



*New way, New value*

Sojitz Corporation  
Annual Report 2010  
For the year ended March 31, 2010

# Sustained Progress



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Feature Story:  
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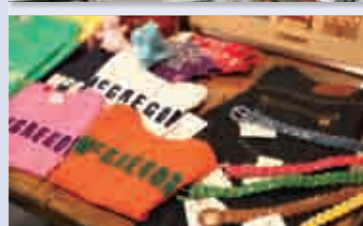
Energy & Metal  
Division

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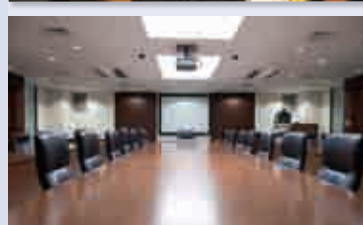
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The Theme of Annual Report 2010

# Sustained Progress

Aiming to achieve sustained growth, Sojitz is executing the **Shine 2011** medium-term management plan to establish a strong earnings foundation. Under the theme of Sustained Progress, Annual Report 2010 covers Sojitz's progress toward sustained growth and its business activities during the past year. It also presents strategies for future growth, initiatives to strengthen the management foundation, and Sojitz's corporate social responsibility (CSR) initiatives as a member of society.

### The Sojitz Group Symbol and Slogan



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)

### Editorial Policy

With Annual Report 2010, Sojitz has introduced a new format that incorporates our CSR Report, formerly published separately. The combined report covers Sojitz from many angles, presenting the management strategies, operations, organization and finances conventionally found in the annual report and providing a more in-depth explanation of the Sojitz Group's CSR initiatives and efforts to achieve sustained growth.

Annual Report 2010 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.

# Sojitz Snapshot

## 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.

### Nichimen Corporation

**1892**

Japan Cotton Trading Co., Ltd. established, the predecessor of Nichimen Corporation

**1896**

First Japanese company to import cotton from the United States

**1943**

Company name changed to Nichimen Company, Limited

**1949**

Company shares listed on the Osaka Securities Exchange and the Tokyo Stock Exchange

**1952**

Nichimen America Inc. established, the first presence in the United States for a Japanese general trading company following World War II

**1953**

Became the leading Japanese general trading company with a 5% share of Japan's imports and exports

### Iwai Sangyo Company

**1896**

Iwai & Co., Ltd. established

**1912**

Iwai & Co., Ltd. incorporated

**1943**

Company name changed to Iwai Sangyo Company Ltd.

### Nissho Company

**1902**

Suzuki & Co., Ltd. established

**1917**

Became top Japanese general trading company in annual import and export volume (Net sales in 1919 equivalent to 10% of Japan's GNP at the time)

**1928**

Company name changed to Nissho Company

**1953**

Company shares listed on the Osaka Securities Exchange (Listed on the Tokyo Stock Exchange in 1955)

## Highlights of the Year Ended March 31, 2010

During the year ended March 31, 2010, Sojitz expanded its energy and mineral resource businesses while steadily laying the groundwork for future growth in fields including the environment and new energy and agribusiness.



In France, Sojitz became the first Japanese company to participate in the uranium enrichment business through cooperation with Areva NC. (Announced March 2009)



In the United Arab Emirates, one of Sojitz's ventures has succeeded in cultivating tomatoes in the desert using a limited amount of water and no soil. (Announced May 2009)



In Turkmenistan, Sojitz received an order to construct the country's largest fertilizer plant. (Announced December 2009)





In Brazil, Sojitz executed a strategic business integration agreement to create a bioethanol company with the world's largest production capacity. (Announced February 2010)



In Canada, Sojitz added copper to its portfolio by acquiring a prime interest in a producing mine. (Announced March 2010)



In Japan, Sojitz is expanding its high-performance materials business by developing new polymers. (Announced March 2010)

# Directors and Corporate Auditors

(As of July 1, 2010)





## 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 Auditor

#### Susumu Komori

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

### ⑨ Auditor

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

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

### ⑩ Auditor

#### Takashi Tsukada

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

### ⑪ Auditor

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

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

### ⑫ 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 Company Law.

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

# Financial Highlights

For the years ended March 31, 2010, 2009, 2008, 2007 and 2006

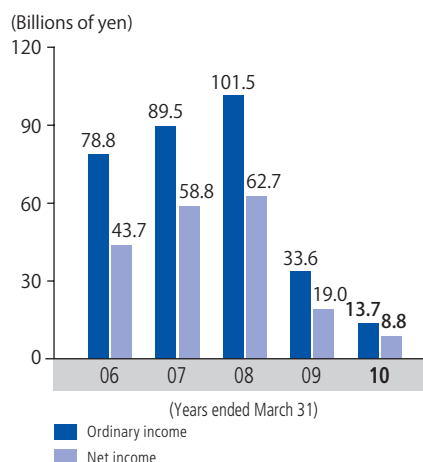
- **Hampered by the slow pace of global economic recovery, gross trading profit excluding the Other Businesses segment decreased substantially. Ordinary income decreased 59.3% year on year to ¥13.7 billion, while net income decreased 53.7% to ¥8.8 billion.**
- **Sojitz made progress in strengthening its balance sheet. The equity ratio increased 2.5 percentage points from a year earlier to 16.3%, while the net debt equity ratio (DER) decreased to 2.1 times from 2.7 times.**
- **Cash dividends per share decreased ¥3.00 to ¥2.50 from the previous fiscal year. The consolidated payout ratio was 35.6%.**

	Billions of yen					Millions of U.S. dollars (Note 1)
Years ended March 31	2010	2009	2008	2007	2006	2010
<b>Operating Results:</b>						
Net sales (Total trading transactions) .....	<b>¥3,844.4</b>	¥5,166.2	¥5,771.0	¥5,218.2	¥ 4,972.1	<b>\$41,338</b>
Gross trading profit.....	<b>178.2</b>	235.6	277.7	254.5	242.2	<b>1,916</b>
Operating income .....	<b>16.1</b>	52.0	92.4	77.9	76.2	<b>173</b>
Ordinary income .....	<b>13.7</b>	33.6	101.5	89.5	78.8	<b>147</b>
Net income .....	<b>8.8</b>	19.0	62.7	58.8	43.7	<b>95</b>
Core earnings (Note 2) .....	<b>14.4</b>	48.3	110.7	89.8	78.5	<b>155</b>
Net cash provided by operating activities .....	<b>107.2</b>	103.7	35.4	7.0	43.2	<b>1,153</b>
Net cash provided by (used in) investing activities .....	<b>28.4</b>	(17.2)	(68.7)	42.7	99.2	<b>306</b>
Net cash used in financing activities .....	<b>(102.6)</b>	(6.0)	(53.7)	(95.5)	(55.8)	<b>(1,103)</b>
Cash and cash equivalents at the end of the year..	<b>454.3</b>	414.4	373.9	464.3	506.3	<b>4,885</b>
<b>Balance Sheet Data (As of March 31):</b>						
Total assets .....	<b>¥2,160.9</b>	¥2,313.0	¥2,669.4	¥2,619.5	¥ 2,521.7	<b>\$23,236</b>
Net assets (Note 3).....	<b>377.4</b>	355.5	520.3	531.6	427.0	<b>4,058</b>
Interest-bearing debt.....	<b>1,193.5</b>	1,287.0	1,299.1	1,317.7	1,386.3	<b>12,834</b>
Net interest-bearing debt .....	<b>737.8</b>	865.3	918.9	846.1	864.3	<b>7,933</b>
<b>Per Share Data (Yen/Dollars):</b>						
Net income .....	<b>¥ 7.08</b>	¥ 15.39	¥ 51.98	¥ 83.20	¥ 126.21	<b>\$ 0.08</b>
Net assets (Note 3).....	<b>281.69</b>	256.17	383.46	144.22	(368.95)	<b>3.03</b>
Dividends (Note 4) .....	<b>2.50</b>	5.50	8.00	6.00	—	<b>0.03</b>
<b>Ratios (%):</b>						
ROA.....	<b>0.4</b>	0.8	2.4	2.3	1.8	
ROE .....	<b>2.6</b>	4.8	13.0	12.8	12.4	
Equity ratio .....	<b>16.3</b>	13.8	17.8	18.7	16.9	
Net debt equity ratio (DER) (Times).....	<b>2.1</b>	2.7	1.9	1.7	2.0	
Long-term debt ratio.....	<b>74.3</b>	66.7	54.0	61.1	41.3	
Consolidated payout ratio (Note 4) .....	<b>35.6</b>	35.7	15.7	10.9	—	

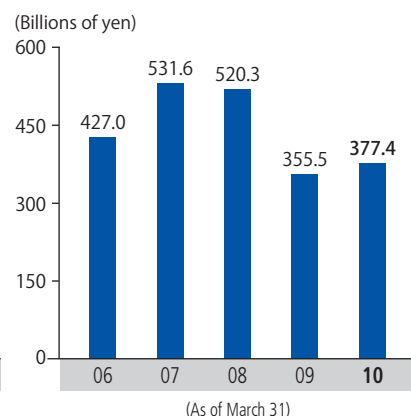
- Notes: 1. The U.S. dollar amounts represent translations of Japanese yen at the approximate exchange rate at March 31, 2010 of ¥93=\$1.  
2. Core earnings = Operating income before Provision for doubtful receivables + Net interest income + Dividends received + Equity in earnings of unconsolidated subsidiaries and affiliates  
3. The presented amount for the year ended March 31, 2006 is based on shareholders' equity under the previous accounting standard, instead of net assets under "Accounting Standard For Presentation of Net Assets in the Balance Sheet." The amounts of shareholders' equity do not include those of minority interest nor gains and losses on deferred hedges, net of tax.  
4. Calculated based on annual dividends applicable to common shares issued and outstanding as of March 31.



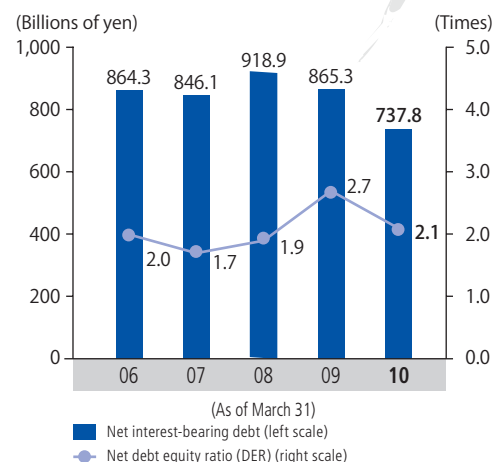
## Ordinary Income and Net Income



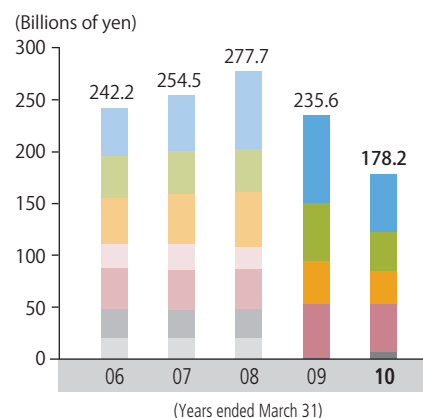
## Net Assets



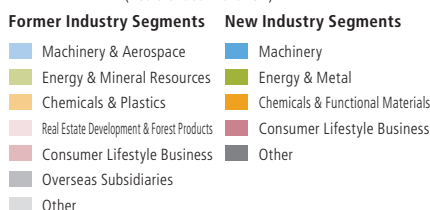
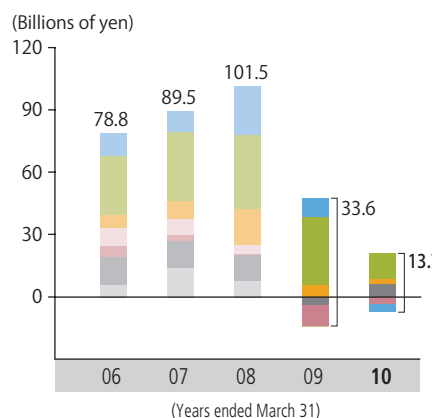
## Net Interest-bearing Debt and Net DER



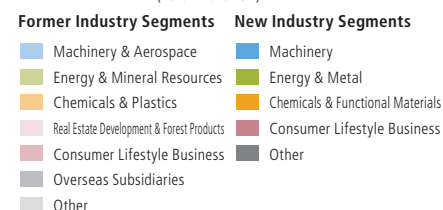
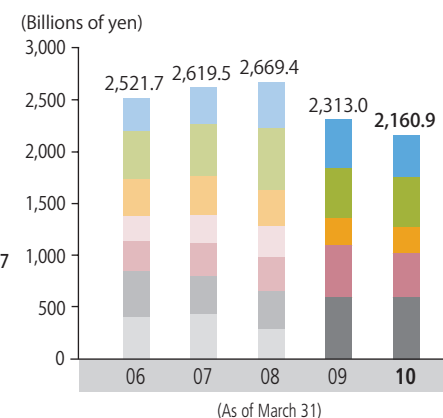
## Segment Gross Trading Profit



## Segment Ordinary Income



## Segment Total Assets



Note: The Sojitz Group has changed its business 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 current segments. Segment information for years ended March 31, 2008 and earlier is presented as per the prior segments.

## Sojitz Corporation's Ratings (As of March 31, 2010)

	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





# Sustained Progress

**Sojitz aims to earn the trust of our stakeholders through ongoing efforts to achieve sustained growth and establish a strong earnings foundation.**

Sojitz positioned the year ended March 31, 2010, the first year of the Shine 2011 medium-term management plan, as a time to establish a firm footing, and worked to strengthen the earnings foundation of its main businesses during the fiscal year. While emerging countries led the recovery of the global economy, regions and businesses that were slow to recover negatively impacted our performance. Consequently, consolidated ordinary income for the year ended March 31, 2010 decreased ¥19.9 billion year on year to ¥13.7 billion, and consolidated net income decreased ¥10.2 billion year on year to ¥8.8 billion. We missed our initial targets by a wide margin, thus failing to meet the expectations of our stakeholders.

At the same time, we successfully improved financial soundness through initiatives such as reducing inventories to appropriate levels, reducing shareholdings and shifting from short- to long-term debt. Moreover, to establish the foundation for earnings over the medium-to-long term, we made new investments and loans in areas such as expanding energy and mineral resource interests, increasing our share of production, promoting environment and new energy businesses.

During the remaining two years of Shine 2011, we will focus on solidifying our earnings foundation, which we had to delay by one year, and restarting growth. At the same time, we will apply all our efforts to accumulating high-quality assets and establishing a strong earnings foundation. In making new investments and loans, we will continue to prudently consider risk and return to enhance the likelihood of solid returns from projects and promote investment in businesses that we expect to grow in the future, including energy, mineral resources, the environment, new energy and agribusiness. We will also work to strengthen our involvement in markets where future growth is expected, such as China, Vietnam and other Asian countries as well as the Middle East and Africa. These activities will be the means to achieve our targets for the year ending March 31, 2012, the final year of Shine 2011: consolidated ordinary income of ¥56.0 billion, consolidated net income of ¥25.0 billion, total assets of ¥2,170.0 billion, net interest-bearing debt of ¥770.0 billion, shareholders' equity of ¥380.0 billion, and a net debt equity ratio of 2.0 times.

As part of Sojitz's efforts to more actively disclose information on the activities it conducts to fulfill its Corporate Social Responsibilities (CSR), Annual Report 2010 incorporates the CSR Report formerly published separately. We hope this new format will give readers a broader understanding of our initiatives for sustained growth.

The Sojitz Group is counting on the continued understanding and support of its valued stakeholders.

July 2010



**Yutaka Kase**  
President & CEO

# An Interview with President & CEO Yutaka Kase



Yutaka Kase  
President & CEO

Q

**Sojitz fell short of its quantitative targets for the year ended March 31, 2010, which was the first year of the medium-term management plan Shine 2011. How would you evaluate the Group's performance?**

A

**Sojitz did not achieve the turnaround in performance it had planned for the year, but got midway to restoring its earnings foundation.**

The year ended March 31, 2010 was the first year of our current medium-term management plan Shine 2011, under which our aim is to establish a strong earnings foundation. We intended to improve on the results for the year ended March 31, 2009 by focusing on solidifying our footing. However, even though earnings improved in tandem with recovery in the global economy, we did not achieve the turnaround in performance we had planned for the year because recovery in regions and businesses was uneven. Businesses that did not recover included the automobile business in Russia and Venezuela. Demand in Russia has fallen significantly because the economy has been slow to rebound, and we experienced labor problems in Venezuela. These factors resulted in a substantial loss in the automobile business. In Japan, deflation has significantly impacted our results because it has caused contraction in businesses related to domestic demand, such as real estate and marine products. Moreover, unlike many of our competitors that are meeting growing demand for products such as iron ore and coal, we have yet to expand our profit because the iron ore mines we are currently developing will not start contributing to results for another two to three years.

Consequently, ordinary income was ¥13.7 billion, compared to our initial target of ¥45.0 billion for the fiscal year. Net income was ¥8.8 billion, significantly below our target of ¥20.0 billion set at the beginning of the fiscal year, because gain on sale of shares in an Australian resource company did not completely compensate for loss on devaluation of preferred shares in Japan Airlines Corporation caused by its filing for protection under the Corporate Reorganization Act.



We were not able to build a strong earnings structure with businesses that could at least make up for the deterioration of results in regions and businesses that have yet to recover. Given this issue, I would say we are midway to restoring our earnings foundation.

Q

**On the other hand, Sojitz successfully strengthened its financial foundation during the year ended March 31, 2010. What initiatives and outcomes gave Sojitz a more solid footing?**

A

**We succeeded in the key areas of reducing inventories, reallocating assets and improving shareholders' equity while steadily making strategic moves for the future.**

Sojitz aims to establish a strong earnings foundation and made excellent progress in its key balance sheet initiatives during the year ended March 31, 2010.

First of all, we reduced inventories. We nearly achieved our goal of rationalizing excessive inventories we held in the year ended March 31, 2009, including fertilizer and marine products centered on tuna. This was an important milestone in establishing a strong earnings foundation. We still need to reduce automobile inventories to appropriate levels, which we expect to do during the year ending March 31, 2011. I see these as key steps for regaining ground and achieving future performance gains.

We also successfully raised asset quality by replacing existing assets with new ones. We sold our shares in the Australian resource company at the best time. On the other hand, we met our objective of securing our first copper interest by acquiring a producing copper mine in Canada. Thus we are steadily enhancing our business portfolio.

Our greatest success was maintaining financial soundness even in a particularly challenging environment. We reviewed our shareholdings in light of the negative impact of falling share prices and the appreciation of the yen on shareholders' equity in the year ended March 31, 2009. We then took steps to reduce this impact, such as selling securities. As a result of this and other efforts, shareholders' equity as of March 31, 2010 increased ¥33.4 billion from a year earlier to ¥352.4 billion. Moreover, we made steady improvements by lowering our net debt equity ratio (DER) to 2.1 times versus our target of 2.0 times, and

## ● Shine 2011 Highlights

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

### Key themes of Shine 2011

- Accumulate high-quality business/assets  
Secure medium/long-term earnings foundation  
(Build high-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
- ◆ Optimize asset portfolio
- Net DER: approximately 2.0 times
- Risk assets: Under 1.0 times shareholders' equity

**Toward  
sustained  
growth**

Consolidated ROA 3%  
Consolidated ROE 15%

reducing the ratio of risk assets to shareholders' equity to 0.9 times, in line with our target of 1.0 times or less. Our credit rating remained in the BBB range.

We also made strategic moves for future growth while steadily dealing with immediate issues. As I explained earlier, we enhanced our resource portfolio by acquiring a copper mining interest. We also made solid progress toward medium-to-long-term growth in ways such as strengthening our foodstuffs business in Asia and developing our environment and new energy business covering solar and nuclear power generation and bioethanol, which we expect to become a core component of earnings in the future. I get strong feedback on these initiatives from business division reports as well, which gives me high hopes for the future.

Q

**What is the rationale for the quantitative targets for the remaining two years of Shine 2011, and what are Sojitz's policies for dividends?**

A

**Our aim is to make all divisions profitable in the year ending March 31, 2012, and we will work to generate the income to ensure stable dividends.**

Our performance began to improve in the second half of the year ended March 31, 2010. We have therefore positioned the final two years of Shine 2011 as a period to return to growth by restoring and improving operating profitability. We will accumulate quality businesses and assets through asset reallocation as we focus on establishing a strong earnings foundation.

This is the basis for the new quantitative targets of Shine 2011. Our first priority will be to improve ordinary income and double growth each year, with the year ended March 31, 2010 as a baseline. At the same time, we will make all divisions profitable. We set these quantitative targets in closer cooperation than ever before with each business division, and believe they are highly probable. We were unable to achieve our forecasts for the years ended March 31, 2009 and March 31, 2010, and are therefore strongly motivated to deliver on our commitments without fail. Sojitz is ready for the challenge of the next two years.

Sojitz recognizes that paying stable, continuous dividends is an important management priority, together with enhancing shareholder value and boosting competitiveness by

● Quantitative Targets for Shine 2011

(Billions of yen)

		Year ended March 31, 2010 (Actual)	Year ending March 31, 2011 (Target)	Year ending March 31, 2012 (Target)
P/L plan	Gross trading profit	178.2	205.0	242.0
	Ordinary income	13.7	26.0	56.0
	Net income	8.8	11.0	25.0
	Core earnings	14.4	33.5	63.0
B/S plan	Total assets	2,160.9	2,120.0	2,170.0
	Net interest-bearing debt	737.8	800.0	770.0
	Shareholders' equity*	352.4	360.0	380.0
Financial targets	Net DER	2.1 times	2.2 times	2.0 times
	Current ratio	153%	120% or higher	
	Long-term debt ratio	74%	Approx. 70%	
	New investments and loans	27.0	90.0	60.0

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

accumulating and effectively utilizing retained earnings. Our target payout ratio is 20%.

In the year ended March 31, 2010, we prioritized increasing retained earnings in order to quickly restart growth and establish the business foundation for future growth. We decided not to pay a year-end dividend, only the interim dividend. Dividends for the full fiscal year therefore totaled ¥2.50. I would like to apologize for failing to meet the expectations of our shareholders, who have provided much support. While the payout ratio for the year ended March 31, 2010 was 35.6%, fundamentally we must generate sufficient net income to achieve our target payout ratio of 20% while maintaining stable dividends.

For the year ending March 31, 2011, we forecast annual cash dividends per share of ¥3.00 considering the need to enhance retained earnings in order to increase corporate value.

Q

**Please explain the new Investments and Loans Plan and the initiatives for achieving the quantitative targets for Shine 2011 and generating growth beyond the year ending March 31, 2012.**

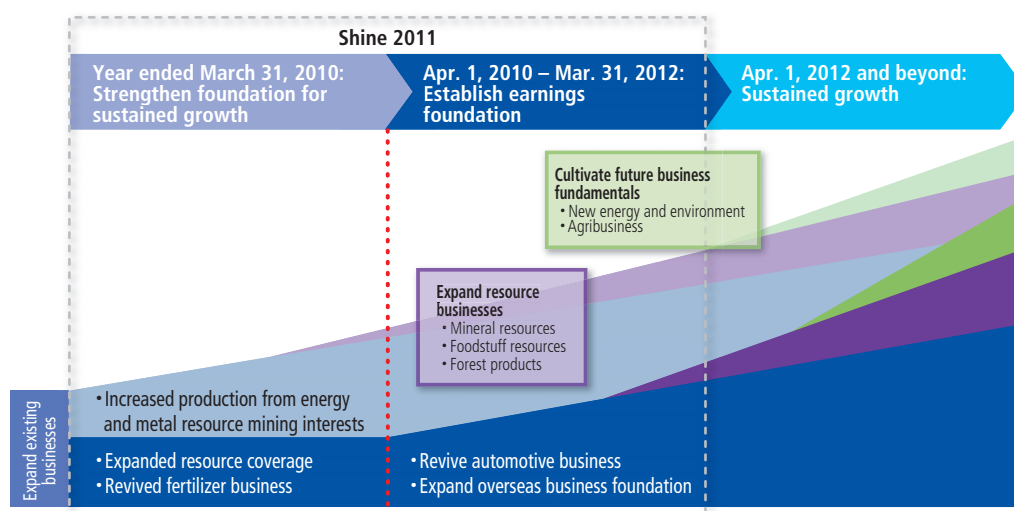
A

**We will expand energy and mineral resource interests as a long-term, stable source of earnings, and establish a pillar for future earnings by expanding resource businesses and intensifying efforts to cultivate new businesses.**

Our three policies for establishing our earnings foundation are expanding existing businesses, expanding resource businesses and cultivating future business fundamentals.

In expanding existing businesses, we intend to add to our energy and mineral resource interests as a long-term, stable source of earnings. The key will be aggressive investment focused on expanding existing interests in oil, gas, LNG, coal and iron ore, as well as rare metals such as molybdenum and nickel, and working to increase our share of production. The markets for these resources are recovering, and we forecast that they will generate solid earnings from the year ending March 31, 2011 onward. Examples of projects that will start contributing to results in the year ending March 31, 2011 include a recently acquired copper mine in Canada, as well as one of Australia's largest thermal coal mines, which began producing in 2010. In addition, we are moving to acquire new interests for resources such as uranium, rare metals and non-ferrous metals as we concentrate on expanding our resource portfolio. Similarly, we see the independent power producer (IPP)

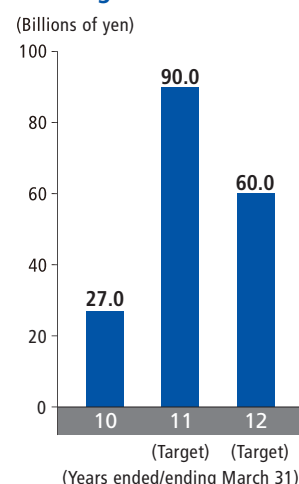
#### ● Establishing a Strong Earnings Foundation during Shine 2011







## ● New Investments and Loans during Shine 2011



business as a source of stable earnings over the medium-to-long term, and are accelerating initiatives in the Middle East and Africa to expand our share of power produced. Furthermore, in the chemicals and functional materials business we are specializing in strategic products and areas, securing supply sources to strengthen logistical value chains.

A key thrust in expanding resource businesses will be securing food resources to meet the demands of the growing global population. In November 2009, we concluded a strategic partnership agreement with the Russia Grain Union to promote exports of Russian wheat to Asia. We will establish the logistical infrastructure required for stable supply to meet expected growth in demand in Asia, and plan to secure more resources while expanding sales. In Vietnam, we already have an alliance with a major Vietnamese flour milling company, and have begun developing the country's first food complex. We are also making good progress in establishing and expanding port infrastructure and grain silos, and will build a processing plant as part of our strategy of establishing a broadly based food value chain that extends to logistics and sales. Moreover, we are accelerating development of agribusiness, a new business for us. We will leverage the strengths we have developed in the fertilizer business for initiatives in Central and South America, Southeast Asia and elsewhere.

In cultivating future businesses that will be central to earnings beyond Shine 2011, we will primarily focus on environment and new energy businesses, which we expect to generate stable earnings over the medium-to-long term. Sojitz is currently developing solar power generation businesses in Germany and the United States, and intends to build a value chain that extends from securing upstream resources such as silicon, which is the raw material for solar panels, to the IPP business. Furthermore, Sojitz has some 50 years of experience in the nuclear power generation business and will enhance its strong position by securing uranium resources. In the business of producing bioethanol from sugar cane, we executed a strategic business integration agreement with a major Brazilian corporation in February 2010 that created a company with the world's largest bioethanol production capacity. Going forward, moves to strengthen this company will include increasing production capacity and expanding transaction volume of product destined for Japan and Europe.

We plan to support such initiatives with new investments and loans totaling ¥90.0 billion in the year ending March 31, 2011 and ¥60.0 billion in the year ending March 31, 2012, for a total of ¥150.0 billion over the next two fiscal years. By business area, we will deploy ¥75.0 billion for energy and mineral resources, ¥24.0 billion for expansion in food and other resources, ¥9.0 billion for environment and new energy projects, and ¥42.0 billion for other initiatives.

Q

**What does Sojitz need to do to achieve sustained growth? What are your key issues?**

A

**Our key issues will be accelerating overseas development, mainly through cooperation with our partners, and strengthening our business portfolio. We will move aggressively to carry them out.**

Accelerating overseas development is the first key issue in achieving sustained growth. Emerging countries are becoming the engine of the global economy. More than ever, Japanese companies must truly globalize, because uncovering overseas opportunities that go beyond simply importing and exporting has become absolutely critical. These circumstances present Sojitz with unprecedented opportunities to use its extensive network and information covering many regions and its relationships with companies worldwide to generate growth. Sojitz is particularly strong in emerging countries and regions such as Brazil, Asia and Africa. Further leveraging these advantages is directly correlated with sustained growth. We see cooperation with outstanding partners as key in successfully strengthening overseas business development. Odebrecht S.A. of Brazil and the Tata Group of India exemplify our strong partners in regions worldwide, and the solid partnerships we have built with them are a true asset. Going forward, in Asian markets such as China and Korea we will energetically work with partners such as emerging conglomerates to build win-win relationships.

Without question, Sojitz must also strengthen its business portfolio in order to further reinforce the earnings foundation required for sustained growth. Our businesses roughly fall into the three categories of interest investments, business investments and trading. Interest and business investments are highly profitable, but they currently account for a small proportion of our portfolio. Selection and focus will improve the profitability of the trading business, while the reallocation of resources to acquire interests and invest in businesses will be the key to growth.

In the year since its establishment in April 2009, the Portfolio Management Committee strengthened the balance sheet through initiatives that included reviewing the value of Sojitz's shareholdings and rationalizing inventory levels. During that time, Executive Vice President Yoji Sato chaired the committee, but from April 2010 I assumed that role in order to take a scalpel to Sojitz's business portfolio. Our task will be to further raise asset efficiency by reallocating assets while restructuring the business portfolio. Efforts will include driving selection and focus by reviewing businesses that have not grown over the past three years and businesses with little future potential, even if they are presently generating earnings. I have a clear idea of what I want from these initiatives, and the Committee will be central to verifying and promoting the potential for earnings and growth.

Q

**Please comment on Sojitz's corporate social responsibility. What are your thoughts on CSR, and what will be areas of emphasis for Sojitz?**

A

**Our corporate social responsibility is contributing to industrial development worldwide through our business activities. We will promote CSR activities that respond to the expectations of society.**

For many years, Sojitz has fulfilled its responsibility of securing and supplying resources, and has contributed to economic and industrial development worldwide through various business activities. In emerging countries in Southeast Asia, Africa, Central and South America and elsewhere, Sojitz has earned profound trust from governments and industry.

We have achieved this together with local communities in each country, earning an excellent reputation for our work in nurturing and supporting industry. These efforts are Sojitz's CSR, and I am proud that they exemplify the principles of sincerity and trust that lie at the heart of the Sojitz Group Statement.

Under Shine 2011, Sojitz is expanding resource businesses and building its environment and new energy operations, which will help address such social issues as resource depletion, global warming, food scarcity and poverty. We conduct our corporate activities with consideration of society and the environment. Doing so ensures the continued development of the Sojitz Group and the regions and communities we serve. Our participation in the United Nations Global Compact is an expression of our attitude toward CSR.

In addition to promoting CSR through our business activities, we contribute to regions and local communities through social contribution activities. Sojitz has long supported the Sojitz Foundation, which conducts activities such as promoting international exchange and nurturing the next generation. Our ongoing programs also include a project to support education in Africa that began in April 2010.

Incorporating the CSR Report, Annual Report 2010 presents activities under four priority themes to clearly explain the Sojitz Group's CSR. I hope that this publication will broaden our stakeholders' understanding of the Sojitz Group's CSR. We intend to promote CSR in the future that meets the expectations of society.

Q

**Please close with a message for stakeholders.**

A

**We are working ceaselessly to establish a powerful presence as a general trading company 10 years from now.**

I want to communicate sincerely to stakeholders that Sojitz is strengthening its earnings foundation, and that it is absolutely determined to begin growing again. In order to achieve sustained growth beyond Shine 2011, Sojitz aims to become a company with return on assets of 3% and return on equity of 15%. Our present results demonstrate that we will certainly need more time to achieve these targets, but Sojitz is a developing corporation and I am confident that establishing a strong earnings foundation under Shine 2011 will be a major step toward sustained growth.

I have directed all employees to devote themselves to creating growing businesses and transactions. We are concentrating resources on growing businesses and building unique businesses in regions in which we are strong. This is sure to build the Sojitz brand and contribute to creating a Sojitz that can sustain growth.

Our aim is to establish a powerful global presence as a general trading company 10 years from now. We are counting on the continued understanding and support of our valued stakeholders as we work ceaselessly toward that goal.





# Sustained Progress

With signs of recovery apparent in the global economy, solid demand for infrastructure and other factors are enhancing the growth potential of emerging countries. This potential is a key to future growth for Sojitz, which is moving to tap the energy of overseas growth more aggressively than ever. This feature story provides an overview of our overseas strategy, our main overseas businesses, and our contributions to economic development in emerging countries to show how we are accelerating overseas business development and where we are headed in the future.

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## Accelerating Overseas Business Development

# Emerging Countries Are Driving Growth

Emerging countries are the center of attention as the drivers of the global economy. Sojitz is making full use of the unique advantages of its human network created over many years in areas including Southeast Asia, Central and South America, and Africa.

### Momentous Changes in the Global Economy's Structure and Growth Drivers

Growth may have stalled in Europe, North America, and Japan, but it certainly hasn't in China, India, Brazil and other emerging countries that have become the new engines of growth in the global economy. While the projected 2010 GDP growth rate\* is 2.1% for developed countries, it is significantly higher at 6.0% for emerging countries as a whole, 9.7% for China, and 8.4% for other emerging countries in Asia.

Solid demand for infrastructure and increasing consumption by the growing middle class are factors driving the internal demand that is central to the growth of emerging countries. The world's leading corporations are looking beyond the mature markets of developed countries to opportunities in the growth markets of emerging countries.

\* GDP growth rates are based on IMF data announced on January 26, 2010. Definitions of developed and emerging (developing) countries are also based on IMF definitions.

### Accelerating Development in Emerging Countries is the Key to Sojitz's Overseas Strategy

Sojitz is emphasizing accelerated overseas business development as one means to establish a foundation for sustained growth. We are using a matrix of five regions and four business divisions for overseas business development so that our business divisions operate in concert overseas. The regional president & CEO in each of the five regions overseas is responsible for local management and administration.

To build a powerful business foundation, Sojitz is concentrating on high-demand markets and businesses rooted in local markets that make full use of its advantages to enhance its presence. North America

and Europe, long the center of the global economy, are not likely to generate exceptional growth, which makes rapidly expanding emerging countries the key to uncovering new opportunities. We will continue to deepen our operations in developed countries while aiming for further growth in emerging countries. We have also set our focus on the four countries of Vietnam, Brazil, Russia and China given their potential for market growth and business expansion, and will energetically build the infrastructure that will serve as the backbone of industry.

#### Europe, Russia & CIS

##### Features

Focus on European markets and the growth markets of Russia, Central and Eastern Europe and Turkey, while linking with operations in Africa and other areas

##### Main Businesses

Automobiles; rolling stock; resources; energy

#### China

##### Features

Develop alliances with partners, such as cooperation with globally competitive Chinese corporations to extend operations to Russia, the Middle East, and Southeast Asia

##### Main Businesses

Environment and new energy; agribusiness; retail

#### Americas

##### Features

Numerous business opportunities in resource-rich Brazil and the countries of Latin America, which have development potential

##### Main Businesses

Environment and new energy including solar power, bioethanol, and water resources

#### Middle East & Africa

##### Features

Tap the region's wealth of oil, natural gas and mineral, precious metal and marine product resources by energetically participating in resource and energy development projects

##### Main Businesses

Resource and energy; infrastructure

#### Asia & Oceania

##### Features

Operate in businesses that capitalize on the dramatic expansion of intra-regional trade resulting from moves to establish an East Asian free trade zone

##### Main Businesses

Fertilizer; woodchips and afforestation; agribusiness; foodstuff resources

## Sojitz's Strengths and Initiatives in Emerging Countries

A core Sojitz strength in emerging countries is its human network created over many years in Africa, Central and South America, and Southeast Asia.

Sojitz has a robust operating base in Southeast Asian countries including Vietnam, Thailand, and the Philippines. Helping Vietnam to rebuild after years of war has given us strong advantages there. In 1987, Sojitz's predecessor Nissho Iwai responded to the Doi Moi policy implemented in 1986 by establishing the Vietnam-Nissho Iwai Economic and Technical Joint Committee in cooperation with the government of Vietnam. The committee convened annually in Hanoi and Tokyo for six years. The woodchip, fertilizer, IPP and industrial complex businesses Sojitz now operates in Vietnam are a direct extension of the joint committee agreement.

Sojitz became involved in Central and South America ahead of other companies by importing wool to Japan

during the 1910s. We have since built a number of competitive advantages, including industry-leading trading volume in iron ore and the world's largest bioethanol production capacity.

Sojitz has been operating in Africa since the 1890s, and is proactively differentiating itself from other companies under Shine 2011 by focusing on this region to make Sojitz known as a company that is strong in Africa. The markets of Africa have excellent potential, and we have clearly positioned them as markets in which we can establish an earnings foundation over the medium-to-long term. Sojitz therefore increased strategic personnel by seven. With eight bases, Sojitz is now a leader among general trading companies in terms of staff. While country risk is high and thoroughly managing risk is no small task, we will use our network of contacts in implementing an aggressive strategy to establish a powerful presence in Africa.

## Sojitz's Progress in Asia, Central and South America, and Africa

Sojitz has been a pioneer among general trading companies in emerging countries in Asia, Central and South America, and Africa. Since the 1970s, Sojitz has been vigorously expanding its activities beyond complementing conventional trading in ways such as obtaining orders for various plants and investing in energy and mineral interests.

	Asia	Central and South America	Africa
<b>1890s-1900s</b>	<ul style="list-style-type: none"> <li>Began trading in Myanmar, Indonesia and Vietnam with a focus on cotton</li> </ul>		<ul style="list-style-type: none"> <li>Began exporting cotton from Egypt to Japan (first export business in Africa)</li> </ul>
<b>1910s-1920s</b>	<ul style="list-style-type: none"> <li>Established a strong relationship with Tata Steel of India</li> </ul>	<ul style="list-style-type: none"> <li>Successfully purchased wool in Argentina and Uruguay</li> <li>Established first base in Central &amp; South America, in Buenos Aires</li> </ul>	<ul style="list-style-type: none"> <li>Began trading cotton and cotton cloth in East Africa</li> <li>First Japanese general trading company to establish a representative office in Egypt</li> </ul>
<b>1930s-1940s</b>		<ul style="list-style-type: none"> <li>Established a subsidiary in Sao Paulo which focused on exports of cotton to Japan and imports of cotton yarn and other goods from Japan</li> </ul>	
<b>1950s-1960s</b>	<ul style="list-style-type: none"> <li>Began developing forests in Indonesia</li> <li>First Japanese company to receive an order for a large plant in India</li> </ul>	<ul style="list-style-type: none"> <li>Established a subsidiary in Brazil</li> <li>Successively expanded countries served by stationing personnel throughout Central &amp; South America</li> <li>Began imports of iron ore from Brazil</li> </ul>	<ul style="list-style-type: none"> <li>Exported over 8,000 units of rolling stock to African countries</li> <li>Began importing phosphate from Morocco</li> </ul>
<b>1970s-1980s</b>	<ul style="list-style-type: none"> <li>Vietnam (Liaison) Office established</li> <li>Chemical fertilizer production company established in Thailand (TCCC)</li> <li>Began handling nickel in the Philippines</li> </ul>		<ul style="list-style-type: none"> <li>In a first for a Japanese company in Africa, concluded an agreement to build a \$60 million pipeline in Kenya</li> <li>Increased rare metal trading volume</li> </ul>
<b>1990s-2000s</b>	<ul style="list-style-type: none"> <li>Invested in a Philippine nickel production company</li> <li>Began IPP project in Vietnam</li> <li>Received goodwill award from Vietnam</li> </ul>	<ul style="list-style-type: none"> <li>Provided financing to Petrobras, Brazil's national oil company</li> <li>Began Brazil's largest bioethanol production business</li> </ul>	<ul style="list-style-type: none"> <li>Provided \$1 billion in financing to the national oil company of Angola</li> <li>Received order for a petrochemical complex in Nigeria</li> </ul>



## Accelerating Overseas Business Development

# Focus on Resources, Energy, Foodstuffs and Agribusiness

Sojitz's mission as a general trading company is to meet demand for the mineral resources and energy required for industrial development. We are also energetically involved in securing foodstuff resources globally.

### The Mineral Resources and Steel Businesses: Bedrock Support for Economic Activity

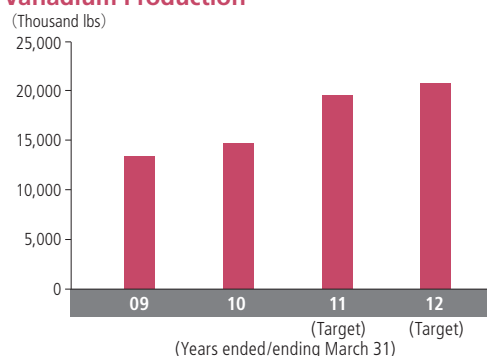
Steadily securing the mineral resources that support industrial development is a core mission of general trading companies. Sojitz is concentrating on areas such as Africa, Central and South America, and Southeast Asia in building a portfolio of interests that is balanced by region and type of ore. In March 2010, Sojitz added copper to its portfolio of interests with the acquisition of a producing copper mine in Canada. Demonstrating another competitive advantage, we also have interests for six of the nine rare metals specified by the Japanese government for stockpiling. Rare metals are essential ancillary materials in steel production.

Going forward, we will expand our portfolio of interests and increase our share of production. Demand for steel is expected to recover, especially in emerging

countries such as China, and we will contribute to stable supply of the rare metals for which demand is expected to rise concurrently.

Note: Please refer to page 35 for a map of Sojitz's energy and mineral resource interests.

#### ● Share of Molybdenum, Nickel, Tungsten and Vanadium Production

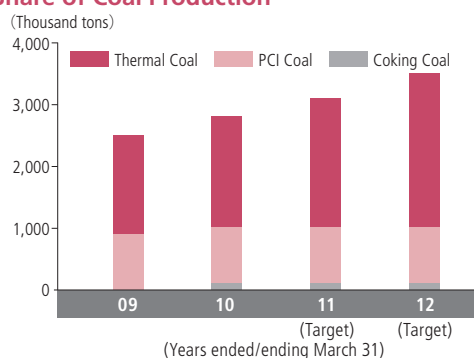


### Consistent Demand Fuels Continued Expansion in the Energy Business

Sojitz is concentrating on securing energy interests to respond to growing demand for energy resulting from economic and industrial development mainly in emerging countries. Solid growth in demand for coal is expected because of infrastructure demand in emerging countries. We will begin operating one of the largest thermal coal mines in Australia during 2010, which along with other moves will increase our share of production. Similarly, we expect to increase our share of production from our oil, gas and LNG concession rights. We are also working to establish the energy development business as a stable source of earnings in ways such as cooperation between the Energy & Metal Division and the Machinery Division in a pipeline infrastructure project.

Sojitz will address the rise in global environmental awareness by securing upstream uranium interests in the nuclear power business, in which it has been involved for more than 50 years. At the same time, we will energetically build the new energy business into a core source of earnings in the future.

#### ● Share of Coal Production



#### ● Sojitz's Main New Energy Businesses

Business	Countries	Operations
Solar power and batteries	Germany, United States	Supply of solar panels and construction of solar power generation plants
Bioethanol	Brazil	Sugar cane production; bioethanol production, export and sales
CCS (CO <sub>2</sub> recovery and storage)	Canada	CO <sub>2</sub> recovery, transport and storage; emission trading, etc.

## Foodstuffs and Agribusiness That Meet Rising Resource Demand

Sojitz forecasts steady growth in the foodstuff business mainly because of population growth in emerging countries. We are now promoting exports of Russian wheat to Southeast Asia. In Vietnam, we are upgrading the country's largest dedicated port for grain and developing a food complex. We also invested in Indonesia's largest bread and noodle production business. In these and other businesses, we are exercising our logistical strengths in new business opportunities. In the core fertilizer business, we have top share of the Thai, Philippine and Vietnamese markets and are working to expand by acquiring upstream raw material interests.

Our crop-producing agribusiness is one area in which we can fully utilize our strengths in the fertilizer business. Expanded demand for resources is focusing attention on agribusiness as a means to enhance supply. We have allocated more human resources in Southeast Asia and Central and South America to

aggressively build our agribusiness. Moreover, in the United Arab Emirates we are working to develop technology for cultivating high-quality tomatoes in the desert with the aim of expanding its use throughout the arid Middle East.



Japan Vietnam Fertilizer Company supplies compound fertilizers

Experimental cultivation of tomatoes in the United Arab Emirates



## Sojitz's Presence in Vietnam

Active from 1987 to 1992, the Vietnam-Nissho Iwai Economic and Technical Joint Committee included some of the best and brightest young members of the Vietnamese government and provided numerous outstanding opportunities to contribute to the nation's future. Many trainees came to Japan under the auspices of the committee, and a number of the people Sojitz met through the committee are now useful contacts in high-ranking government positions.

One of the committee's key contributions to Vietnam's post-war recovery is the area that stretches along National Road 51 from Ho Chi Minh City. Sojitz has continuously invested in this area since before the road was even fully paved. It now features facilities ranging from industrial parks and power plants to port businesses. Going forward, Sojitz plans to expand operations along this highway by developing Vietnam's first food complex, which will include an oil pressing plant and a feed compounding plant. Perhaps the day will come when National Road 51 is known as Sojitz Road.

Times are changing. Sojitz is maintaining its competitive advantages through meaningful communication with the young generation and building new relationships as a means of contributing further to Vietnam's future.



The planned site of a food complex development, looking inshore from the port



Silos with a grain elevator and conveyors at the flour mill



**Takashi Ikeda**  
President & CEO for Asia & Oceania

Takashi Ikeda (right) with Deputy Prime Minister Hoang Trung Hai (left)

## Accelerating Overseas Business Development

# The Development of Emerging Countries Is Our Goal

**Sojitz contributes to regional economic and industrial development as a general trading company that is strong in emerging countries. We will enhance our presence by taking the lead in addressing global issues.**

### Sojitz's Stance: Growth for Regions and with Regions

Many emerging countries in regions including Africa, Central and South America, and Southeast Asia are rich in energy and mineral resources, yet lack the technology, infrastructure and capital required to develop their resources effectively on their own. Many countries want to generate growth by exporting resources. They seek general trading companies that can comprehensively address diverse needs through projects that yield mutual growth and development.

As a general trading company strong in emerging

countries, Sojitz develops close ties with the local community and learns all about it. We then emphasize initiatives that contribute to regional economic and industrial development over the medium-to-long term. We build a business model that resolves each country's potential issues through our operations and create a win-win relationship with the nation. Governments and industries in the countries we serve have praised this methodology, which has helped generate additional business inquiries.

### Sojitz's Resolves Issues for Society through Its Operations

The first issue that Sojitz has successfully resolved involves nurturing industry itself, as exemplified by Nigeria. The most populous nation in Africa and rich in oil resources, Nigeria lacks electricity and pipelines for gas and oil. It therefore turned to Sojitz for assistance with gas pipelines. Power plants and oil refineries are also under consideration. These initiatives are driving Nigeria's resource industries. In Angola, Africa's second-largest producer of oil, Sojitz participated in oil development and finance projects throughout the civil

war, and is now supporting the nation's post-war recovery as it energetically contributes to industrialization projects.

Another major issue in emerging countries is the creation of employment opportunities to raise the standard of living. Our afforestation and woodchip manufacturing operations in Vietnam work with local farmers in afforestation projects that have created employment for about 500 thousand people annually.



In Angola, Sojitz has supported industrialization in ways such as cement plant construction and the delivery of aircraft. We are also helping people improve their lives in ways such as opening vocational training schools.



Sojitz has been involved in afforestation and woodchip manufacturing operations in Vietnam for more than 15 years. We structure sustainable afforestation projects with local farmers that nurture industry and help generate employment.



We support Brazil's industrial base through operations that include development of the Frade Oil Field, bioethanol production and the construction of textile plants.



## Sojitz Puts Its Advantages to Work to Resolve Global Issues and Enhance Its Presence

One of our strengths as a general trading company is our ability to use our extensive network and information to take a broad view in creating the foundation for industry and build strong businesses in cooperation with companies in diverse fields. The afforestation and woodchip manufacturing business mentioned earlier is representative. We are able to create new businesses in regions in which we have close ties from a history of strong human networks and information. We can then deploy successful business models in neighboring countries, enabling us to expand the regions in which we can put our advantages to work and enhance our presence.

Lack of infrastructure and resources are serious problems that no single company can solve. Sojitz will raise its profile further by taking the lead in addressing problems that require cooperative efforts on a global

scale. A company with a detailed understanding of emerging countries, Sojitz is accelerating its progress in this area to make its presence known around the world.



TICAD follow-up meeting in Botswana



Chairman Akio Dobashi (left) in an interview with Prime Minister of Vietnam Nguyen Tan Dung (right)

Note: See "CSR Priority Themes" on pages 59-63 for information on the afforestation business in Vietnam, initiatives in Africa and the solar power business.

## Initiatives in the Developing Continent of Africa

Africa has a population of roughly 1 billion, and its image as a region of turbulence is fading quickly as African politics stabilize. Africa is expected to grow into a major market rivaling India and China as the number of people rises, the economy develops and consumers' purchasing power increases.

Sojitz has been energetically targeting businesses in Africa that have the potential to drive economic growth, including resource and energy development and infrastructure and plant development projects. Sojitz has earned the solid trust of outstanding partners in Africa through initiatives such as participating in large development projects in Nigeria, financing projects in Angola during the civil war, a joint venture for resource development in South Africa, and its many years of trading with Morocco's state-owned phosphate fertilizer company.

Going forward, Sojitz will vigorously promote a variety of initiatives. For example, we will employ our project management expertise in public-private partnership public infrastructure projects, and use overseas development assistance and create basic infrastructure for large-scale resource development projects. We will also contribute to policies for increasing foodstuff production and develop forest resources. In addition, we will promote BOP\* businesses to develop markets and contribute to society.

**Shuhei Inoue**

President & CEO for the Middle East & Africa

### ● Sojitz Operating Bases in Africa



From left: President & CEO Yutaka Kase, The Kingdom of Morocco Minister of Industry, Trade and New Technologies Ahmed Reda Chami, Senator Younes Laraoui and President & CEO for the Middle East & Africa Shuhei Inoue

\* Base of Pyramid (BOP) refers to approximately 72% of the global population, or some 4 billion people, who make less than the equivalent of US\$3,000 per year. BOP businesses are sustainable businesses that target these people and are expected to help resolve various local issues.

# Review of Business Operations

## Sustained Progress through Quality Earnings

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.

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SENIOR MANAGING EXECUTIVE OFFICER  
**Joji Suzuki**  
President, Chemicals & Functional Materials Division



MANAGING EXECUTIVE OFFICER  
**Shigeki Dantani**  
President, Energy & Metal Division  
Senior General Manager, Coal & Non-Ferrous Metals Unit



MANAGING EXECUTIVE OFFICER  
**Tatsunobu Sako**  
President, Machinery Division



MANAGING EXECUTIVE OFFICER  
**Shinichi Teranishi**  
President, Consumer Lifestyle Business Division



EXECUTIVE OFFICER  
**Satoshi Mizui**  
Senior Vice President, Chemicals & Functional Materials Division  
Senior General Manager, Chemicals Unit



EXECUTIVE OFFICER  
**Yoshihisa Suzuki**  
Senior Vice President, Machinery Division  
Senior General Manager, Environment & Infrastructure Unit



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



EXECUTIVE OFFICER  
**Takashi Shindo**  
Senior Vice President, Chemicals & Functional Materials Division  
Vice President, Sojitz Pla-Net Corporation



EXECUTIVE OFFICER  
**Toshihiko Kita**  
Senior Vice President, Machinery Division  
Senior General Manager, Marine & Aerospace Unit  
President, Sojitz Marine & Engineering Corporation



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

# A Message from Executive Vice President Kazunori Teraoka

**Sojitz will concentrate investment of management resources in markets with high growth potential where it is strong in order to reinforce its earnings foundation and generate growth.**

In the year ended March 31, 2010, the first year of Shine 2011, we worked to reduce inventories to appropriate levels and to expand stable businesses and resource businesses.

We will continue to reduce inventories in the real estate and automotive businesses, but have managed to bring inventories down to appropriate levels in the fertilizer and marine products businesses. In stable businesses, we steadily received orders for fertilizer plant, power, and other project infrastructure backed by increased demand in emerging countries.

In resource businesses, Sojitz reallocated assets through selective investments and loans to enhance asset quality. We expanded existing interests and acquired new ones, such as a producing copper mine in Canada.

Based on these achievements, in the year ending March 31, 2011, Sojitz will concentrate management resources in markets with high growth potential where it is strong in order to generate growth. In the resource business, we will focus on mineral resources that we have handled for many years, such as coal, ferroalloys and rare metals. We will also work to expand the fertilizer business by leveraging the capabilities of our three operating companies in Southeast Asia. In the new energy and environment business, which includes solar power and bioenergy, we will undertake integrated development from upstream to downstream to establish a medium-to-long-term earnings foundation.

Going forward, Sojitz will invest in businesses with high growth potential where it can best display its strengths and rapidly build an optimized business portfolio to achieve sustained growth.



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



# Sojitz at a Glance

## Main Businesses

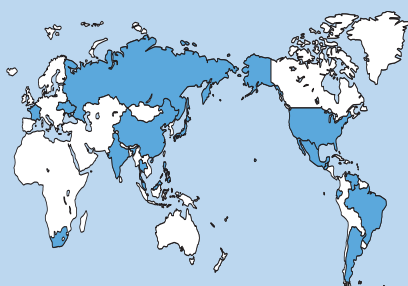
## Distribution of Main Subsidiaries

## Performance Highlights

### Machinery Division



Automotive Unit  
Environment & Infrastructure Unit  
IT Business Unit  
Marine & Aerospace Unit



- Automotive business: Trading volumes declined in Russia, the NIS and Central and South America.
- Industrial machinery business: Trading volumes of surface mounters and manufacturing equipment for domestic use decreased.
- As a result, ordinary loss for the division was ¥4.2 billion, compared with ordinary income of ¥9.3 billion for the previous fiscal year.

### Energy & Metal Division



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

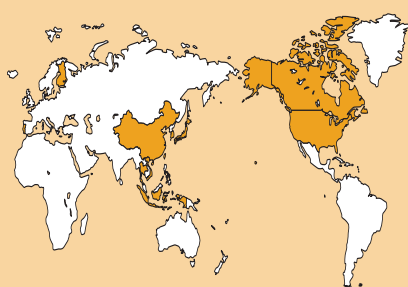


- Energy and mineral resources businesses: Although share of production increased, resource prices declined.
- As a result, ordinary income for the division decreased 61.9% from the previous fiscal year to ¥12.5 billion.

### Chemicals & Functional Materials Division



Chemicals Unit  
Functional Materials Unit

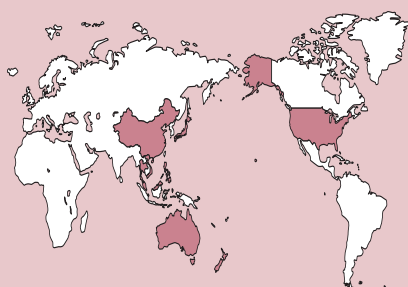


- Chemicals and functional materials businesses: Trading volumes decreased due to an overall decline in demand.
- Methanol business: Prices decreased due to weakening of the methanol market in the first half of the fiscal year.
- As a result, ordinary income for the division decreased 50.9% from the previous fiscal year to ¥2.7 billion.

### Consumer Lifestyle Business Division



Foods Resources Unit  
General Commodities & Textile Unit  
Forest Products & Real Estate Development Unit



- Foodstuff business: Trading decreased due to lower prices for food resources.
- Forest products business: The market for forest products in Japan was weak due to a decrease in the number of housing starts.
- Real estate development business: Loss on valuation of real estate decreased.
- As a result, ordinary loss for the division was ¥3.1 billion, compared with ordinary loss of ¥10.3 billion for the previous fiscal year.



## Gross Trading Profit

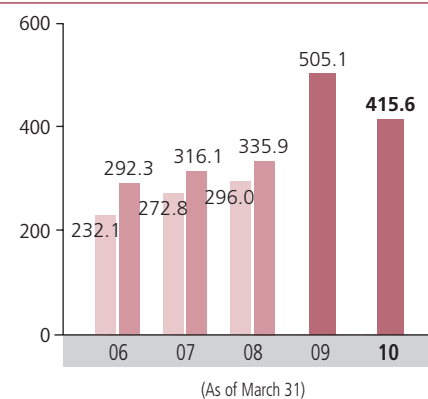
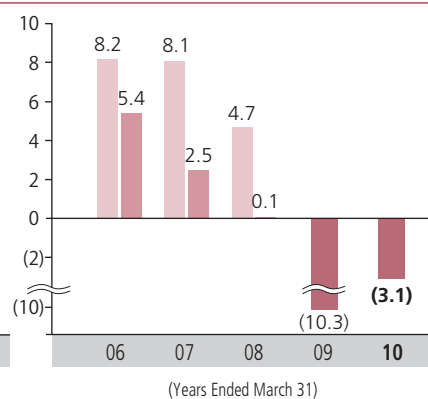
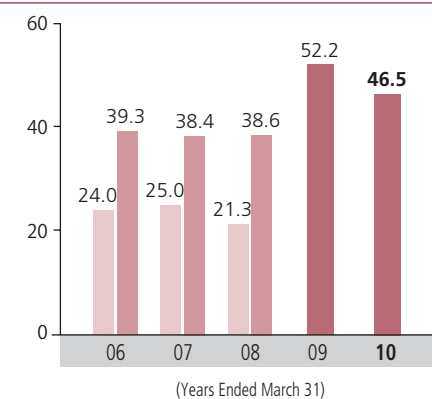
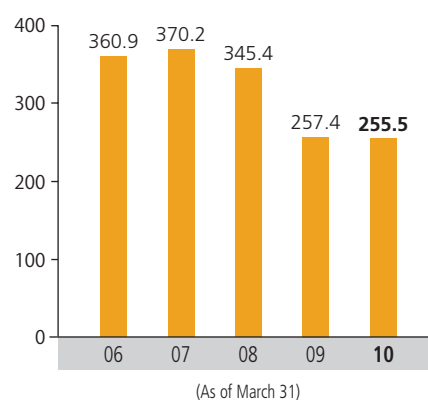
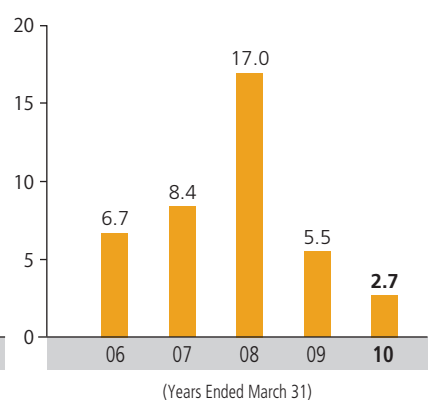
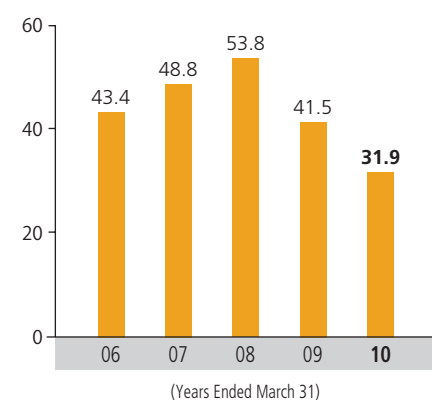
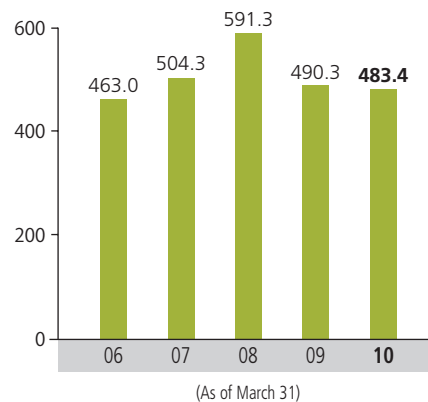
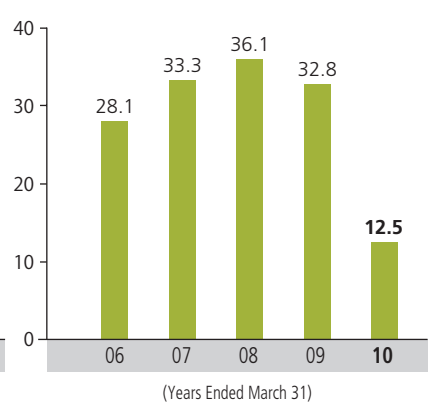
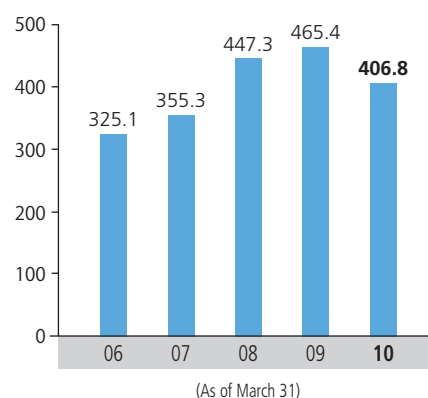
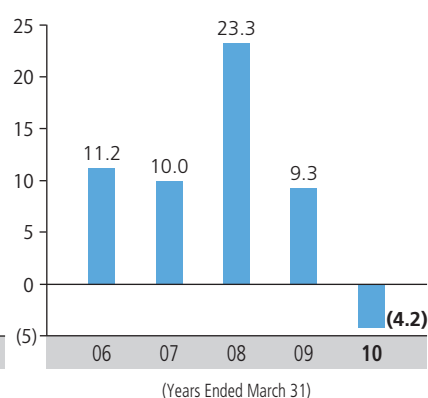
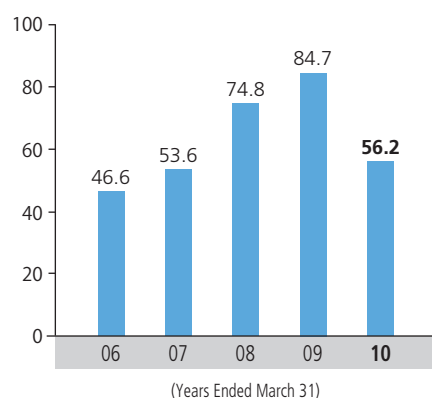
(Billions of yen)

## Ordinary Income (Loss)

(Billions of yen)

## Total Assets

(Billions of yen)



Former Real Estate Development & Forest Products Division    Former Consumer Lifestyle Business Division    Consumer Lifestyle Business Division

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

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.

# Machinery Division



The first year of Shine 2011 was difficult for the Machinery Division, which used the period to optimize its resources. The division will fulfill its role as a functional division by leveraging its four technologies: finance, logistics, information and production. In addition, we will generate sustained growth in the owned ship, IPP, IT and other businesses by effectively reallocating business assets while remaining entrepreneurial.

A handwritten signature in black ink, appearing to read 'T. Sako'.

**Tatsunobu Sako**  
President, Machinery Division

## Overview of the Initial Year of Shine 2011

For the year ended March 31, 2010, a number of factors caused the first operating loss ever for the Machinery Division. Primarily, recovery in areas in which the division is strong, including Russia and the NIS, took longer than expected, and the automotive business weighed on results. Given these conditions, we concentrated on the key task of strengthening the foundation of the automotive business. We introduced a system for managing exchange rate risk and new business management techniques, thereby creating a system that can control overall risk exposure for the automotive business. In Venezuela, greater labor problems than expected have hurt the automotive business, but we are working prudently to resolve them over time.

In the plant and infrastructure business, the division steadily accumulated a backlog of orders due to new orders for projects such as the largest

fertilizer plant in Turkmenistan, and forecasts steady earnings in the future. In the information technology (IT) business, we completed a tender offer for the shares of Nissho Electronics Corporation. Sojitz is integrating the functions of affiliates, with this company at the core, to build a value chain in the information and communication technology business by extending from system development to maintenance and operation.

In the marine business, for our own ships we have concentrated on the dry bulk carrier sector, in which the market has been relatively stable compared with markets in the tanker and container sectors. In the aerospace business, we are focusing efforts on new businesses. However, Sojitz is the number one company in the domestic commercial aircraft consultancy business and increased its order backlog during the past fiscal year. We therefore forecast stable earnings in this business going forward.

## Gross Trading Profit and Ordinary Income

	(Years ended/ending March 31)		(Billions of yen)
	2009	2010	2011 (Target)
Gross Trading Profit	84.7	<b>56.2</b>	61.0
Ordinary Income (Loss)	9.3	<b>(4.2)</b>	(1.5)

## Future Initiatives

- Strengthen the foundation of the automotive business by optimizing inventory and ongoing risk exposure management
- Expand orders for plants by meeting demand for infrastructure in emerging markets
- Invest aggressively in the IPP business, which is expected to contribute to earnings over the medium-to-long term

## Strategies for the Future

In the automotive business, we will pay attention to recovering market prices as we develop business with an emphasis on emerging markets where growth remains strong. We have built a powerful value chain from upstream to downstream, encompassing automobile exports, assembly, wholesaling and retailing. Going forward, we intend to strengthen our downstream dealership business. Our U.S. dealership business has continued to generate solid earnings even after the collapse of Lehman Brothers. We have begun developing this business in China, where we now own seven dealerships. The dealership business keeps us in tune with customer and market trends, and has relatively lower inventory risk. We intend to generate synergies by developing it in tandem with the used vehicle business.

We moved to clarify the areas of involvement of the Plant, Industrial Machinery and IT Unit by dividing it into the Environment & Infrastructure Unit and the IT Business Unit. We transferred the transportation business from the Automotive Unit to the Environment & Infrastructure Unit, thus making it part of the modal shift to environmental businesses that this unit is emphasizing.

In the plant and infrastructure business, various new projects we have been working on have begun to generate returns. In the solar power business, we have invested in a solar power generation system integrator. We are also participating in a solar independent power producer (IPP) in Germany, which has developed a feed-in tariff (FIT) system that

purchases power at a fixed price. In addition, we have invested in a solar power generation developer in North America. While systems for solar power purchasing, tax breaks and other mechanisms differ among the United States and Europe, we expect to make significant progress as we have established a structure that accommodates those differences. In addition, in the IPP business, we forecast that during the year ending March 31, 2011 we will complete a number of projects we have been working on in Saudi Arabia and elsewhere in the Middle East and in Africa. We plan to double our generating capacity (equity based) during the next medium-term management plan, and project that this low-risk, medium-return business will generate stable earnings in the future.

In the aircraft business, we are increasing the transactions of aircraft and peripheral parts of Boeing, Bombardier and other companies by meticulously meeting the changing needs in the airline industry. The charter aircraft business is steadily increasing the number of aircraft handled and is exploring initiatives including regional expansion. In the marine business, in addition to our conventional earnings base consisting of owned ships, newbuilding, and second-hand ship trading, we are strengthening our presence in the environmental area. New initiatives will include adding sales of equipment for wind turbine generators and a ballast water treatment system to sterilize the ballast water of ships to stop the introduction of invasive alien species.

## Automotive Unit

### Businesses

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

## Automotive Business

Extending the value chain from upstream to downstream



The Hyundai Motor (Thailand) Co., Ltd. sales business

### Operating Environment

Recovery in Russia and the NIS took longer than expected, but the automotive market is expanding in China and recovery has begun in other parts of Asia. In Central and South America, we recognize that labor problems in Venezuela must be resolved in order to stabilize our production system there. However, sales were strong for the automotive sales business in Puerto Rico, which began operations in the year ended March 31, 2009.

### 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 and retail. In particular, we are promoting initiatives related to the environment and new technologies by leveraging our expertise in equipment and engineering and in business investment throughout the upstream businesses.

### Strategies under Shine 2011

Sojitz will further promote the vehicle export, assembly and wholesale businesses in Europe, Russia and the NIS, Central and South America, the Middle East and Africa, and China and other parts of Asia. We will also strengthen downstream businesses including vehicle retail and aim to develop businesses in environmental and new technology fields such as electric vehicles.

## Environment & Infrastructure Unit

### Businesses

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

## Infrastructure Business

Expertise in large-scale projects cultivated through the plant business



Solar power generation business in Germany



Solar power generation business in the United States

### Operating Environment

Investment in infrastructure is increasing, mainly in emerging and resource-rich countries, which were first to recover from the global recession and achieve growth. Economic stimulus measures and plans to allow foreign investment are increasing business opportunities, including to invest in businesses related to public infrastructure sectors such as power, the environment (solar power and water) and transportation, as well as to promote 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. In addition, we have 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 customer needs.

### Strategies under Shine 2011

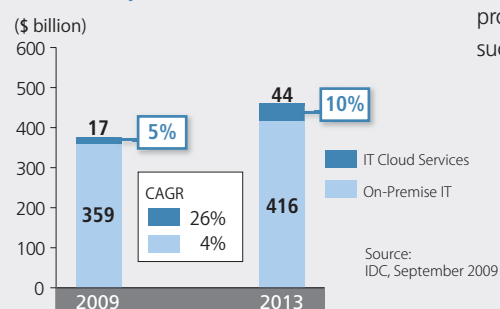
Sojitz has positioned the IPP business as a key sector, and environment and energy, including solar power, water, and bioenergy, as a growth sector. We will leverage our strengths in Asia, Russia and the NIS and the Middle East and Africa in order to accumulate outstanding assets and contribute to the global environment.

## Feature Topic for the Year Ended March 31, 2010

### The Growth of Cloud Computing

The graph on the right presents 2009 estimates provided by Information Data Corporation (IDC) regarding total global IT spending. The cloud computing market is projected to grow at 26 percent annually over the next four years to approximately \$44 billion in 2013.

### Worldwide IT Spending by Consumption Model



Cloud computing enables users to access computer processing services via networks, such as the Internet in particular.



## IT Business Unit

### Businesses

- Sales and maintenance of communication and IT equipment
- Software development and sales
- Data centers and managed services
- Business process outsourcing (BPO) and integration

### IT Business

Expanding the IT services business and developing business in Asian markets



Leading-edge IT equipment handled by Nissho Electronics

### Operating Environment

Corporate investment in IT remains restrained due to the economic downturn. However, demand for information technology outsourcing (ITO) and BPO is rising as the business model shifts from hardware to services.

### Strengths, Distinguishing Features and Initiatives

Sojitz is strengthening its IT outsourcing services by positioning Nissho Electronics, a comprehensive IT solution provider, as the core company of its information and communication technology (ICT) business, and by promoting coordination among Group companies such as Sojitz Systems, Sakura Internet and Net Enrich of the United States, which have unique strengths in a variety of ICT fields.

### Strategies under Shine 2011

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

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



Boeing 787 Dreamliner



The TORM SALTHOLM, a Sojitz-owned ship

### Operating Environment

The dry bulk carrier market, the focus of our shipping business, was first to recover from the global recession, and is rising to levels that exceeded forecasts. Although the airline industry has yet to escape the effects of recession, we forecast that a gradual recovery will start from 2010.

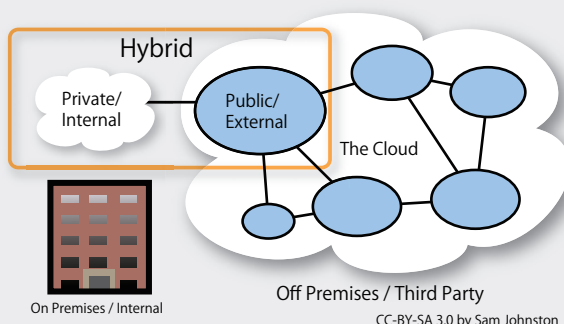
### Strengths, Distinguishing Features and Initiatives

The strength of our marine business is our ability to provide one-stop, comprehensive services encompassing all 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 can offer comprehensive business jet services from sales to operational management as a result of our association with Aviation Concepts, which has a U.S. air operating certificate for on-demand charter flights.

### Strategies under Shine 2011

In the marine business, Sojitz aims to replace older ships in its fleet with new ones, expand business with overseas shipyards and equipment manufacturers, and develop new products in areas such as water treatment and gearbox and other components for wind turbine generators. In the aircraft business, we will consider establishing a joint company which is related to parts business with overseas carriers and specialized manufacturers, and securing new operating bases in the business-jet operational management business.

## Cloud Computing Types



The Machinery Division provides the integrated services and functions of Nissho Electronics, Sojitz Systems, Sakura Internet and Net Enrich of the United States and plans to focus efforts on developing cloud services.

### SaaS (Software as a Service)

- Providing developed applications to end users as a service

### PaaS (Platform as a Service)

- Providing not only hardware but also a platform including an operating system, middleware, and a development environment as a service

### IaaS (Infrastructure as a Service)

- Providing CPUs, storage and other hardware as a service to allow users to freely design their own platforms, including operating systems and middleware

# Energy & Metal Division



During the first year of Shine 2011, the investment portfolio accumulated by the Energy & Metal Division under the previous medium-term management plan began to generate returns. Going forward, we will achieve sustained growth by investing in businesses that contribute to current earnings while investing in prime assets that will contribute to earnings over a medium-to-long-term span of 10 to 20 years. To do so, we will continue cultivating our human resources in order to raise the level of our organization further. Moreover, as a core Sojitz earnings driver, we will play a key role in company-wide efforts to develop environmental and new energy businesses and other new areas.

A handwritten signature in black ink, reading "S. Dantani".

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

## Overview of the Initial Year of Shine 2011

The year ended March 31, 2010 was challenging, with headwinds that hampered progress in the Energy & Metal Division. Recovery of resource prices was slower than expected and delay in Japan's economic turnaround resulted in protracted inventory adjustments in the steel business, which is one of our main businesses. As a result, our performance for the year ended March 31, 2010 was below our target.

The first year of Shine 2011 saw steady progress in the division's investment plans. We achieved our goal of beginning operations at some of the new investment projects executed in the previous mid-term management plan, New Stage 2008, by starting production at Frade Oil Field in Brazil and Tangguh LNG Project in Indonesia. Moreover, in March 2010 we strengthened our investment portfolio by acquiring our first copper interest in

Canada. Meanwhile, in August 2009 we sold shares of an Australian resource company at an excellent time, enabling us to secure resources to build a portfolio of prime assets by replacing our existing asset.

Sojitz expects environment and new energy business to become a new foundation for earnings that will drive sustained growth. It has launched the Environment and New Energy Business Development Committee, a company-wide organization that conducts a number of studies led by the Energy & Metal Division. Among them, the Solar Business Development Team studied the possible structuring of a value chain in the solar power business that extends from upstream to downstream. In addition to this field, the committee has been sharing information on the effective use of low-grade coal, bioethanol business, and emission rights trading. Moving to

## Gross Trading Profit and Ordinary Income

(Years ended/ending March 31)	(Billions of yen)		
	2009	2010	2011 (Target)
Gross Trading Profit	56.6	<b>37.1</b>	47.0
Ordinary Income	32.8	<b>12.5</b>	21.0

## Future Initiatives

- Develop business with a balance between upstream investment and trading
- Invest in prime assets, such as uranium resources, that can contribute to earnings over a medium-to-long-term span of 10 to 20 years
- Promote a value chain in the solar power business that extends from upstream to downstream

accelerate these programs, in April 2010 Sojitz consolidated the related businesses and personnel into a single organization and established the New Energy & Environmental Business Department under the jurisdiction of the Energy & Metal Division.

## Strategies for the Future

The assets of the Energy & Metal Division include oil, gas, LNG, coal, and mineral resources such as rare metals. Under Shine 2011, the division will invest in projects in the field of environment and new energy and other areas that will generate earnings over a medium-to-long-term span of 10 to 20 years. We will work to improve our investment portfolio by replacing existing assets with new prime assets.

The division positions trading and upstream interests as its twin pillars. In addition to accumulating resource interests, we will continue to focus on trading activities. For example, in areas where we have a high level of expertise, such as rare metals and coal, we not only trade products destined for Japan, but we are also strengthening our ability to supply emerging countries such as India and China, where demand for steel is growing. In the oil and gas business, we will use our experience as an operator in the United States and expertise in unconventional gas businesses to activate these functions in Shine 2011.

Awareness of environmental issues is growing on a global level. Shine 2011 positions the environment

and new energy field as a key area for the entire Company. The New Energy & Environmental Business Department will play a central role in addressing environmental issues and securing and developing sustainable and renewable energies by investing in uranium resources, expanding the bioethanol business, and participating in upstream solar power business and the emission rights trading market in Japan. For example, Sojitz has invested in a sugar-cane based bioethanol and bioenergy producer in Brazil, which through a major merger that took place in February 2010, is positioned to become the world's largest ethanol and bioenergy producer.

Regionally, Africa is of great importance, and we are aggressively seeking to develop business opportunities there. Africa continues to offer many investment opportunities, but country risk and other hurdles are high. We carefully study factors such as government support programs, risks and business partners while focusing on projects in which we can exercise our strengths.

The division has steadily strengthened its operating base by accumulating prime assets and highly skilled employees. Through measures such as job rotation within and outside the division we will continue to provide various job opportunities to cultivate our employees, which will further develop our organization.

## Energy & Nuclear Unit

### Products handled

- Oil, natural gas, LNG, gasoline, light oil, heavy oil, jet fuel, nuclear fuel cycle services, nuclear equipment, etc.

## Oil and Gas Upstream and Uranium Investment Businesses

Risk dispersion through a well-balanced investment portfolio



Al Karkara Oil Field, offshore Qatar

### Operating Environment

Solid energy demand is expected globally, especially supported by the increasing energy consumption of emerging countries such as the BRICs, where economic growth is strong. On the other hand, the impact of the increasing use of renewable energies on existing energy sources is noteworthy.

### 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. In the nuclear power business, with our experience and know-how as distributing agent in Japan for Areva NC of France, we will continue to contribute to Japan's stable procurement of nuclear fuel and will work to acquire uranium resources overseas in addition to existing investment in the uranium enrichment business.

### Strategies under Shine 2011

Sojitz aims to maximize the value of its assets in the oil and gas upstream business. At the same time, we will maintain a sound risk-return profile by promoting a regionally diverse portfolio and securing new concessions. We will achieve steady earnings from the shale gas and tight sand gas businesses, which are gaining attention as unconventional energy sources, and will proceed with the acquisition of uranium interests.

## Coal & Non-Ferrous Metals Unit

### Products handled

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

## Coal and Non-Ferrous Metals Businesses

Synergies between trading and interest assets



Lake Vermont Coal Mine in Australia (coal sorting facility)

### 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 numerous outstanding interests in Australia and Indonesia, and has the top share of coal imports to Japan from Russia and Indonesia. The non-ferrous metals business acquired a 12.5% equity interest in the operating Gibraltar copper mine in Canada, making it an earnings driver along with the 9% equity interest in world-leading Worsley Alumina's integrated bauxite and alumina production business.

### Strategies under Shine 2011

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 of coal from our 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, 2010

### Expanding the Non-Ferrous Metals Business by Acquiring Interest in Copper Mine

In non-ferrous metals, we are aiming to further expand the two pillars of the business: upstream interest assets and the trading business comprising the sale of products from those assets.

Worsley Alumina's integrated bauxite and alumina production business, a core business of the Coal & Non-Ferrous Metals Unit, has contributed to stable earnings over the past 25 years through both investment and trading activities.

Recently, we have acquired an interest in the Gibraltar copper mine in Canada. Going forward, we will continue to secure stable earnings from this project while studying acquisitions of new copper mines and mineral exploration projects in order to strengthen our earnings foundation not only from a short-term, but also a medium-to-long-term perspective.

Gibraltar mine





## Ferrous Materials & Steel Products Unit

### Products handled

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

## Ferrous Materials & Steel Products Business

Further strengthening steel-related businesses from raw materials to finished products



Endako  
molybdenum mine  
in Canada

### Operating Environment

Crude steel production volumes decreased substantially in 2009 due to the drop in worldwide demand under the worsening economic conditions. However, demand for iron ore and steel is expected to recover in the long term, supported by economic growth mainly in emerging countries.

### Strengths, Distinguishing Features and Initiatives

Sojitz has secured interests in six of the nine rare metals specified by the Japanese Government for stockpiling and continues to pursue synergies with rare metals trading. 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 also focusing on developing our newly acquired iron ore mine interests in West Australia.

### Strategies under Shine 2011

We will strengthen our expertise in the rare metals business 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, as well as sales to other countries with growing demand, while promoting the development of iron ore interests in Australia.

## New Energy & Environmental Business Department

### Products handled

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

## New Energy & Environmental Business

Strengths in biofuels, solar battery materials and low-grade coal applications



Braskem S.A.'s  
bioethanol plant in  
Brazil

### Operating Environment

Demand for sugar-cane 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 energy and biomass is also expected to increase.

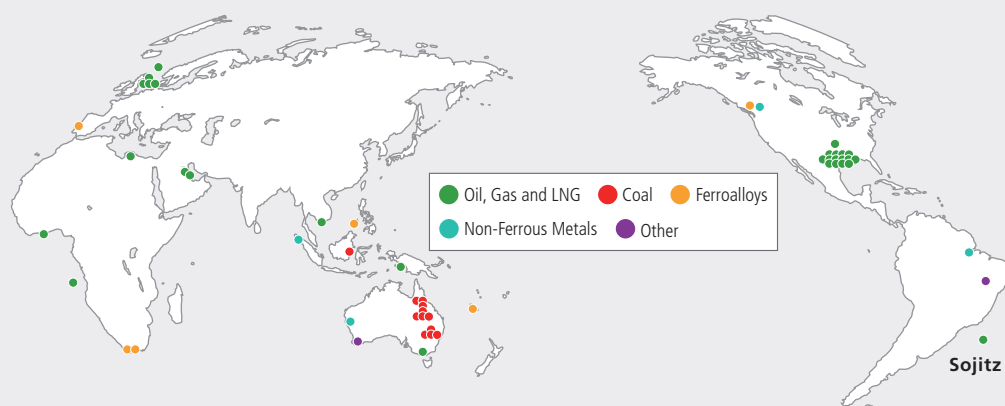
### Strengths, Distinguishing Features and Initiatives

The New Energy & Environmental Business Department, established in April 2010, promotes business in the environmental and new energy field. It also plays a leading role in the company-wide Solar Business Development Sub-Committee and the Environment Business Sub-Committee. The two sub-committees work to develop renewable energy businesses, such as a solar power business value chain and biofuels, and promote effective applications for low-grade coal in collaboration with existing sustainable energy businesses such as nuclear energy and LNG.

### Strategies under Shine 2011

We will continuously develop the bioethanol business as an earnings foundation. Considering the paradigm shift to a low-carbon society, we will promote projects in the field of next-generation environmental and new energy materials and technologies for the effective application of low-grade coal, as these initiatives will help to reduce environmental impact.

## ● Distribution of Energy and Mineral Resource Interests



# Chemicals & Functional Materials Division



The Chemicals & Functional Materials Division trades a wide array of intermediate products. We match supply to increasingly complex and sophisticated needs while working to build value chains. In addition, we are committed to creating value by using our global network and expertise to identify and coordinate the development of opportunities for customers that match their technologies and services. In tune with the changes that have taken place worldwide following the collapse of Lehman Brothers, we are taking on the challenge of creating new businesses.

A handwritten signature in black ink, reading "Joji Suzuki".

**Joji Suzuki**  
President, Chemicals &  
Functional Materials Division

## Overview of the Initial Year of Shine 2011

Results in the first year of Shine 2011 were comparatively solid despite the difficulties encountered as market prices recovered more slowly than we expected. Under Shine 2011, the division's five core chemical businesses are industrial salt, C5,\* lithium, rare earths and methanol, and its three core functional materials businesses are electronics, environment and new energy, and health care and life science. One key market trend is that a growing number of applications that conventionally used metal components are now using components made of high-performance plastics. The need for functional materials is expanding as a result, and the division has focused on accurately responding to this paradigm shift. Although markets have changed faster than we expected, the results of past

initiatives helped us effectively handle developments during the year ended March 31, 2010.

In the Chemicals Unit, growing demand for lithium and rare earth contributes to earnings. These materials are essential for the permanent magnets and rechargeable batteries used in hybrid vehicles. Sojitz intends to make solar power generation a core business over the medium-to-long term. In the year ended March 31, 2010, Sojitz Pla-Net Corporation established a foothold in the new energy field by investing in a solar power generation system integrator. The Functional Materials Unit has established a strong position in China and other parts of Asia through the provision of high-value-added products, with flat panel display-related business in particular benefitting from growing demand for liquid crystal displays. The division is establishing a position of

### Gross Trading Profit and Ordinary Income

(Years ended/ending March 31)	(Billions of yen)		
	2009	2010	2011 (Target)
Gross Trading Profit	41.5	<b>31.9</b>	37.0
Ordinary Income	5.5	<b>2.7</b>	5.0

### Future Initiatives

- Strengthen the value chains the division has built by enhancing logistics functions
- Develop the five core chemical businesses of industrial salt, C5, lithium, rare earths and methanol
- Accelerate the overseas strategy for electronics, environment and new energy, and health care and life science in the Functional Materials Unit

leadership in the market with these highly advanced products, which incorporate its extensive portfolio of specialized knowledge and expertise acquired over the years. Moreover, we have realized strong synergies from advanced material businesses transferred from the Consumer Lifestyle Business Division during the year ended March 31, 2010.

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

### Strategies for the Future

The division handles materials that support a wide array of applications. A key issue is responding accurately to rapid market change. To do so, we must accelerate our strategy of strengthening our logistics business and developing new businesses. Overseas, we are concentrating on Asia, especially China and India, and building a value chain that includes products and after-sale services.

Building value chains entails acquiring resource interests, handling intermediate products manufactured from these resources, and trading in finished products derived from the intermediate products. Involvement from upstream to midstream to downstream enables us to obtain relevant information on all related products, view industries from a broad perspective, and uncover new businesses as a result. The division trades mainly intermediate products, for which markets and the operating environment are changing rapidly.

Therefore, in investing in interests and businesses, we must formulate prudent future projections and focus on businesses within value chains in which we can efficiently expand earnings. The paradigm shift in materials reflects increasingly sophisticated and complex product needs and the advance of new value creation. We must respond by identifying opportunities and quickly developing our businesses.

The strengths of the division are its customer base developed over many years, its sales network that stretches around the world, and its expert personnel. We will use these strengths to expand the regions we serve. We will also deploy more people overseas than in the past, focusing on China and other parts of Asia to accelerate development of our overseas business base and add value in our logistics business. At the same time, we will accumulate prime assets with the objective of further enhancing the quality and the liquidity of operating assets.

### 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

#### Rare Earth Business

Stable supply and production of essential raw materials that support modern society



A rare earth alloy of neodymium, iron and boron

#### Operating Environment

With the spread of hybrid vehicles and energy-saving appliances, demand for rare earths, key raw materials for product components, has been growing every year. Rare earths are indispensable raw materials for modern society. However, as China is the dominant rare earth exporting country, stable supply is an issue.

#### Strengths, Distinguishing Features and Initiatives

The main market of Sojitz's rare earth business is rare earth magnets, which are key materials used in drive motors for hybrid and electric vehicles. We are working to provide stable supply based on the solid relationships we have built over many years with rare earth suppliers in China.

#### Strategies under Shine 2011

Sojitz aims to further stabilize supply from China, its current main supply source, while aggressively working to develop rare earth resources in countries such as Vietnam in order to ensure a stable supply for its customers into the future. At the same time, we will focus efforts on the rare earth magnet alloy production business in order to create a value chain from resource development to manufacture.

#### Methanol Business

A chemical raw material with increasing demand for fuel applications



Methanol manufacturing facilities of Indonesia-based KMI

#### Operating Environment

Methanol has traditionally been used mainly as a chemical raw material in products including synthetic fibers, high-performance plastics and adhesives. However, the scope of fuel applications is growing, including as a substitute for propane gas and diesel. 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 the Company holds an 85% stake. KMI has been manufacturing methanol for more than ten years and has been highly evaluated by the markets for its advantageous proximity to customers and its stable production and delivery.

#### Strategies under Shine 2011

We will consider establishing manufacturing facilities for derivatives using methanol produced by KMI, and aim to construct a business equal to KMI in another country where competitive raw materials can be secured.

### Feature Topic for the Year Ended March 31, 2010

#### Aiming to Construct a Value Chain in the Lithium Business

Sojitz has a leading market share in Japan for the lithium compounds it trades, which are produced from brine in Argentina. Securing a stable supply of the lithium raw materials used in rechargeable lithium-ion batteries, which are a key component for electric vehicles, is an important issue in 2010, the first year that lithium-ion batteries are to be introduced in these vehicles.

Sojitz will build a distribution system for stable supply to all customers and examine new sources of lithium raw materials. We will expand this business into a pillar of earnings in the near future by building a value chain that extends from upstream lithium raw materials to midstream lithium cathode materials and lithium-ion batteries to downstream portable equipment and electric vehicles.



## Functional Materials Unit

### Businesses

- Fine chemicals: Planning, development and sale of cosmetics; export of raw materials for health foods; import of raw materials for crop protection chemicals; export of catalysts; import of high-performance resin monomers
- Functional materials: Export and import of carbon fiber and cellulose
- Advanced electronic materials: Sales of flat-panel displays (FPD); sales of printed circuit boards; sales of raw materials for solar power generators

### Health Care and Life Science Business

Planning and developing original products from the perspective of health, reliability and safety



New naturecia brand cosmetics planned and developed by Sojitz Cosmetics

### Operating Environment

With the declining birth rate and aging of society, demand for health care and life science products is steadily increasing. In particular, the growing awareness of the costs and safety of maintaining health has spread to the foodstuff and food products fields, creating new products and markets with the themes of health, reliability and safety.

### Strengths, Distinguishing Features and Initiatives

Sojitz's health care and life science business plans and develops original products from the perspective of health, reliability and safety. Sojitz Cosmetics Corporation, which conducts sales nationwide, is central to this business. We leverage our years of experience to uncover new needs and expand markets in the fields of cosmetics and health foods. In pharmaceuticals, we increasingly trade in ingredients and products in response to the expanding market for generics.

### Strategies under Shine 2011

We will develop new raw material sources that are environmentally conscious and introduce new intellectual property. Leveraging the capability for proposals we have built up in the planning and development of cosmetics, we will strengthen the value chain from intermediate materials to production and sales of final products.

### Environment Business

Developing solar power generation, the trump card in CO<sub>2</sub> reduction, in Asia



Solar power generator

### Operating Environment

In the environment and new energy field, solar power generation is growing rapidly. The solar power value chain extends from upstream raw material procurement to midstream sales of solar cells and modules and the downstream construction of large-scale "mega-solar" power generation plants.

### Strengths, Distinguishing Features and Initiatives

Through capital participation in a solar power system integrator in June 2009, Sojitz is involved in areas from the design of solar power generation plants to raw material procurement, construction, contracted operation of generation facilities, and maintenance. We are expanding this business model to other countries and working to sell generation equipment and components with superior quality and value in global markets.

### Strategies under Shine 2011

Environmental consciousness is rising rapidly not only in developed countries, but in emerging countries as well. We will contribute broadly to the spread of renewable energy in ways such as forming alliances with influential partners in Asia in order to develop power generation projects and residential and commercial facilities.

## ● A Value Chain in the Lithium Business

### Upstream businesses



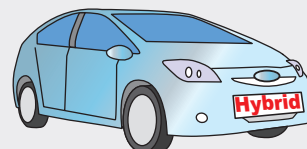
Lithium-producing Salar del Hombre Muerto, Argentina

### Midstream businesses



Premilis® lithium-ion capacitor manufactured by Advanced Capacitor Technologies, Inc.

### Downstream businesses



Electric vehicle

# Consumer Lifestyle Business Division



The Consumer Lifestyle Business Division intends to establish a stable business foundation as an organization involved in clothing, food, and housing businesses that have a direct connection to people's lives. A key task in doing so will be shifting from the Japanese to overseas markets and from trading to a business investment model. We will develop high-value-added businesses overseas by changing from the business of buying and then selling to making, growing, processing and then selling. People are the most important resource for sustainable growth. We will foster people with a strong sense of ownership in their work to develop businesses that support food, clothing, and housing needs around the world.

A handwritten signature in black ink, appearing to read 'Shinichi Teranishi'.

**Shinichi Teranishi**  
President, Consumer  
Lifestyle Business Division

## Overview of the Initial Year of Shine 2011

The Consumer Lifestyle Business Division consists of the Foods Resources Unit, the General Commodities & Textile Unit, and the Forest Products & Real Estate Development Unit. Sojitz established the division at the start of Shine 2011 in April 2009 by reorganizing business units. This created an organization that is globally involved in businesses related to food, clothing and housing. The first year of Shine 2011, ended March 31, 2010, was positioned as a time to solidify our footing. We thoroughly analyzed our assets, reviewed existing businesses, and formulated a new investments and loans plan for growth business fields. We also reduced excessive inventory caused by the rapid deterioration of economic conditions to an appropriate level. In addition, we established the organization we will need to respond quickly to the recovery in domestic demand and growth in

emerging countries over the remaining two years of Shine 2011.

The division aggressively developed upstream businesses to expand existing operations in the future. In the Foods Resources Unit, we concluded a strategic partnership agreement with the Russia Grain Union under which we will promote exports of Russian wheat and expand sales channels in Southeast Asia. We also entered the agribusiness of low-cost, high-tech industrial agricultural facilities for producing high-quality tomatoes and other value-added vegetables and agricultural products. In the marine products business, performance was steady at our tuna farm operation business. We were the first among major general trading companies to enter this business, and we believe that it gives us the business foundation for securing upstream marine product resources. In the forest product business, we are

### Gross Trading Profit and Ordinary Income

(Years ended/ending March 31)	(Billions of yen)		
	2009	2010	2011 (Target)
Gross Trading Profit	52.2	<b>46.5</b>	53.0
Ordinary Income	(10.3)	<b>(3.1)</b>	1.5

### Future Initiatives

- Develop high-value-added businesses overseas that make, grow, process and then sell
- Concentrate on the food resources field in ways such as securing upstream fertilizer resources and nurturing agribusinesses
- Accelerate initiatives in Vietnam, where Sojitz has a strong position, and in China, where the market has excellent growth potential

shifting our focus from the Japanese market to emerging countries. This is because demand in emerging countries continues to rise while demand in Japan remains weak. These steps will enable us to strengthen our overseas sales. In the textile business, the core OEM business was solid. In the real estate business, we started purchasing sites for condominiums again because the real estate market appears to have bottomed.

### Strategies for the Future

During the remaining two years of Shine 2011, the division will shift the focus of its business from the domestic market to growing overseas markets. At the same time, we are changing from a trading business model to investing in businesses that add value by making, growing, processing and then selling. In the shift overseas, we have stationed more than 10 additional employees in China, Brazil, India, Vietnam and Cambodia in order to strengthen our overseas information network. In Brazil, which will host the FIFA World Cup and the Olympics, we will aggressively move into the high-potential retail business and work to secure agricultural resources. We recognize many business opportunities in the fertile fields of Cambodia and the retail markets of India, and will expand existing businesses while developing new ones. Sojitz has long been involved in the fertilizer business in Southeast Asia, where it has built a high market share as well as a strong position. Going forward, we will move to upstream businesses to secure fertilizer raw materials, which

we will deploy in developing agribusinesses in Southeast Asia. In this way, we will build an integrated value chain from raw materials to production and sales, with a view to nurturing businesses over the medium-to-long term.

We will concentrate on Vietnam and China. Sojitz has unique, well-established strengths in Vietnam, and this division alone has 14 employees stationed there. We use the strengths and experience of each unit respectively to develop businesses with the goal of securing market share and expanding further to enhance our position. Going forward, the division will differentiate itself from competitors by expanding outward from Vietnam into businesses in other Southeast Asian countries.

In China, we are working with leading local partners to develop agricultural and food businesses, with an eye on sales of grain and feed material in Asia and marine products in Europe and the Americas. We will also focus on the retail market, which has potential for growth, and conduct a variety of business investment schemes by bringing together our knowledge and experience.

People are the most important resource for sustained growth in all businesses. Through their work, we will foster people who have a strong sense of ownership in their jobs and who can succeed in any business in any country. All division employees share our growth strategy as they develop businesses that support food, clothing, and housing needs around the world.

### Foods Resources Unit

#### Products handled

- Grains and feed materials: Wheat, barley, soybeans, corn, rice, sugar, coffee, oils and fats, pasture, flour, confectioneries and ingredients for confectioneries and bread
- Marine products: Tuna, shrimp, processed seafood
- Agribusiness: Chemical fertilizer, food raw materials, food, livestock raw materials, livestock products

#### Wheat Business

Constructing Vietnam's largest specialized port for grains and a food industrial complex



IFV's flour mill, silos and port facilities

#### Operating Environment

The Vietnamese economy recovered from the effects of the 2008 financial crisis and returned to real GDP growth of 5.3% in 2009. With the country's population exceeding 85 million, demand for grains and feed materials is expected to grow as the economy develops.

#### Strengths, Distinguishing Features and Initiatives

Sojitz has invested in the second-largest flour milling company in Vietnam, Interflour Vietnam (IFV), and is upgrading and expanding that company's port infrastructure and grain silos. It operates Vietnam's largest port, which is the only one used solely for grains. Sojitz intends to build on these strengths to expand the flour milling and feed materials business by increasing the transaction volume of grains and feed materials.

#### Strategies under Shine 2011

Sojitz is developing a food industrial complex that incorporates manufacturing facilities for compound feed, vegetable oils and other materials behind the port facilities. We aim to develop and expand the food business in Vietnam by establishing a value chain from the import of food raw materials to raw material processing, food processing, and distribution.

#### Marine Products Business

Establishing a global-scale marine products value chain



Sojitz Tuna Farm Takashima will begin shipments of bluefin tuna farmed in Nagasaki Prefecture in fall 2010.



#### Operating Environment

Demand for marine products is increasing because of the growing population and economies of emerging countries and changes in global eating habits. On the other hand, natural resource management is becoming more stringent as supplies decline. We emphasize securing product supply through farming in response to these types of changes in the supply and demand environment.

#### Strengths, Distinguishing Features and Initiatives

Sojitz has begun a shrimp farm operation with National Prawn Company (NPC) of Saudi Arabia, which has the world's largest shrimp farm. Starting from hatchery operations, we are producing high-quality shrimp that people can eat raw. Sojitz Tuna Farm Takashima Co., Ltd, which operates a tuna farming business in Nagasaki Prefecture, will begin shipments in fall 2010. In addition, we are expanding production, processing and sales in an alliance with Dalian Zhangzidao Fishery Group Co., Ltd., the largest marine products farming company in China.

#### Strategies under Shine 2011

Sojitz will secure high-quality marine product resources and manufacture high-value-added products. We will also expand sales channels in Japan, Asia, Europe and North America in order to significantly increase the volume of products handled by the Sojitz Group.

### Feature Topic for the Year Ended March 31, 2010

#### The Largest Food Wholesaling Business in Vietnam

Sojitz is involved in the food wholesaling business in Vietnam through its acquisition of shares in Huong Thuy Manufacture Service Trading Corporation (Huong Thuy), the country's largest food wholesaler.

Huong Thuy is a leading company in Vietnam. With 500 employees, it markets and distributes a wide range of food products centered on dairy products, beverages, confectioneries and flavorings. Huong Thuy sells to more than 20,000 establishments, including all supermarkets and convenience stores as well as hotels, restaurants and privately owned stores throughout Vietnam. It will continue to strengthen its product lineup and distribution functions in order to expand its business as a leading food wholesaler in Vietnam.



## General Commodities & Textile Unit

### Businesses

- General commodities: Import and sales of sundries including tobacco and shoes; retail business with JALUX Inc.
- Textiles: Apparel OEM business; "McGREGOR" brand business

### Apparel Business

Globally developing our apparel business by enhancing the unique functions of design and production



The "McGREGOR CLASSIC" brand handled by Sojitz



### Operating Environment

Apparel markets in Japan are shrinking overall as sales of consumer products decline due to worsening economic conditions. However, polarization has become clear. For example, sales are growing for highly functional, high-value-added products or brands.

### Strengths, Distinguishing Features and Initiatives

Sojitz has the strength of its integrated supply functions, ranging from procurement of textile raw materials to product design and production. We are developing our apparel OEM business and our own "McGREGOR" brand business with this strength. Furthermore, we are working to expand the business by leveraging our overseas network to supply growing overseas markets, as well as by providing even more efficient distribution and sales functions.

### Strategies under Shine 2011

In Japan, Sojitz is developing the apparel business by leveraging its integrated supply chain function to respond to diversified consumer trends. Overseas, we will expand business by enhancing our functions in growth markets including China.

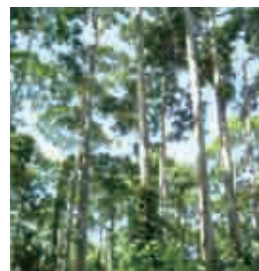
## Forest Products & Real Estate Development Unit

### Businesses

- Forest products: Import and sales in Japan of timber, lumber, plywood, building materials, etc.; overseas afforestation business, production, import, and sales of woodchips
- Real estate: Condominium development business; retail property development business

### Timber Business

Further advancing through the expansion of environmentally friendly product lineup



Materials from certified forests supplied by Kolombangara Forest Products Limited (KFPL) of the Solomon Islands

### Operating Environment

In timber markets, demand is growing year by year for products that contribute to conservation of the natural environment, such as timber products supplied through sustainable forestry and from certified forests. Timber-producing countries are on board with this movement, and certification is being improved while standardization is increasing.

### Strengths, Distinguishing Features and Initiatives

Sojitz has many years' experience importing timber to Japan. We have close relationships with suppliers of timber products from certified plantations and forests in North America, Southeast Asia, Russia, South America, and other regions. In addition, we have obtained chain of custody (CoC) certification for handling certified timber products. As a result, we can reliably respond to customers around the globe whose distribution requires CoC certification.

### Strategies under Shine 2011

We will aggressively promote stable procurement of timber products from certified plantations and forests. We will increase trading overseas to expand the business centered on Asian markets including China, Vietnam and India, where demand is expected to grow.



A food warehouse (left) and delivery trucks (right) belonging to Huong Thuy Manufacture Service Trading Corporation



A Huong Thuy Japanese food pilot store that opened in July 2010 (left), and a supermarket handling the company's products (right)

# Foundations of Management

## Sustained Progress through Consistent Management

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.

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SENIOR MANAGING EXECUTIVE OFFICER  
**Shinichi Taniguchi**  
CCO  
Public Relations Department,  
Risk Management Planning  
Department,  
Risk Management Department 1,  
Risk Management Department 2,  
Legal Department



MANAGING EXECUTIVE OFFICER  
**Jun Matsumoto**  
Business Promotion Department,  
Asset Management Department



MANAGING EXECUTIVE OFFICER  
**Yoshio Mogi**  
Finance Department,  
Structured Finance Department,  
Corporate Accounting Department



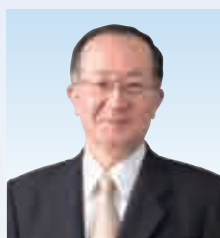
MANAGING EXECUTIVE OFFICER  
**Masahiro Komiyama**  
Corporate Planning Department,  
Investor Relations Department



EXECUTIVE OFFICER  
**Junichi Hamatsuka**  
CIO  
Internal Control Administration  
Department,  
IT Planning Department



EXECUTIVE OFFICER  
**Shinichi Kamozaiki**  
Assistant Operating Officer Public  
Relations Department,  
Risk Management Planning  
Department  
Risk Management Department 1,  
Risk Management Department 2,  
Legal Department



EXECUTIVE OFFICER  
**Masayuki Hanai**  
Secretariat Department,  
Human Resources & General Affairs  
Department

## A Message from the Chairman

Enhancing corporate governance is an essential 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."

This means maintaining integrity and transparency among management and employees, and in our relationship with society. It also entails setting clear goals and working together to achieve them, clearly disclosing how effectively we have progressed. Furthermore, it means informing employees and people outside the Company how we intend to resolve problems that arise. I believe that maximizing Sojitz's potential through such sound, transparent and effective management fosters stakeholder trust.

In April 2010, I began my fourth year as Chairman of the Board of Directors. During my tenure, I have led meetings, rather than the president in his capacity as head of business execution. 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 to promote necessary actions from a company-wide standpoint. This has further strengthened our corporate governance.

Annual Report 2010 incorporates the CSR Report formerly published separately. 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 business foundation is essential for promoting robust CSR, in Annual Report 2010 we have reported on our management structure in greater detail.

We will work to further enhance corporate governance in a variety of ways. These include augmenting the legal and ethical compliance functions of the entire Sojitz Group worldwide 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

(As of July 1, 2010)

## 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.

Under this basic policy, 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, developing the audit function and 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," Sojitz aims to be a corporation that provides 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 key managerial 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. With the aim of improving management oversight and furthering separation of management and execution, since June 2007 the Chairman of the Company has chaired the Board of Directors, which had previously been chaired by the President in his capacity as 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.



execution of matters  
y-wide basis.

nal Control

Moreover, Sojitz has established and operates the following four internal committees directly under

- Internal Control Committee

- Compliance Committee

- CSR Committee

- Portfolio Management Committee

The Portfolio Management Committee studies and proposes policies and measures for structuring an optimum Group asset and business portfolio.

The diagram illustrates the corporate governance structure of China Resources Beer (Holdings) Company Limited, showing the relationships between various bodies and departments.

**Shareholders (General Shareholders' Meeting)** is at the top, connected to the **Board of Directors** via "Appoint, Dismiss".

The **Board of Directors** includes the **Chairman**, **Representative Director and Chairman**, and **Outside Directors**. It oversees the **Management Committee** and the **Audit Department**.

The **Management Committee** includes the **Chairman**, **Managing Executive Officers Responsible for Corporate Departments**, and **Heads of Business Divisions**. It is connected to the **Board of Directors** via "Report on Business Execution".

The **Management Committee** oversees the **Executive Officers**, who are connected to the **Management Committee** via "Appoint, Supervise". The **Executive Officers** oversee **Corporate Departments**, **Business Divisions**, and **Overseas, Domestic Bases**.

The **Audit Department** is connected to the **Shareholders** via "Cooperation" and to the **Board of Directors** via "Report". It also oversees **Internal Audits**.

The **Audit Department** is connected to the **Independent Auditors (Accounting Auditors)** via "Account Audits". The **Independent Auditors** are connected to the **Board of Corporate Auditors** via "Report".

The **Board of Corporate Auditors** includes **Corporate Auditors** and **Outside Auditors**.

The **Board of Directors** is connected to the **Consultative Bodies** (Nomination Committee and Remuneration Committee) via "Deliberate, Suggest".

The **Consultative Bodies** are connected to the **Board of Directors** via "Table Motions on Major Projects".

The **Finance & Investment Deliberation Council** is connected to the **Board of Directors** via "Table Motions on Major Projects".

The **Internal Committees** are connected to the **Board of Directors** via "Report".

## 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 22, 2010)

## Initiatives to Strengthen Corporate Governance in the Year Ended March 31, 2010

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. In the year ended March 31, 2010, as Sojitz stepped up overseas expansion, it emphasized policies to strengthen corporate governance to respond to such issues as compliance, cash management and optimal levels of inventory at Group companies overseas. Specifically, it is creating a system that uses administrative categories set according to relative

impact on Group management and corporate management participates in designated categories. 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.

## Board and Committee Meetings

Board and committee meetings during the year ended March 31, 2010 were as follows.

Boards and Committees	Times Convened
Board of Directors	14
Board of Corporate Auditors	14
Management Committee	24
Nomination Committee	2
Remuneration Committee	3
Finance & Investment Deliberation Council	28
Internal Control Committee	4
Compliance Committee	4
CSR Committee	4
Portfolio Management Committee	12

## Officer Remuneration and Determination Policy

Remuneration of directors and executive officers reflects the results of evaluation of the Company's performance and individual performance. However, this does not include part-time directors. In addition, the Chairman, Vice Chairman, President & CEO and executive vice presidents are not evaluated for individual performance, only the Company's performance. Corporate auditors receive fixed base remuneration because the nature of their work precludes clear linkage with company results.

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 Company Law of Japan.

## ● Officer Remuneration

Category	Year ended March 31, 2009		Year ended March 31, 2010	
	Recipients	Amount	Recipients	Amount
Directors (Outside directors, included in above)	7 (1)	¥357 million (¥12 million)	9 (3)	¥328 million (¥21 million)
Corporate auditors (Outside corporate auditors, included in above)	7 (4)	¥141 million (¥61 million)	8 (5)	¥133 million (¥58 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
3. As of March 31, 2010, there were seven directors and five corporate auditors. Total remuneration for directors and corporate auditors includes remuneration for two directors and three corporate auditors who retired upon the completion of their terms of office at the conclusion of the Ordinary General Shareholders' Meeting on June 23, 2009.

## Independent Director

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 director in order to protect general shareholders. An independent director is an outside director or auditor who is unlikely to have a conflict of interest with general shareholders. An independent director 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 appointed Mr. Yukio Machida, one of its outside auditors, as independent director.

Name	Yukio Machida
Position	Lawyer, Nishimura & Asahi
Reason for Appointment as Independent Director	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 auditor of the Company. Sojitz determined that he is suitable for the position of independent director because he maintains independence as an outside 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 22, 2010)

## 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 22, 2010, voting rights exercised in writing and via the Internet represented shares held by 62,001 shareholders, of which 1,384 shareholders including 18 directors, corporate auditors and executive officers attended the meeting, and accounted for 60.93% of total voting rights.

## ● Number of Shareholders in Attendance and Voting Rights

Shareholders Who Can Exercise Voting Rights	199,501
Total Voting Rights	12,498,928
Shareholders Who Exercised Voting Rights	62,001
Voting Rights Exercised	7,615,617
Percentage of Voting Rights Exercised	60.93%

Note: Includes both voting cards and Internet votes.

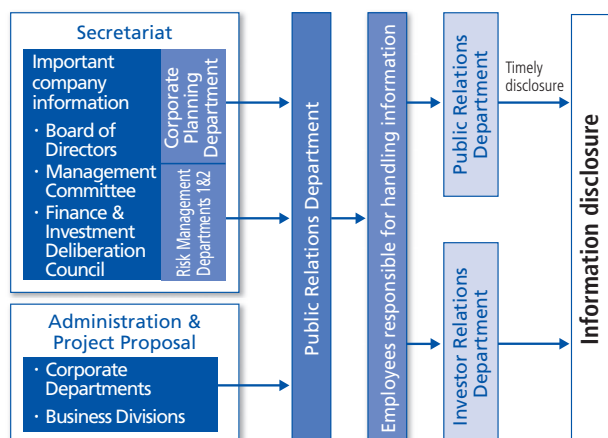
## ● Voting on Resolutions by Voting Card or Internet

Matters for Resolution	For	Against	Abstained
Proposal No. 1 Partial Amendments to the Articles of Incorporation	6,840,905	118,587	5,988
Proposal No. 2 Election of Seven Directors			
Akio Dobashi	6,640,807	323,621	5,988
Masaki Hashikawa	6,783,703	180,726	5,988
Yutaka Kase	6,783,365	181,064	5,988
Yoji Sato	6,788,782	175,647	5,988
Kazunori Teraoka	6,786,892	177,537	5,988
Yoshikazu Sashida	6,790,969	173,460	5,988
Toru Nagashima	6,793,362	171,067	5,988

## 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, disclose important corporate information and information that facilitates understanding of its business activities from the perspective of stakeholders. Sojitz discloses information via the Tokyo Stock Exchange 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



## 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, 2010, 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.

## Toward Maintenance and Enhancement of the Level of Internal Control



Within companies, business and duties regularly regenerate, making it crucial to gain an accurate grasp of risks. An internal control system makes it possible to visualize risks and their controls, and I think that having each individual employee respond appropriately to continuously changing risks can bring about a higher level of corporate governance.

Taking into account that the Sojitz Group undertakes a wide variety of businesses within Japan and overseas, I am conscious that strengthening internal control, including the use of IT, is vital to conduct business efficiently and prevent mistakes. With the understanding that we must continue to accumulate expertise and experience, our future focus will be on teaching the entire Group to maintain and enhance the level of internal control. As for corporate culture, I would like to see the words “internal control” become a natural part of employees’ conversations.

**Junichi Hamatsuka**  
Executive Officer, CIO



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 Company Law, which requires accounting audits, and the Financial Instruments and Exchange Law, which requires auditing of financial statements, quarterly reviews and internal controls, Sojitz Corporation has

appointed the independent auditing firm KPMG AZSA & Co. 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, which are supervised by corporate auditors to ensure they are conducted independently.

### 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 to verify and evaluate the status of internal management risks and reports its finding to the President & CEO, and also submits plans to improve effectiveness.

# Portfolio Management and Risk Management

## Initiatives to Strengthen Portfolios

For the Sojitz Group to achieve sustained growth, it is essential that we build a stable, strong earnings foundation by withdrawing from low-profit businesses while simultaneously allocating management resources in growing businesses and areas where we can use our strengths. In April 2009, Sojitz established the Portfolio Management Committee to build a high-quality asset portfolio and an optimal business portfolio by reallocating management resources through selective and focused asset replacement.

The global economic turnaround following the collapse of Lehman Brothers has not just impacted our earnings for the period, it has also significantly affected asset value and shareholders' equity, which supports our business foundation as a risk buffer.

The appreciation of the yen and the sharp decline in listed stock prices caused shareholders' equity to decrease. During the year ended March 31, 2010, 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.

To improve the quality of assets and keep the asset balance at the optimal level, Sojitz paid particular attention to asset replacement as it reduced inventories and securities, including cross-held shares. Some inventories still require additional reductions, but strengthening the management system, including setting levels for inventories and orders made and received, has brought nearly all product inventories down to more appropriate levels. Regarding securities, we thoroughly reviewed our shareholdings from the point of view of price fluctuation risks versus expected return, and sold off those whose risk outweighed expected returns. This reduced the balance of shareholdings to a level where we could manage volatility. We steadily conducted new investments and loans without increasing interest-bearing debt or risk assets by incorporating asset replacement as a precondition.

In addition to securities, exchange rates also have a significant impact on shareholders' equity. To address this, we continued to study ways to handle currency risk, including how to respond to market fluctuations and effectively use our overseas capital and assets to manage the risk of foreign currency exposure.

These initiatives allowed us to reduce the net debt equity ratio from 2.7 times to 2.1 times, and reduce the ratio of risk assets to shareholders' equity from 1.1 times to 0.9 times, which has set the stage for earnings recovery from the year ending March 31, 2011.

From April 2010, the president has chaired the Portfolio Management Committee to lead efforts to make Sojitz resilient to market fluctuations and capable of achieving sustained growth. We will look closely at the balance of risk and return in deciding factors such as what sort of earnings structure we should have and what the composition of assets and businesses should be. Based on this, we will build the optimal business portfolio by replacing assets and reallocating management resources in growth businesses.

## 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 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. 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 totaled less than shareholders' equity. We are continuing to control risk with this objective under Shine 2011 by working to accumulate high-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, 2010 was 0.9, 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 measures risk 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 91 to 95, "7. Business and Other Risks" in the "Management's Discussion and Analysis of Operations" for information on each risk category.

## Risk Management System

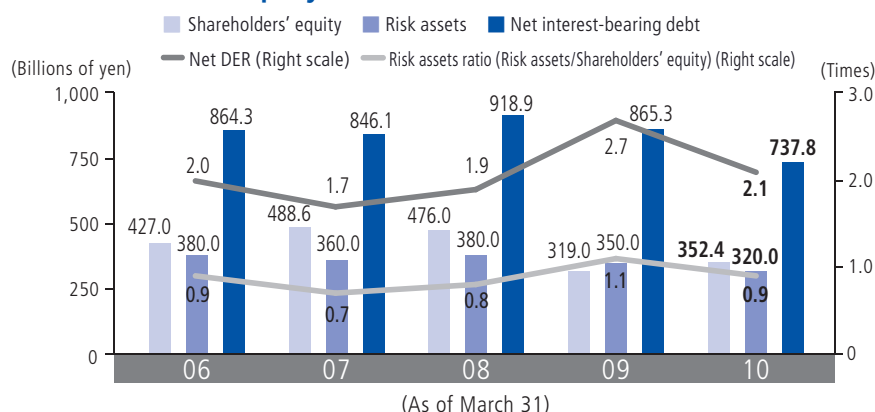
Sojitz continues to strengthen and increase the sophistication of its risk management while enhancing and expanding its risk management system. We reviewed the system to further enhance the awareness and practice of risk management in operations throughout the entire Group. From April 2010, we added personnel and separated operations into three departments. 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 will facilitate faster, more meticulous operations than before.

The Finance & Investment Deliberation Council chaired by the executive vice president of corporate management examines individual new investment and loan proposals. The council has established rules to visualize risks to facilitate deliberation. For example, single page documents are required, covering worst-case 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.

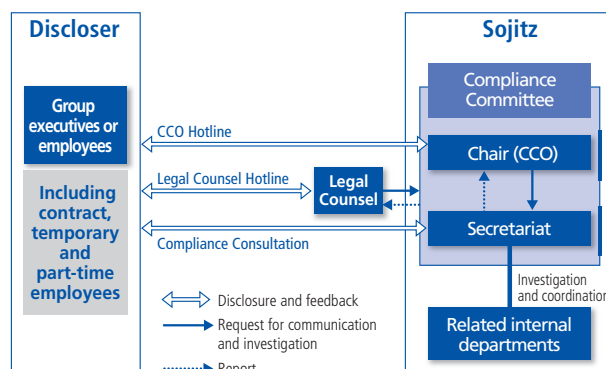
The Sojitz Group is therefore concentrating on meticulous compliance. Sojitz has established the Sojitz Group Compliance Program to ensure thorough compliance and the Sojitz Group Code of Conduct and Ethics and Code of Conduct and Ethics Manual as action guides for employees. Sojitz has also worked to make compliance more understood by distributing a booklet of case examples to all executives and employees to supplement the manual. Moreover, since 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

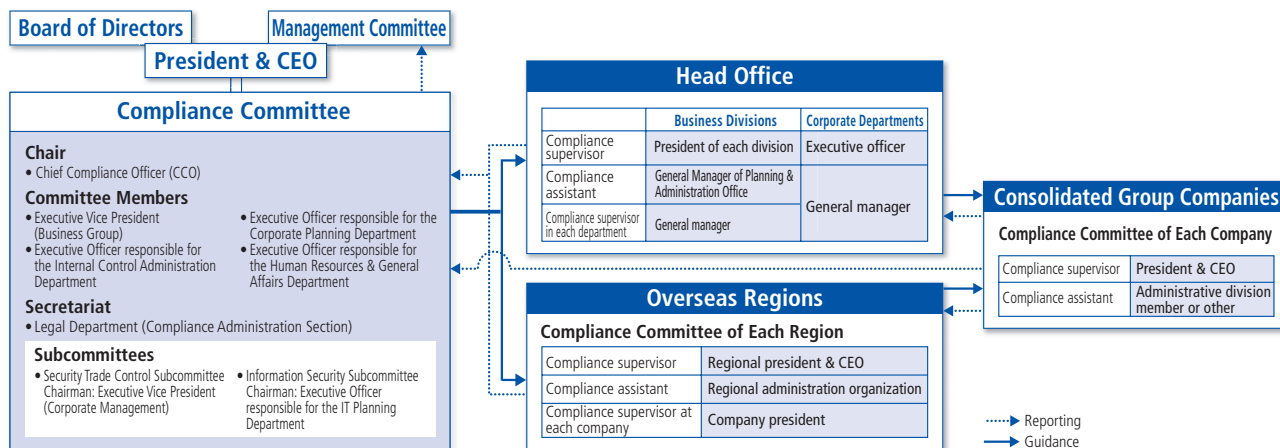
The Compliance Committee, chaired by the Chief Compliance Officer (CCO), is at the core of activities to ensure adherence to laws, regulations and corporate ethics. In the year ended March 31, 2010, the CCO, the president of each division and the presidents of consolidated Group companies met to exchange 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.

### ● The Sojitz Group Compliance Hotlines



### ● Compliance Framework





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

## Compliance Highlights

Highlights of compliance initiatives and framework enhancements during the year ended March 31, 2010 follow here.

### Initiatives to Promote Group Compliance

Sojitz combined the Sojitz Group Compliance Code of Conduct introduced on October 1, 2005 with the Compliance Code of Conduct Manual to form the new Sojitz Group Code of Conduct and Ethics, which applies to the entire Group. Available in 21 languages, including Japanese and English, the code has been distributed to all Group employees in Japan and overseas so they can share awareness of compliance. Currently, Sojitz is developing e-learning



The Sojitz Group Code of Conduct and Ethics

materials to deepen understanding of the new code and plans to use them globally.

Moreover, as one way to identify noncompliance or potential noncompliance within the Group, Sojitz is planning to introduce a multi-lingual hotline that Group executives and employees can contact 24 hours a day, 365 days a year. This hotline has already been established in some regions.

### Comprehensive Compliance Inspections

Sojitz has prepared a follow-up framework and institutionalized comprehensive compliance inspections based on the results of an analysis of inspections carried out in the previous fiscal year with the aim of eliminating noncompliance. (The inspections were carried out at all Sojitz operating bases, from head office to overseas bases, and at 125 domestic and overseas Group companies.)

### Initiatives Aimed at Preventing Insider Trading

Sojitz revised its existing Insider Trading Prevention Regulations to clarify them and conducted training on the revised regulations for all head office employees. Sojitz plans to introduce these regulations at Group consolidated companies within Japan as part of efforts to prevent insider trading throughout the entire Group.

## Toward a Unified Compliance Consciousness

Establishing compliance requires steady, repeated efforts. These efforts are starting to pay off with significant improvements in the quality and speed of reporting.

These improvements have contributed to radically changing consciousness among business division staff, and synergistic effects are becoming apparent in business management and credit control.

In the year ended March 31, 2010, the Sojitz Group focused on two-way communication to eliminate noncompliance, interviewing management from associated companies and giving lectures on compliance.

By communicating with overseas Group companies through the common language of the Sojitz Group Code of Conduct and Ethics, I believe we have taken a further step toward unifying compliance consciousness. This will enhance the Group's overall value, and we will continue our efforts under a motto of "sincerity and trust."

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



# The Sojitz Group's Corporate Social Responsibility

## Sustained Progress through Social Responsibility

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.

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CSR Priority Themes	59
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### Sojitz Group Stakeholders



### Reporting Period and Scope of Coverage for "The Sojitz Group's Corporate Social Responsibility" (pages 56-67)

**Reporting Period:** The period for performance data is fiscal 2009 (April 1, 2009 to March 31, 2010), 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 3.0 (G3)

- From this year, the Sojitz Group has begun incorporating CSR initiatives it had reported in its CSR reports into the annual report in order to actively disclose information to a wide spectrum of stakeholders. 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>)

# 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.

## The Sojitz Group's 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\* to clarify CSR as an important management issue. We believe it is essential for all of us to practice CSR in a natural way in all our activities.

\* Please refer to page 1 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.**

## Sojitz Group Code of Conduct and Ethics

The Sojitz Group Code of Conduct and Ethics set out the regulations about Corporate Social Responsibility, which are known and observed throughout the Sojitz Group.

### Sojitz Group Code of Conduct and Ethics (excerpt)

Corporate Social Responsibility (CSR)

– We shall endeavor in good faith to:

- Contribute to building a sustainable society through integration of CSR into our core business strategy, management structure and operations;
- Support the preservation of the global environment, and the resolution of poverty and violations of human rights;
- Oppose any illegal discrimination and intimidation of employees based on race, color, religion, gender, pregnancy, national origin, age, disability or any other basis prohibited by law; and
- Prevent bribery and corruption in any form that may arise in the course of our corporate activities.

## CSR Committee

The CSR Committee deliberates key Group CSR issues. The committee is under the jurisdiction of the president and reports to the Management Committee.

### CSR Committee Members

(As of July 1, 2010)

Committee Chairman	Senior Managing Executive Officer, Public Relations Department
Members	Managing Executive Officer, Corporate Planning Department; Executive Officer, Human Resources & General Affairs Department
Secretariat	Public Relations Department (CSR & Environment Section)

### Participation in the United Nations Global Compact

The United Nations Global Compact, espousing 10 principles in the areas of human rights, labour standards, 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.



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

<b>Human Rights</b>	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.
<b>Labour Standards</b>	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.
<b>Environment</b>	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.
<b>Anti-Corruption</b>	Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

### 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 and encourage employees to practice CSR in a natural way in all their daily activities.

### Employee Round-Table Discussion

In June 2009, Group employees organized a round-table discussion under the main theme of “putting CSR into practice in our work” to reexamine what CSR means to them and to the Sojitz Group. The lively discussions that took place can be viewed on our website. We will continue to hold these round-table discussions in the future to provide Group employees with an opportunity to focus their thoughts on CSR.

### Sojitz Group CSR Seminar

The Sojitz Group holds internal CSR seminars to incorporate views of outside experts. The aim of these seminars is to raise CSR awareness among all Group employees so they will put CSR into practice. In November 2009, Masaaki Kogure, who provided the third-party opinion for the Sojitz Group CSR Report 2009, gave a lecture in the first of these seminars on CSR that can further develop the Sojitz Group. Mr. Kogure, lead researcher at the Institute of Prosocial Research, has a PhD. in sociology.



An internal CSR seminar

### Other Initiatives

The Sojitz Group reinforces understanding of its CSR among new employees through CSR training. For all Group employees, we distribute *Sojitz Group's CSR*, a booklet summarizing the Sojitz Group's basic approach to CSR. We also present Group CSR activities and environmental and social contribution initiatives in the Sojitz Group's internal business magazine *Horizon* and on our “CSR & Environment” intranet website.



Sojitz Group's CSR



“CSR & Environment” intranet website



# CSR Priority Themes

## Selection of the Sojitz Group's CSR Priority Themes

The Sojitz Group has selected CSR priority themes by correlating society's (stakeholders') expectations and interests with issues important to the Sojitz Group.

In this annual report, we have presented the Sojitz Group's CSR initiatives based on these 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>)

### 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**

Note: 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.

## Promotion of CSR Supply Chain Management

### Establishment of CSR Action Guidelines for 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 United Nations Global Compact, in which Sojitz is a participant. 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

The Sojitz Group deals with business partners in diverse countries and regions. It is therefore necessary to promote CSR initiatives in supply chains that take into account the characteristics of the industries involved.

The Sojitz Group seeks the understanding and implementation of the following items by its suppliers as it strives with them to do business in harmony with society and the environment.

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.

## Promotion of Businesses That Contribute to Preventing Climate Change

### Environment and New Energy Initiatives

Under the Shine 2011, Sojitz designates the environment and new energy business as a new growth field. The Environment and New Energy Business Development Committee established in 2008 is a company-wide organization forming the core of Sojitz's environment and renewable energy business promotion. The New Energy & Environmental Business Development Office in the Energy & Metal Division took the lead in operating the committee and developing businesses. In April 2010, Sojitz further strengthened initiatives in this area by increasing personnel and upgrading the New Energy & Environmental Business Development Office into the New Energy & Environmental Business Department.

### The Solar Power Business Value Chain

Among all renewable energy sources, Sojitz places special focus on solar power generation. The expansion of solar power generation is strongly desirable from the perspective of reducing CO<sub>2</sub> emissions globally. 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 below and is involved in numerous upstream to downstream projects in Japan and overseas. For example, Sojitz has 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, the main raw material for making solar batteries. By actively maintaining stable supply, Sojitz now handles about

60% of high-purity silicon metal imports to Japan.

In Germany, which has the world's largest solar power market, Sojitz built a 3MW solar power generation plant and participated in a solar independent power producer (IPP) business. Sojitz will use the expertise gained from this venture to expand its solar power business in the growing European market.



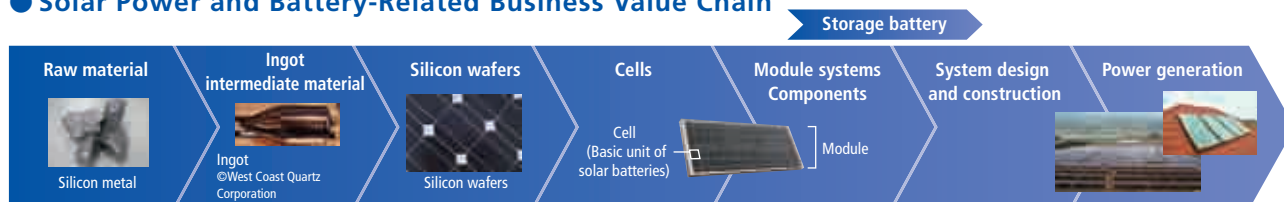
Solar power generation business in Germany

In the United States, the world's second-largest solar power market, Sojitz invested in and formed a business alliance with Solar Power Partners, Inc. (SPP), the third-largest solar power developer in the U.S. Sojitz will take part in SPP's IPP projects and supply solar panels and other materials, which are provided mainly by Japanese manufacturers.

### Storage Batteries That Support the Future of Electricity

Sojitz is involved in the power storage field, which is seen as the key to using electricity more efficiently. We have invested in Advanced Capacitor Technologies, Inc., a manufacturer of lithium-ion capacitors, which have a promising future as a new power storage device. We expect lithium-ion capacitors to be used in a variety of applications such as stabilization of power output for hybrid street lighting and solar power generation incorporating solar panels. Other applications include independent power sources for communications equipment such as base stations and smart meters, AGV (Automatic Guided Vehicles) and energy recovery for factories. Mass production is scheduled to commence in fall 2010.

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

### Recycling Industrial Wastewater in China

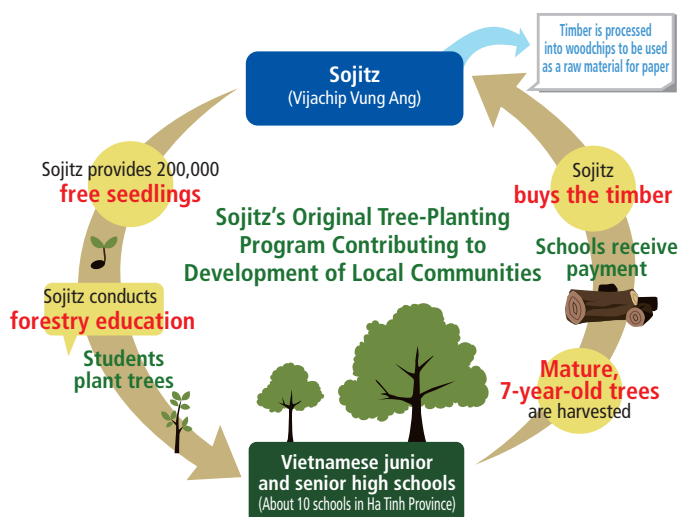
Economic development and rapid population growth have brought the major problem of water shortage on the world. In China, where economic growth has been significant, water shortage and water pollution are especially serious issues. Sojitz addressed these issues by establishing a joint initiative with the city of Tangshan, China, to recycle industrial wastewater. We plan to install a wastewater recycling facility utilizing membrane technology in the city's Caofeidian Industrial Zone and supply treated water to several factories within the zone. Sojitz plans to develop similar businesses in other parts of China in the future.



Water treatment equipment installed at a wastewater recycling plant in China

### New Tree-Planting Business in Vietnam

Sojitz engages in the woodchip processing and tree-planting businesses through three joint ventures in Vietnam that export processed woodchips, mainly for use as raw materials by Japanese paper manufacturers. One of those companies, Vijachip Vung Ang Corporation, started a new tree-planting program in 2009 in addition to its existing program of supplying free seedlings to farmers. This original program involves supplying free seedlings to local junior and senior high schools, planting the trees together with students, and buying mature trees from the schools to



process into woodchips. Sojitz plans to introduce this new tree-planting business initiative at the other two companies in order to create economic value through close involvement in local committees.

### Economic Growth Support Initiatives across Africa

Sojitz has positioned Africa as a market for strategic regional focus under Shine 2011 and is involved in a variety of projects contributing to local community development.

The initiatives of Sojitz in Angola are one example of this. The country's economy took off when the civil war ended in 2002, and Angola is now Africa's second-largest oil-producing country. However, despite economic growth, the country still lacks sufficient infrastructure. As a result, it relies on imports for most supplies. Under such circumstances, Sojitz took part in building a cement manufacturing plant as a centerpiece of infrastructure development. When construction is completed in 2011, the plant will be Angola's largest, with capacity to meet 25% of the country's yearly demand for cement.

In Mozambique, Sojitz is working on a project to create that country's first woodchip processing and export business. Raw materials from neighboring South Africa and Swaziland, which have an abundance of woodland resources, will be used to produce woodchips for export to Japan, mainly for use as raw materials by paper manufacturers. We have high expectations for this project, which will introduce a new industry in Mozambique, where production of primary products is central to the economy.



Ground-breaking ceremony at the cement plant in Angola

Sojitz is also contributing to local development through other businesses across Africa, including oil and gas production in Egypt, LNG development and natural gas supply in Nigeria, and automobile sales in South Africa.

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

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 Shine 2011, and having reconfirmed the importance of training all employees in the Sojitz Group, the Company is working to develop each individual.

### Making the Sojitz Group Statement a Reality



## A Rewarding Company

### Human Resources Development Policy

Sojitz has created a framework where employees can grow to become globally competent human resources: self-driven people who are aware of and eager to provide added value in global business, positively influencing those around them and aiming to enhance the entire organization. We do so by offering various training programs after hiring, on-the-job training and job rotation. When recruiting, we carefully interview candidates and

select those with the potential to become globally competent human resources.



## ● Training Programs

- Prospective employee training, new employee training, new employee follow-up training
- Basic training, mandatory training
- Mandatory personal skills development for mid-career employees
- Management training
- Self-development training
- Next-generation leader training (study abroad programs for MBA, law school or language training, study at business school in Japan, overseas trainee system, etc.)
- Others

### Main Training Data for the Year Ended March 31, 2010 (Sojitz Corporation)

Persons receiving training:	About 2,700 in total
Hours of training:	About 51,400 in total
Average hours of training per person:	About 22.35 hours

## Fulfilling Workplace Environments

### Support for a Diverse Workforce

Sojitz offers various systems to help employees meet child care and nursing care responsibilities and to make it easier to continue working. As part of measures to promote work-life balance, we made revisions to our child care system in July 2009, including extending child care leave until the child is two years and six months old, at the maximum. A system of shortened work hours for employees raising children was also introduced. In September 2009, we introduced a program to support



employees taking child care leave. As a result of these initiatives, more male employees have used the systems to take part in child care.

To further develop an environment in which women can flourish, we hold training for female employees with the aim of helping them acquire management skills and create networks.



Training targeting female employees

## Employee Health Management

For employee health, Sojitz has a Health Care Room where employees can receive massages to help them recover from fatigue and relieve stress. Stress checks, available online to all employees, are also conducted to prevent or alleviate stress. Medical specialists and counselors are also regularly on duty at the Employee Health Clinic.

## Global Human Resources Strategy and Group Human Resources Strategy

### Global Human Resources Strategy

The Sojitz Group is 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 and the CIS; China; Asia and Oceania; and Middle East and Africa). They 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, is implementing initiatives such as promoting the provision of bilingual versions of internal documents, providing e-learning for Sojitz's overseas offices and reinforcing pre-assignment training for Japanese staff chosen for overseas positions.

### Group Human Resources Strategy

To strengthen the Sojitz Group's human resources and to teach employees the basic knowledge they need to become "Sojitz people," Sojitz provides Group company employees with the same basic training and risk management training as it does for

head office employees in Tokyo. For Group companies' corporate human resources training, Group employees can use a trainee system that provides practical training in the corporate departments at the head office.

In addition, to train the next generation of management, Sojitz began holding Sojitz Group Manager Training Seminars in the year ended March 31, 2010 with the aim of building a network of core leaders from each Group company. A total of 23 people from 13 companies took part in the first year.

## Labor-Management Relations

As part of the Company's efforts to inculcate its management policies and vision, Sojitz and the Sojitz Employees Union regularly hold meetings of the President's Labor-Management Council, the President of Business Division Council and the Financial Results Briefing Council. Furthermore, the Company and the union jointly established the Work-Life Balance Committee to create systems for realizing work-life balance and a work environment that sustains employees' enthusiasm.

### Topic: Job Rotation System

Sojitz introduced a job rotation system to promote systematic human resource training from a medium-term perspective.

#### System Objectives

**Human Resource Development:** Employees acquire diverse expertise and skills and well-rounded thinking and behavior by experiencing several different jobs.

**Enhanced Organizational Strength:** Systematic training of successors eliminates the risk of dependence on particular people and raises the general level of expertise of organization members, which strengthens and energizes the entire organization and promotes sustained growth.

**Motivated Employees:** Eliminating long-term assignments in the same position contributes to energizing employees and boosting their morale through self-fulfillment.

The job rotation system supports all Company employees in shaping their careers with medium-to-long-term perspectives, and in these rapidly changing times, experiencing several different workplaces will allow them to become self-driven people.

Masayuki Hanai  
Executive Officer

# Environmental Initiatives

The Sojitz Group has included preserving the global environment in the Sojitz Group Code of Conduct and Ethics and the entire organization is conducting environmental preservation activities. Specifically, Sojitz and other relevant Group companies have acquired ISO 14001 certification, the international standard for environmental management, and are using environmental management systems based on this standard.

## Sojitz's Environmental Management System

Sojitz undertakes environmental preservation activities in accordance with the following Environmental Policy.

### Environmental Policy Fundamental Philosophy

Now that environmental problems have become such pressing—and potentially long-term—issues, Sojitz considers environmental conservation to be one of its most important management challenges.

Striving to bequeath an earth that can provide abundantly for the next generation, the Sojitz Group is doing its utmost under the Sojitz Group Statement to realize sustainable growth whereby economic development and environmental preservation can coexist.

### Basic Policy

#### 1. Environmental awareness

In the conduct of our business operations, we will be aware of their environmental effects. We will show due concern for ecological and environmental-protection issues on both a local community and a global basis, while working to prevent environmental pollution and striving to use energy and resources efficiently to reduce our environmental impact.

#### 2. Compliance with environmental laws and regulations

We will in the course of our business operations comply with environmental laws and regulations, international treaties, and all agreements and standards to which we subscribe.

#### 3. Implementation and continual improvement of an environmental management system

We will establish and periodically review environmental objectives and targets, and will work constantly to improve our environmental management system.

#### 4. Promotion of environmental protection activities

We will contribute to the realization of a recycling-oriented society by actively promoting energy conservation and resource efficiency, waste reduction, recycling, and green procurement in our daily office routine.

#### 5. Promoting environmentally friendly businesses

To reduce the burden on the global environment and contribute to sustainable growth, we will promote environmentally friendly businesses through the manufacture and sale of products that conserve energy and resources, while at the same time developing recycling and new-energy businesses.

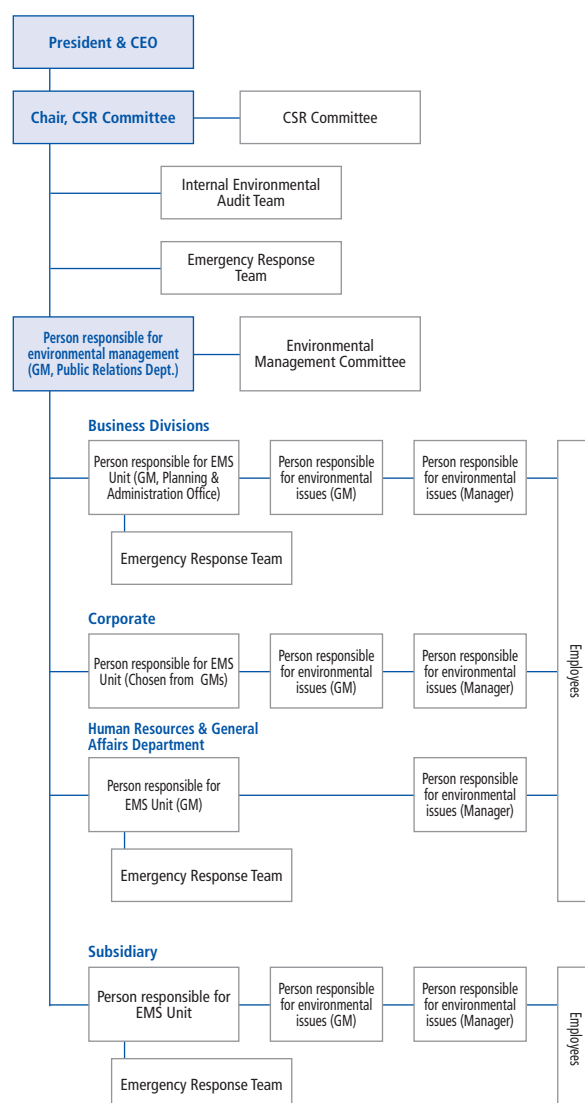
#### 6. Promoting awareness of our environmental policy

We will ensure that all directors and employees are thoroughly familiar with this policy, and will release it to the public. In addition, we will promote environmentally conscious educational and training activities to ensure that all concerned have the deep understanding of environmental problems needed to ensure that due concern for the environment is reflected in all our business activities.

Yutaka Kase, President & CEO, Sojitz Corporation  
July 2, 2007

To implement the Environmental Policy, Sojitz is focusing on activities to achieve the Company-wide objectives of promoting environmentally friendly businesses, managing the Sojitz Group's compliance with environmental laws and regulations, and carrying out environmentally friendly activities together with business partners, etc. Sojitz conducts internal environmental audits every year to ensure proper implementation and promote ongoing improvement of its environmental management system (EMS).

### EMS Framework



## The Sojitz Group's Environmental Risk Management

In the course of conducting business activities, the Sojitz Group is exposed to various environmental risks. Sojitz regards compliance with environmental laws and prevention of environmental pollution as corporate social responsibilities. Accordingly, it utilizes an environmental management system to monitor and manage environmental risks associated with business activities.

### Compliance with Environmental Laws and Regulations

Sojitz maintains an understanding of not only the laws and regulations that it must comply with directly, but also those that affect Sojitz Group companies, and regularly checks to make sure it is in compliance.

### Environmental Auditing of Group Companies

Sojitz Group companies with manufacturing or processing facilities undergo audits of environmental aspects such as compliance with environmental regulations at the same time as regular audits.

## Environmental Education and Training

Sojitz offers regular education and training to improve employees' knowledge of its environmental management system and the environment. This includes environmental impact assessment training for persons responsible for dealing with environment issues, environmental education for new employees, general environmental education, and training for internal environmental audit personnel, as well as e-learning-based environmental education.

In the year ended March 31, 2010, Sojitz renewed its "CSR & Environment" intranet website to make environmental information more accessible. Sojitz also raised employees' awareness of the environment by encouraging them to take Eco Test,<sup>1</sup> soliciting

Group employees for a Sojitz Group eco slogan, and displaying posters.

1. Eco Test: A certification test for environmental specialists administered by the Tokyo Chamber of Commerce and Industry

## Initiatives through Businesses

### Environmental Impact Assessments for New Business Investment and Loans

In order to obtain the Company's approval to invest in or finance a new project, departments use a project analysis sheet to assess the impact the project will have on the environment or local communities.

### Environmental Businesses

Based on a company-wide objective, each department sets an objective related to environmental businesses.

In addition, Sojitz makes modal shifts, selects appropriate vehicles and devises transport routes to reduce energy consumption during transport.

## Initiatives in Our Offices

Sojitz promotes energy conservation, resource efficiency, waste reduction, recycling and green procurement. Specific activities to conserve energy include participating in the "Cool Biz" and "Warm Biz" programs, reducing air conditioner use outside of regular working hours, turning off lights during lunch break and at the end of the day, encouraging power saving with in-house announcements, participating in Lights-Down campaigns, turning off copiers and other office equipment when not in use, and encouraging employees to use the stairs.

The ratio of green procurement to total office purchasing in the year ended March 31, 2010 was 74%, significantly surpassing the target ratio of 50%.

Note: For information about the number of Group companies that have acquired ISO certification and office environmental impact, please refer to the Sojitz website.  
(<http://www.sojitz.com/en/csr/index.html>)



An environmental impact assessment training class



Poster with eco slogan

# Social Contribution Activities

**In addition to promoting CSR through its businesses, the Sojitz Group conducts social contribution activities with local communities. The following outlines our basic approach and main initiatives.**

## Basic Approach to Social Contribution Activities

As members of the community, the Sojitz Group and its employees conduct social contribution activities based on the Sojitz Group Statement and CSR Policy in order to realize a sustainable society. We emphasize employee participation in social contribution activities to promote greater awareness of the issues facing society. Priority fields of activity include education support, which entails direct contact with people, with an emphasis on activities rooted in local communities that promote self-help, continuity, and transparency.

### 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.**

## Education-Related Initiatives

The Sojitz Group is continuously implementing education-related initiatives.

### Pre-school Education Support Program in the United Republic of Tanzania

Sojitz is conducting a pre-school education support project in Africa, which it has identified as a priority region under the medium-term management plan Shine 2011. We are collaborating with Plan Japan,<sup>1</sup> an international NGO, to construct a pre-school and provide toys and study materials in order to enhance the pre-school environment in the United Republic of Tanzania. At the same time, we are conducting training for pre-school teachers and community leaders to raise the level of pre-school education. By encouraging local residents to

participate in the project, we are also supporting the sustained development of communities.

1. Plan Japan is a member of Plan International, a global NGO authorized and registered by the United Nations that operates in 65 countries throughout the world.



Pre-school children in the village of Mariza, United Republic of Tanzania (Photo courtesy of Plan Japan)

### Sojitz Foundation

The Sojitz Foundation<sup>2</sup> was established in 1988 for the purpose of promoting international understanding by providing support for academic research, education and international exchange activities. Since its establishment, the foundation has provided grants and scholarships totaling approximately ¥615 million. Sojitz supports the foundation's aims and continues to make contributions.

2. For more details, please refer to the Sojitz Foundation's website (Japanese only). (<http://www.sojitz-zaidan.or.jp/>)



Friendship gathering for scholarship students supported by the Sojitz Foundation



## Grassroots Social Contribution Activities

The Sojitz Group conducts initiatives that promote Group employees' participation in grassroots social contribution activities with the aim of deepening their involvement in local communities.

### ● Main Activities (Year ended March 31, 2010)

- **Conducted the semi-annual workplace blood donation drive**
- **Participated in local community cleanup campaign**  
Participated in twice-monthly street cleanup campaigns organized by the NPO Greenbird
- **Participated in community volunteer activities**  
Participated in activities including volunteer work at facilities near Sojitz offices
- **Donated collected items**  
Collected used stamps and postcards with uncanceled stamps from Group employees and donated them to an NPO
- **Supported sales of a bakery that helps disabled people achieve independence**  
In-Company sales conducted by Swan Café & Bakery Akasaka Shop
- **Announced charity events**  
Established a section on the Company intranet for exchanging information about social contribution activities



Sorting collected items for donation

## Disaster Relief Activities

When there is a disaster in Japan or overseas, the Sojitz Group cooperates in providing relief for victims and restoring the disaster area through measures such as making cash donations.

### ● Main Disaster Relief Activities (Year ended March 31, 2010)

- **Chile earthquake (February 2010)**  
Donated ¥1 million
- **Haiti earthquake (January 2010)**  
Donated ¥1 million
- **Sumatra earthquake (September 2009)**  
Donated ¥3 million

Note: Cash donations are given to the Red Cross in each country and to NGOs working in the disaster areas.

### Nagaoka Zen Training Center

Nagaoka Zen Training Center (Nagaoka Zen Juku) was established in 1936 by Katsujiro Iwai, the founder of Iwai & Co. Ltd., one of Sojitz's predecessor companies, for the purpose of promoting a Zen-based background to education and providing scholarships. Numerous students and working people active in many fields have partaken of Zen teachings at the center. As a member of the Saishokai Group, which is the corporate group of Iwai & Co., Ltd., Sojitz will continue to support the center and carry on the spirit with which it was founded.



Nagaoka Zen Training Center (Kyoto)

# Organization

Sojitz currently comprises 12 units grouped in four business divisions operating from seven bases in Japan and 91 bases overseas. The Sojitz Group includes 147 subsidiaries and affiliates in Japan and 375 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.

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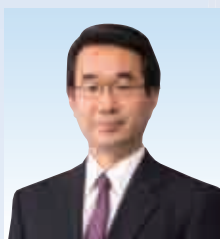
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**EXECUTIVE VICE PRESIDENT**  
**Hiroyuki Tanabe**  
President & CEO for the Americas  
President, Sojitz Corporation of America and Sojitz Canada Corporation



**MANAGING EXECUTIVE OFFICER**  
**Tetsuya Konoda**  
President & CEO for Europe, Russia & NIS  
Managing Director, Sojitz Europe plc and Sojitz UK plc



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



**EXECUTIVE OFFICER**  
**Shuhei Inoue**  
President & CEO for the Middle East & Africa



**EXECUTIVE OFFICER**  
**Michifumi Watanabe**  
Executive Vice President for Asia & Oceania



**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



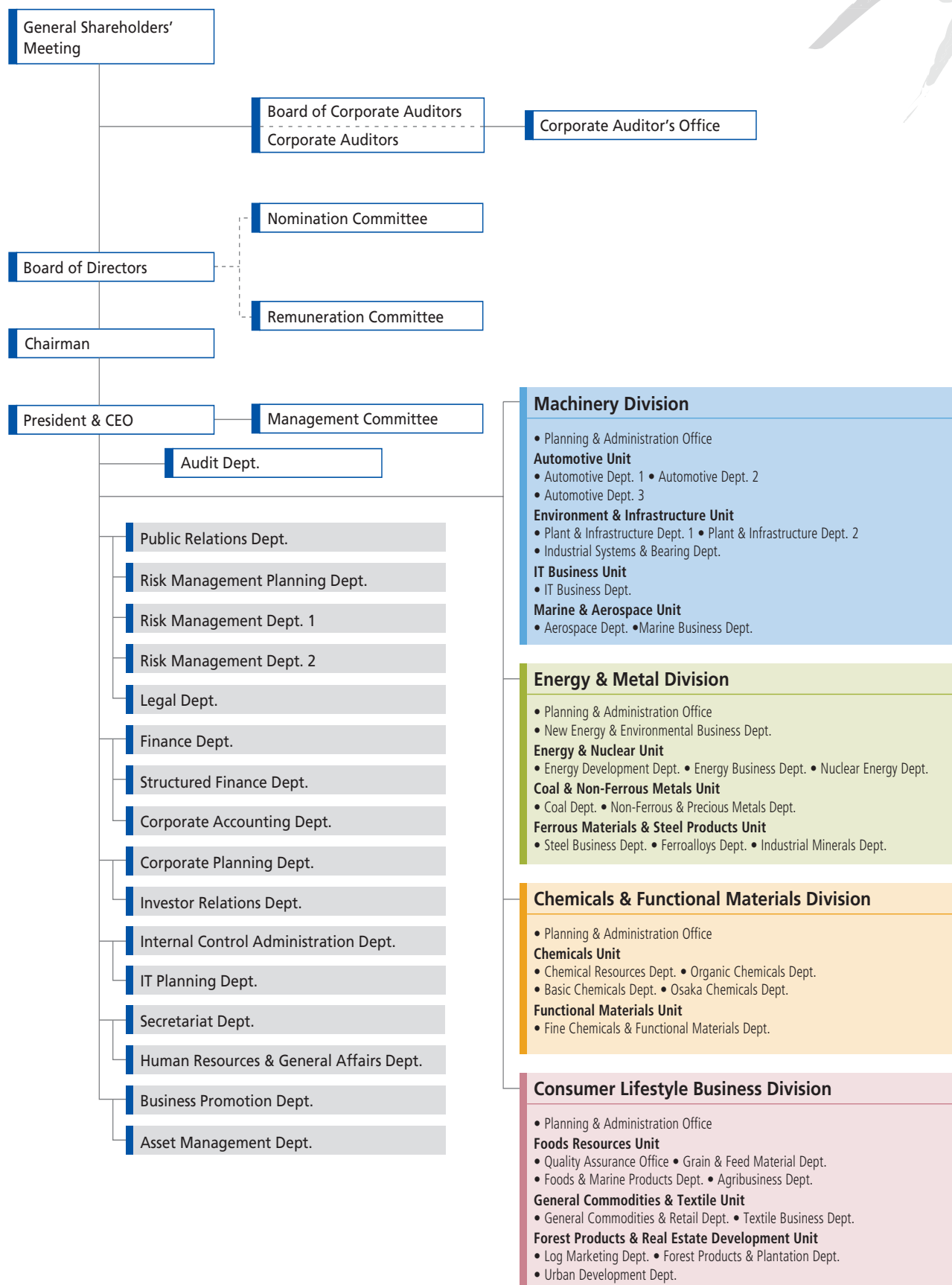
**EXECUTIVE OFFICER**  
**Takashi Ikeda**  
President & CEO for Asia & Oceania  
Managing Director, Sojitz Asia Pte. Ltd.  
General Manager, Singapore Branch



**EXECUTIVE OFFICER**  
**Masao Goto**  
President, Sojitz (Hong Kong) Ltd.  
General Manager, Shenzhen Office and Kunming Office

# Organization Chart

(As of July 1, 2010)



# Principal Operating Bases

(As of July 1, 2010)



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	
Alger	■ 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, 2010)

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
	NTT DATA 3C Corporation	30.00%	Operating support centers covering technical matters and back office functions
	Rent Corporation	18.94%	Rental, sale and repair of industrial equipment and vehicles
	SAKURA Internet Inc.	29.31%	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
	SPS Syntex, Inc.	60.00%	Research, development, production and sales of spark plasma sintering equipment
CHINA	Beijing Taizhi Consulting Co., Ltd.	60.00%	Consultancy for used-car trading, auction, and export
	Changshu Showa Bearing Components Co., Ltd.	33.30%	Manufacture of lathing rings used in the production of bearings
	Guangzhou Neive Auto Technology Co., Ltd.	25.00%	Manufacturing and sales of checking fixture for auto parts
	Hangzhou 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 Caofeidian 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	Miyazu Motherson Engineering Design Limited	14.00%	Design and digital engineering for dies for automobiles
	Motoman Motherson Robotics Limited	15.00%	Sale, maintenance and after service of Yasukawa robots
	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
	Miyazu (Malaysia) Sdn. Bhd.	15.00%	Engineering services and manufacturing of dies and stamping parts for automobiles
Philippines	Asian Transmission Corporation	44.49%	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	15.00%	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
Ecuador	MOSUMI S.A.	15.00%	Import and sale of Mitsubishi automobiles
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 independent power plant projects in Mexico
	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>The Cayman Islands</b>	NM Merida Management Services Inc.	100.00%	Investment in power generation operations and maintenance (O&M)
<b>U.S.A.</b>	Autrans Corporation	100.00%	Provider of sub-assemblies and Just-in-Time delivery services for the automotive industries
	Metal Processing Systems, Inc.	100.00%	Import, sale and aftercare of metal processing machines
	NCG International Inc.	100.00%	Investment in power generation projects
	Net Enrich Inc.	22.14%	IT infrastructure remote monitoring and management service
	Plastic Trim International, Inc.	44.00%	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%	Investment in the photovoltaic generation project in Germany
<b>Russia</b>	Subaru Motor LLC	45.90%	Import and exclusive distribution of Subaru automobiles in Russia
<b>Ukraine</b>	Subaru Ukraine LLC	51.00%	Import and exclusive distribution of Subaru automobiles in Ukraine
<b>MIDDLE EAST &amp; AFRICA</b>			
<b>South Africa</b>	Sojitz Absolut Auto (Pty) Limited	51.00%	Sales of Suzuki automobiles in South Africa

### ENERGY & METAL DIVISION

Country	Company	Group Ownership	Main Business
<b>JAPAN</b>	Alconix Corporation	15.65%	Sale of non-ferrous products and non-ferrous materials for construction and electronic industries
	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
	Hayama Wind Power Generation Company	51.00%	Wind power generation in Kochi Prefecture
	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
	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
	Volclay Japan Co., Ltd.	50.00%	Import and sale of bentonite produced in the U.S. and China
<b>CHINA</b>	Anhui Hongri Mining Co., Ltd.	35.00%	Mining and sale of industrial minerals
<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, Wallarah, 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 Bioenergia S.A.	25.65%	Production of sugar cane, and production and sale of ethanol and sugar
<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 Beralit 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 Beralit 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.	98.00%	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
	Osaka Plastics Mfg. Co., Ltd.	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
	Shinko Chemical Co., Ltd.	17.19%	Manufacture and sale of metals and compounds of vanadium, selenium, indium and other rare metals
	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
	Taihan Techren Co., Ltd.	34.00%	System integrator of solar power generation
<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	33.00%	Manufacture, refining, processing and sale of sugar
	Hanshin Silo Co., Ltd.	45.00%	Grain warehousing
	JALUX Inc.	30.00%	Logistics and service provision in the in-flight, airport retail, lifestyle-related, and customer service business fields
	Mclord Co., Ltd.	100.00%	Distribution and processing of textile products
	N.I.F. Co., Ltd.	20.00%	Sale of food specifically made for vending machines
	Nihon Sportswear Co., Ltd.	100.00%	Manufacture of apparel
	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 wood chips
	Sanyo Food Co., Ltd.	20.00%	Manufacture and sale of frozen foods; food wholesale
	Singapore Co., Ltd.	99.83%	Planning, manufacture and sale of women's clothing
	Singapore Fashion Co., Ltd.	100.00%	Wholesale of women's clothing
	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 Commerce Development Corporation	100.00%	Development, construction, operation and lease of retail property
	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 Ltd.	15.00%	Retail of products for home
	Beijing Sanyuan Sojitz Foods & Logistics Co., Ltd.	49.00%	Foodstuff logistics
	Dachan Showa Foods (Tianjin) Co., Ltd.	22.50%	Manufacture of premixed foods
	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
	Yingkou Shuiyuan Food Co., Ltd.	35.00%	Meat processing/packing
	Zibo Huamian Garment Co., Ltd.	25.00%	Manufacture and sale of apparel
<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 wood chips
<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>	All Asian Countertrade, Inc.	20.16%	Sale of sugar in Japan, import/export of raw cane sugar
	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
	TCC Agrochemical Co., Ltd.	100.00%	Sale of agrochemicals
<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 wood chips
	VIJACHIP Corporation	60.00%	Afforestation; manufacture and sale of wood chips
	VIJACHIP Vung Ang Corporation	60.00%	Afforestation; manufacture and sale of wood chips
<b>THE AMERICAS</b>			
<b>U.S.A.</b>	Masami Foods, Inc.	21.08%	Meat processing and packing
	Sojitz Apparel USA Ltd.	100.00%	Sale of apparel
	Specialty Grains, Inc.	49.00%	Contract cultivation of specialty corn and soybeans for export

## 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 Aircraft Management Corporation	65.00%	Origination and equity placement of Japanese operating lease of new and used aircraft, consultancy and arrangements for finance and aircraft leases
	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.	63.50%	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 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

### SUBSIDIARIES REPORTING DIRECTLY TO PRINCIPAL OVERSEAS OPERATING BASES

THE AMERICAS			
Country	Company	Group Ownership	Main Business
U.S.A.	NAWP Inc.	100.00%	Investment and operation in wind power projects in California, U.S.A.
	Sojitz America Capital Corporation	100.00%	Finance, real estate and leasing
	Sunrock Institute Inc.	40.00%	Research in IT and biotechnology; consulting services



# Financial Section

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## A Message from Executive Vice President Yoji Sato

**Sojitz aims to establish a strong earnings foundation by maintaining a sound balance sheet and accumulating high-quality assets through asset reallocation.**

Looking back on the year ended March 31, 2010, the global economy and markets were slower to recover than we had estimated, causing sales and profits to decrease. It was a challenging year.

On the other hand, we were able to rebuild our financial foundation as planned in order to strengthen the balance sheet.

Specifically, led by the Portfolio Management Committee established in April 2009, we reduced inventories to appropriate levels and reviewed our intentions for holding shares, which has a substantial impact on shareholders' equity. In addition, we worked to improve asset quality through asset reallocation, including withdrawing from business with low profitability or without growth potential.

As a result, shareholders' equity increased and interest-bearing debt decreased. This lowered the net debt equity ratio to 2.1 times and reduced the ratio of risk assets to shareholders' equity to 0.9 times, in line with our target of holding it below 1.0 times.

The long-term debt ratio also increased to 74% as a result of efforts to stabilize our funding structure, including progress in shifting to long-term debt despite the challenging financing environment.

Having improved our financial ratios to target levels while securing sufficient liquidity to fund growth, we are now positioned for earnings recovery.

Accumulating high-quality assets by replacing portfolio holdings with more efficient and liquid assets will be a source of future growth. We will continue to maintain a sound balance sheet and devote our efforts to establishing a strong earnings foundation.



**Yoji Sato**

Representative Director  
Executive Vice President,  
Corporate Management, CFO



# Financial Summary

For the years ended March 31, 2010, 2009, 2008, 2007 and 2006

	Millions of yen					Thousands of U.S. dollars (Note 1)
	2010	2009	2008	2007	2006	2010
Operating Results:						
Net sales (Total trading transactions) .....	¥3,844,418	¥5,166,183	¥5,771,029	¥5,218,153	¥4,972,060	\$41,337,828
Gross trading profit .....	178,203	235,618	277,732	254,466	242,167	1,916,161
Operating income .....	16,129	52,007	92,364	77,932	76,202	173,430
Ordinary income .....	13,703	33,637	101,480	89,535	78,774	147,344
Net income .....	8,794	19,001	62,694	58,766	43,706	94,559
Core earnings (Note 2) .....	14,424	48,347	110,727	89,815	78,463	155,097
Net cash provided by operating activities .....	107,223	103,729	35,408	7,041	43,156	1,152,935
Net cash provided by (used in) investing activities .....	28,439	(17,198)	(68,723)	42,706	99,156	305,796
Net cash used in financing activities .....	(102,597)	(5,958)	(53,724)	(95,477)	(55,806)	(1,103,194)
Free cash flow .....	135,662	86,531	(33,315)	49,747	142,312	1,458,731
Balance Sheet Data (As of March 31):						
Total assets .....	¥2,160,919	¥2,312,958	¥2,669,352	¥2,619,508	¥2,521,680	\$23,235,688
Net assets (Note 3) .....	377,404	355,503	520,328	531,635	426,950	4,058,108
Interest-bearing debt .....	1,193,518	1,286,960	1,299,086	1,317,679	1,386,260	12,833,527
Net interest-bearing debt .....	737,790	865,330	918,890	846,108	864,322	7,933,226
	Yen					U.S. dollars (Note 1)
Per Share Data:						
Net income .....	¥ 7.08	¥ 15.39	¥ 51.98	¥ 83.20	¥ 126.21	\$0.08
Net assets (Note 3) .....	281.69	256.17	383.46	144.22	(368.95)	3.03
Dividends (Note 4) .....	2.50	5.50	8.00	6.00	—	0.03
Ratios:						
ROA (%) .....	0.4	0.8	2.4	2.3	1.8	
ROE (%) .....	2.6	4.8	13.0	12.8	12.4	
Equity ratio (%) .....	16.3	13.8	17.8	18.7	16.9	
Net debt equity ratio (DER) (times) .....	2.1	2.7	1.9	1.7	2.0	
Consolidated payout ratio (%) (Note 4) ....	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, 2010 of ¥93=\$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 presented amounts for the year ended March 31, 2006 are based on shareholders' equity under the previous accounting standard, instead of net assets under "Accounting Standard for Presentation of Net Assets in the Balance Sheet." The amounts of shareholders' equity do not include those of minority interest nor gains and losses on deferred hedges, net of tax.

4. 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, 2010 began uncertainly amid rapidly deteriorating real economic activity. Demand contracted because of the global economic downturn that followed the collapse of Lehman Brothers, which caused recessions in the US, Europe, Japan and other developed economies and dampened growth in emerging markets and developing countries.

Emerging countries including China, India and Brazil were the first to come out of the downturn and begin a steady recovery. Developed countries also emerged from the worst of the downturn because of economic stimulus policies.

However, the pace of economic recovery has varied among countries and regions, some of which have yet to emerge from the recession. A representative example is Greece, which is experiencing a fiscal crisis. Lingering concerns about credit contraction and protracted economic stagnation therefore preclude an optimistic outlook.

Japan's economy has begun to recover, but remains stagnant. Weak demand is exacerbating deflation, which in turn is causing the deteriorating employment and income conditions that are reducing consumer spending. Accordingly, Japan's economic outlook remains adverse.

## 2. Business Results

Designating the year ended March 31, 2010, the inaugural year of the Shine 2011 medium-term management plan, as a year for solidifying its footing, Sojitz worked to strengthen the earnings foundations of its major businesses, but had not fully restored all of them by the end of the fiscal year. In addition, although Sojitz was able to achieve the targets announced on January 29, 2010 of consolidated ordinary income of ¥13.0 billion and consolidated net income of ¥8.5 billion, it was unable to meet the full-year targets announced at the beginning of the fiscal year of ordinary income of ¥45.0 billion and net income of ¥20.0 billion due to the impact of factors including loss on devaluation of securities. For the year ended March 31, 2010, ordinary income was ¥13.7 billion and net income was ¥8.8 billion.

The following is an analysis of business performance for the year ended March 31, 2010.

### (1) Net Sales

Net sales decreased 25.6% year on year to ¥3,844,418 million due to decreases in each segment. Net sales decreased in the Machinery segment largely due to lower automobile sales in Central and South America, Russia, and the NIS. Net sales in the Energy & Metal segment decreased as a result of lower natural resource prices and discontinuation of low-margin transactions. Net sales in the Chemicals & Functional Materials segment decreased as a result of a decline in the price of methanol and a decrease in the trading volume of other chemicals and plastics. Net sales in the Consumer Lifestyle Business segment decreased because falling prices reduced foodstuff resource sales and the domestic forest products market was weak.

### (2) Gross Trading Profit

Gross trading profit decreased ¥57,415 million year on year to ¥178,203 million as a result of lower gross trading profit on automobiles, energy and metals. Moreover, a decline in the price of methanol reduced gross trading profit on chemicals.

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

SG&A expenses decreased ¥21,537 million year on year to ¥162,074 million due to factors including reduced non-personnel expenses after a review of expenses.

### (4) Operating Income

Despite the decrease in SG&A expenses, lower gross trading profit caused operating income to decrease ¥35,878 million year on year to ¥16,129 million.

### (5) Ordinary Income

Net non-operating loss decreased due to factors including higher equity in earnings of unconsolidated subsidiaries and affiliates and improvement in foreign exchange loss. However, the decrease in operating income caused ordinary income to decrease ¥19,934 million year on year to ¥13,703 million.



## (6) Extraordinary Gains and Losses

Despite loss on devaluation of securities of ¥16,544 million, impairment loss on fixed assets of ¥9,402 million, and loss and provision for loss on dissolution of subsidiaries and affiliates of ¥7,969 million, extraordinary gains and losses totaled net gain of ¥5,192 million, due to gain on sale of investment securities of ¥32,477 million and gain on reversal of allowance for doubtful accounts of ¥3,248 million.

## (7) Net Income

Income before income taxes and minority interests was ¥18,895 million. After deduction of income taxes of ¥8,563 million and income from minority interests of ¥1,832 million, partially offset by a deferred income tax benefit of ¥294 million, net income was ¥8,794 million, a decrease of ¥10,207 million year on year.

## 3. Segment Information

### (1) Machinery

Net sales decreased 16.5% year on year to ¥994,499 million because automobile sales in Russia, the NIS and Central and South America declined. Operating loss was ¥3,896 million, compared to operating income of ¥25,598 million for the previous fiscal year.

In the automotive business, automobile demand in the key Sojitz Group markets of Russia and the NIS fell sharply, reflecting the slowness of recovery in the overall economy. We forecast that results in these markets will improve from the second half of the year ending March 31, 2011. Under these conditions, we plan to stabilize profits by rationalizing inventory and strengthening foreign exchange risk hedging in the

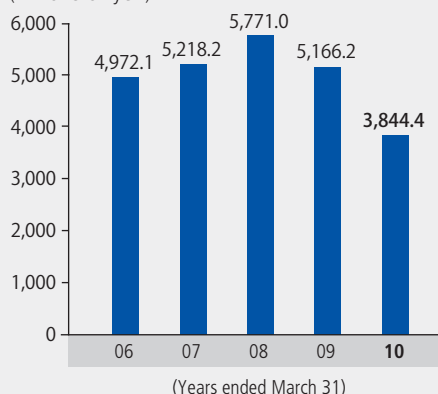
first half of the year ending March 31, 2011. We forecast firm automobile demand in Central and South America. We will work to stabilize the assembly and sales businesses in Venezuela while strengthening dealer operations.

In the plant and infrastructure business, we received an order for a fertilizer plant from a state-owned chemical company in Turkmenistan, one of the fastest growing economies in Central Asia. The fertilizer plant will be the largest in Turkmenistan. This and other orders, such as one for steam turbine generators for use in coal-fired thermal power plants in Vietnam, demonstrate the Sojitz Group's strength in infrastructure including fertilizer and power plants in emerging and resource-rich countries such as Russia, the NIS, Asia and Africa. We are complementing order-based business with investments in carefully selected projects in the growing environmental field that we expect to generate stable, sustainable profits, such as independent power producer, solar power generation and water-related businesses. In expanding our water-related businesses, we have entered the industrial wastewater purification business in China with the goal of deploying Japan's business model for recycling-based industrial wastewater treatment.

In the industrial systems and bearings business, sales of surface mounters and semiconductor production equipment in Brazil, China and Asia were weak during the first half of the year ended March 31, 2010 due to the impact of the global recession in the previous year. However, sales gradually began to recover from the second half of the fiscal year in tandem with an upturn in market conditions. Meanwhile, sales in the bearings business increased, supported by firm economic

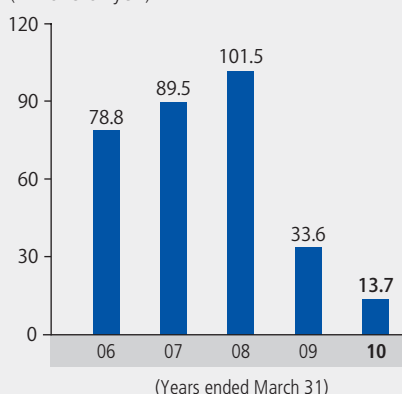
**Consolidated Net Sales**

(Billions of yen)



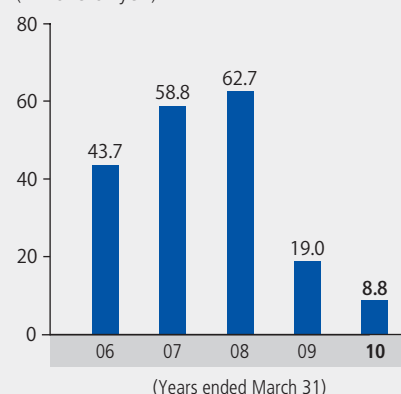
**Consolidated Ordinary Income**

(Billions of yen)



**Consolidated Net Income**

(Billions of yen)



## Management's Discussion and Analysis of Operations

conditions in the key market of China and in other emerging markets.

In the information technology (IT) business, after completing a tender offer for Nissho Electronics Corporation, we made Sojitz Systems Corporation a wholly owned subsidiary, thus creating a base for strengthening IT services businesses such as system development and maintenance. We are coordinating and cooperating with these two companies and with Group companies Sakura Internet Inc. (data center operation) and Net Enrich Inc. in the United States (remote management services for IT infrastructure) 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. 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 shipping market was affected by the global recession in the year ended March 31, 2009, but rebounded to a higher level than we anticipated during the year ended March 31, 2010. Moreover, in the ship-owning business our program of rotating assets by selling ageing ships and replacing them with new ones continued to contribute to stable earnings.

In the commercial aircraft business, we delivered a total of 24 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 two Maritime Patrol Aircraft ("MPA") to the Japan Coast Guard as the sales agent for the commuter planes and business jets produced by

Bombardier Inc. of Canada. In the defense business, we have delivered a total of 9 Apache helicopters to the Japan Ground Self-Defense Forces since 2006.

## (2) Energy & Metal

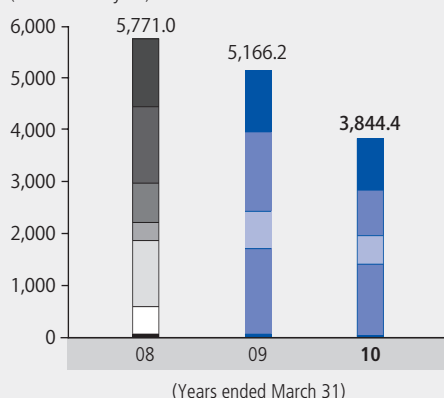
Net sales decreased 42.9% year on year to ¥874,544 million due to lower natural resource prices and discontinuation of low-margin transactions. Operating income decreased ¥16,090 million year on year to ¥13,478 million.

In upstream oil and gas businesses, crude oil production commenced at the Frade Oil Field located in the northern Campos Basin of Brazil in June 2009, while the Tangguh LNG Project in Indonesia was completed and shipments started in July 2009. The development of deep-water oil and gas blocks in U.S. waters in the Gulf of Mexico is progressing steadily, and we expect our share of production volume to increase because of newly acquired concessions and expansion at existing concessions. Also, given the recovery in the price of crude oil, we expect these development projects to contribute to earnings from the year ending March 31, 2011.

In the mineral resources area, we continued to expand our alumina refining business at the joint venture BHP Billiton Worsley Alumina Pty. Ltd. in Australia. We also considered expanding our molybdenum interests, and continued to develop coal fields. In addition, we acquired copper and molybdenum mining interests in Canada in March 2010. The mine is already producing, and we forecast that the completion of expansion work in the year ending March 31, 2011 will increase copper production to 180,000 tons annually and

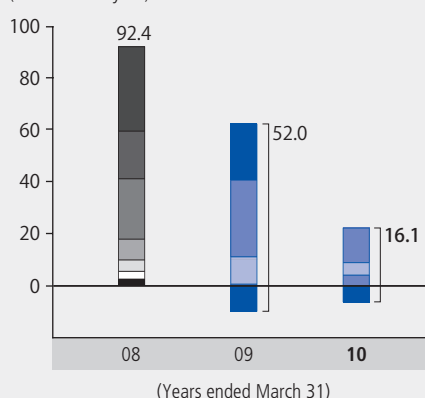
**Net Sales by Industry Segment**

(Billions of yen)



**Operating Income by Industry Segment**

(Billions of yen)



### 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: In the year ended March 2010, Sojitz reclassified its industry segments. Information for the year ended March 2008 refers to former industry segments.

make the mine viable for 25 years. Mineral resource prices are recovering, and we expect our interests in coal, ferroalloys, and non-ferrous metals to contribute to earnings in the year ending March 31, 2011 as markets recover.

In the steel business, Sojitz Group affiliate Metal One Corporation reported a year-on-year decrease in profits, but demand in China, Asia and other regions began growing from the second half of the year ended March 31, 2010. With expectations of a moderate recovery of the steel market, we plan to further strengthen our cooperative relationship with Metal One to improve its performance.

Initiatives in the new energy field included the conclusion of a strategic business integration agreement between ETH Bioenergia S.A., a Brazilian bioethanol company partly owned by Sojitz that has integrated bioethanol and sugar production starting from sugar cane cultivation, and BRENCO Holding S.A., a major producer in the bioethanol sector. The newly created company will own nine plants in Brazil. It is projected to have annual sugar cane crushing capacity of 40 million tons and annual bioethanol production capacity of 3 million kiloliters by the year ending March 31, 2012, making it the largest sugar cane-based ethanol producer in the industry.

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

Net sales declined 23.3% year on year to ¥547,790 million because of a decline in the price of methanol and a decrease in the trading volume of other chemical products and plastics. Operating income dropped ¥5,873 million year on year to ¥4,836 million.

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

Lithium compounds were one of the products Sojitz handles that sold well in the year ended March 31, 2010. Demand for lithium declined from

the second half of 2008 because of the impact of the economic crisis, but the lithium-ion battery market has rebounded quickly compared with other sectors. In addition, lithium sales benefited from demand for use in electric vehicle (EV) batteries that emerged in 2009 because EVs will begin using lithium-ion batteries in 2010.

The methanol business, however, was a primary cause of lower profits. Demand for adhesives, a major methanol application, decreased as a result of the worldwide drop in housing starts during the global recession in the previous fiscal year. The methanol market continued to decline in the first half of the year ended March 31, 2010, but began to gradually recover in the second half, primarily in China. This recovery, however, was not sufficient to keep profits in the Sojitz Group's methanol business from decreasing year on year.

Sojitz increased its involvement in new energy-related areas by jointly investing with Sojitz Pla-Net Corporation in Taihan Techren Co., Ltd., the largest solar power generation system integrator in the Republic of Korea. The Republic of Korea ranks fourth among the world's leading solar power generation markets after Germany, the United States and Spain. The Sojitz Group will supply all equipment and materials such as solar cell modules and inverters that Taihan Techren procures from overseas, and participate through Taihan Techren in the construction of solar power generation plants and the installation of systems for energy-efficient homes in the Republic of Korea. We plan to build on these initiatives in the Republic of Korea to expand our business in Asia, where solar power generation is expected to become more widespread.

Moreover, with measures to deal with environmental issues such as global warming gaining momentum, Sojitz Pla-Net Corporation created an opportunity to contribute to the environment with a functional material product. In November 2009, it initiated sales of plastic grocery bags with carbon offsets to retailers. The sale of these bags helps Sojitz Pla-Net support projects to cut carbon dioxide emissions and further develop businesses that preserve the environment.

### **(4) Consumer Lifestyle Business**

Net sales declined 17.2% year on year to ¥1,364,673 million largely because falling prices

## Management's Discussion and Analysis of Operations

reduced foodstuff resource sales and the domestic forest products market was weak. However, operating income increased ¥3,860 million year on year to ¥4,055 million because the loss on valuation of real estate of the previous fiscal year did not recur and the restructuring of the textile business reduced selling, general and administrative expenses.

In the fertilizer business in Thailand, Vietnam and the Philippines, we completed inventory adjustment to appropriate levels started in the second half of the year ended March 31, 2009 and profitability is gradually recovering. Going forward, we plan to further strengthen the base for our fertilizer business and leverage it in agribusiness initiatives in Asia, Africa, and Central and South America.

In the grains and feed materials field, we have a roughly 40-year track record of importing wheat into Asian markets. In the year ended March 31, 2010, the volume of wheat handled by the Sojitz Group totaled approximately 4 million tons, which is equivalent to approximately 3% of global wheat export volume. We are also involved in wheat processing. For example, we invested in Indonesia's largest bread and noodle production business, and we have a stake in Interflour Vietnam Ltd., one of Vietnam's largest flour milling companies. In Russia, we concluded a strategic partnership agreement with the Russia Grain Union to promote sales of Russian wheat in Asia, which is one of the world's largest markets for wheat. This was the first time that the Russia Grain Union has signed a strategic partnership agreement with an Asian company. As the first step in the partnership, Sojitz and the Russia Grain Union jointly held the International Grain Trade Conference Asia-Russia 2010 in Singapore. In addition to our efforts in Asia, we plan to contribute to securing and ensuring stable supplies of food resources from a global perspective by developing Middle Eastern and African markets with good prospects for growth in wheat consumption and investigating measures to promote the stable supply of wheat.

In the condominium business, since the year ended March 31, 2009 we have been concentrating on selling existing condominium projects to reduce inventories of real estate for sale. Indications that the condominium market in metropolitan Tokyo is beginning to recover have begun to emerge, and we resumed purchases of land for new projects at

the end of the year ended March 31, 2010 with a focus on central urban locations.

In the retail property development business, amid weak consumer spending, we focused on making our three properties in the Mallage series shopping center brand mature, attractive facilities. Specifically, we worked to boost customer footfall and sales by bringing in a good mix of tenants and using strategies to attract shoppers.

In the forest products business, Sojitz Building Materials Corporation obtained CoC (Chain of Custody) certification verifying that the forest products it handles come from certified forests. Sojitz had already obtained this certification. We plan to strengthen our business in this area by focusing more strongly on handling environmentally responsible timber and wood products that come from certified plantations and forests. Also, we plan to increase sales in Asian markets such as Vietnam, China and India, where demand for forest products is expected to grow. In the woodchip and paper and pulp field, Sojitz plans to build on its strength in Vietnam in order to secure a greater supply of raw materials and expand sales in growing Asian markets and European markets where demand for biomass material is expected to rise. Moreover, in Vietnam Sojitz has helped transform 37,000 hectares into forest through a range of initiatives, such as financing afforestation among local forestry companies and farmers, and distributing free seedlings each year to farmers and schools.

In the textile business, sales of OEM apparel products manufactured under license and textiles were firm during the year ended March 31, 2010.

In the general commodities and retail field, we are increasing our lineup of original brand lifestyle consumer goods such as shoes and suitcases and working to generate new business.

### (5) Other

Net sales decreased 23.3% year on year to ¥62,912 million. Segment operating loss was ¥2,988 million, an improvement of ¥7,619 million compared with the previous fiscal year because the loss on valuation of real estate of the previous fiscal year did not recur.



## 4. Earnings of Group Companies

As of March 31, 2010, the Sojitz Group comprised 490 companies, a decrease of 48 companies compared with the end of the previous fiscal year. Of this number, 329 companies (98 in Japan, 231 overseas) were consolidated subsidiaries, and 161 companies (41 in Japan, 120 overseas) were affiliated companies accounted for under the equity method. Companies included in the scope of consolidation that reported net income included 197 consolidated subsidiaries, or 59.9% of the total (226 consolidated subsidiaries, or 63.8%, in the previous fiscal year), and 122 equity-method affiliates, or 75.8% of the total (122 equity-method affiliates, or 66.3%, in the previous fiscal year). On an overall basis, 65.1% (64.7% in the previous fiscal year) reported net income for the fiscal year under review. The operating performance of companies included in the scope of consolidation is presented in the table below.

## 5. Financial Position

### (1) Consolidated Balance Sheets

#### Assets

At March 31, 2010, assets totaled ¥2,160,919 million, a decrease of ¥152,039 million from a year earlier.

Current assets decreased ¥187,895 million from a year earlier to ¥1,285,278 million. Cash and cash equivalents increased ¥39,842 million. However, trade notes and accounts receivable decreased ¥63,037 million because of factors including a decrease in machinery and foodstuff resource sales. Inventories decreased ¥134,270 million due to factors including reduced inventories of fertilizer and automobiles and reclassification of assets from inventories to investment properties.

Investments and long-term receivables increased ¥27,000 million from a year earlier to ¥476,661 million. Investment securities decreased ¥39,422 million for reasons including sales of listed shares and other securities and write-off of the entire value of preferred shares of Japan Airlines Corporation. However, reclassification of assets from inventories to investment properties contributed to a net increase in investments and long-term receivables.

Property and equipment increased ¥12,944 million from a year earlier to ¥222,665 million.

Other non-current assets decreased ¥4,088 million from a year earlier to ¥176,315 million.

#### Liabilities

At March 31, 2010, liabilities totaled ¥1,783,515 million, a decrease of ¥173,940 million from a year earlier.

### Earnings of Group Companies (Year Ended March 31, 2010)

	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 .....	66	104	32	(73)	98	31
Overseas .....	131	242	100	(117)	231	125
Total .....	197	346	132	(190)	329	156
% of total .....	59.9%	—	40.1%	—	100.0%	—
<b>Companies accounted for by the equity method</b>						
Domestic .....	32	67	9	(10)	41	57
Overseas .....	90	69	30	(22)	120	47
Total .....	122	136	39	(32)	161	104
% of total .....	75.8%	—	24.2%	—	100.0%	—
<b>Total</b>						
Domestic .....	98	171	41	(83)	139	88
Overseas .....	221	311	130	(139)	351	172
Total .....	319	482	171	(222)	490	260
% of total .....	65.1%	—	34.9%	—	100.0%	—

## Management's Discussion and Analysis of Operations

Current liabilities decreased ¥198,324 million from a year earlier to ¥841,533 million. Primary factors included a decrease of ¥41,875 million in trade notes and accounts payable as a result of a decrease in sales of foodstuff resources and other products. Redemption of commercial paper and progress in shifting to long-term funding reduced short-term debt by a total of ¥122,206 million.

Non-current liabilities increased ¥24,384 million from a year earlier to ¥941,982 million. Reclassification of bonds to current liabilities partially offset the increase in non-current liabilities resulting from the shift from short-term to long-term debt.

Total interest-bearing debt decreased ¥93,442 million from a year earlier to ¥1,193,518 million. Net interest-bearing debt, calculated as total interest-bearing debt less cash and deposits, decreased ¥127,540 million from a year earlier to ¥737,790 million, resulting in a net debt equity ratio of 2.1 times at March 31, 2010.

### Net Assets

Net assets increased ¥4,328 million from a year earlier to ¥458,820 million as net income after dividend payments increased owners' equity. In valuation and translation adjustment, net unrealized gains on available-for-sale securities increased ¥8,608 million from a year earlier, largely as a result of higher stock prices. Moreover, foreign currency translation adjustments improved by ¥19,790 million from a year earlier because of the depreciation of the yen. As a result, total net assets including minority interests at March 31, 2010 increased ¥21,901 million from a year earlier to ¥377,404 million.

## (2) Cash Flow

### Cash Flows from Operating Activities

For the year ended March 31, 2010, net cash provided by operating activities increased ¥3,494 million year on year to ¥107,223 million. Operating activities generated more cash largely because of decreases in trade receivables and inventories, which more than compensated for the use of cash to reduce trade payables.

### Cash Flows from Investing Activities

Net cash provided by investing activities totaled ¥28,439 million. In the previous fiscal year, investing

activities used net cash totaling ¥17,198 million. Payments for property and equipment used cash totaling ¥21,189 million, with acquisitions including oil and gas field facilities and alumina refining facilities. Payments for purchase of investment securities totaled ¥19,099 million including acquisition of shares of a consolidated subsidiary, Nissho Electronics Corporation, through a tender offer and investing in copper- and molybdenum-related business. Sale of listed shares, such as Coal & Allied Industries Limited, contributed to proceeds totaling ¥66,099 million.

### Free Cash Flow

As a result of the above, free cash flow for the year ended March 31, 2010 totaled ¥135,662 million, an increase of ¥49,131 million from ¥86,531 million for the previous fiscal year.

### Cash Flows from Financing Activities

Net cash used in financing activities increased ¥96,639 million year on year to ¥102,597 million. This was primarily because the use of cash for repayment of loans and redemption of bonds and commercial paper exceeded proceeds from long-term debt.

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, increased ¥39,842 million from a year earlier to ¥454,262 million.

## (3) Liquidity and Funding

In line with its fundamental financial strategy under the previous medium-term management plan, the Sojitz Group's fundamental policy under the Shine 2011 medium-term management plan inaugurated in the year ended March 31, 2010 is to maintain and improve the stability of its funding structure. Specific measures in the fiscal year included aggressively shifting from short-term to long-term funding by procuring new long-term loans. As a result, as of March 31, 2010 the current ratio was 153% and the long-term debt ratio was 74%.

In addition, Sojitz maintains stable liquidity through a long-term commitment line totaling ¥100.0 billion and excellent relationships with financial institutions, including those that are contractual participants in the commitment line. Sojitz did not procure long-term funding using bonds during the year ended March 31, 2010, but issued unsecured domestic bonds of ¥10 billion on May 31, 2010.

## 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

To provide for probable losses arising from uncollectible notes and accounts receivable and loans receivable, the Company maintains an

allowance for doubtful accounts based on the past credit losses 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 period, 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,

## Management's Discussion and Analysis of Operations

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 intangible fixed 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, except that the 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 for finance lease transactions without transfer of ownership that commenced prior to April 1, 2008 is similar to that used for ordinary rental transactions. In addition, 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. In addition, in the year ended March 31, 2010, the Company adopted "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (Statement No. 19 issued by the Accounting Standards Board of Japan on July 31, 2008).

## **(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 businesses. 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;



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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. To prevent or limit losses stemming from this currency risk, the Group hedges its foreign currency exposure with forward exchange contracts. 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., once an organizational unit incurs a loss in excess of its stop-loss level, it must promptly liquidate the losing position and is prohibited from initiating new trades for the remainder of the fiscal year). 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. To mitigate such credit risk, the Group assigns 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 of investment returns falling short of expectations. 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. In such an event, the Group's operating performance and/or financial condition could be adversely affected.

On January 19, 2010, Sojitz's customer Japan Airlines Corporation petitioned the Tokyo District Court to initiate corporate reorganization proceedings. Consequently, Sojitz recognized ¥15 billion loss on devaluation of securities upon writing off the entire value of its holdings of type-A preferred shares of Japan Airlines Corporation.

#### 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 of losses due to changes in

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political, economic, 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) Fixed asset impairment risk

The Group is exposed to the risk of impairment of the value of its real estate holdings, other fixed assets such as machinery and vehicles, and leased assets. The Group uses asset impairment accounting and recognizes necessary impairment losses at the end of the fiscal year. 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, 2010, 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 at right.

### 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 on the next page. As of March 31, 2010, Sojitz had improved its net debt equity ratio (DER) to 2.1 times from 2.7

## Management's Discussion and Analysis of Operations

times a year earlier, and aims to maintain net DER at approximately 2.0 times through means such as limiting expansion in borrowings by securing funds for new business investments and loans through asset reallocation.

	Target	Value at March 31, 2010
Ratio of long-term debt to total debt	Approximately 70%	74%
Current ratio	At least 120%	153%
Net DER (times)*	Approximately 2.0	2.1

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

In addition, risk assets were 0.9 times shareholders' equity at March 31, 2010. 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, reducing inventories to appropriate levels, 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

Designating the year ended March 31, 2010, the inaugural year of Shine 2011, as a year for solidifying its footing, Sojitz worked to strengthen the earnings foundations of major business that were performing poorly and adversely affecting results as a result of drastic deterioration in the economic environment in the previous year. Results of these efforts included recovery of profitability in the fertilizer business due to more appropriate inventory levels.

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

Sojitz also made progress in developing new growth businesses to establish a medium-to-long-term earnings foundation, mainly in the environmental and new energy fields. Specifically, Sojitz expanded its bioethanol business by merging it with another company and also invested in businesses related to solar power.

In executing regional strategies, Sojitz is making progress in building infrastructure businesses such as electric power and cement in Africa, a priority region in which Sojitz is strengthening its business foundation through such means as increasing the number of representatives. The Middle East is another region in which Sojitz made progress in pursuit of future growth in the year ended March 31, 2010 partly through involvement in IPP projects.

However, the automotive, foodstuff and other businesses are lagging in rationalizing inventories and regaining profitability, and Sojitz had not fully restored the earnings foundation of these businesses by the end of the year ended March 31, 2010. Additionally, Sojitz failed to achieve its initial full-year earnings forecast for the fiscal year, Shine 2011's inaugural year designated as the starting point for strengthening the foundation for sustained growth, partly because of loss on devaluation of securities.

Given current conditions, in the year ending March 31, 2011 Sojitz will focus on reinforcing the earnings foundation of businesses that have been slow to recover.

Sojitz's program of replacing existing assets with new ones will continue to be the basis for selectively deploying new investments and loans to improve asset quality in growth businesses and businesses that generate stable earnings.



During the year ending March 31, 2011, Sojitz will work to maintain and improve its financial soundness. At the same time, measures to establish the foundation for future earnings will include continuing to reinforce the earnings foundations of businesses that have been slow to recover. Sojitz plans to complete this process as soon as possible.

Consolidated numerical targets for the years ending March 31, 2011 and 2012, the remaining two years of Shine 2011, are as follows. Sojitz will work to regain the trust of all stakeholders by steadily achieving these targets, which will support sustained growth in the future.

Years ending March 31	2011	2012
Net sales	¥4,210 billion	¥4,820 billion
Gross trading profit	205 billion	242 billion
Ordinary income	26 billion	56 billion
Net income	11 billion	25 billion

## 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 retained earnings and using them effectively. Sojitz targets a consolidated payout ratio of 20% and determines annual dividends based on comprehensive assessment of multiple factors, including progress toward the targets of Shine 2011, the status of shareholders' equity, and demand for funds in order to expand earnings.

Designating the year ended March 31, 2010, the inaugural year of Shine 2011, as a year for solidifying its footing, Sojitz worked to strengthen the earnings foundations of its major businesses but had not fully restored all of them by the end of the fiscal year. Although Sojitz achieved its consolidated earnings forecast announced on January 29, 2010, it is only midway through the process of strengthening its earnings foundation.

Given the current business environment, Sojitz decided to place priority on increasing retained earnings to fund future growth and therefore did not declare a year-end dividend for the year ended March 31, 2010. Cash dividends for the fiscal year on common stock therefore consist only of the completed interim dividend payout of ¥2.50 per

share, or ¥3,083 million in total. Accordingly the consolidated payout ratio was 35.6% based on the number of shares at March 31, 2010, and 35.3% based on the average number of shares during the fiscal year.

Sojitz canceled all Preferred Shares of 1st Series Class III on October 29, 2009, and therefore did not pay a year-end dividend on these shares for the year ended March 31, 2010. As per the prospectus for these shares, Sojitz paid an interim dividend of ¥7.50 per share. Annual cash dividends for preferred shares therefore totaled ¥11 million, or ¥7.50 per share.

Sojitz's Articles of Incorporation permit the payment of interim cash dividends by the resolution of the Board of Directors meeting as stipulated by Article 454, Paragraph 5 of the Corporate Law. 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 Meeting and the year-end being approved by the Ordinary General Shareholders' Meeting.

# Consolidated Balance Sheets

Sojitz Corporation and Consolidated Subsidiaries  
As of March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	2010	2009	2010
<b>Current Assets:</b>			
Cash and cash equivalents (Notes 4 and 12).....	¥ 454,262	¥ 414,420	\$ 4,884,538
Time deposits (Notes 4 and 12) .....	6,757	8,495	72,656
Short-term investments (Notes 3 and 12) .....	1,005	1,093	10,806
Receivables (Notes 4 and 12):			
Trade notes and trade accounts .....	450,064	513,101	4,839,398
Loans .....	5,785	6,021	62,204
Unconsolidated subsidiaries and affiliates .....	14,328	12,651	154,065
Allowance for doubtful receivables .....	(9,089)	(10,312)	(97,731)
Inventories (Notes 1 and 4).....	248,630	382,900	2,673,441
Advance payments to suppliers .....	50,642	74,433	544,538
Deferred tax assets (Note 8).....	13,484	15,822	144,989
Other current assets (Note 4) .....	49,410	54,549	531,290
Total current assets .....	1,285,278	1,473,173	13,820,194
<b>Investments and Long-term Receivables:</b>			
Investment securities (Notes 3, 4 and 12) .....	127,469	166,891	1,370,634
Investments in and advances to unconsolidated subsidiaries and affiliates (Note 12)...	232,008	221,324	2,494,710
Long-term loans, receivables and other (Notes 4 and 12).....	121,130	122,973	1,302,473
Investment properties (Notes 1, 4 and 17).....	53,261	—	572,699
Allowance for doubtful receivables (Note 12) .....	(57,207)	(61,527)	(615,129)
Total investments and long-term receivables .....	476,661	449,661	5,125,387
<b>Property and Equipment, at Cost</b> (Notes 1, 4, 5 and 17):			
Land.....	57,442	50,155	617,656
Buildings and structures.....	112,592	101,078	1,210,667
Equipment, fixtures and others .....	185,992	175,307	1,999,914
Construction in progress .....	11,883	10,711	127,774
Accumulated depreciation.....	(145,244)	(127,530)	(1,561,764)
Net property and equipment .....	222,665	209,721	2,394,247
<b>Other Non-current Assets:</b>			
Goodwill .....	54,306	60,685	583,935
Deferred tax assets (Note 8).....	61,432	64,137	660,559
Other intangible assets and deferred charges (Note 4).....	60,577	55,581	651,366
Total other non-current assets .....	176,315	180,403	1,895,860
Total.....	¥2,160,919	¥2,312,958	\$23,235,688

See accompanying notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
<b>LIABILITIES AND NET ASSETS</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>
<b>Current Liabilities:</b>			
Short-term debt, principally unsecured (Notes 4, 6 and 12) .....	¥ 176,485	¥ 217,612	\$ 1,897,688
Commercial paper (Notes 6 and 12) .....	10,000	35,000	107,527
Current portion of long-term debt (Notes 4, 6 and 12) .....	120,287	176,366	1,293,408
Payables (Notes 4 and 12):			
Trade notes and trade accounts .....	370,578	412,453	3,984,710
Unconsolidated subsidiaries and affiliates .....	6,891	6,359	74,097
Accrued liabilities .....	9,559	13,166	102,785
Income taxes payable (Note 12) .....	5,949	7,231	63,968
Advances received from customers .....	46,555	64,240	500,591
Deferred tax liabilities (Note 8) .....	44	597	473
Other current liabilities (Note 4) .....	95,185	106,833	1,023,494
Total current liabilities .....	841,533	1,039,857	9,048,741
<b>Non-current Liabilities:</b>			
Long-term debt, less current portion (Notes 4, 6 and 12) .....	886,746	857,982	9,534,903
Employees' retirement and severance benefits (Note 7) .....	13,280	16,175	142,796
Deferred tax liabilities (Note 8) .....	15,688	16,574	168,688
Directors' and corporate auditors' retirement benefits .....	932	872	10,022
Other non-current liabilities (Note 4) .....	25,336	25,995	272,430
Total non-current liabilities .....	941,982	917,598	10,128,839
Total liabilities .....	1,783,515	1,957,455	19,177,580
Contingent liabilities (Note 14)			
<b>Net Assets (Note 9)</b>			
<b>Owners' Equity:</b>			
Common and preferred stock .....	160,340	160,340	1,724,086
Common stock at March 31, 2010			
Authorized—1,349,000,000 shares			
Issued—1,251,499,501 shares			
Preferred stock at March 31, 2010			
1st Series Class III			
Authorized—1,500,000 shares			
Issued—0 shares			
Capital surplus .....	152,160	152,160	1,636,129
Retained earnings .....	146,489	142,158	1,575,151
Treasury stock: 408,488 shares and 395,306 shares at March 31, 2010 and 2009, respectively .....	(169)	(166)	(1,817)
Total owners' equity .....	458,820	454,492	4,933,549
<b>Valuation and Translation Adjustments:</b>			
Net unrealized gains on available-for-sale securities .....	14,845	6,237	159,624
Gains and losses on deferred hedges, net of tax .....	2,358	1,511	25,355
Land revaluation difference (Note 20) .....	(2,055)	(1,908)	(22,097)
Foreign currency translation adjustments .....	(121,551)	(141,341)	(1,307,000)
Total valuation and translation adjustments .....	(106,403)	(135,501)	(1,144,118)
<b>Minority Interests</b> .....	24,987	36,512	268,677
Total net assets .....	377,404	355,503	4,058,108
Total .....	¥2,160,919	¥2,312,958	\$23,235,688

# Consolidated Statements of Income

Sojitz Corporation and Consolidated Subsidiaries  
For the years ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
<b>Net Sales (Total Trading Transactions)</b> .....	<b>¥3,844,418</b>	¥5,166,183	<b>\$41,337,828</b>
Cost of sales .....	<b>3,666,215</b>	4,930,565	<b>39,421,667</b>
<b>Gross Trading Profit</b> .....	<b>178,203</b>	235,618	<b>1,916,161</b>
<b>Selling, General and Administrative Expenses</b> (Note 10).....	<b>162,074</b>	183,611	<b>1,742,731</b>
<b>Operating Income</b> .....	<b>16,129</b>	52,007	<b>173,430</b>
<b>Other Income (Expenses):</b>			
Interest income .....	<b>4,633</b>	9,597	<b>49,817</b>
Interest expense .....	<b>(25,987)</b>	(29,452)	<b>(279,430)</b>
Dividends .....	<b>5,040</b>	8,350	<b>54,193</b>
Equity in earnings of unconsolidated subsidiaries and affiliates .....	<b>9,180</b>	2,456	<b>98,710</b>
Penalty income.....	<b>3,802</b>	546	<b>40,882</b>
Foreign exchange loss.....	<b>(172)</b>	(5,244)	<b>(1,849)</b>
Other, net .....	<b>1,078</b>	(4,623)	<b>11,591</b>
Total .....	<b>(2,426)</b>	(18,370)	<b>(26,086)</b>
<b>Ordinary Income</b> .....	<b>13,703</b>	33,637	<b>147,344</b>
<b>Extraordinary Gains (Losses)</b> (Note 11).....	<b>5,192</b>	3,434	<b>55,828</b>
<b>Income Before Income Taxes and Minority Interests</b> .....	<b>18,895</b>	37,071	<b>203,172</b>
<b>Income Taxes</b> (Note 8):			
Current .....	<b>(8,563)</b>	(19,230)	<b>(92,075)</b>
Deferred .....	<b>294</b>	2,491	<b>3,161</b>
Total .....	<b>(8,269)</b>	(16,739)	<b>(88,914)</b>
Minority interests .....	<b>(1,832)</b>	(1,331)	<b>(19,699)</b>
<b>Net Income</b> .....	<b>¥ 8,794</b>	¥ 19,001	<b>\$ 94,559</b>
	Yen		U.S. dollars (Note 1)
Net income per share — basic .....	<b>¥ 7.08</b>	¥ 15.39	<b>\$ 0.08</b>
Net income per share — diluted .....	<b>7.06</b>	15.31	<b>0.08</b>
Cash dividends per share* .....	<b>2.50</b>	5.50	<b>0.03</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 Changes in Net Assets

Sojitz Corporation and Consolidated Subsidiaries  
For the years ended March 31, 2010 and 2009

	Millions of yen				
	Owners' Equity				
Year ended March 31, 2010	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 from changes of consolidated subsidiaries and affiliates accounted for under the equity method .....			(286)		(286)
Minimum pension liability adjustment (Note 16) ..			16		16
Purchase of treasury stock .....				(2)	(2)
Effect from change 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

	Valuation and Translation Adjustments						Minority Interests	Total net assets
	Net unrealized gains on available-for-sale securities	Gains and losses on deferred hedges, net of tax	Land revaluation difference	Foreign currency translation adjustments	Total valuation and translation adjustments			
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 from changes of consolidated subsidiaries and affiliates accounted for under the equity method .....								(286)
Minimum pension liability adjustment (Note 16) ..								16
Purchase of treasury stock .....								(2)
Effect from change 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

See accompanying notes to consolidated financial statements.



## Consolidated Statements of Changes in Net Assets

Thousands of U.S. dollars (Note 1)

Year ended March 31, 2010	Owners' Equity				
	Common and preferred stock	Capital surplus	Retained earnings	Treasury stock	Total owners' equity
Balance at March 31, 2009 .....	\$1,724,086	\$1,636,129	\$1,528,581	\$(1,785)	\$4,887,011
Changes of items during the fiscal year					
Cash dividends.....			(46,667)		(46,667)
Net income .....			94,559		94,559
Increase in land revaluation difference.....			1,581		1,581
Effect from changes of consolidated subsidiaries and affiliates accounted for under the equity method .....			(3,075)		(3,075)
Minimum pension liability adjustment (Note 16) ..			172		172
Purchase of treasury stock.....				(21)	(21)
Effect from change in equity interest of affiliates ..				(11)	(11)
Net changes of items other than owners' equity ..					
Total changes during the year .....	—	—	46,570	(32)	46,538
Balance at March 31, 2010 .....	\$1,724,086	\$1,636,129	\$1,575,151	\$(1,817)	\$4,933,549

	Valuation and Translation Adjustments						Minority Interests	Total net assets
	Net unrealized gains on available-for-sale securities	Gains and losses on deferred hedges, net of tax	Land revaluation difference	Foreign currency translation adjustments	Total valuation and translation adjustments			
Balance at March 31, 2009 .....	\$ 67,065	\$16,247	\$(20,516)	\$(1,519,796)	\$(1,457,000)	\$ 392,602		\$3,822,613
Changes of items during the fiscal year								
Cash dividends.....								(46,667)
Net income .....								94,559
Increase in land revaluation difference.....								1,581
Effect from changes of consolidated subsidiaries and affiliates accounted for under the equity method .....								(3,075)
Minimum pension liability adjustment (Note 16) ..								172
Purchase of treasury stock.....								(21)
Effect from change in equity interest of affiliates ..								(11)
Net changes of items other than owners' equity ..	92,559	9,108	(1,581)	212,796	312,882	(123,925)		188,957
Total changes during the year .....	92,559	9,108	(1,581)	212,796	312,882	(123,925)		235,495
Balance at March 31, 2010 .....	\$159,624	\$25,355	\$(22,097)	\$(1,307,000)	\$(1,144,118)	\$ 268,677		\$4,058,108

Year ended March 31, 2009	Millions of yen				
	Owners' Equity				
	Common and preferred stock	Capital surplus	Retained earnings	Treasury stock	Total owners' equity
Balance at March 31, 2008 .....	¥160,340	¥152,160	¥139,264	¥(145)	¥451,619
Changes of items during the fiscal year					
Cash dividends .....			(11,125)		(11,125)
Net income .....			19,001		19,001
Decrease in land revaluation difference .....			(623)		(623)
Effect from changes of consolidated subsidiaries and affiliates accounted for under the equity method .....			37		37
Effect from changes of accounting policy for overseas subsidiaries .....			(3,660)		(3,660)
Minimum pension liability adjustment (Note 16) ..			(736)		(736)
Purchase of treasury stock .....				(21)	(21)
Effect from change in equity interest of affiliates ..				0	0
Net changes of items other than owners' equity ..					
Total changes during the year .....	—	—	2,894	(21)	2,873
Balance at March 31, 2009 .....	¥160,340	¥152,160	¥142,158	¥(166)	¥454,492

Year ended March 31, 2009	Valuation and Translation Adjustments						Minority Interests	Total net assets
	Net unrealized gains on available-for-sale securities	Gains and losses on deferred hedges, net of tax	Land revaluation difference	Foreign currency translation adjustments	Total valuation and translation adjustments			
Balance at March 31, 2008 .....	¥60,281	¥1,346	¥(2,531)	¥ (34,684)	¥ 24,412	¥44,297		¥ 520,328
Changes of items during the fiscal year								
Cash dividends .....								(11,125)
Net income .....								19,001
Decrease in land revaluation difference .....								(623)
Effect from changes of consolidated subsidiaries and affiliates accounted for under the equity method .....								37
Effect from changes of accounting policy for overseas subsidiaries .....								(3,660)
Minimum pension liability adjustment (Note 16) ..								(736)
Purchase of treasury stock .....								(21)
Effect from change in equity interest of affiliates ..								0
Net changes of items other than owners' equity ..	(54,044)	165	623	(106,657)	(159,913)	(7,785)		(167,698)
Total changes during the year .....	(54,044)	165	623	(106,657)	(159,913)	(7,785)		(164,825)
Balance at March 31, 2009 .....	¥ 6,237	¥1,511	¥(1,908)	¥(141,341)	¥(135,501)	¥36,512		¥ 355,503

# Consolidated Statements of Cash Flows

Sojitz Corporation and Consolidated Subsidiaries  
For the years ended March 31, 2010 and 2009

Thousands of  
U.S. dollars  
(Note 1)

	Millions of yen		
	2010	2009	2010
<b>Cash Flows from Operating Activities:</b>			
Income before income taxes and minority interests .....	¥ 18,895	¥ 37,071	\$ 203,172
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization.....	23,197	26,698	249,430
Impairment loss on fixed assets .....	9,402	12,151	101,097
Loss on devaluation of securities.....	16,544	15,133	177,892
Amortization of goodwill .....	4,443	5,120	47,774
Decrease in allowance for doubtful receivables .....	(3,978)	(16,128)	(42,774)
Decrease in employees' retirement and severance benefits.....	(3,296)	(2,088)	(35,441)
Interest and dividend income .....	(9,673)	(17,947)	(104,011)
Interest expense .....	25,987	29,452	279,430
Foreign exchange (gain) loss, net .....	(1,832)	5,294	(19,699)
Equity in earnings of unconsolidated subsidiaries and affiliates .....	(9,179)	(2,456)	(98,699)
Gain on sale of investment securities .....	(32,376)	(30,217)	(348,129)
Gain on sale and disposal of property and equipment .....	(991)	(6,264)	(10,656)
Decrease in trade receivables .....	57,221	118,035	615,280
Decrease in inventories .....	80,619	10,703	866,871
Decrease in trade payables .....	(46,576)	(108,118)	(500,817)
Other, net (Note 19) .....	(2,434)	43,780	(26,172)
	¥ 125,973	¥ 120,219	\$ 1,354,548
Interest and dividends received .....	18,121	30,871	194,849
Interest paid .....	(26,380)	(29,016)	(283,656)
Income taxes paid .....	(10,491)	(18,345)	(112,806)
Net cash provided by operating activities .....	¥ 107,223	¥ 103,729	\$ 1,152,935
<b>Cash Flows from Investing Activities:</b>			
Net increase (decrease) in time deposits .....	(301)	3,863	(3,237)
Net decrease in marketable securities .....	293	1,420	3,151
Payments for property and equipment .....	(21,189)	(43,718)	(227,839)
Proceeds from sale of property and equipment .....	5,444	16,453	58,538
Payments for intangible fixed assets.....	(7,265)	(21,822)	(78,118)
Payments for purchase of investment securities (Note 19) .....	(19,099)	(35,104)	(205,366)
Proceeds from sale/redemption of investment securities .....	66,099	51,925	710,742
Decrease in short-term loans receivable, net .....	4,857	13,356	52,226
Increase of long-term loans receivable .....	(2,263)	(2,360)	(24,333)
Collection of long-term loans receivable .....	1,786	3,085	19,204
Net increase (decrease) from purchase of consolidated subsidiaries (Note 19).....	23	(5,692)	247
Net increase (decrease) from sale of consolidated subsidiaries (Note 19).....	(49)	65	(527)
Other, net.....	103	1,331	1,108
Net cash provided by (used in) investing activities .....	¥ 28,439	¥ (17,198)	\$ 305,796
<b>Cash Flows from Financing Activities:</b>			
Net decrease in short-term debt .....	(41,620)	(57,273)	(447,527)
Net increase (decrease) in commercial paper .....	(25,000)	10,000	(268,817)
Proceeds from long-term debt .....	244,908	308,571	2,633,419
Repayment of long-term debt.....	(240,963)	(234,144)	(2,591,000)
Proceeds from issuance of bonds .....	—	55,687	—
Redemption of bonds .....	(33,489)	(75,212)	(360,097)
Proceeds from issuance of common stock to minority shareholders .....	14	522	151
Purchase of treasury stock .....	(2)	(21)	(22)
Dividends paid.....	(4,340)	(11,125)	(46,667)
Dividends paid to minority shareholders .....	(1,374)	(2,513)	(14,774)
Other, net.....	(731)	(450)	(7,860)
Net cash used in financing activities .....	¥(102,597)	¥ (5,958)	\$ (1,103,194)
<b>Effect of Exchange Rate Changes on Cash and Cash Equivalents .....</b>	<b>6,825</b>	<b>(40,332)</b>	<b>73,388</b>
<b>Net Increase in Cash and Cash Equivalents .....</b>	<b>39,890</b>	<b>40,241</b>	<b>428,925</b>
<b>Effect of Change in Scope of Consolidation .....</b>	<b>(48)</b>	<b>295</b>	<b>(516)</b>
<b>Cash and Cash Equivalents at the Beginning of the Year .....</b>	<b>414,420</b>	<b>373,884</b>	<b>4,456,129</b>
<b>Cash and Cash Equivalents at the End of the Year .....</b>	<b>¥ 454,262</b>	<b>¥ 414,420</b>	<b>\$ 4,884,538</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 on the basis of 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, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

The accounts of overseas subsidiaries are 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 have been reclassified to conform to the presentation of the year ended March 31, 2010.

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 ¥93 to U.S.\$1 prevailing at the end of March 31, 2010. The translation should not be construed as a representation that the Japanese yen amounts could be converted into United States dollars at the above or any other rate.

### Change in accounting policies

#### ● Accounting Standard for Construction Contracts

"Accounting Standard for Construction Contracts" (Statement No. 15 issued by the Accounting Standards Board of Japan on December

27, 2007) and "Guidance on Accounting Standard for Construction Contracts" (Guidance No. 18 issued by the Accounting Standards Board of Japan on December 27, 2007) were adopted in the year ended March 31, 2010. Of construction contracts which had started on and after April 1, 2009, a construction contract, whose outcome of its construction activities by the end of the fiscal year is deemed certain, is accounted for based on percentage-of-completion method for recognizing revenues, otherwise, the completed-contract method is applied, though the choice between the completed-contract method or percentage-of-completion method was allowed under the previous standard.

The adoption of these standards had no material impact on consolidated financial statements as well as on the business segment information.

#### ● Accounting Standard for Retirement Benefits

Effective from the year ended March 31, 2010, the Company and domestic consolidated subsidiaries adopted the "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (Statement No. 19 issued by the Accounting Standards Board of Japan on July 31, 2008).

The adoption of this standard had no effect on consolidated financial statements as well as the balance of unrecognized difference of retirement benefits for the year ended in March 31, 2010.

### Additional information

Due to change in holding purpose, the Company and subsidiaries reclassified certain properties in the year ended March 31, 2010.

Related to "Inventories", ¥48,200 million (U.S.\$518,280 thousand) is reclassified to "Investment properties", and ¥10,786 million (U.S.\$115,978 thousand) is to "Property and equipment".

In addition, ¥5,055 million (U.S.\$54,355 thousand) of the "Property and equipment" under lease is reclassified to "Investment properties", and ¥348 million (U.S.\$3,742 thousand) of the "Property and equipment" which are used as welfare facilities to "Inventories."

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Principles of consolidation

The consolidated financial statements include the accounts of the Company and its 329 (354 for the year ended March 31, 2009) significant domestic and foreign subsidiaries. All significant intercompany transactions and accounts have been eliminated.

Investments in 161 (184 for the year ended March 31, 2009) unconsolidated subsidiaries and affiliates, with minor exceptions, are accounted for by use of the equity method.

Goodwill, 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. Negative goodwill, which is a gain occurring when acquisition cost is below the fair value of the net assets acquired, is being amortized over 5 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 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. The foreign currency translation adjustments are presented in 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.

## Notes to Consolidated Financial Statements

### Capitalization of interest costs

Interest costs on certain real estate under construction are capitalized until sales are realized to result in a 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, 2010 was ¥5,291 million (U.S.\$56,892 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. For lease transactions without transfer of ownership that commenced prior to April 1, 2008, the accounting treatment similar to that used for operating lease transactions is applied.

### 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 profit

As general trading companies, the Company and certain of its consolidated subsidiaries act either as principal or agent in trading transactions. Net sales represents the sales volume of all those transactions in which the companies participate, whether as principal or agent. Gross 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.

### 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, 2010 and 2009 is as follows:

Millions of yen				
Year ended 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

Thousands of U.S. dollars				
Year ended March 31, 2010	Cost	Unrealized gains	Unrealized losses	Book value
Securities classified as:				
Available-for-sale with available fair market values:				
Equity securities .....	\$707,538	\$172,591	\$(55,742)	\$824,387
Debt securities				
Government bonds .....	97	11	—	108
Foreign bonds .....	1,075	4,903	(0)	5,978
Other .....	64,010	108	(204)	63,914
Total .....	\$772,720	\$177,613	\$(55,946)	\$894,387

In addition to the securities listed above, the Company and consolidated subsidiaries hold trading securities of ¥1,005 million (U.S.\$10,806 thousand) 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 (U.S.\$462 thousand).

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 (U.S.\$665,097 thousand) and the related gains and losses amounted to ¥33,146 million (U.S.\$356,409 thousand) and ¥1,161 million (U.S.\$12,484 thousand), respectively.

Millions of yen				
Year ended March 31, 2009	Cost	Unrealized gains	Unrealized losses	Book value
Securities classified as:				
Available-for-sale with available fair market values:				
Equity securities .....	¥93,713	¥20,897	¥(14,859)	¥ 99,751
Debt securities				
Government bonds .....	10	—	—	10
Foreign bonds .....	314	98	—	412
Other .....	1,534	50	—	1,584
Total .....	¥95,571	¥21,045	¥(14,859)	¥101,757

In addition to the securities listed above, the Company and consolidated subsidiaries hold trading securities of ¥1,093 million which are equal to their fair value, as of March 31, 2009. The net holding losses on trading securities included in earnings for the year ended March 31, 2009 amounted to ¥607 million.

The Company and consolidated subsidiaries hold no securities held to maturity at March 31, 2009.

Total proceeds from the sale of available-for-sale securities in the year ended March 31, 2009 amounted to ¥34,856 million and the related gains and losses amounted to ¥8,835 million and ¥482 million, respectively.

Investment securities with no available fair market value at March 31, 2010 and 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Securities:			
Equity securities .....	¥36,189	¥52,778	\$389,129
Corporate bonds .....	4,471	4,420	48,075
Foreign bonds .....	0	0	0
Domestic bonds .....	0	1,000	0
Partnership .....	5,167	4,556	55,559
Other .....	—	30	—

Debt securities classified as available-for-sale which have maturities at March 31, 2010 and 2009 will mature as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Due in one year or less .....	¥4,996	¥1,068	\$53,720
Due after one year through five years .....	4,676	4,832	50,280
Due after five years through ten years .....	574	459	6,172
Due after ten years .....	0	1	0

## Notes to Consolidated Financial Statements

### 4. PLEDGED ASSETS

At March 31, 2010, the following assets are pledged as collateral for short-term debt, trade notes, accounts payable and other current liabilities of ¥5,526 million (U.S.\$59,419 thousand), long-term debt and other non-current liabilities of ¥39,926 million (U.S.\$429,312 thousand) and transactions and other guarantees:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Cash equivalents and time deposits .....	¥ 1,759	¥ 5,649	\$ 18,914
Trade notes and trade accounts receivable .....	626	1,799	6,731
Investment securities .....	58,367	51,923	627,602
Inventories .....	22,797	44,310	245,129
Short-term loans receivable .....	6	70	65
Other current assets .....	133	157	1,430
Long-term loans, receivables and other .....	2,100	71	22,581
Investment properties .....	2,650	—	28,495
Property and equipment, less accumulated depreciation .....	44,845	51,494	482,204
Other intangible assets and deferred charges .....	3,841	6,034	41,301
Total .....	¥137,124	¥161,507	\$1,474,452

Also pledged are the shares of consolidated subsidiaries amounting to ¥15,322 million (U.S.\$164,753 thousand) and loans receivable from consolidated subsidiaries of ¥4 million (U.S.\$43 thousand) that are eliminated in consolidation as of March 31, 2010.

### 5. IMPAIRMENT LOSS ON FIXED ASSETS

The impairment of fixed assets resulted primarily from significant decline of profitability of properties.

Regional breakdown of loss on impairment of fixed assets for the years ended March 31, 2010 and 2009 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Kanto region in Japan			
Idle properties and business properties			
Land .....	¥ —	¥ 180	\$ —
Buildings and structures .....	—	212	—
Equipment, fixtures and others .....	—	89	—
Chubu region in Japan			
Idle properties and business properties			
Land .....	—	308	—
Buildings and structures .....	—	135	—
Equipment, fixtures and others .....	—	16	—
Kinki region in Japan			
Business properties			
Buildings and structures .....	326	—	3,505
Equipment, fixtures and others .....	6	—	65
Construction in progress .....	3,998	—	42,989
United States of America			
Business properties			
Equipment, fixtures and others .....	741	—	7,968
Goodwill .....	181	—	1,946
Other intangible assets and deferred charges .....	800	7,769	8,602
Brazil			
Business properties			
Equipment, fixtures and others .....	—	644	—
Netherlands			
Business properties			
Equipment, fixtures and others .....	—	2,109	—
Australia			
Business properties			
Other intangible assets and deferred charges .....	2,181	—	23,452
Thailand			
Business properties			
Equipment, fixtures and others .....	499	—	5,366
Other intangible assets and deferred charges .....	201	—	2,161
Other			
Idle properties and business properties			
Land .....	38	492	409
Buildings and structures .....	27	166	290
Equipment, fixtures and others .....	404	31	4,344
Total .....	¥9,402	¥12,151	\$101,097

Impairment loss was recorded at the amount by which the acquisition cost 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 4.0% for the year ended March 31, 2010 and at 6.1% for the year ended March 31, 2009.

Impairment loss on fixed assets is recorded as an extraordinary loss.

## 6. SHORT-TERM DEBT AND LONG-TERM DEBT

A summary of short-term debt at March 31, 2010 and 2009 is as follows:

Short-term loans are principally from financial institutions.

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Short-term loans at the average interest rate of 2.76.% .....	<b>¥176,485</b>	¥217,612	<b>\$1,897,688</b>
Commercial paper at the average interest rate of 0.46% .....	<b>10,000</b>	35,000	<b>107,527</b>

A summary of long-term debt at March 31, 2010 and 2009 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
2.41% bonds due 2010 payable in Japanese yen .....	<b>¥ 10,000</b>	¥ 10,000	<b>\$ 107,527</b>
2.20% bonds due 2010 payable in Japanese yen .....	—	10,000	—
2.09% bonds due 2009 payable in Japanese yen .....	—	15,000	—
2.14% bonds due 2010 payable in Japanese yen .....	<b>20,000</b>	20,000	<b>215,054</b>
2.38% bonds due 2011 payable in Japanese yen .....	<b>20,000</b>	20,000	<b>215,054</b>
2.39% bonds due 2012 payable in Japanese yen .....	<b>20,000</b>	20,000	<b>215,054</b>
1.60% bonds due 2010 payable in Japanese yen .....	<b>10,000</b>	10,000	<b>107,527</b>
2.16% bonds due 2012 payable in Japanese yen .....	<b>10,000</b>	10,000	<b>107,527</b>
1.79% bonds due 2012 payable in Japanese yen .....	<b>15,000</b>	15,000	<b>161,290</b>
1.90% bonds due 2013 payable in Japanese yen .....	<b>10,000</b>	10,000	<b>107,527</b>
1.87% bonds due 2011 payable in Japanese yen .....	<b>20,000</b>	20,000	<b>215,054</b>
2.19% bonds due 2013 payable in Japanese yen .....	<b>10,000</b>	10,000	<b>107,527</b>
2.00% bonds due 2012 payable in Japanese yen .....	<b>10,000</b>	10,000	<b>107,527</b>
3.24% bonds due 2010 payable in Japanese yen (Note 1).....	—	15,761	—
3.35% bonds due 2012 payable in Japanese yen (Note 1).....	<b>8,647</b>	—	<b>92,978</b>
Bonds maturing through 2010 at interest rates of 1.10% to 6.80% (Note 2).....	<b>120</b>	1,496	<b>1,290</b>
Long-term loans, principally from commercial and trust banks and insurance companies, maturing through 2024 at the average interest rate of 1.89% .....	<b>751,816</b>	766,742	<b>8,084,043</b>
Long-term loans, from governmental financial institutions, principally Japan Bank for International Corporation, maturing through 2025 at an average interest rate of 2.01%..	<b>83,228</b>	63,378	<b>894,925</b>
Other long-term indebtedness, maturing through 2028 at an average interest rate of 2.30% ...	<b>8,222</b>	6,971	<b>88,408</b>
Total .....	<b>¥1,007,033</b>	¥1,034,348	<b>\$10,828,312</b>
Less current portion .....	<b>120,287</b>	176,366	<b>1,293,409</b>
Total .....	<b>¥ 886,746</b>	¥ 857,982	<b>\$ 9,534,903</b>

Notes: 1. The bond was issued by Shobu Project. The maturity due was rescheduled from March 30, 2010 to November 30, 2012.

2. The amounts include notes issued by Sojitz GMC Corporation, Tokyo Yuso Co., Ltd. and Kitashinagawa Capital.

The aggregate annual amounts of long-term debt maturing in the years ending March 31, 2011 to 2016 and thereafter, are as follows:

	Millions of yen	Thousands of U.S. dollars
2011 .....	<b>¥ 120,287</b>	<b>\$ 1,293,409</b>
2012 .....	<b>253,500</b>	<b>2,725,807</b>
2013 .....	<b>245,175</b>	<b>2,636,290</b>
2014 .....	<b>195,019</b>	<b>2,096,978</b>
2015 .....	<b>130,527</b>	<b>1,403,516</b>
2016 and thereafter .....	<b>62,525</b>	<b>672,312</b>
Total .....	<b>¥1,007,033</b>	<b>\$10,828,312</b>

## 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, 2010 and 2009 consists of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Retirement benefit obligation .....	<b>¥(19,952)</b>	¥(23,182)	<b>\$(214,537)</b>
Plan assets at fair value .....	<b>6,213</b>	6,096	<b>66,806</b>
Unfunded retirement benefit obligation .....	<b>(13,739)</b>	(17,086)	<b>(147,731)</b>
Unamortized net retirement benefit obligation at transition .....	<b>33</b>	59	<b>355</b>
Unrecognized actuarial loss .....	<b>895</b>	1,288	<b>9,624</b>
Unrecognized prior service cost .....	<b>(155)</b>	(189)	<b>(1,667)</b>
Net retirement benefit obligation .....	<b>(12,966)</b>	(15,928)	<b>(139,419)</b>
Prepaid pension cost .....	<b>314</b>	247	<b>3,377</b>
Employees' retirement and severance benefits.....	<b>¥(13,280)</b>	¥(16,175)	<b>\$(142,796)</b>

The components of retirement benefit expenses for the years ended March 31, 2010 and 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Service cost.....	<b>¥2,102</b>	¥2,912	<b>\$22,602</b>
Interest cost.....	<b>402</b>	393	<b>4,322</b>
Other costs.....	<b>1,238</b>	1,146	<b>13,312</b>
Expected return on plan assets .....	<b>(324)</b>	(299)	<b>(3,484)</b>
Amortization of net retirement benefit obligation at transition.....	<b>10</b>	(39)	<b>108</b>
Amortization of actuarial losses .....	<b>371</b>	(100)	<b>3,989</b>
Amortization of prior service cost .....	<b>(40)</b>	(4)	<b>(430)</b>
Total .....	<b>¥3,759</b>	¥4,009	<b>\$40,419</b>

The basis of calculation of benefit obligations for the years ended March 31, 2010 and 2009 is as follows:

	2010	2009
Allocation of payment of expected retirement benefits.....	<b>Straight-line method</b>	Straight-line method
Discount rate .....	<b>mainly 2.0-2.3%</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, 2010 and 2009, the major components of deferred tax assets and deferred tax liabilities are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Deferred tax assets:			
Allowance for doubtful receivables.....	¥ 12,405	¥ 14,655	\$ 133,387
Employees' retirement and severance benefits .....	4,905	4,933	52,742
Net operating loss carryforwards .....	260,606	275,407	2,802,215
Losses on revaluation of securities .....	27,794	27,538	298,860
Loss from merger.....	4,456	5,890	47,914
Other .....	34,112	28,745	366,796
Total deferred tax assets .....	344,278	357,168	3,701,914
Valuation allowance .....	(235,711)	(248,620)	(2,534,527)
Offset to deferred tax liabilities.....	(33,651)	(28,589)	(361,839)
Total deferred tax assets, net .....	74,916	79,959	805,548
Deferred tax liabilities:			
Profit from merger .....	15,152	16,162	162,925
Depreciation .....	18,838	16,796	202,559
Unrealized gains on available-for-sale securities .....	2,662	1,467	28,624
Land revaluation difference (Note 20).....	944	1,045	10,150
Other .....	11,787	10,290	126,742
Total deferred tax liabilities .....	49,383	45,760	531,000
Offset to deferred tax assets .....	(33,651)	(28,589)	(361,839)
Total deferred tax liabilities, net .....	15,732	17,171	169,161
Net deferred tax assets .....	¥ 59,184	¥ 62,788	\$ 636,387

As of March 31, 2010 and 2009, 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
	2010	2009	2010
Deferred tax assets—current.....	¥13,484	¥15,822	\$144,989
Deferred tax assets—non-current .....	61,432	64,137	660,559
Deferred tax liabilities—current .....	44	597	473
Deferred tax liabilities—non-current .....	15,688	16,574	168,688

Japanese domestic companies are subject to taxes on income, which consist of national corporate tax, local inhabitant tax and enterprise tax.

The differences between the statutory tax rate of 41% and the effective rate of income taxes reflected in the accompanying consolidated statements of income for the years ended March 31, 2010 and 2009 are as follows:

	2010	2009
Statutory tax rate.....	41.0%	41.0%
Valuation allowance .....	(31.6)	(13.6)
Effect of taxation in dividends .....	31.9	26.1
Effect of equity in earnings of unconsolidated subsidiaries and affiliates .....	(20.6)	
Undistributed earnings of tax-haven subsidiaries .....	9.8	
Difference of tax rates for foreign subsidiaries .....		(7.0)
Other .....	13.3	(1.3)
Effective rate of income taxes reflected in the accompanying consolidated statements of income .....	43.8%	45.2%



## 9. NET ASSETS

The Corporate Law 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 Corporate Law 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.

Amendment of the Articles of Incorporation was approved at the Ordinary General Shareholders' Meeting on June 22, 2010, to delete the clauses with regard to the canceled preferred shares of 1st Series Class III. As a result, the authorized shares consist of only common stock.

The Company paid cash dividends amounting to ¥1,245 million (U.S.\$13,387 thousand) in accordance with the approval at the Ordinary General Shareholders' Meeting on June 23, 2009. And the Company also paid interim dividends amounting to ¥3,095 million (U.S.\$33,280 thousand) in accordance with the resolution at the Board of Directors Meeting held on October 29, 2009.

## 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, 2010 and 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Directors' remuneration and salaries for employees .....	¥ 56,827	¥ 59,979	\$ 611,043
Employees' retirement and severance benefits .....	3,591	3,449	38,613
Welfare .....	10,816	9,987	116,301
Travelling expenses .....	6,514	9,423	70,043
Rent .....	12,729	13,639	136,871
Legal and professional fees .....	11,547	16,144	124,161
Depreciation .....	5,505	5,920	59,194
Provision for doubtful receivables .....	5,429	5,389	58,376
Amortization of goodwill .....	5,181	5,324	55,710
Other .....	43,935	54,357	472,419
Total .....	¥162,074	¥183,611	\$1,742,731

## 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
	2010	2009	2010
Gain on sale of investment securities .....	¥ 32,477	¥ 30,203	\$ 349,214
Loss on devaluation of securities .....	(16,544)	(15,133)	(177,892)
Gain on sale and disposal of properties and equipment .....	991	6,264	10,656
Loss and provision for loss on dissolution of subsidiaries and affiliates .....	(7,969)	(2,583)	(85,688)
Restructuring losses .....	(245)	(48)	(2,634)
Dilution losses from changes in equity interest .....	(124)	(52)	(1,333)
Gain on reversal of allowance for doubtful accounts .....	3,248	2,246	34,925
Gain on bad debt recovered .....	7	110	75
Impairment loss on fixed assets .....	(9,402)	(12,151)	(101,097)
Loss on devaluation of inventories .....	—	(5,422)	—
Adjustment for hyperinflationary economies .....	2,753	—	29,602
Extraordinary gains (losses), net .....	¥ 5,192	¥ 3,434	\$ 55,828

## 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 holding 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 about book value and fair value of financial instruments and derivative instrument at March 31, 2010 is as follows:

Year ended March 31, 2010	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.....	¥ 454,262	¥ 454,262	¥ —	\$ 4,884,538	\$ 4,884,538	\$ —
Time deposits.....	6,757	6,757	—	72,656	72,656	—
Trade notes and trade accounts receivable (*1).....	462,233			4,970,247		
Allowance for doubtful receivables (*2).....	(5,062)			(54,430)		
Trade notes and trade accounts, net.....	457,171	454,951	(2,220)	4,915,817	4,891,946	(23,871)
Short-term loans receivable (excluding current portion of long-term loans receivable) (*1).....	553	553	—	5,946	5,946	—
Short-term investments and investment securities						
Trading securities.....	1,005	1,005	—	10,806	10,806	—
Available-for-sale securities.....	78,052	78,052	—	839,269	839,269	—
Investments in and advances to unconsolidated subsidiaries and affiliates (*3).....	11,461	9,132	(2,329)	123,236	98,194	(25,042)
Long-term loans receivable (including current portion) (*1)...	32,504			349,505		
Allowance for doubtful receivables (*2).....	(2,513)			(27,021)		
Long-term loans receivable, net.....	29,991	30,196	205	322,484	324,688	2,204
Doubtful receivables (*1,4).....	88,359			950,097		
Allowance for doubtful receivables (*2).....	(52,811)			(567,860)		
Doubtful receivables, net.....	35,548	35,548	—	382,237	382,237	—
Total assets.....	¥1,074,800	¥1,070,456	¥(4,344)	\$11,556,989	\$11,510,280	\$(46,709)
<b>Liabilities</b>						
Short-term debt (principally unsecured).....	¥ 176,485	¥ 176,485	¥ —	\$ 1,897,688	\$ 1,897,688	\$ —
Commercial paper.....	10,000	10,000	—	107,527	107,527	—
Payables.....	377,469	377,373	(96)	4,058,806	4,057,774	(1,032)
Income taxes payable.....	5,949	5,949	—	63,968	63,968	—
Long-term debt (including current portion).....	1,007,033	1,010,121	3,088	10,828,312	10,861,516	33,204
Total liabilities.....	¥1,576,936	¥1,579,928	¥ 2,992	\$16,956,301	\$16,988,473	\$ 32,172
Derivative (*5).....	¥ (827)	¥ (827)	¥ —	\$ (8,892)	\$ (8,892)	\$ —

\*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 accounts.

3. Investments in and advances to unconsolidated subsidiaries and affiliates with no available fair market value amounting to ¥192,527 million (U.S.\$2,070,183 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 doubtful receivables amounting to ¥25,047 million (U.S.\$269,323 thousand) is not presented above.

5. Derivatives are stated in net of assets and liabilities. The amounts in parenthesis indicate net 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 receivable (including current portion):

The fair values of trade notes and trade accounts receivable and long-term loans receivable (including current portion) are estimated using discounted cash flow analysis, based on the interest rates currently being offered to borrowers for similar long-term loans with similar credit ratings. Forward exchange contracts are accounted for using the allocation method, which requires recognized foreign currency receivables or payables to be translated using the corresponding foreign exchange contract rates, and are accounted for together with hedged items, therefore, fair values of forward exchange contracts are included in the fair value of the hedged item.

### Short-term investments and investment securities:

The fair values of short-term investments and investment securities are estimated using quoted market prices. Investment securities with no available fair market value are not included 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:

An estimate for allowance for doubtful receivables is made based on expected recoverable amounts through collateral and guarantees. Therefore, the fair value of doubtful receivables approximates, and, thus, is defined as the value obtained by subtracting the present estimate of allowance for doubtful receivables from the balance of doubtful receivables recorded in the balance sheet as of the fiscal year end.

## Notes to Consolidated Financial Statements

### 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 estimated by discounted cash flow analysis, using rates currently available for similar types of borrowings with similar terms and remaining maturities. Forward exchange contracts, to which the allocation method is applied, is accounted for together with hedged items, therefore, fair values of forward exchange contracts are included in the fair value of the hedged item.

### 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. The fair values of interest rate swap contracts used hedges and meeting certain hedging criteria (special method) are included in the fair value of debts, which are identical in terms of the notional amount, the condition of receipt and payment of interest and the term of the contract.

### 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 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
Cash and cash equivalents .....	¥454,262	¥ —	¥ —	¥ —
Time deposits .....	6,757	—	—	—
Trade notes and trade accounts receivable (*1, 2) .....	442,662	13,979	530	—
Short-term loans receivable (excluding current portion of long-term loans receivable) (*1) .....	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) (*1, 2) .....	5,251	17,575	6,842	222
Doubtful receivables (*1, 2) .....	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>

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
Cash and cash equivalents .....	\$4,884,538	\$ —	\$ —	\$ —
Time deposits .....	72,656	—	—	—
Trade notes and trade accounts receivable (*1, 2) .....	4,759,806	150,312	5,699	—
Short-term loans receivable (excluding current portion of long-term loans receivable) (*1) .....	5,946	—	—	—
Short-term investments and investment securities				
Available-for-sale securities with maturity dates .....	—	50,280	6,172	0
Long-term loans receivable (including current portion) (*1, 2) .....	56,462	188,978	73,570	2,387
Doubtful receivables (*1, 2) .....	37,398	30,903	68,290	3,764
<b>Total .....</b>	<b>\$9,816,806</b>	<b>\$420,473</b>	<b>\$153,731</b>	<b>\$6,151</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 which are not able to estimate collection dates are ¥5,062 million (U.S.\$54,430 thousand), ¥2,614 million (U.S.\$28,108 thousand), and ¥75,306 million (U.S.\$809,742 thousand), respectively, which are not included above.

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, 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.

Currency option contracts, currency swap contracts, interest rate swap agreements and interest rate cap contracts: The estimated fair value amounts of them were determined using the 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, 2010 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>Year ended March 31, 2010</b>						
Forward exchange contracts:						
Selling:						
U.S. dollars .....	¥50,172	¥51,390	¥(1,218)	\$ 539,484	\$ 552,581	\$(13,097)
Russian ruble .....	21,877	21,936	(59)	235,237	235,871	(634)
U.S. dollars (Buying U.K. pounds) .....	8,333	8,328	5	89,602	89,548	54
Australian dollars .....	5,651	6,090	(439)	60,763	65,484	(4,721)
Canadian dollars .....	3,784	4,388	(604)	40,688	47,183	(6,495)
Euro .....	558	563	(5)	6,000	6,054	(54)
U.K. pounds .....	216	216	0	2,322	2,322	0
Hong Kong dollars .....	175	178	(3)	1,882	1,914	(32)
Other .....	4,060	4,028	32	43,656	43,312	344
Total .....	¥94,826	¥97,117	¥(2,291)	\$ 1,019,634	\$ 1,044,269	\$(24,635)
Buying:						
U.S. dollars .....	¥41,166	¥41,523	¥ 357	\$ 442,645	\$ 446,484	\$ 3,839
U.K. pounds .....	5,430	5,326	(104)	58,387	57,269	(1,118)
Euro .....	2,632	2,643	11	28,301	28,419	118
Canadian dollars .....	81	84	3	871	903	32
Other .....	10,370	10,124	(246)	111,505	108,860	(2,645)
Total .....	¥59,679	¥59,700	¥ 21	\$ 641,709	\$ 641,935	\$ 226
Currency option contracts:						
Buying:						
Put						
Russian ruble (Contract) .....	¥ 10	¥ —	¥ —	\$ 108	\$ —	\$ —
(Option) .....	2	0	(2)	22	0	(22)
Total .....	¥ 2	¥ 0	¥ (2)	\$ 22	\$ 0	\$ (22)
Currency swap contracts:						
Receipt—U.S. dollars /Payment—Philippine peso .....	¥ 1,593	¥ 33	¥ 33	\$ 17,129	\$ 355	\$ 355
Total .....	¥ 1,593	¥ 33	¥ 33	\$ 17,129	\$ 355	\$ 355

## Notes to Consolidated Financial Statements

### Commodity related

Year ended March 31, 2010	Millions of yen			Thousands of U.S. dollars		
	Contract value	Fair value	Unrealized gains (losses)	Contract value	Fair value	Unrealized gains (losses)
Futures trading:						
Metals:						
Selling .....	¥10,313	¥10,991	¥(678)	\$110,892	\$118,182	\$(7,290)
Buying .....	13,294	13,649	355	142,946	146,763	3,817
Oils:						
Selling .....	¥ 871	¥ 934	¥ (63)	\$ 9,366	\$ 10,043	\$ (677)
Buying .....	830	891	61	8,925	9,581	656
Foods:						
Selling .....	¥ 452	¥ 466	¥ (14)	\$ 4,860	\$ 5,011	\$ (151)
Buying .....	496	506	10	5,333	5,441	108
Total:						
Selling .....	¥11,636	¥12,391	¥(755)	\$125,118	\$133,236	\$(8,118)
Buying .....	14,620	15,046	426	157,204	161,785	4,581
Forwards trading:						
Metals:						
Selling .....	¥ 856	¥ 879	¥ (23)	\$ 9,204	\$ 9,451	\$ (247)
Buying .....	3,331	3,487	156	35,817	37,494	1,677
Oils:						
Selling .....	¥ 1,382	¥ 1,423	¥ (41)	\$ 14,860	\$ 15,301	\$ (441)
Buying .....	1,074	1,105	31	11,548	11,882	334
Total:						
Selling .....	¥ 2,238	¥ 2,302	¥ (64)	\$ 24,064	\$ 24,752	\$ (688)
Buying .....	4,405	4,592	187	47,365	49,376	2,011

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

Year ended March 31, 2010	Millions of yen		Thousands of U.S. dollars	
	Contract value	Fair value*	Contract value	Fair value*
Forward exchange contracts:				
Selling:				
U.S. dollars .....	¥3,837	¥ —	\$41,258	\$ —
Other .....	305	—	3,280	—
Total .....	¥4,142	¥ —	\$44,538	\$ —
Buying:				
U.S. dollars .....	¥2,643	¥ —	\$28,419	\$ —
Other .....	193	—	2,075	—
Total .....	¥2,836	¥ —	\$30,494	\$ —

\*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

Year ended March 31, 2010	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) .....	¥ 6,706	¥ 5,587	\$ 72,107	\$ 60,075
U.S. dollars .....	4,490	4,686	48,280	50,387
Other .....	289	304	3,108	3,269
Total .....	¥11,485	¥10,577	\$123,495	\$113,731
Buying:				
Yen (Buying U.S. dollars) .....	¥10,430	¥ 9,805	\$112,151	\$105,430
U.S. dollars .....	10,216	10,482	109,849	112,710
Euro .....	2,505	2,466	26,935	26,516
Other .....	1,830	1,835	19,677	19,731
Total .....	¥24,981	¥24,588	\$268,612	\$264,387



## Interest rate related

The way of hedge accounting; deferral hedge accounting

Year ended March 31, 2010	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	¥(207)	\$ 23,118	\$(2,226)
Total .....	¥ 2,150	¥(207)	\$ 23,118	\$(2,226)
Interest rate cap contracts:				
Buying:				
Call (Contract) .....	¥ 680	¥ —	\$ 7,312	\$ —
(Option) .....	10	1	108	11
Total .....	¥ 10	¥ 1	\$ 108	\$ 11

The way of hedge accounting; special method, which is explained in Note 12

Interest rate swap agreements:				
Receipt—Variable rate/Payment—Fixed rate.....	¥270,838	¥ —	\$2,912,237	\$ —
Total .....	¥270,838	¥ —	\$2,912,237	\$ —

\* 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

Year ended March 31, 2010	Millions of yen		Thousands of U.S. dollars	
	Contract value	Fair value	Contract value	Fair value
Futures trading:				
Metals:				
Buying .....	¥2,840	¥3,145	\$30,538	\$33,817
Foods:				
Buying .....	¥ 736	¥ 676	\$ 7,914	\$ 7,269
Total:				
Buying .....	¥3,576	¥3,821	\$38,452	\$41,086
Forwards trading:				
Metals:				
Selling .....	¥ 649	¥ 437	\$ 6,978	\$ 4,699
Oils:				
Selling .....	¥5,620	¥4,747	\$60,430	\$51,043
Total:				
Selling .....	¥6,269	¥5,184	\$67,408	\$55,742
Commodity option contracts				
Oils:				
Selling				
Call (Contract) .....	¥1,332	¥ —	\$14,323	\$ —
(Option) .....	112	191	1,204	2,054
Buying				
Put (Contract) .....	¥1,235	¥ —	\$13,280	\$ —
(Option) .....	114	183	1,226	1,968
Total:				
Selling .....	¥ 112	¥ 191	\$ 1,204	\$ 2,054
Buying .....	114	183	1,226	1,968

## Notes to Consolidated Financial Statements

The following summarizes market value information as of March 31, 2009 on derivative transactions for which hedge accounting has not been applied.

Currency related		Millions of yen		
Year ended March 31, 2009	Contract value	Fair value	Unrealized gains (losses)	
Forward exchange contracts:				
Selling:				
U.S. dollars .....	¥ 74,833	¥ 75,332	¥ (499)	
U.S. dollars (Buying U.K. pounds) .....	14,102	14,112	(10)	
Canadian dollars .....	3,440	3,530	(90)	
Australian dollars .....	3,290	3,485	(195)	
Euro .....	703	714	(11)	
Hong Kong dollars .....	276	276	0	
U.K. pounds .....	21	21	(0)	
Other .....	3,676	3,586	90	
Total .....	¥100,341	¥101,056	¥ (715)	
Buying:				
U.S. dollars .....	¥ 79,658	¥ 80,366	¥ 708	
U.K. pounds .....	9,778	8,475	(1,303)	
Euro .....	410	410	0	
Canadian dollars .....	130	133	3	
Australian dollars .....	76	85	9	
Other .....	3,204	3,239	35	
Total .....	¥ 93,256	¥ 92,708	¥ (548)	
Non-deliverable forward exchange contracts:				
Selling:				
Russian ruble .....	¥ 8,003	¥ 8,727	¥ (724)	
Other .....	4,265	4,382	(117)	
Total .....	¥ 12,268	¥ 13,109	¥ (841)	
Buying:				
Russian ruble .....	¥ 4,427	¥ 4,364	¥ (63)	
Total .....	¥ 4,427	¥ 4,364	¥ (63)	
Commodity related				
		Millions of yen		
Year ended March 31, 2009	Contract value	Fair value	Unrealized gains (losses)	
Futures trading:				
Metals:				
Selling .....	¥15,282	¥15,340	¥ (58)	
Buying .....	3,191	3,238	47	
Oils:				
Selling .....	¥ 737	¥ 736	¥ 1	
Buying .....	130	126	(4)	
Foods:				
Selling .....	¥ 128	¥ 129	¥ (1)	
Buying .....	282	275	(7)	
Total:				
Selling .....	¥16,147	¥16,205	¥ (58)	
Buying .....	3,603	3,639	36	
Forwards trading:				
Metals:				
Selling .....	¥10,986	¥11,019	¥ (33)	
Buying .....	28,770	23,271	(5,499)	
Oils:				
Selling .....	¥ 252	¥ 239	¥ 13	
Buying .....	333	311	(22)	
Total:				
Selling .....	¥11,238	¥11,258	¥ (20)	
Buying .....	29,103	23,582	(5,521)	

## 14. CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2010 and 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
For notes discounted and endorsed .....	<b>¥26,743</b>	¥19,387	<b>\$287,559</b>
For guarantees of indebtedness to:			
Unconsolidated subsidiaries and affiliates .....	<b>21,508</b>	14,815	<b>231,269</b>
Others .....	<b>10,584</b>	9,971	<b>113,806</b>
Total .....	<b>¥32,092</b>	¥24,786	<b>\$345,075</b>

## 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 as same as operating lease transactions at March 31, 2010 and 2009 is as follows.

Non-capitalized finance leases, as lessee:

	Millions of yen			
	Assumed purchase cost	Accumulated depreciation	Impairment loss on fixed assets	Book value
<b>Year ended March 31, 2010</b>				
Equipment and fixtures .....	<b>¥1,220</b>	<b>¥ 824</b>	<b>¥40</b>	<b>¥ 356</b>
Other .....	<b>2,870</b>	<b>1,911</b>	<b>52</b>	<b>907</b>
Total .....	<b>¥4,090</b>	<b>¥2,735</b>	<b>¥92</b>	<b>¥1,263</b>
	Thousands of U.S. dollars			
	Assumed purchase cost	Accumulated depreciation	Impairment loss on fixed assets	Book value
<b>Year ended March 31, 2010</b>				
Equipment and fixtures .....	<b>\$13,118</b>	<b>\$ 8,860</b>	<b>\$430</b>	<b>\$ 3,828</b>
Other .....	<b>30,860</b>	<b>20,548</b>	<b>559</b>	<b>9,753</b>
Total .....	<b>\$43,978</b>	<b>\$29,408</b>	<b>\$989</b>	<b>\$13,581</b>
	Millions of yen			
	Assumed purchase cost	Accumulated depreciation	Impairment loss on fixed assets	Book value
<b>Year ended March 31, 2009</b>				
Equipment and fixtures .....	¥1,439	¥ 817	¥40	¥ 582
Other .....	3,351	2,015	52	1,284
Total .....	¥4,790	¥2,832	¥92	¥1,866

As lessee under non-capitalized finance lease, amount of future minimum lease payments is ¥1,428 million (U.S.\$15,355 thousand) at March 31, 2010, of which ¥776 million (U.S.\$8,344 thousand) is due within one year. And amount of annual lease payments is ¥719 million (U.S.\$7,731 thousand) for the year ended March 31, 2010.

Finance leases, as lessor:

The Company had no finance lease transactions as lessor at March 31, 2010. Information on finance lease transaction as lessor at March 31, 2009 is as follows.

	Millions of yen		
	Lease properties, at cost	Accumulated depreciation	Book value
<b>Year ended March 31, 2009</b>			
Equipment and fixtures .....	¥204	¥189	¥15
Total .....	¥204	¥189	¥15

As lessor under sub leases on finance lease transactions, amount of future minimum lease payments received is ¥138 million (U.S.\$1,484 thousand) at March 31, 2010, of which ¥74 million (U.S.\$796 thousand) is due within one year. And amount of annual lease payments received is ¥36 million (U.S.\$387 thousand) for the year ended March 31, 2010.

Operating leases, as lessee:

As lessee under noncancelable operating leases, amount of future minimum lease payments is ¥19,503 million (U.S.\$209,710 thousand) at March 31, 2010, of which ¥6,160 million (U.S.\$66,237 thousand) is due within one year.

Operating leases, as lessor:

As lessor under operating leases, amount of future minimum lease payments to be received is ¥15,264 million (U.S.\$164,129 thousand) at March 31, 2010, of which ¥2,186 million (U.S.\$23,505 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 [Statement of Financial Accounting Standards No. 158]. The adjustment caused retained earnings to increase ¥16 million (U.S.\$172 thousand) in the year ended March 31, 2010, and to decrease ¥736 million for the year ended March 31, 2009.

## 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, 2010 is as follows;

	Millions of yen				Thousands of U.S. dollars			
	Book value at March 31, 2009	Changes during the year	Book value at March 31, 2010	Fair value at March 31, 2010	Book value at March 31, 2009	Changes during the year	Book value at March 31, 2010	Fair value at March 31, 2010
<b>Year ended March 31, 2010</b>								
Office building.....	¥ 6,189	¥35,963	¥42,152	¥42,926	\$ 66,548	\$386,700	\$453,248	\$461,570
Commercial facility .....	17,785	(253)	17,532	15,404	191,237	(2,721)	188,516	165,634
Condominium .....	546	12,316	12,862	12,998	5,871	132,430	138,301	139,763
Others.....	6,530	732	7,262	7,171	70,215	7,871	78,086	77,108
Total .....	¥31,050	¥48,758	¥79,808	¥78,499	\$333,871	\$524,280	\$858,151	\$844,075

Fair values as of March 31, 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.

Profit and loss on investment and rental properties in the year ended March 31, 2010 is as follows;

	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
<b>Year ended March 31, 2010</b>								
Office building.....	¥1,692	¥(1,578)	¥ 114	¥617	\$18,194	\$(16,968)	\$ 1,226	\$6,634
Commercial facility .....	1,926	(1,260)	666	—	20,709	(13,548)	7,161	—
Condominium .....	102	(221)	(119)	—	1,097	(2,377)	(1,280)	—
Others.....	416	(286)	130	(29)	4,473	(3,075)	1,398	(311)
Total.....	¥4,136	¥(3,345)	¥ 791	¥588	\$44,473	\$(35,968)	\$ 8,505	\$6,323

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 or loss on sales of properties, and impairment loss.

## 18. SEGMENT INFORMATION

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.

### Industry segments

Industry segment information for the years ended March 31, 2010 and 2009 is as follows:

	Millions of yen							
	Machinery	Energy & Metal	Chemicals & Functional Materials	Consumer Lifestyle Business	Other	Total	Elimination & Unallocated	Consolidated
<b>Year ended March 31, 2010</b>								
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 .....	(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 on fixed assets ...	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

Thousands of U.S. dollars

Year ended March 31, 2010	Machinery	Energy & Metal	Chemicals & Functional Materials	Consumer Lifestyle Business	Other	Total	Elimination & Unallocated	Consolidated
Net sales:								
Outside customers.....	\$10,693,538	\$9,403,699	\$5,890,215	\$14,673,903	\$ 676,473	\$41,337,828	\$ —	\$41,337,828
Inter-segment .....	56,989	17,215	30,946	24,204	45,452	174,806	(174,806)	—
Total .....	\$10,750,527	\$9,420,914	\$5,921,161	\$14,698,107	\$ 721,925	\$41,512,634	\$ (174,806)	\$41,337,828
Cost of sales and selling, general and administrative expenses .....	\$10,792,419	\$9,275,990	\$5,869,161	\$14,654,505	\$ 754,054	\$41,346,129	\$ (181,731)	\$41,164,398
Operating income .....	(41,892)	144,924	52,000	43,602	(32,129)	166,505	6,925	173,430
Total assets .....	4,374,312	5,198,366	2,747,419	4,468,301	3,217,312	20,005,710	3,229,978	23,235,688
Depreciation and amortization ...	46,710	90,494	38,914	26,258	47,301	249,677	(247)	249,430
Impairment loss on fixed assets ....	2,495	32,204	1,946	2,796	61,656	101,097	—	101,097
Capital expenditures.....	\$ 62,570	\$ 183,172	\$ 8,312	\$ 14,290	\$ 37,613	\$ 305,957	\$ —	\$ 305,957

Millions of yen

Year ended March 31, 2009	Machinery & Aerospace	Energy & Mineral Resources	Chemicals & Plastics	Real Estate Development & Forest Products	Consumer Lifestyle Business	Overseas Subsidiaries	Other	Total	Elimination & Unallocated	Consolidated
Net sales:										
Outside customers .....	¥1,108,293	¥1,410,929	¥642,394	¥276,702	¥1,251,475	¥394,627	¥81,763	¥5,166,183	¥ —	¥5,166,183
Inter-segment .....	23,897	7,821	39,906	919	13,153	252,259	8,940	346,895	(346,895)	—
Total .....	¥1,132,190	¥1,418,750	¥682,300	¥277,621	¥1,264,628	¥646,886	¥90,703	¥5,513,078	¥(346,895)	¥5,166,183
Cost of sales and selling, general and administrative expenses .....	¥1,110,346	¥1,391,032	¥670,482	¥290,749	¥1,263,727	¥647,888	¥91,241	¥5,465,465	¥(351,289)	¥5,114,176
Operating income.....	21,844	27,718	11,818	(13,128)	901	(1,002)	(538)	47,613	4,394	52,007
Total assets .....	483,753	469,614	284,146	260,276	275,022	251,624	59,021	2,083,456	229,502	2,312,958
Depreciation and amortization ...	5,803	9,940	4,518	1,387	1,190	796	3,087	26,721	(23)	26,698
Impairment loss on fixed assets ....	2,753	8,688	—	606	55	—	49	12,151	—	12,151
Capital expenditures .....	¥ 21,737	¥ 36,709	¥ 3,076	¥ 331	¥ 845	¥ 655	¥ 2,187	¥ 65,540	¥ —	¥ 65,540

## (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.

The following is supplementary segment information for the year ended March 31, 2009, that has been reclassified to conform to the presentation based on the current segmentation.

Millions of yen

Year ended March 31, 2009	Machinery	Energy & Metal	Chemicals & Functional Materials	Consumer Lifestyle Business	Other	Total	Elimination & Unallocated	Consolidated
Net sales:								
Outside customers .....	¥1,190,524	¥1,531,984	¥714,130	¥1,647,574	¥ 81,971	¥5,166,183	¥ —	¥5,166,183
Inter-segment.....	4,899	2,157	4,278	3,425	8,428	23,187	(23,187)	—
Total .....	¥1,195,423	¥1,534,141	¥718,408	¥1,650,999	¥ 90,399	¥5,189,370	¥(23,187)	¥5,166,183
Cost of sales and selling, general and administrative expenses .....	¥1,173,721	¥1,504,573	¥707,699	¥1,650,804	¥101,006	¥5,137,803	¥(23,627)	¥5,114,176
Operating income.....	21,702	29,568	10,709	195	(10,607)	51,567	440	52,007
Total assets .....	465,397	490,330	257,396	505,103	295,922	2,014,148	298,810	2,312,958
Depreciation and amortization ...	4,504	10,181	3,536	3,166	5,334	26,721	(23)	26,698
Impairment loss on fixed assets ....	—	8,688	—	661	2,802	12,151	—	12,151
Capital expenditures.....	¥ 14,982	¥ 36,713	¥ 2,561	¥ 1,705	¥ 9,579	¥ 65,540	¥ —	¥ 65,540



## Notes to Consolidated Financial Statements

### Geographic segments

Geographic segment information for the years ended March 31, 2010 and 2009 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

Thousands of U.S. dollars								
Year ended March 31, 2010	Japan	North America	Europe	Asia & Oceania	Other	Total	Elimination & Unallocated	Consolidated
Net sales:								
Outside customers .....	\$35,566,742	\$ 523,430	\$1,172,247	\$3,284,161	\$791,248	\$41,337,828	\$ —	\$41,337,828
Inter-segment .....	1,107,000	151,194	102,742	1,654,753	6,935	3,022,624	(3,022,624)	—
Total .....	\$36,673,742	\$ 674,624	\$1,274,989	\$4,938,914	\$798,183	\$44,360,452	\$(3,022,624)	\$41,337,828
Cost of sales and selling, general and administrative expenses .....	\$36,618,441	\$ 672,871	\$1,252,710	\$4,826,290	\$823,000	\$44,193,312	\$(3,028,914)	\$41,164,398
Operating income .....	55,301	1,753	22,279	112,624	(24,817)	167,140	6,290	173,430
Total assets .....	\$18,526,011	\$1,620,796	\$1,027,968	\$2,652,623	\$770,215	\$24,597,613	\$(1,361,925)	\$23,235,688

Millions of yen								
Year ended March 31, 2009	Japan	North America	Europe	Asia & Oceania	Other	Total	Elimination & Unallocated	Consolidated
Net sales:								
Outside customers .....	¥4,155,527	¥ 92,094	¥241,814	¥583,121	¥93,627	¥5,166,183	¥ —	¥5,166,183
Inter-segment .....	304,338	36,332	18,085	247,855	2,988	609,598	(609,598)	—
Total .....	¥4,459,865	¥128,426	¥259,899	¥830,976	¥96,615	¥5,775,781	¥(609,598)	¥5,166,183
Cost of sales and selling, general and administrative expenses .....	¥4,456,532	¥121,055	¥252,189	¥808,345	¥86,695	¥5,724,816	¥(610,640)	¥5,114,176
Operating income .....	3,333	7,371	7,710	22,631	9,920	50,965	1,042	52,007
Total assets .....	¥1,885,891	¥156,192	¥103,763	¥258,861	¥69,911	¥2,474,618	¥(161,660)	¥2,312,958

The principal countries or areas included in each region are as follows:

	2010	2009
North America .....	U.S.A. and Canada	U.S.A. and Canada
Europe .....	U.K. and Russia	U.K. and Russia
Asia & Oceania .....	Singapore and China	Singapore and China
Other .....	Central and South America and Africa	Central and South America and Africa

### Overseas trading transactions

Overseas trading transactions for the years ended March 31, 2010 and 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
North America .....	¥ 103,796	¥ 161,918	\$ 1,116,086
Europe .....	100,696	234,078	1,082,753
Asia & Oceania .....	756,678	1,000,907	8,136,323
Other .....	220,914	357,746	2,375,419
Total .....	¥1,182,084	¥1,754,649	\$12,710,581

The principal countries or areas included in each region are as follows:

	2010	2009
North America .....	U.S.A. and Canada	U.S.A. and Canada
Europe .....	Russia and U.K.	Russia and U.K.
Asia & Oceania .....	China and Indonesia	China and Indonesia
Other .....	Central and South America and Middle East	Africa and Central and South America

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, 2010 and 2009, the acquisition cost of those companies and the amounts of net revenue from (expenditure for) acquisition.

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Current assets.....	¥ 2,483	¥ 687	\$ 26,699
Non-current assets.....	92	4,694	989
Goodwill recognized on consolidation .....	539	714	5,796
Current liabilities .....	(952)	(143)	(10,237)
Long-term liabilities .....	(441)	(66)	(4,742)
Minority interests.....	(392)	(49)	(4,215)
Acquisition cost .....	1,329	5,837	14,290
Cash and cash equivalents of acquired companies .....	(1,352)	(145)	(14,537)
Net revenue (expenditure) .....	¥ (23)	¥5,692	\$ (247)

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, 2010 and 2009.

	Millions of yen		Thousands of U.S. dollars		Millions of yen		Thousands of U.S. dollars
	2010	2009	2010		2010	2009	2010
Current assets .....	¥327	¥262	\$3,516	Current liabilities .....	¥461	¥409	\$4,957
Non-current assets.....	132	725	1,419	Non-current liabilities....	—	94	—
Total .....	¥459	¥987	\$4,935	Total .....	¥461	¥503	\$4,957

### (2) "Other, net" of cash flows from operating activities

"Other, net" of cash flows from operating activities for the year ended March 31, 2009, mainly includes a decrease in non-performing receivables by sales and write-off.

### (3) "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 (U.S.\$93,312 thousand) on acquisition of common stock of a consolidated subsidiary with tender offer.

## 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, 2010 and the book value of land after revaluation: ¥300 million (U.S.\$3,226 thousand).

## 21. RELATED PARTY INFORMATION

### (1) Related party transactions

There is no significant transactions with related party in the year ended March 31, 2010 and the Company had forgiven loans of ¥12,045 million to Takarazuka Kaihatsu Corporation, which was an affiliate of the Company, in the year ended March 31, 2009.

### (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, 2010 and 2009, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Current assets .....	¥ 729,484	¥ 816,375	\$ 7,843,914
Non-current assets.....	265,566	243,423	2,855,548
Current liabilities .....	576,192	680,725	6,195,613
Non-current liabilities.....	120,834	99,467	1,299,290
Net assets .....	298,024	279,606	3,204,559
Net sales.....	2,109,045	3,334,767	22,677,903
Income before income taxes and minority interests .....	22,221	43,587	238,935
Net income.....	¥ 10,473	¥ 22,108	\$ 112,613

## 22. SUBSEQUENT EVENTS

In accordance with the resolution to set a limit on issuance of domestic bonds during the first half of fiscal year ended March 31, 2011 at the Board of Directors Meeting held on March 29, 2010, the Company issued unsecured corporate bonds on May 31, 2010.

- (1) Type of bond: 19th Series unsecured bonds
- (2) Issue amount: ¥10 billion (U.S.\$107,527 thousand)
- (3) Issue date: May 31, 2010



### Independent Auditors' Report

To the Shareholder and Board of Directors of  
Sojitz Corporation

We have audited the accompanying consolidated balance sheets of Sojitz Corporation and consolidated subsidiaries as of March 31, 2010 and 2009, and the related consolidated statements of 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, 2010 and 2009, 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 has changed its classification of business segmentation in the year ended March 31, 2010.
- (2) As discussed in Note 22 "Subsequent Events", Sojitz Corporation issued unsecured corporate bonds on May 31, 2010.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2010 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 & Co.,

Tokyo, Japan  
June 22, 2010

KPMG AZSA & Co., an audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

# Corporate Data

(As of March 31, 2010)

**Company Name** Sojitz Corporation

**Established** April 1, 2003

**Capitalization** 160,339 million yen (As of July 1, 2010)

**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, 2010)

**Number of Subsidiaries & Affiliates** Domestic 147  
Overseas 375

**Number of Employees** Non-consolidated 2,295  
Consolidated 17,331

## Stock Information

(As of March 31, 2010)

**Stock Exchange Listings** Tokyo, Osaka

**Stock Code** 2768

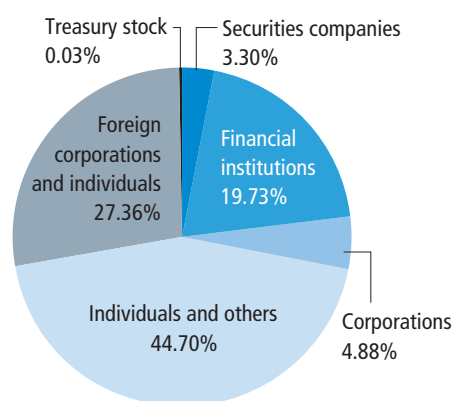
**Number of Shareholders** 212,940

**Total Number of Shares**

**Authorized to be Issued** 1,350,500,000

**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.	142,398	11.38
The Master Trust Bank of Japan, Ltd.	34,891	2.79
Trust & Custody Services Bank, Ltd.	21,543	1.72
State Street Bank and Trust Company 505225	17,884	1.43
Mellon Bank, N.A. as Agent for its Client Mellon Omnibus US Pension	14,023	1.12
The Chase Manhattan Bank, N.A. London Secs Lending Omnibus Account	12,007	0.96
Juniper	11,484	0.92
State Street Bank West Client - Treaty	10,449	0.83
Mellon Bank, N.A. Treaty Client Omnibus	10,087	0.81
Nomura Singapore Limited Customer Segnegated A/C FJ-1309	9,280	0.74



*New way, New value*

## Sojitz Corporation

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