2015 .....	140,885	1,697,410
2016 .....	121,154	1,459,688
2017 and thereafter .....	45,761	551,337
Total .....	¥997,373	\$12,016,543

## 7 EMPLOYEES' RETIREMENT AND SEVERANCE BENEFITS

The Company has defined contribution pension plans, prepaid retirement allowance plans and lump-sum payment plans. Certain domestic consolidated subsidiaries have defined benefit plans, i.e., tax-qualified pension plans and lump-sum payment plans, covering substantially all employees who are entitled to lump-sum or annuity payments, the amounts of which are determined by reference to their basic rate of pay, length of service and the conditions under which termination occurs.

Some foreign consolidated subsidiaries also have defined benefit plans. Some consolidated subsidiaries have established a retirement allowance trust.

The liability of employees' retirement benefits at March 31, 2011 and 2010 consists of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Retirement benefit obligation .....	¥(18,440)	¥(19,952)	\$(222,169)
Plan assets at fair value .....	4,830	6,213	58,193
Unfunded retirement benefit obligation .....	(13,610)	(13,739)	(163,976)
Unamortized net retirement benefit obligation at transition .....	11	33	133
Unrecognized actuarial loss .....	758	895	9,132
Unrecognized prior service cost .....	(125)	(155)	(1,506)
Net retirement benefit obligation .....	(12,966)	(12,966)	(156,217)
Prepaid pension cost .....	170	314	2,048
Employees' retirement and severance benefits .....	¥(13,136)	¥(13,280)	\$(158,265)

The components of net periodic pension costs for the years ended March 31, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Service cost.....	¥2,587	¥2,102	\$31,168
Interest cost.....	395	402	4,759
Other costs.....	1,116	1,238	13,446
Expected return on plan assets .....	(254)	(324)	(3,060)
Amortization of net retirement benefit obligation at transition.....	12	10	145
Amortization of actuarial losses .....	689	371	8,301
Amortization of prior service cost .....	(40)	(40)	(482)
Total .....	¥4,505	¥3,759	\$54,277

The basis of calculation of benefit obligations for the years ended March 31, 2011 and 2010 is as follows:

	2011	2010
Allocation of payment of expected retirement benefits.....	<b>Straight-line method</b>	Straight-line method
Discount rate.....	<b>mainly 1.4-2.3%</b>	mainly 2.0-2.3%
Expected rate of return on plan assets .....	<b>mainly 2.0-3.5%</b>	mainly 2.0-3.5%
Amortization of prior service cost .....	<b>mainly 5 or 9 years</b>	mainly 5 or 9 years
Amortization of actuarial losses .....	<b>mainly 5 or 10 years</b>	mainly 5 or 10 years
Amortization of net retirement benefit obligation at transition .....	<b>mainly 10 years</b>	mainly 10 years



## 8 INCOME TAXES

As of March 31, 2011 and 2010, the major components of deferred tax assets and deferred tax liabilities are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Deferred tax assets:			
Allowance for doubtful receivables.....	¥ 14,791	¥ 12,405	\$ 178,205
Employees' retirement and severance benefits .....	4,835	4,905	58,253
Net operating loss carryforwards .....	246,297	260,606	2,967,434
Losses on revaluation of securities .....	28,124	27,794	338,843
Loss from merger.....	1,201	4,456	14,470
Other .....	33,708	34,112	406,120
Total deferred tax assets .....	328,956	344,278	3,963,325
Valuation allowance .....	(239,067)	(235,711)	(2,880,325)
Offset to deferred tax liabilities.....	(21,604)	(33,651)	(260,289)
Total deferred tax assets, net .....	68,285	74,916	822,711
Deferred tax liabilities:			
Profit from merger .....	5,106	15,152	61,518
Depreciation .....	23,883	18,838	287,747
Unrealized gains on available-for-sale securities .....	2,730	2,662	32,892
Land revaluation difference (Note 20).....	774	944	9,325
Other .....	9,040	11,787	108,915
Total deferred tax liabilities .....	41,533	49,383	500,397
Offset to deferred tax assets .....	(21,604)	(33,651)	(260,289)
Total deferred tax liabilities, net .....	19,929	15,732	240,108
Net deferred tax assets .....	¥ 48,356	¥ 59,184	\$ 582,603

As of March 31, 2011 and 2010, the amounts of the net deferred tax assets and liabilities are shown in the following accounts in the consolidated balance sheet.

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Deferred tax assets—current.....	¥15,403	¥13,484	\$185,578
Deferred tax assets—non-current .....	52,882	61,432	637,132
Deferred tax liabilities—current .....	146	44	1,759
Deferred tax liabilities—non-current .....	19,783	15,688	238,349

Japanese domestic companies are subject to taxes on income, which consist of national corporate tax, local inhabitant tax and enterprise tax.

A reconciliation between the statutory tax rate of 41.0% and the effective rates of income taxes reflected in the accompanying consolidated statements of income for the years ended March 31, 2011 and 2010 is as follows:

	2011	2010
Statutory tax rate.....	41.0%	41.0%
Valuation allowance .....	45.9	(31.6)
Effect of taxation in dividends.....	35.9	31.9
Effect of equity in earnings of unconsolidated subsidiaries and affiliates .....	(19.1)	(20.6)
Difference of tax rates for foreign subsidiaries .....	(11.8)	
Undistributed earnings of tax-haven subsidiaries .....		9.8
Foreign exchange adjustment for capital reduction of foreign subsidiaries .....	(25.0)	
Unrecognized tax effect accounting of subsidiaries and affiliates .....	(25.4)	
Other—net .....	10.7	13.3
Effective tax rate .....	52.2%	43.8%

## 9 NET ASSETS

The Companies Act of Japan provides that:

- (a) The entire amount paid for new shares may be credited to the stated capital, with the provision that, by resolution of the Board of Directors, up to one-half of such amount paid for new shares may be credited to additional paid-in capital, which is included in capital surplus, and
- (b) An amount equal to 10% of cash appropriations of retained earnings shall be set aside as additional paid-in capital or legal earnings reserve until the total of such reserve and additional paid-in capital equals 25% of the stated capital. Additional paid-in capital and legal earnings reserve may be used to eliminate or reduce a deficit, if any, or be capitalized by resolution at the Ordinary General Meeting of Shareholders. All additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends. Additional paid-in capital and legal earnings reserve are included in capital surplus and retained earnings, respectively.
- (c) The Companies Act of Japan does not have a definition about the classification of paid-in capital between common stock and preferred stock. Accordingly, the Company states its capital in the total amount paid by issuing common stock and preferred stock.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with Japanese laws and regulations.

The Company paid interim cash dividends amounting to ¥1,877 million (U.S.\$22,614 thousand) in accordance with the resolution at the Board of Directors Meeting held on October 29, 2010.

At the Ordinary General Shareholders' Meeting of the Company on June 23, 2011, the shareholders approved year-end dividends amounting to ¥1,877 million (U.S.\$22,614 thousand). Such appropriations have not been accrued the consolidated financial statements as of March 31, 2011. Such appropriations are recognized in the period in which they are approved by the shareholders.

## 10 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Details of "Selling, General and Administrative Expenses" in the consolidated statements of income for the years ended March 31, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Directors' remuneration and salaries for employees .....	¥ 56,308	¥ 56,827	\$ 678,410
Employees' retirement and severance benefits .....	4,212	3,591	50,747
Welfare .....	9,984	10,816	120,289
Travelling expenses .....	6,552	6,514	78,940
Rent .....	11,748	12,729	141,542
Legal and professional fees .....	11,079	11,547	133,482
Depreciation .....	5,475	5,505	65,964
Provision for doubtful receivables .....	620	5,429	7,470
Amortization of goodwill .....	5,140	5,181	61,928
Other .....	44,087	43,935	531,168
Total .....	¥155,205	¥162,074	\$1,869,940

## 11 EXTRAORDINARY GAINS (LOSSES)

Classification of extraordinary gains (losses) is in accordance with Japanese GAAP. The following are the components of extraordinary gains (losses):

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Gain on sale of investment securities .....	¥ 1,454	¥ 32,477	\$ 17,518
Loss on devaluation of investment securities .....	(801)	(16,544)	(9,651)
Gain on sale and disposal of property and equipment .....	4,387	991	52,856
Loss on sale of investment properties .....	(386)	—	(4,650)
Loss and provision for loss on dissolution of subsidiaries and affiliates .....	(4,856)	(7,969)	(58,506)
Restructuring losses .....	(5,097)	(245)	(61,410)
Dilution losses from changes in equity interest .....	(787)	(124)	(9,482)
Gain on reversal of allowance for doubtful receivables .....	1,273	3,248	15,337
Gain on bad debt recovered .....	57	7	687
Impairment loss (Note 5) .....	(9,687)	(9,402)	(116,711)
Bargain purchase gain .....	404	—	4,867
Gain on subsequent acquisitions .....	10,307	—	124,181
Loss on adjustment for changes of accounting standard for asset retirement obligations .....	(961)	—	(11,578)
Losses from natural disaster .....	(1,311)	—	(15,795)
Adjustment for hyperinflationary economies .....	—	2,753	—
Extraordinary gains (losses), net .....	¥(6,004)	¥ 5,192	\$ (72,337)

## 12 FINANCIAL INSTRUMENTS

### (1) Status of Financial Instruments Held by the Company

As a general trading company, the Group is engaged in a wide range of businesses globally, including buying, selling, importing and exporting goods, manufacturing and selling products, providing services, planning and coordinating projects, making investments in various sectors and conducting financial activities in Japan and overseas. In order to carry out these businesses, the Group has set up a target of long-term debt ratio and raises funds, not only through indirect financing from financial institutions, but also through direct financing by securitization as well as issuance of bonds and commercial papers. In this manner, the Group aims at maintaining and improving the stability of its funding structure.

Furthermore, the Group is exposed to market risks, including foreign exchange risk associated with transactions denominated in foreign currencies in connection with international trade or business investments; interest rate risk associated with debt financing and portfolio investment; commodity price risk associated with purchase and sales agreements and commodity inventories incidental to sales activities; and market price risk associated with ownership of listed securities and other such assets.

To hedge and minimize these risks, the Group utilizes derivatives such as forward exchange contracts, commodity futures, forward commodity contracts, and interest rate swaps.

### (2) Fair Value of Financial Instruments

Information on book value and fair value of financial instruments and derivative instruments at March 31, 2011 and 2010 is as follows:

March 31, 2011	Millions of yen			Thousands of U.S. dollars		
	Book value	Fair value	Differences	Book value	Fair value	Differences
<b>Assets</b>						
Cash and cash equivalents.....	¥ 415,261	¥ 415,261	¥ —	\$ 5,003,145	\$ 5,003,145	\$ —
Time deposits.....	4,728	4,728	—	56,964	56,964	—
Trade notes and trade accounts receivable (*1).....	478,881			5,769,650		
Allowance for doubtful receivables (*2).....	(4,593)			(55,337)		
Trade notes and trade accounts, net.....	474,288	474,032	(256)	5,714,313	5,711,229	(3,084)
Short-term loans receivable (excluding current portion of long-term loans receivable) (*1).....	1,795	1,795	—	21,626	21,626	—
Short-term investments and investment securities						
Trading securities.....	810	810	—	9,759	9,759	—
Available-for-sale securities.....	76,751	76,751	—	924,711	924,711	—
Investments in and advances to unconsolidated subsidiaries and affiliates (*3).....	11,880	8,826	(3,054)	143,133	106,337	(36,796)
Long-term loans receivable (including current portion) (*1).....	20,094			242,096		
Allowance for doubtful receivables (*2).....	(1,748)			(21,060)		
Long-term loans receivable, net.....	18,346	17,987	(359)	221,036	216,711	(4,325)
Doubtful receivables (*1,4).....	79,972			963,518		
Allowance for doubtful receivables (*2).....	(54,195)			(652,952)		
Doubtful receivables, net.....	25,777	25,777	—	310,566	310,566	—
Total.....	¥1,029,636	¥1,025,967	¥ (3,669)	\$12,405,253	\$12,361,048	\$ (44,205)
<b>Liabilities</b>						
Short-term debt (principally unsecured).....	¥ 116,929	¥ 116,929	¥ —	\$ 1,408,783	\$ 1,408,783	\$ —
Commercial paper.....	2,000	2,000	—	24,096	24,096	—
Payables.....	414,985	414,967	(18)	4,999,819	4,999,602	(217)
Income taxes payable.....	6,591	6,591	—	79,410	79,410	—
Long-term debt (including current portion).....	997,373	1,018,247	20,874	12,016,543	12,268,037	251,494
Total.....	¥1,537,878	¥1,558,734	¥20,856	\$18,528,651	\$18,779,928	\$251,277
Derivative (*5).....	¥ 1,982	¥ 1,982	¥ —	\$ 23,880	\$ 23,880	\$ —

\*1. The presented amounts include receivables due from unconsolidated subsidiaries and affiliates.

2. Trade notes and trade accounts receivable, long-term loans receivable (including current portion) and doubtful receivables are stated net of individual allowance for doubtful receivables.

3. Investments in and advances to unconsolidated subsidiaries and affiliates without available fair market value amounting to ¥208,861 million (U.S.\$2,516,398 thousand) are not included.

4. Doubtful receivables are included in long-term loans, receivables and other on the consolidated balance sheets. The amount of long-term loans, receivables and other excluding bad debts amounting to ¥35,678 million (U.S.\$429,855 thousand) is not presented above.

5. Derivatives are stated in net of assets and liabilities.

## Notes to Consolidated Financial Statements

March 31, 2010	Millions of yen		
	Book value	Fair value	Differences
<b>Assets</b>			
Cash and cash equivalents .....	¥ 454,262	¥ 454,262	¥ —
Time deposits .....	6,757	6,757	—
Trade notes and trade accounts receivable (*1) .....	462,233		
Allowance for doubtful receivables (*2) .....	(5,062)		
Trade notes and trade accounts, net .....	457,171	454,951	(2,220)
Short-term loans receivable (excluding current portion of long-term loans receivable) (*1) .....	553	553	—
Short-term investments and Investment securities			
Trading securities .....	1,005	1,005	—
Available-for-sale securities .....	78,052	78,052	—
Investments in and advances to unconsolidated subsidiaries and affiliates (*3) .....	11,461	9,132	(2,329)
Long-term loans receivable (including current portion) (*1) .....	32,504		
Allowance for doubtful receivables (*2) .....	(2,513)		
Long-term loans receivable, net .....	29,991	30,196	205
Doubtful receivables (*1,4) .....	88,359		
Allowance for doubtful receivables (*2) .....	(52,811)		
Doubtful receivables, net .....	35,548	35,548	—
Total .....	¥1,074,800	¥1,070,456	¥(4,344)
<b>Liabilities</b>			
Short-term debt, principally unsecured .....	¥ 176,485	¥ 176,485	¥ —
Commercial paper .....	10,000	10,000	—
Payables .....	377,469	377,373	(96)
Income taxes payable .....	5,949	5,949	—
Long-term debt, including current portion .....	1,007,033	1,010,121	3,088
Total .....	¥1,576,936	¥1,579,928	¥ 2,992
Derivative (*5) .....	¥ (827)	¥ (827)	¥ —

\*1. The presented amounts include receivables due from unconsolidated subsidiaries and affiliates.

2. Trade notes and trade accounts receivable, long-term loans receivable (including current portion) and doubtful receivables are stated net of individual allowance for doubtful receivables.

3. Investments in and advances to unconsolidated subsidiaries and affiliates without fair market value amounting to ¥192,527 million are not included.

4. Doubtful receivables are included in long-term loans, receivables and other on the consolidated balance sheets. The amount of long-term loans, receivables and other excluding doubtful receivables amounting to ¥25,047 million is not presented above.

5. Derivatives are stated in net of assets and liabilities.

The following methods and assumptions are used to estimate the fair value of each class of instruments.

### Cash and cash equivalents, time deposits and short-term loans receivable (excluding current portion of long-term loans receivable):

The estimated fair values of cash and cash equivalents, time deposits and short-term loans receivable (excluding current portion of long-term loans receivable) approximate their book value due to the relatively short maturities of these instruments.

### Trade notes and trade accounts receivable and long-term loans (including current portion):

The fair values of trade notes and trade accounts receivable and long-term loans (including current portion) are measured at the amount discounted at the assumed corporate discount rate separately set for each classification of assets. Forward exchange contracted amounts which are assigned to associated assets are reflected on those presented in the balance sheet, and therefore, fair values of forward exchange contracts are included in the fair value of the receivables.

### Short-term investments and investment securities:

The fair values of short-term investments and investment securities are measured at quoted market prices. Investment securities without fair market value are not included in above. These are presented in Note 3.

### Investments in and advances to unconsolidated subsidiaries and affiliates:

The fair values of investments in and advances to unconsolidated subsidiaries and affiliates are estimated using quoted market prices.

### Doubtful receivables:

The allowance for doubtful receivables is stated in an amount sufficient to cover probable losses on collection of receivables outstanding based on estimates of individually collectible amounts through collaterals and guarantees. Therefore, the fair value of doubtful receivables approximates the balance of doubtful receivables, net of allowance for doubtful receivables, in the balance sheet as of the fiscal year end.

### Short-term debt (principally unsecured), commercial paper and income taxes payable:

The estimated fair value of short-term debt (principally unsecured), commercial paper and income taxes payable approximate their book value due to the relatively short maturities of these instruments.

### Payables:

The fair values of payables are measured at the amount to be paid at maturity discounted at the assumed corporate discount rate separately set for each classification of liabilities. Forward exchange contracted amounts assigned to associated liabilities are reflected on those presented in the balance sheet, and therefore, fair values of forward exchange contracts are included in the fair value of the payables.

### Long-term debt (including current portion):

The fair values of bonds issued by the Company are based on the market price. The fair values of other long-term debt (including current portion) are estimated by discounted cash flow analysis, using rates currently available for similar types of borrowings with similar terms and remaining maturities. As to long-term debt with variable interest rates, interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value and the fair value of such interest rate swaps is included in that of long-term debt. Hence, fair value of such debts is measured at the amount discounted by the rates available for similar types of borrowings with similar terms.

### Derivative instruments:

The fair values of derivative instruments are estimated using the valuation methodology set forth in Note 13.

Planned redemption amounts for monetary assets and short-term investment and investment securities with maturity dates at March 31, 2011 and 2010 are as follows:

Millions of yen				
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
<b>March 31, 2011</b>				
Cash and cash equivalents .....	¥415,261	¥ —	¥ —	¥ —
Time deposits .....	4,728	—	—	—
Trade notes and trade accounts <sup>(*1, 2)</sup> .....	472,050	2,238	—	—
Short-term loans receivable (excluding current portion of long-term loans receivable) <sup>(*1)</sup> .....	1,795	—	—	—
Short-term investments and investment securities Available-for-sale securities with maturity dates .....	552	523	466	0
Long-term loans receivable (including current portion) <sup>(*1, 2)</sup> .....	5,670	4,928	5,153	2,513
Doubtful receivables <sup>(*1, 2)</sup> .....	3,381	892	385	259
<b>Total .....</b>	<b>¥903,437</b>	<b>¥8,581</b>	<b>¥6,004</b>	<b>¥2,772</b>

Thousands of U.S. dollars				
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
<b>March 31, 2011</b>				
Cash and cash equivalents .....	\$ 5,003,145	\$ —	\$ —	\$ —
Time deposits .....	56,964	—	—	—
Trade notes and trade accounts <sup>(*1, 2)</sup> .....	5,687,349	26,964	—	—
Short-term loans receivable (excluding current portion of long-term loans receivable) <sup>(*1)</sup> .....	21,626	—	—	—
Short-term investments and investment securities Available-for-sale securities with maturity dates .....	6,651	6,301	5,614	0
Long-term loans receivable (including current portion) <sup>(*1, 2)</sup> .....	68,313	59,374	62,084	30,277
Doubtful receivables <sup>(*1, 2)</sup> .....	40,735	10,747	4,639	3,120
<b>Total .....</b>	<b>\$10,884,783</b>	<b>\$103,386</b>	<b>\$72,337</b>	<b>\$33,397</b>

\*1. The presented amounts include receivables due from unconsolidated subsidiaries and affiliates.

2. The amounts of trade notes and trade accounts receivable, long-term loans receivable (including current portion) and doubtful receivables for which collection dates cannot be estimated are ¥4,593 million (U.S.\$55,337 thousand), ¥1,830 million (U.S.\$22,048 thousand), and ¥75,055 million (U.S.\$904,277 thousand), respectively, and are not included above.

Millions of yen				
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
<b>March 31, 2010</b>				
Cash and cash equivalents .....	¥454,262	¥ —	¥ —	¥ —
Time deposits .....	6,757	—	—	—
Trade notes and trade accounts <sup>(*1, 2)</sup> .....	442,662	13,979	530	—
Short-term loans receivable (excluding current portion of long-term loans receivable) <sup>(*1)</sup> .....	553	—	—	—
Short-term investments and Investment securities Available-for-sale securities with maturity dates .....	—	4,676	574	0
Long-term loans receivable (including current portion) <sup>(*1, 2)</sup> .....	5,251	17,575	6,842	222
Doubtful receivables <sup>(*1, 2)</sup> .....	3,478	2,874	6,351	350
<b>Total .....</b>	<b>¥912,963</b>	<b>¥39,104</b>	<b>¥14,297</b>	<b>¥572</b>

\*1. The presented amounts include receivables due from unconsolidated subsidiaries and affiliates.

2. The amounts of trade notes and trade accounts receivable, long-term loans receivable (including current portion) and doubtful receivables for which collection dates cannot be estimated are ¥5,062 million, ¥2,614 million, and ¥75,306 million, respectively, and are not included in the above tables.

Planned repayment amounts after the balance sheet date for long-term debt are explained in Note 6.



### 13 DERIVATIVE TRANSACTIONS

In order to avoid adverse effects of fluctuations of the market risk associated with financial activities and commodity trading activities, the Company and its consolidated subsidiaries enter into foreign exchange contracts, currency options, swaps and various types of interest rates, bonds, equity and commodity-related forwards, futures and options. The Company and its consolidated subsidiaries utilize these derivative transactions to reduce the risk inherent in their assets and liabilities and hedge effectively so that these transactions are not likely to have a major impact on the performance of the Company and its consolidated subsidiaries.

In accordance with the Company's internal regulations on derivative transactions, the Finance Division of the Company is responsible for managing market and credit risks of these transactions, and this division manages position limits, credit limits and status of derivative transactions.

For the purpose of minimizing credit risk exposure, the Company and its consolidated subsidiaries select financial institutions as counterparties, which are appreciated to be reliable by internationally acknowledged rating agencies. The Company and each consolidated subsidiary's accounting sections also confirm the outstanding positions and fair values with counterparties. The results of these procedures are reported to the Company's audit section. The Company and its consolidated subsidiaries evaluate hedge effectiveness quarterly by comparing the cumulative changes in cash flows or the changes in fair value of hedged items and the corresponding changes in the derivative instruments.

The following summarizes hedging derivative financial instruments used and items hedged:

#### Hedging instruments:

Currency-related contracts: Foreign exchange contracts, non-deliverable forward exchange contracts, currency swap contracts and currency option contracts

Interest rate-related contracts: Interest rate swap contracts and option (cap) contracts

Commodity-related contracts: Future contracts, forward contracts and option contracts

#### Hedged items:

Currency-related contracts: Foreign currency receivables and debts and securities and foreign currency forecasted contracts

Interest rate-related contracts: Interest on financial assets and liabilities

Commodity-related contracts: Commodity trading contracts and commodity forecasted contracts

#### The following methods and assumptions were used to estimate the fair value of each derivative transaction:

Forward exchange contracts: The estimated fair value amounts of forward exchange contracts were determined using forward exchange rate at the end of fiscal year.

Non-deliverable forward exchange contracts, currency option contracts, currency swap contracts, interest rate swap agreements and interest rate cap contracts:

The estimated fair value amounts were determined using quotes obtained from financial institutions.

Commodity futures trading: The estimated fair value amounts of future contracts were determined using market information on the Tokyo Commodity Exchange or Tokyo Grain Exchange or other exchanges.

Commodity forwards trading: The estimated fair value amounts of forward contracts were determined using the value calculated by quotation to the public or major transaction partners.

Commodity option contracts: The estimated fair value amounts of forward contracts were determined using the value calculated by major transaction partners.

The following summarizes market value information as of March 31, 2011 on derivative transactions for which hedge accounting has not been applied.

Currency related	Millions of yen			Thousands of U.S. dollars		
	Contract value	Fair value	Unrealized gains (losses)	Contract value	Fair value	Unrealized gains (losses)
<b>March 31, 2011</b>						
Forward exchange contracts:						
Selling:						
U.S. dollars .....	¥ 73,620	¥(103)	¥(103)	\$ 886,988	\$(1,241)	\$(1,241)
Russian ruble .....	5,129	80	80	61,795	964	964
U.S. dollars (Buying U.K. pounds) .....	10,392	(53)	(53)	125,205	(639)	(639)
Australian dollars .....	3,821	(228)	(228)	46,036	(2,747)	(2,747)
Canadian dollars .....	5,616	(165)	(165)	67,663	(1,988)	(1,988)
Euros .....	4,299	(244)	(244)	51,795	(2,940)	(2,940)
U.K. pounds .....	1,208	(16)	(16)	14,554	(193)	(193)
Euro (Buying U.K. pounds) .....	4,795	42	42	57,771	506	506
Other .....	6,854	29	29	82,579	350	350
Total .....	¥115,734	¥(658)	¥(658)	\$1,394,386	\$(7,928)	\$(7,928)
Buying:						
U.S. dollars .....	¥ 22,239	¥ (24)	¥ (24)	\$ 267,940	\$ (289)	\$ (289)
U.S. dollars (Buying Russian rubles) .....	7,792	(40)	(40)	93,880	(482)	(482)
U.K. pounds .....	4,741	171	171	57,121	2,060	2,060
Euros .....	953	14	14	11,482	169	169
Canadian dollars .....	134	7	7	1,614	84	84
Other .....	6,129	(61)	(61)	73,843	(735)	(735)
Total .....	¥ 41,988	¥ 67	¥ 67	\$ 505,880	\$ 807	\$ 807
Non-deliverable forward exchange contracts:						
Selling:						
Brazil reals .....	¥ 791	¥ (70)	¥ (70)	\$ 9,530	\$ (843)	\$ (843)
Other .....	9	0	0	109	0	0
Total .....	¥ 800	¥ (70)	¥ (70)	\$ 9,639	\$ (843)	\$ (843)

## Commodity related

Commodity related	Millions of yen			Thousands of U.S. dollars		
	Contract value	Fair value	Unrealized gains (losses)	Contract value	Fair value	Unrealized gains (losses)
<b>March 31, 2011</b>						
Futures trading:						
Metals:						
Selling .....	¥ 9,234	¥(248)	¥(248)	\$111,253	\$ (2,988)	\$ (2,988)
Buying .....	2,687	13	13	32,374	157	157
Oils:						
Selling .....	¥ 2,772	¥(183)	¥(183)	\$ 33,398	\$ (2,205)	\$ (2,205)
Buying .....	1,582	87	87	19,060	1,048	1,048
Foods:						
Selling .....	¥ 1,978	¥ (11)	¥ (11)	\$ 23,831	\$ (132)	\$ (132)
Buying .....	527	8	8	6,349	96	96
Total:						
Selling .....	¥13,984	¥(442)	¥(442)	\$168,482	\$ (5,325)	\$ (5,325)
Buying .....	4,796	108	108	57,783	1,301	1,301
Forwards trading:						
Metals:						
Selling .....	¥11,210	¥(283)	¥(283)	\$135,060	\$ (3,409)	\$ (3,409)
Buying .....	25,786	678	678	310,675	8,169	8,169
Oils:						
Selling .....	¥ 2,853	¥(140)	¥(140)	\$ 34,374	\$ (1,687)	\$ (1,687)
Buying .....	3,593	179	179	43,289	2,156	2,156
Total:						
Selling .....	¥14,063	¥(423)	¥(423)	\$169,434	\$ (5,096)	\$ (5,096)
Buying .....	29,379	857	857	353,964	10,325	10,325
Commodity options contracts:						
Metals:						
Buying						
Put (Contract) .....	¥ 110	¥ —	¥ —	\$ 1,325	\$ —	\$ —
(Option) .....	9	(9)	(9)	109	(109)	(109)
Oils:						
Buying						
Put (Contract) .....	¥ 306	¥ —	¥ —	\$ 3,687	\$ —	\$ —
(Option) .....	4	(3)	(3)	48	(36)	(36)
Total:						
Buying .....	¥ 416	¥ (12)	¥ (12)	\$ 5,012	\$ (145)	\$ (145)

The following summarizes market value information as of March 31, 2011 of derivative transactions for which hedge accounting has been applied.

## Currency related

The way of hedge accounting; allocation method, which is explained below

Currency related	Millions of yen		Thousands of U.S. dollars	
	Contract value	Fair value*	Contract value	Fair value*
<b>March 31, 2011</b>				
Forward exchange contracts:				
Selling:				
Australian dollars .....	¥ 9,331	¥ —	\$112,422	\$ —
U.S. dollars .....	6,405	—	77,169	—
Other .....	823	—	9,915	—
Total .....	¥16,559	¥ —	\$199,506	\$ —
Buying:				
U.S. dollars .....	¥ 4,684	¥ —	\$ 56,434	\$ —
Other .....	440	—	5,301	—
Total .....	¥ 5,124	¥ —	\$ 61,735	\$ —

\* Short-term and long-term receivables and payables covered by forward exchange contracts are translated at the contract rates. Any differences between the foreign exchange contract rates and historical rates resulting from the translation of receivables and payables are recognized as income or expense over the lives of the related contracts. The estimation method for the fair value of "Trade notes and trade accounts receivable and long-term loans receivable" and "Payables" is explained in Note 12.

## Notes to Consolidated Financial Statements

The way of hedge accounting; deferral hedge accounting

March 31, 2011	Millions of yen		Thousands of U.S. dollars	
	Contract value	Fair value	Contract value	Fair value
Forward exchange contracts:				
Selling:				
U.S. dollars (Buying Australian dollars) .....	¥ 9,569	¥1,357	\$115,289	\$16,350
U.S. dollars .....	4,099	171	49,386	2,060
Other .....	601	(23)	7,241	(277)
Total .....	¥14,269	¥1,505	\$171,916	\$18,133
Buying:				
U.S. dollars .....	¥15,995	¥ 61	\$192,711	\$ 735
Yen (Selling U.S. dollars) .....	6,828	488	82,265	5,879
Euro .....	5,276	205	63,566	2,470
Other .....	1,613	(42)	19,434	(506)
Total .....	¥29,712	¥ 712	\$357,976	\$ 8,578

Interest rate related

The way of hedge accounting; deferral hedge accounting

March 31, 2011	Millions of yen		Thousands of U.S. dollars	
	Contract value	Fair value	Contract value	Fair value
Interest rate swap agreements:				
Receipt—Variable rate/Payment—Fixed rate.....	¥ 2,150	¥(155)	\$ 25,904	\$(1,867)
Total .....	¥ 2,150	¥(155)	\$ 25,904	\$(1,867)

The way of hedge accounting; special method, which is explained in Note 12

March 31, 2011	Millions of yen		Thousands of U.S. dollars	
	Contract value	Fair value*	Contract value	Fair value*
Interest rate swap agreements:				
Receipt—Variable rate/Payment—Fixed rate.....	¥251,663	¥ —	\$3,032,084	\$ —
Total .....	¥251,663	¥ —	\$3,032,084	\$ —

\* As for the fair value of the interest rate swap agreements, to which the special method is applied, please refer the methodology of the fair value of long-term debt, including current portion in Note 12.

## Commodity related

The way of hedge accounting; deferral hedge accounting

March 31, 2011	Millions of yen		Thousands of U.S. dollars	
	Contract value	Fair value	Contract value	Fair value
Futures trading:				
Metals:				
Selling .....	¥2,695	¥ 4	\$32,470	\$ 48
Buying .....	4,851	(255)	58,446	(3,072)
Foods:				
Selling .....	¥4,106	¥ 220	\$49,470	\$ 2,651
Buying .....	977	(2)	11,771	(24)
Total:				
Selling .....	¥6,801	¥ 224	\$81,940	\$ 2,699
Buying .....	5,828	(257)	70,217	(3,096)
Forwards trading:				
Oils:				
Selling .....	¥3,153	¥ 587	\$37,988	\$ 7,072
Total:				
Selling .....	¥3,153	¥ 587	\$37,988	\$ 7,072
Commodity option contracts				
Oils:				
Selling				
Call (Contract) .....	¥1,393	¥ —	\$16,783	\$ —
(Option) .....	(97)	(97)	(1,169)	(1,169)
Buying				
Put (Contract) .....	¥1,432	¥ —	\$17,253	\$ —
(Option) .....	(99)	39	(1,193)	470
Total:				
Selling .....	¥1,393	¥ (97)	\$16,783	\$(1,169)
Buying .....	1,432	39	17,253	470

## Notes to Consolidated Financial Statements

The following summarizes market value information as of March 31, 2010 on derivative transactions for which hedge accounting has not been applied.

Currency related		Millions of yen		
March 31, 2010	Contract value	Fair value*	Unrealized gains (losses)	
Forward exchange contracts:				
Selling:				
U.S. dollars .....	¥50,172	¥51,390	¥(1,218)	
Russian ruble .....	21,877	21,936	(59)	
U.S. dollars (Buying U.K. pounds) .....	8,333	8,328	5	
Australian dollars .....	5,651	6,090	(439)	
Canadian dollars .....	3,784	4,388	(604)	
Euro .....	558	563	(5)	
U.K. pounds .....	216	216	0	
Hong Kong dollars .....	175	178	(3)	
Other .....	4,060	4,028	32	
Total .....	¥94,826	¥97,117	¥(2,291)	
Buying:				
U.S. dollars .....	¥41,166	¥41,523	¥	357
U.K. pounds .....	5,430	5,326		(104)
Euro .....	2,632	2,643		11
Canadian dollars .....	81	84		3
Other .....	10,370	10,124		(246)
Total .....	¥59,679	¥59,700	¥	21
Currency option contracts:				
Buying:				
Put				
Russian ruble (Contract) .....	¥ 10	¥ —	¥	—
(Option) .....	2	0		(2)
Total .....	¥ 2	¥ 0	¥	(2)
Currency swap contracts:				
Receipt—U.S. dollars / Payment—Philippine peso .....	¥ 1,593	¥ 33	¥	33
Total .....	¥ 1,593	¥ 33	¥	33
Commodity related		Millions of yen		
March 31, 2010	Contract value	Fair value*	Unrealized gains (losses)	
Futures trading:				
Metals:				
Selling .....	¥10,313	¥10,991	¥(678)	
Buying .....	13,294	13,649	355	
Oils:				
Selling .....	¥ 871	¥ 934	¥	(63)
Buying .....	830	891		61
Foods:				
Selling .....	¥ 452	¥ 466	¥	(14)
Buying .....	496	506		10
Total:				
Selling .....	¥11,636	¥12,391	¥(755)	
Buying .....	14,620	15,046	426	
Forwards trading:				
Metals:				
Selling .....	¥ 856	¥ 879	¥	(23)
Buying .....	3,331	3,487		156
Oils:				
Selling .....	¥ 1,382	¥ 1,423	¥	(41)
Buying .....	1,074	1,105		31
Total:				
Selling .....	¥ 2,238	¥ 2,302	¥	(64)
Buying .....	4,405	4,592		187

\* As for the fair value, the total amounts of market value are stated.



The following summarizes market value information as of March 31, 2010 of derivative transactions for which hedge accounting has been applied.

#### Currency related

The way of hedge accounting; allocation method, which is explained in Note 12

March 31, 2010	Millions of yen	
	Contract value	Fair value*
Forward exchange contracts:		
Selling:		
U.S. dollars .....	¥3,837	¥ —
Other .....	305	—
Total .....	¥4,142	¥ —
Buying:		
U.S. dollars .....	¥2,643	¥ —
Other .....	193	—
Total .....	¥2,836	¥ —

\* The fair value of the forward exchange contracts, to which allocation method is applied, is explained in Note 12. (The estimation method for the fair value of "Trade notes and trade accounts receivable and long-term loans receivable" and "Payables").

The way of hedge accounting; deferral hedge accounting

March 31, 2010	Millions of yen	
	Contract value	Fair value*
Forward exchange contracts:		
Selling:		
U.S. dollars (Buying Australian dollars).....	¥ 6,706	¥ 5,587
U.S. dollars .....	4,490	4,686
Other .....	289	304
Total .....	¥11,485	¥10,577
Buying:		
Yen (Buying U.S. dollars).....	¥10,430	¥ 9,805
U.S. dollars .....	10,216	10,482
Euro .....	2,505	2,466
Other .....	1,830	1,835
Total .....	¥24,981	¥24,588

\* As for the fair value, the total amounts of market value are stated.

#### Interest rate related

The way of hedge accounting; deferral hedge accounting

March 31, 2010	Millions of yen	
	Contract value	Fair value
Interest rate swap agreements:		
Receipt—Variable rate/Payment—Fixed rate .....	¥2,150	¥(207)
Total .....	¥2,150	¥(207)
Interest rate cap contracts:		
Buying:		
Call (Contract) .....	¥ 680	¥ —
(Option).....	10	1
Total .....	¥ 10	¥ 1

The way of hedge accounting; special method, which is explained in Note 12

March 31, 2010	Millions of yen	
	Contract value	Fair value*
Interest rate swap agreements:		
Receipt—Variable rate/Payment—Fixed rate .....	¥270,838	¥ —
Total .....	¥270,838	¥ —

\* As for the fair value of the interest rate swap agreements, to which the special method is applied, please refer the methodology of the fair value of long-term debt, including current portion in Note 12.

## Notes to Consolidated Financial Statements

Commodity related

The way of hedge accounting; deferral hedge accounting

	Millions of yen	
	Contract value	Fair value*
March 31, 2010		
Futures trading:		
Metals:		
Buying .....	¥2,840	¥3,145
Foods:		
Buying .....	¥ 736	¥ 676
Total:		
Buying .....	¥3,576	¥3,821
Forwards trading:		
Metals:		
Selling .....	¥ 649	¥ 437
Oils:		
Selling .....	¥5,620	¥4,747
Total:		
Selling .....	¥6,269	¥5,184
Commodity option contracts		
Oils:		
Selling		
Call (Contract) .....	¥1,332	¥ —
Option) .....	112	191
Buying		
Put (Contract) .....	¥1,235	¥ —
Option) .....	114	183
Total:		
Selling .....	¥ 112	¥ 191
Buying .....	114	183

\* As for the fair value, the total amounts of market value are stated.

## 14 CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
For notes discounted and endorsed .....	¥21,247	¥26,743	\$255,988
For guarantees of indebtedness to:			
Unconsolidated subsidiaries and affiliates .....	23,309	21,508	280,831
Others .....	17,030	10,584	205,181
Total .....	¥40,339	¥32,092	\$486,012

## 15 LEASES

Related to finance lease transactions without transfer of ownership, the Company and domestic consolidated subsidiaries apply the accounting treatment similar to that used for sales transaction, except for the transactions that commenced prior to April 1, 2008.

Information about finance lease transactions which are not capitalized and accounted for in the same manner as operating lease transactions at March 31, 2011 and 2010 is as follows.

Non-capitalized finance leases, as lessee:

	Millions of yen			
	Assumed purchase cost	Accumulated depreciation	Accumulated impairment loss	Book value
March 31, 2011				
Equipment and fixtures .....	¥1,045	¥ 825	¥40	¥180
Other .....	1,872	1,433	52	387
Total .....	¥2,917	¥2,258	¥92	¥567
	Thousands of U.S. dollars			
	Assumed purchase cost	Accumulated depreciation	Accumulated impairment loss	Book value
March 31, 2011				
Equipment and fixtures .....	\$12,590	\$ 9,939	\$ 482	\$2,169
Other .....	22,555	17,266	626	4,663
Total .....	\$35,145	\$27,205	\$1,108	\$6,832

Millions of yen

March 31, 2010	Assumed purchase cost	Accumulated depreciation	Accumulated impairment loss	Book value
Equipment and fixtures .....	¥1,220	¥ 824	¥40	¥ 356
Other .....	2,870	1,911	52	907
Total .....	¥4,090	¥2,735	¥92	¥1,263

As lessee under non-capitalized finance lease, the amount of future minimum lease payments is ¥643 million (U.S.\$7,747 thousand) at March 31, 2011, of which ¥444 million (U.S.\$5,349 thousand) is due within one year. And amount of annual lease payments is ¥599 million (U.S.\$7,217 thousand) for the year ended March 31, 2011.

Finance leases, as lessor:

The Company had no finance lease transactions as lessor at March 31, 2011 and 2010.

As lessor under sub-leases on finance lease transactions, the amount of future minimum lease payments received is ¥66 million (U.S.\$795 thousand) at March 31, 2011, of which ¥64 million (U.S.\$771 thousand) is due within one year.

The company had no annual lease payments received for the year ended March 31, 2011.

Operating leases, as lessee:

As lessee under noncancelable operating leases, the amount of future minimum lease payments is ¥14,488 million (U.S.\$174,554 thousand) at March 31, 2011, of which ¥5,907 million (U.S.\$71,169 thousand) is due within one year.

Operating leases, as lessor:

As lessor under operating leases, the amount of future minimum lease payments to be received is ¥12,867 million (U.S.\$155,204 thousand) at March 31, 2011, of which ¥1,977 million (U.S.\$23,819 thousand) is due within one year.

## 16 MINIMUM PENSION LIABILITY ADJUSTMENT

In the event the balance of pension assets is less than the pension liabilities for companies adopting generally accepted accounting principles in the United States ("U.S. GAAP") included in the scope of consolidation, an adjustment was made to net assets in accordance with U.S. GAAP Accounting Standards Codification 715 issued by Financial Accounting Standards Board.

The adjustment as of March 31, 2010 was reclassified to Accumulated other comprehensive income in the year ended March 31, 2011.

The reclassification increased retained earnings by ¥797 million (U.S.\$9,602 thousand) in the year ended March 31, 2011,

## 17 INVESTMENT AND RENTAL PROPERTIES

The Company and certain consolidated subsidiaries own rental office buildings, rental commercial facilities and rental condominiums. Information about book value and fair value of investment and rental properties as of March 31, 2011 and 2010 is as follows:

	Millions of yen				Thousands of U.S. dollars			
	Book value at March 31, 2010	Changes during the year	Book value at March 31, 2011	Fair value at March 31, 2011	Book value at March 31, 2010	Changes during the year	Book value at March 31, 2011	Fair value at March 31, 2011
<b>March 31, 2011</b>								
Office building.....	¥42,152	¥ (6,717)	¥35,435	¥34,074	\$507,855	\$ (80,927)	\$426,928	\$410,530
Commercial facility .....	17,532	(3,297)	14,235	12,031	211,229	(39,723)	171,506	144,952
Condominium .....	12,862	(12,862)	—	—	154,964	(154,964)	—	—
Others.....	7,262	(487)	6,775	6,785	87,494	(5,868)	81,626	81,747
Total.....	¥79,808	¥(23,363)	¥56,445	¥52,890	\$961,542	\$(281,482)	\$680,060	\$637,229

	Millions of yen			
	Book value at March 31, 2009	Changes during the year	Book value at March 31, 2010	Fair value at March 31, 2010
March 31, 2010				
Office building.....	¥ 6,189	¥35,963	¥42,152	¥42,926
Commercial facility .....	17,785	(253)	17,532	15,404
Condominium .....	546	12,316	12,862	12,998
Others.....	6,530	732	7,262	7,171
Total.....	¥31,050	¥48,758	¥79,808	¥78,499

Fair values at March 31, 2011 and 2010 are measured by the Company based on the appraisal report prepared by external real estate appraisers as well as the "Real Estate Appraisal Standards." However, if no material change has, from the time of acquisition, occurred in certain values (current market prices or appraised values) or indices, the fair values are determined by adjusting such appraised values and indices.

## Notes to Consolidated Financial Statements

Profit and loss on investment and rental properties in the year ended March 31, 2011 and 2010 is as follows;

Year ended March 31, 2011	Millions of yen				Thousands of U.S. dollars			
	Rent income	Rent expenses	Net	Other gains or losses	Rent income	Rent expenses	Net	Other gains or losses
Office building.....	¥2,412	¥(1,741)	¥ 671	¥ 104	\$29,060	\$(20,976)	\$ 8,084	\$ 1,253
Commercial facility.....	1,406	(989)	417	(1,178)	16,940	(11,916)	5,024	(14,193)
Condominium.....	656	(457)	199	(509)	7,904	(5,506)	2,398	(6,132)
Others.....	453	(265)	188	(169)	5,457	(3,192)	2,265	(2,036)
Total.....	¥4,927	¥(3,452)	¥1,475	¥(1,752)	\$59,361	\$(41,590)	\$17,771	\$(21,108)

Year ended March 31, 2010	Millions of yen			
	Rent income	Rent expenses	Net	Other gains or losses
Office building.....	¥1,692	¥(1,578)	¥ 114	¥617
Commercial facility.....	1,926	(1,260)	666	—
Condominium.....	102	(221)	(119)	—
Others.....	416	(286)	130	(29)
Total.....	¥4,136	¥(3,345)	¥ 791	¥588

Rent income is accounted as Net sales or Other income.

Rent expenses represent expenses corresponding to rent income (ex. depreciation, repair and maintenance fees, insurance, taxes, and others) and accounted as Cost of sales, Selling, general and administrative expenses, or Other expenses.

Other gains and losses include penalty income, gain (loss) on sale and disposal of property and equipment, loss on sale of investment properties, and impairment loss.

## 18 SEGMENT INFORMATION

### For the year ended March 31, 2011 and 2010

In March 2008, the ASBJ revised ASBJ Statement No. 17 "Accounting Standard for Segment Information Disclosures" and issued ASBJ Guidance No. 20 "Guidance on Accounting Standard for Segment Information Disclosures." Under the standard and guidance, an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments. This accounting standard and the guidance are applicable to segment information disclosures for the fiscal years beginning on or after April 1, 2010.

The segment information for the year ended March 31, 2010 under the revised accounting standard is also disclosed hereunder as required.

#### 1. Description of reportable segments

Reportable segments are defined as components of an enterprise for which separate financial information is available that is evaluated regularly by the Board of Directors Meeting in deciding how to allocate resources and in assessing performance.

We are an integrated trading company engaged in a wide range of business activities on a global basis. In our headquarters, we have the business section that divides into the commodity and service, the business section carry on merchandising business, trade business, product manufacturing, supply of services, design and implement various project, investment of business section and financial activity.

Consequently, the Company's reportable segments consist of the following four business groups; Machinery, Energy & Metal, Chemicals & Functional Materials, and Consumer Lifestyle Business.

#### 2. Methods of measurement for the amounts of sales, profit (loss), assets, liabilities and other items for each reportable segment

The accounting policies of each reportable segment are basically consistent with those stated in Note 2. "Summary of Significant Accounting Policies."

Transfers between segments are determined at market price or at arm's length price.

### 3. Information about sales, profit (loss), assets, liabilities and other items is as follows.

Millions of yen

Year ended March 31, 2011	2011								
	Reportable segments					Other	Total	Reconciliations	Consolidated
	Machinery	Energy & Metal	Chemicals & Functional Materials	Consumer Lifestyle Business	Total				
Sales:									
Sales to external customers.....	¥965,412	¥1,013,982	¥612,511	¥1,378,001	¥3,969,906	¥ 44,734	¥4,014,640	¥ —	¥4,014,640
Intersegment sales or transfers.....	3,331	1,493	3,980	5,115	13,919	3,355	17,274	(17,274)	—
Total .....	¥968,743	¥1,015,475	¥616,491	¥1,383,116	¥3,983,825	¥ 48,089	¥4,031,914	¥ (17,274)	¥4,014,640
Segment profit (loss) .....	3,392	26,462	2,712	1,089	33,655	(5,458)	28,197	(12,215)	15,982
Segment assets .....	378,028	543,668	259,529	420,042	1,601,267	264,946	1,866,213	250,748	2,116,961
Other:									
Depreciation .....	4,123	9,502	2,649	2,737	19,011	4,911	23,922	174	24,096
Amortization of goodwill .....	906	828	1,448	1,358	4,540	8	4,548	—	4,548
Interest income .....	1,244	1,587	200	513	3,544	1,226	4,770	(461)	4,309
Interest expense .....	5,806	9,082	3,303	6,416	24,607	(210)	24,397	(461)	23,936
Equity in earnings of unconsolidated subsidiaries and affiliates .....	2,741	15,207	1,128	1,171	20,247	(949)	19,298	(1)	19,297
Extraordinary Gains (Losses).....	2,511	3,627	(482)	(3,282)	2,374	(8,380)	(6,006)	2	(6,004)
Gain (loss) on sale and disposal of property and equipment.....	1,968	2,172	(45)	(122)	3,973	414	4,387	—	4,387
Gain on subsequent acquisitions .....	1,065	9,242	—	—	10,307	—	10,307	—	10,307
Impairment loss.....	41	6,469	83	604	7,197	2,490	9,687	—	9,687
Loss and provision for loss on dissolution of subsidiaries and affiliates.....	1,038	507	308	2,437	4,290	566	4,856	—	4,856
Restructuring losses.....	—	—	—	—	—	5,097	5,097	—	5,097
Income Taxes.....	849	5,832	3,266	(1,112)	8,835	(899)	7,936	12,568	20,504
Investment in unconsolidated subsidiaries and affiliates accounted for by the equity method .....	24,585	171,628	11,239	16,278	223,730	6,301	230,031	(436)	229,595
Increase in property, equipment and intangible assets.....	¥ 8,283	¥ 33,743	¥ 658	¥ 2,380	¥ 45,064	¥ 3,385	¥ 48,449	¥ —	¥ 48,449

Thousands of U.S. Dollars

Year ended March 31, 2011	2011								
	Reportable segments					Other	Total	Reconciliations	Consolidated
	Machinery	Energy & Metal	Chemicals & Functional Materials	Consumer Lifestyle Business	Total				
Sales:									
Sales to external customers.....	\$11,631,470	\$12,216,650	\$7,379,650	\$16,602,422	\$47,830,192	\$ 538,965	\$48,369,157	\$ —	\$48,369,157
Intersegment sales or transfers.....	40,132	17,989	47,952	61,626	167,699	40,421	208,120	(208,120)	—
Total .....	\$11,671,602	\$12,234,639	\$7,427,602	\$16,664,048	\$47,997,891	\$ 579,386	\$48,577,277	\$ (208,120)	\$48,369,157
Segment profit (loss) .....	40,867	318,819	32,675	13,121	405,482	(65,759)	339,723	(147,169)	192,554
Segment assets .....	4,554,554	6,550,217	3,126,855	5,060,747	19,292,373	3,192,121	22,484,494	3,021,060	25,505,554
Other:									
Depreciation .....	49,675	114,482	31,915	32,976	229,048	59,169	288,217	2,096	290,313
Amortization of goodwill .....	10,916	9,976	17,446	16,361	54,699	96	54,795	—	54,795
Interest income .....	14,988	19,120	2,410	6,181	42,699	14,771	57,470	(5,554)	51,916
Interest expense .....	69,952	109,422	39,795	77,301	296,470	(2,530)	293,940	(5,554)	288,386
Equity in earnings of unconsolidated subsidiaries and affiliates .....	33,024	183,217	13,590	14,109	243,940	(11,434)	232,506	(12)	232,494
Extraordinary Gains (Losses).....	30,253	43,699	(5,807)	(39,542)	28,603	(100,964)	(72,361)	24	(72,337)
Gain (loss) on sale and disposal of property and equipment.....	23,711	26,169	(542)	(1,470)	47,868	4,988	52,856	—	52,856
Gain on subsequent acquisitions .....	12,831	111,350	—	—	124,181	—	124,181	—	124,181
Impairment loss.....	494	77,940	1,000	7,277	86,711	30,000	116,711	—	116,711
Loss and provision for loss on dissolution of subsidiaries and affiliates.....	12,506	6,108	3,711	29,362	51,687	6,819	58,506	—	58,506
Restructuring losses.....	—	—	—	—	—	61,410	61,410	—	61,410
Income Taxes.....	10,229	70,265	39,350	(13,398)	106,446	(10,832)	95,614	151,422	247,036
Investment in unconsolidated subsidiaries and affiliates accounted for by the equity method .....	296,205	2,067,807	135,410	196,120	2,695,542	75,916	2,771,458	(5,253)	2,766,205
Increase in property, equipment and intangible assets.....	\$ 99,795	\$ 406,542	\$ 7,928	\$ 28,675	\$ 542,940	\$ 40,783	\$ 583,723	\$ —	\$ 583,723

- Notes 1. "Other" segment includes the following seven business groups; Functional service, Domestic regional corporation, Logistics & Insurance Service, Venture capital, Aircraft leasing business, Investment business (e.g. real estate investments, etc.), Real estate rental business.
2. Reconciliations of segment loss ¥12,215 million (U.S.\$147,168 thousand) include the difference between actual income tax expenses and those allocated to respective reportable segments based upon the Company's policy, which amounted to ¥-12,568 million (U.S.\$-151,422 thousand), and unallocated dividend income, etc. ¥429 million (U.S.\$5,169 thousand).
- Reconciliations of segment asset ¥250,748 million (U.S.\$3,021,060 thousand) consist of elimination of intersegment balances ¥-46,887 million (U.S.\$-564,904 thousand) and unallocated amounts ¥297,635 million (U.S.\$3,585,964 thousand) comprising the headquarters' surplus funds and investment securities.
- Reconciliations of other items, such as Depreciation expenses, Interest income, Interest expenses, and Equity in earnings of unconsolidated subsidiaries and affiliates mainly represent eliminations of intersegment transactions.
3. Segment profit (loss) is reconciled to net income in the consolidated statements of income.



## Notes to Consolidated Financial Statements

(Change in Segmentation)

Effective from the consolidated fiscal year ended March 31, 2011, Logistics and Services operations related to Airlines and Airport retail, previously categorized in Other Business, were reclassified in Consumer Lifestyle Business due to recognition aiming at synergy effects mainly with the general commodities and retail field.

The following is supplementary segment information for the year ended March 31, 2010, that has been reclassified to conform to the presentation based on the current segmentation.

Year ended March 31, 2010	Millions of yen								
	2010								
	Reportable segments					Other	Total	Reconciliations	Consolidated
	Machinery	Energy & Metal	Chemicals & Functional Materials	Consumer Lifestyle Business	Total				
Sales:									
Sales to external customers.....	¥994,499	¥874,543	¥547,790	¥1,364,673	¥3,781,505	¥ 62,913	¥3,844,418	¥ —	¥3,844,418
Intersegment sales or transfers.....	5,300	1,601	2,878	2,251	12,030	4,227	16,257	(16,257)	—
Total .....	¥999,799	¥876,144	¥550,668	¥1,366,924	¥3,793,535	¥ 67,140	¥3,860,675	¥ (16,257)	¥3,844,418
Segment profit (loss) .....	971	23,522	1,253	(3,226)	22,520	(9,106)	13,414	(4,620)	8,794
Segment assets .....	406,811	483,448	255,510	419,354	1,565,123	295,408	1,860,531	300,388	2,160,919
Other:									
Depreciation .....	4,344	7,972	2,963	2,189	17,468	5,752	23,220	(23)	23,197
Amortization of goodwill .....	704	884	1,517	1,363	4,468	(25)	4,443	—	4,443
Interest income .....	1,072	1,280	342	528	3,222	1,750	4,972	(339)	4,633
Interest expense .....	6,046	8,516	3,304	7,608	25,474	852	26,326	(339)	25,987
Equity in earnings of unconsolidated subsidiaries and affiliates.....	2,145	4,659	483	(278)	7,009	2,167	9,176	3	9,179
Extraordinary Gains (Losses).....	5,204	20,011	386	(1,101)	24,500	(21,901)	2,599	2,593	5,192
Gain on sale of investment securities.....	1,676	23,686	865	1,730	27,957	1,927	29,884	2,593	32,477
Loss on devaluation of securities .....	214	195	308	179	896	15,648	16,544	—	16,544
Impairment loss.....	232	2,995	181	260	3,668	5,734	9,402	—	9,402
Income Taxes.....	(594)	9,094	1,806	(2,813)	7,493	(6,847)	646	7,622	8,268
Investment in unconsolidated subsidiaries and affiliates accounted for by the equity method .....	27,432	152,614	11,106	15,757	206,909	7,772	214,681	(436)	214,245
Increase in property, equipment and intangible assets.....	¥ 5,819	¥ 17,035	¥ 773	¥ 1,329	¥ 24,956	¥ 3,498	¥ 28,454	¥ —	¥ 28,454

- Notes 1. "Other" segment includes the following seven business groups; Functional service, Domestic regional corporation, Logistics & Insurance Service, Venture capital, Aircraft leasing business, Investment business (e.g. real estate investments, etc.), Real estate rental business.
2. Reconciliations of segment loss ¥4,620 million include the difference between actual income tax expenses and those allocated to respective reportable segments based upon the Company's policy, which amounted to ¥-7,622 million and unallocated gain on sale of investment securities, etc. ¥2,912 million. Reconciliations of segment asset ¥300,388 million consist of elimination of intersegment balances ¥-51,630 million and unallocated amounts ¥352,018 million comprising the headquarters' surplus funds and investment securities. Reconciliations of other items, such as Depreciation expenses, Interest income, Interest expenses, and Equity in earnings of unconsolidated subsidiaries and affiliates mainly represent eliminations of intersegment transactions.
3. Segment profit (loss) is reconciled to net income in the consolidated statements of income.

#### 4. Information about geographical areas

(1) Sales

Millions of yen					
2011					
Japan	Americas	Europe	Asia/Oceania	Other	Total
<b>¥2,717,527</b>	<b>¥176,263</b>	<b>¥137,278</b>	<b>¥834,067</b>	<b>¥149,505</b>	<b>¥4,014,640</b>

Note: Sales are classified in countries or regions based on location of customers.

Thousands of U.S. Dollars					
2011					
Japan	Americas	Europe	Asia/Oceania	Other	Total
<b>\$32,741,289</b>	<b>\$2,123,651</b>	<b>\$1,653,952</b>	<b>\$10,049,000</b>	<b>\$1,801,265</b>	<b>\$48,369,157</b>

## (2) Property and equipment

Millions of yen					
2011					
Japan	Americas	Europe	Asia/Oceania	Other	Total
¥98,989	¥27,542	¥32,502	¥49,309	¥7,433	¥215,775

Thousands of U.S. Dollars					
2011					
Japan	Americas	Europe	Asia/Oceania	Other	Total
\$1,192,639	\$331,831	\$391,591	\$594,084	\$89,554	\$2,599,699

## 5. Information about major customers

Millions of yen		
2011		
Name of customer	Sales	Related segment name
TS Network Co., Ltd.	¥518,482	Consumer Lifestyle Business

Thousands of U.S. Dollars		
2011		
Name of customer	Sales	Related segment name
TS Network Co., Ltd.	\$6,246,771	Consumer Lifestyle Business

## 6. Information of goodwill by reportable segment

Millions of yen									
2011									
	Reportable segments					Other	Total	Elimination/ Corporate	Consolidated
	Machinery	Energy & Metal	Chemicals & Functional Materials	Consumer Lifestyle Business	Total				
Goodwill									
Amortization of goodwill .....	¥ 1,456	¥ 829	¥ 1,448	¥ 1,398	¥ 5,131	¥ 9	¥ 5,140	¥ —	¥ 5,140
Goodwill at March 31, 2011 .....	15,727	7,223	15,790	14,732	53,472	53	53,525	(2,050)	51,475
Negative goodwill									
Amortization of negative goodwill .....	550	2	—	40	592	—	592	—	592
Negative goodwill at March 31, 2011 .....	1,530	6	—	514	2,050	—	2,050	(2,050)	—

Notes 1. "Other" segment includes the following seven business groups: Functional service, Domestic regional corporation, Logistics & Insurance Service, Venture capital, Aircraft leasing business, Investment business (e.g. real estate investments, etc), Real estate rental business.

2. Negative goodwill incurred from business combination before April 1, 2010 is offset against Goodwill in the consolidated financial statements.

Thousands of U.S. Dollars									
2011									
	Reportable segments					Other	Total	Elimination/ Corporate	Consolidated
	Machinery	Energy & Metal	Chemicals & Functional Materials	Consumer Lifestyle Business	Total				
Goodwill									
Amortization of goodwill .....	\$ 17,542	\$ 9,988	\$ 17,446	\$ 16,843	\$ 61,819	\$109	\$ 61,928	\$ —	\$ 61,928
Goodwill at March 31, 2011 .....	189,482	87,024	190,241	177,494	644,241	639	644,880	(24,699)	620,181
Negative goodwill									
Amortization of negative goodwill .....	6,627	24	—	482	7,133	—	7,133	—	7,133
Negative goodwill at March 31, 2011 .....	18,434	72	—	6,193	24,699	—	24,699	(24,699)	—

## Notes to Consolidated Financial Statements

### 7. Information about bargain purchase gain

The Company executed capital increase and additional investment in its consolidated subsidiaries and the resulting gain is recognized in earnings.

Millions of yen										
	2011									
	Reportable segments					Total	Other	Total	Elimination/ Corporate	Consolidated
	Machinery	Energy & Metal	Chemicals & Functional Materials	Consumer Lifestyle Business						
Bargain purchase gain.....	¥279	—	—	—	¥279	¥125	¥404	—	¥404	

Note "Other" segment includes the following seven business groups: Functional service, Domestic regional corporation, Logistics & Insurance Service, Venture capital, Aircraft leasing business, Investment business (e.g. real estate investments, etc), Real estate rental business.

Thousands of U.S. Dollars									
	2011								
	Reportable segments								
	Machinery	Energy & Metal	Chemicals & Functional Materials	Consumer Lifestyle Business	Total	Other	Total	Elimination/ Corporate	Consolidated
Bargain purchase gain.....	\$3.361	—	—	—	\$3.361	\$1.506	\$4.867	—	\$4.867

### For the year ended March 31, 2010

The activities of the Company and consolidated subsidiaries include worldwide trading in various commodities, financing for customers and suppliers relating to such trading activities, and organizing and coordinating industrial projects on an international basis in conjunction with trading activities.

### (1) Industry segments

Industry segment information for the year ended March 31, 2010 is as follows:

Millions of yen								
Year ended March 31, 2010	Machinery	Energy & Metal	Chemicals & Functional Materials	Consumer Lifestyle Business	Other	Total	Elimination & Unallocated	Consolidated
Net sales:								
Outside customers .....	¥ 994,499	¥874,544	¥547,790	¥1,364,673	¥ 62,912	¥3,844,418	¥ —	¥3,844,418
Inter-segment .....	5,300	1,601	2,878	2,251	4,227	16,257	(16,257)	—
Total .....	¥ 999,799	¥876,145	¥550,668	¥1,366,924	¥ 67,139	¥3,860,675	¥ (16,257)	¥3,844,418
Cost of sales and selling, general and administrative expenses .....	¥1,003,695	¥862,667	¥545,832	¥1,362,869	¥ 70,127	¥3,845,190	¥ (16,901)	¥3,828,289
Operating income (loss) .....	(3,896)	13,478	4,836	4,055	(2,988)	15,485	644	16,129
Total assets .....	¥ 406,811	¥483,448	¥255,510	¥ 415,552	¥299,210	¥1,860,531	¥300,388	¥2,160,919
Depreciation and amortization .....	4,344	8,416	3,619	2,442	4,399	23,220	(23)	23,197
Impairment loss .....	232	2,995	181	260	5,734	9,402	—	9,402
Capital expenditures .....	5,819	17,035	773	1,329	3,498	28,454	—	28,454

#### (Change in Segmentation)

In the fiscal year ended March 31, 2010, the Group has modified the classification of business segments in the aim of establishing an earnings foundation by further improving operating efficiency and implementing selection-and-focus initiatives. Details are provided below.

- The Group's businesses have been reclassified into five segments (Machinery, Energy & Metal, Chemicals & Functional Materials, Consumer Lifestyle Business, and Other), which were previously composed of seven segments (Machinery & Aerospace, Energy & Mineral Resources, Chemicals & Plastics, Real Estate Development & Forest Products, Consumer Lifestyle Business, Overseas Subsidiaries, and Other).
- Real Estate Development & Forest Products, which was previously an independent segment, has been unified with Consumer Lifestyle Business, with a part of real estate business transferred to Other.
- Overseas Subsidiaries, which was previously an independent segment, has been reclassified among each of the business segments according to the characteristics of products and services handled.
- The aircraft leasing business, which previously belonged to Machinery & Aerospace, has been transferred to Other.
- The industrial minerals business and fertilizer business, which previously belonged to Chemicals & Plastics, have been transferred to Energy & Metal and to Consumer Lifestyle Business, respectively.
- The fiber-related business for industrial supplies, which previously belonged to Consumer Lifestyle Business, has been transferred to Chemicals & Functional Materials.

## (2) Geographic segments

Geographic segment information for the year ended March 31, 2010 is as follows:

Millions of yen								
Year ended March 31, 2010	Japan	North America	Europe	Asia & Oceania	Other	Total	Elimination & Unallocated	Consolidated
Net sales:								
Outside customers .....	¥3,307,707	¥ 48,679	¥109,019	¥305,427	¥73,586	¥3,844,418	¥ —	¥3,844,418
Inter-segment .....	102,951	14,061	9,555	153,892	645	281,104	(281,104)	—
Total .....	¥3,410,658	¥ 62,740	¥118,574	¥459,319	¥74,231	¥4,125,522	¥(281,104)	¥3,844,418
Cost of sales and selling, general and administrative expenses .....	¥3,405,515	¥ 62,577	¥116,502	¥448,845	¥76,539	¥4,109,978	¥(281,689)	¥3,828,289
Operating income .....	5,143	163	2,072	10,474	(2,308)	15,544	585	16,129
Total assets .....	¥1,722,919	¥150,734	¥ 95,601	¥246,694	¥71,630	¥2,287,578	¥(126,659)	¥2,160,919

The principal countries or areas included in each region are as follows:

2010	
North America .....	U.S.A. and Canada
Europe .....	U.K. and Russia
Asia & Oceania .....	Singapore and China
Other .....	Central and South America and Africa

## (3) Overseas trading transactions

Overseas trading transactions for the year ended March 31, 2010 are as follows:

Millions of yen	
2010	
North America .....	¥ 103,796
Europe .....	100,696
Asia & Oceania .....	756,678
Other .....	220,914
Total .....	¥1,182,084

The principal countries or areas included in each region are as follows:

2010	
North America .....	U.S.A. and Canada
Europe .....	U.K. and Russia
Asia & Oceania .....	China and Indonesia
Other .....	Central and South America and Middle East

Overseas trading transactions are defined as trading transactions of the Company and consolidated subsidiaries completed outside of Japan.

# 19 ADDITIONAL CASH FLOW INFORMATION

## (1) Cash flow from acquisition and sale of consolidated subsidiaries

The following are the amounts of assets and liabilities of newly consolidated subsidiaries at the time of acquisition for the years ended March 31, 2011 and 2010, the acquisition cost of those companies and the amounts of net revenue from (expenditure for) acquisition.

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Current assets .....	¥ 5,799	¥ 2,483	\$ 69,867
Non-current assets .....	6,392	92	77,012
Goodwill recognized on consolidation .....	1,917	539	23,096
Current liabilities .....	(4,630)	(952)	(55,782)
Long-term liabilities .....	(5,537)	(441)	(66,711)
Minority interests .....	(2,302)	(392)	(27,735)
Acquisition cost .....	1,639	1,329	19,747
Cash and cash equivalents of acquired companies .....	(4,191)	(1,352)	(50,494)
Net revenue (expenditure) .....	¥(2,552)	¥ (23)	\$(30,747)

## Notes to Consolidated Financial Statements

The following are the amounts of assets and liabilities of subsidiaries excluded from the consolidation scope at the time the Companies sold investment securities in consolidated subsidiaries, for the years ended March 31, 2011 and 2010.

	Millions of yen		Thousands of U.S. dollars		Millions of yen		Thousands of U.S. dollars
	2011	2010	2011		2011	2010	2011
Current assets .....	¥1,361	¥327	\$16,398	Current liabilities .....	¥1,174	¥461	\$14,145
Non-current assets.....	2,790	132	33,614	Non-current liabilities.....	1,825	—	21,988
Total .....	¥4,151	¥459	\$50,012	Total .....	¥2,999	¥461	\$36,133

### (2) "Payments for purchase of investment securities" of cash flows from investing activities

"Payments for purchase of investment securities" of cash flows from investing activities for the year ended March 31, 2010, includes the payment of ¥8,678 million on acquisition of common stock of a consolidated subsidiary with tender offer.

### (3) "Other, net" of cash flows from investing activities

"Other, net" of cash flows from investing activities for the year ended March 31, 2011, primarily consists of proceeds from the sales of investment property, which amounted to ¥18,810 million (U.S.\$226,627 thousand).

## 20 LAND REVALUATION DIFFERENCE

A certain domestic subsidiary revalued land for business in accordance with the Law Concerning Revaluation of Land on March 31, 2002. With respect to the evaluation difference, amounts equivalent to taxes related to the evaluation difference were presented as "Deferred tax liabilities on land revaluation difference" (See Note 8). The difference between the previous book value and the revalued amount, net of the deferred tax liabilities was presented as "Land revaluation difference" in net assets.

- Method of revaluation: Calculations were made in accordance with the Law Concerning Revaluation of Land.
- Date of revaluation: March 31, 2002
- The difference between the market value as of March 31, 2011 and the book value of land after revaluation: ¥900 million (U.S.\$10,843 thousand).

## 21 RELATED PARTY INFORMATION

### (1) Related party transactions

There is no significant transactions with related party in the years ended March 31, 2011 and 2010.

### (2) Financial summary of significant affiliates of the Company

A financial summary of Metal One Corporation, which is a significant affiliate of the Company, for the years ended or as of March 31, 2011 and 2010, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Current assets .....	¥ 790,423	¥ 729,484	\$ 9,523,169
Non-current assets.....	254,843	265,566	3,070,398
Current liabilities .....	622,103	576,192	7,495,217
Non-current liabilities.....	119,867	120,834	1,444,181
Net assets .....	303,296	298,024	3,654,169
Net sales.....	2,523,462	2,109,045	30,403,157
Income before income taxes and minority interests .....	32,432	22,221	390,747
Net income.....	¥ 18,780	¥ 10,473	\$ 226,265

## 22 STOCK OPTIONS

The stock options outstanding at March 31, 2011 are as follows:

Entity name:	Sakura Internet Co., Ltd.
Persons granted:	2 directors, 3 auditors, 77 employees
Number of options granted:	376 common stocks of Sakura Internet Co., Ltd.
Date of grant:	August 31, 2006
Vesting conditions:	Stock options are vested to persons in a position of a director, an auditor or an employee of Sakura Internet Co., Ltd. at the time of exercise, unless the retirement is caused by an expiration of the term of director, reaching retirement age or other the valid reasons.
Required service period:	From August 31, 2006 to June 27, 2008
Exercise period:	From June 28, 2008 to June 27, 2011
Exercise price per share:	¥291,394 (U.S.\$3,510.77)
Fair value price at grant date:	¥185,399 (U.S.\$2,233.72)



The numbers of stock options outstanding for Sakura Internet Co., Ltd. are as follows:

	At March 31, 2010	Granted	Forfeited	Vested	At March 31, 2011
Non-vested	—	—	—	—	—
	At March 31, 2010	Vested	Exercised	Forfeited	At March 31, 2011
Vested	318	—	—	2	316

## 23 SUBSEQUENT EVENTS

In accordance with the resolution to set a limit on issuance of domestic bonds during the first half of fiscal year ending March 31, 2012 at the Board of Directors Meeting held on March 24, 2011, the Company issued unsecured corporate bonds on June 21, 2011.

- (1) Type of bond: 21st Series unsecured bonds
- (2) Issue amount: ¥10 billion (U.S.\$120,482 thousand)
- (3) Issue date: June 21, 2011



## Independent Auditors' Report

To the Shareholder and Board of Directors of  
Sojitz Corporation

We have audited the accompanying consolidated balance sheets of Sojitz Corporaion and consolidated subsidiaries as of March 31, 2011 and 2010, and the related consolidated statements of income, comprehensive income, changes in net assets and cash flows for the years then ended expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Sojitz Corporation and consolidated subsidiaries as of March 31, 2011 and 2010, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the followings:

- (1) As discussed in Note 18, "Segment Information", Sojitz Corporation changed its classification of business segmentation in the year ended March 31, 2010.
- (2) As discussed in Note 23, "Subsequent Events", Sojitz Corporation issued unsecured corporate bonds on June 21, 2011.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2011 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

Tokyo, Japan  
June 23, 2011

CPMG AZSs were obtained by treatment of a 10% (v/v) solution of the azobenzene compound in  $\text{CH}_2\text{Cl}_2$  with 10% (v/v) aqueous sodium hydroxide solution for 24 h at room temperature. The CPMG AZSs were purified by dialysis against distilled water and then freeze-dried. The CPMG AZSs were characterized by  $^1\text{H}$  NMR spectroscopy. The CPMG AZSs were characterized by  $^1\text{H}$  NMR spectroscopy. The CPMG AZSs were characterized by  $^1\text{H}$  NMR spectroscopy.

# Corporate Data

(As of March 31, 2011)

**Company Name** Sojitz Corporation

**Established** April 1, 2003

**Capitalization** 160,339 million yen (As of July 1, 2011)

**President & CEO** Yutaka Kase

**Head Office** 1-20, Akasaka 6-chome, Minato-ku,  
Tokyo 107-8655, Japan  
TEL: +81-3-5520-5000  
FAX: +81-3-5520-2390  
<http://www.sojitz.com/en>

**Number of Branches & Offices** Domestic 7  
Overseas 91  
(As of July 1, 2011)

**Number of Subsidiaries & Affiliates** Domestic 143  
Overseas 362

**Number of Employees** Non-consolidated 2,254  
Consolidated 16,456

## Stock Information

(As of March 31, 2011)

**Stock Exchange Listings** Tokyo, Osaka

**Stock Code** 2768

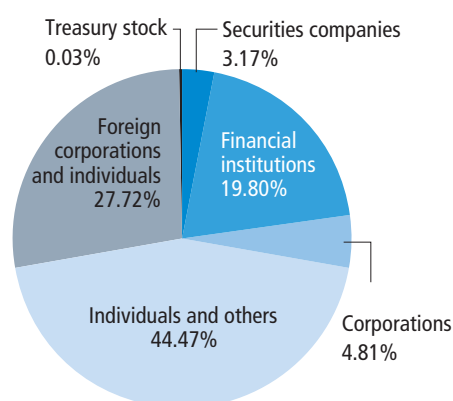
**Number of Shareholders** 206,814

**Total Number of Shares**

**Authorized to be Issued** 2,500,000,000 (As of June 23, 2011)

**Number of Shares Issued and Outstanding** 1,251,499,501

**Composition of Shareholders (By number of shares)**



### Major Shareholders

Name	Number of Shares Held (Thousands)	% of Shares Outstanding
Japan Trustee Services Bank, Ltd.	141,835	11.33
The Master Trust Bank of Japan, Ltd.	42,641	3.41
Trust & Custody Services Bank, Ltd.	19,022	1.52
State Street Bank and Trust Company 505225	17,599	1.41
Mellon Bank, N.A. as Agent for its Client Mellon Omnibus US Pension	14,984	1.20
State Street Bank - West Pension Fund Clients - Exempt	12,773	1.02
Nomura Singapore Limited Customer Segregated A/C FJ-1309	12,309	0.98
SSBT OD05 OMNIBUS ACCOUNT-TREATY CLIENTS	12,195	0.97
Juniper	11,484	0.92
State Street Bank West Client - Treaty	10,608	0.85



*New way, New value*

## **Sojitz Corporation**

1-20, Akasaka 6-chome, Minato-ku, Tokyo 107-8655, Japan

TEL: +81-3-5520-5000

<http://www.sojitz.com/en>