Business Report & Financial Statements

Fiscal Year 2007

(From April 1, 2007, to March 31, 2008)

Sojitz Corporation

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Business Report

(From April 1, 2007 to March 31, 2008)

1. Current Circumstances of the Group

(1) Review of Progress and Performance in Operations

Economic Climate

During the consolidated year-to-date (hereinafter called "FY2007"), the world economy held steady overall, led by high growth in emerging nations and nations with natural resources, despite numerous factors of instability, including volatility in international financial markets that stems from the Subprime mortgage crisis in the USA, and spiraling prices that are typified by crude oil and cereal grains.

In the Americas, although the effects of the financial turbulence in the USA became more serious, the effects on the countries with resources were limited, and the economies of Middle and South America mostly gained the benefits of the sharp increases in resources prices, and domestic demand managed to steadily advance.

In Europe, although the Euro remained strong against other currencies, consumer spending increased as a result of solid exports, centering on the nations with resources such as in the Middle East and Russia, and favorable conditions in the labor market, and this helped to push the growth rate upwards.

Many countries in Asia have continued to demonstrate steady economic growth.

Asian economies have relied heavily on foreign demand and there has been concern about the effect of the slowing USA economy; however, domestic demand, including vigorous private investment and the expansion of consumption, has provided an engine for economies.

Capital inflows into India, where phased deregulation is ongoing, also continued, and its economy, centering around IT-related and other services businesses, including IT-related ones, continued to develop and grow at high rates.

In China, meanwhile, spectacular economic growth has been continuing, but inflation also spiked upward, centering on foods. The stance of China's central government inclines toward macro-level controls, and there has been a correction in the rather-overheated stock market in the second half of the fiscal year.

In the Middle East and Africa, the presence of oil money from oil-producing Gulf countries grew and the general situation in general in non-oil-related sections was also dynamic.

Although Japan escaped from deflation due to the increase in the number of employment and favorable capital investment, the country was affected by the decrease in the number of housing starts due to the enforcement of a revision to the Building Standards Law and its impact on the businesses concerned, and the delayed pickup in personal consumption that results from sluggish wage growth, and thus the economy came to a standstill toward the term end.

Sojitz Group Performance

In FY2007, the Sojitz Group performed as outlined below.

Net Sales

In FY2006, the consolidated net sales totaled 5,771,028 million yen — a 10.6% increase over the previous year. A year-on-year comparison of net sales by type of transaction shows an increase in sales revenues over all transaction types. Exports were up by 13.4%, led by the favorable climate of the Machinery & Aerospace division, despite the decrease in the Energy & Mineral Resource division, while the Consumer Lifestyle Business, the Energy & Mineral Resources and Chemicals & Plastics divisions spearheaded an increase in import sales of 4.5%. Domestically, an increase of revenue in the Consumer Lifestyle Business and Energy & Mineral

Resources division resulted in an overall boost of 11.2%, while internationally, the situation at Machinery & Aerospace and Chemicals & Plastics divisions was favorable and an increase of 14.9% was achieved.

When looking at sales by product division, it can be seen that the Machinery & Aerospace division, boosted by favorable moves of automotive business that are oriented to foreign countries, increased by 9.3%; the Energy & Mineral Resources division bolstered sales by 14.1% on the back of steady natural resource prices and growth in the amounts of oil and mineral resources sold; the Chemicals & Plastics division was up 5.1%, boosted by methanol and fertilizer related businesses; while thanks to growth in tobacco transactions and foodstuffs, the Consumer Lifestyle Business division improved 37.3%, over the previous year. Conversely, a sluggish state in plywood market conditions saw a 9.2% drop in sales for the Real Estate Development & Forest Products division, and a decline in handling of Consumer Lifestyle Business-related items in America resulted in a 9.3% decrease in sales at overseas subsidiaries, as compared with the previous year.

Gross trading profit

With steady sales in the Machinery & Aerospace category of the automotive business that are oriented to foreign countries, and in the Chemicals & Plastics category of methanol and fertilizers, the gross trading profit reached 277,732 million yen, an increase of 23,266 million yen over the previous year, despite a decrease in profit for the Real Estate Development & Forest Products division due to stagnation of plywood market conditions.

Operating income

While there was a rise in selling, general and administrative expenses on the back of increased non-personnel expenses resulting from expansion of operating activities, the improved gross trading profit enabled us to boost operating income by 18.5% over the previous year to 92,363 million yen.

Recurring profit

Increased equity in earnings of unconsolidated subsidiaries and affiliates due to continued favorable conditions for Metal One Corporation, a recovery in FY2007 for Arysta Lifescience Corporation which posted a temporary loss in FY2006, favorable conditions for nickel manufacturing companies, and better earnings on interest resulting from an improvement in Sojitz's credit rating, saw recurring profits reach 101,480 million yen, an increase of 13.3% over the previous year.

Extraordinary income and losses

Extraordinary income included: 9,605 million yen in gains on sales of securities; 4,540 million yen in reversal of allowance for doubtful accounts, making for a total of 15,827 million yen. Extraordinary losses included: 9,107 million yen in loss, and provision for loss, on dissolution of subsidiaries and affiliates; 6,994 million yen in impairment loss on fixed assets resulting from reconsideration of assets at subsidiaries and affiliates; 6,085 million yen in evaluation loss on sale of investment securities; 4,613 million yen in business restructuring loss, making for a total of 28,962 million yen. Overall, extraordinary losses outweighed income by 13,135 million yen.

Net income

Net income before income taxes and minority interests for FY2007 was 88,344 million yen. From this, 20,118 million yen in income taxes current and 2,062 million yen in income taxes deferred were recorded, as well as 3,469 million yen in minority interest in income were deducted, resulting in a net income of 62,693 million yen, a 6.7% increased, when comparing with the previous quarter.

Below is an overview of the Sojitz Group's business by product division

Machinery & Aerospace

Automotive

Export of complete built-up (CBU) vehicles and exports of Complete Knock Down (CKD) components remained strong and recorded all-time-high revenues since the establishment of Sojitz. In particular, exports of Subaru vehicles to the Russian and other NIS/Northern Europe markets, Mitsubishi and Hyundai vehicles and knockdown components to Middle and South America regions as well as Suzuki, Mitsubishi and Isuzu finished cars to the Middle East and Africa were robust.

Our upstream businesses involve joint ventures between strategic partners in China, India and Thailand in which Sojitz has capital interests and Japanese parts manufacturers in order to assist Japanese auto-manufacturers in their global strategies, and we executed a buyout of a USA components company together with strategic partners in China. Meanwhile, as a part of our midstream and downstream business, the Subaru distributor in the Ukraine ,which we established as a joint venture with local capital, went into operation, and we also established an assembly and distribution company for Isuzu vehicles in Russia involving local capital and Isuzu Motors, thereby strengthening our overseas automotive business.

Industrial Systems and Bearings

The trend of strong sales of surface mounters manufactured by Fuji Machine Mfg. through our subsidiaries in Southeast Asia, Brazil and India continued this year. Results of a major sales agency in China, which we acquired in 2006, rose, together with growth of the market.

Meanwhile, the bearing business, centering on the manufacturing business in China, made steady progress with support from the worldwide economic boom in key industries such as the automotive industry.

Civil Aviation

As a consultant involved in imports and sales for The Boeing Company of the United States, we delivered a total of 26 aircrafts -- including jumbo aircrafts such as the 777 -- to All Nippon Airways and Japan Airlines. We also act as a distributor of Canadian Bombardier commuter aircrafts and business jets, and, in addition, ocean patrol crafts were sold to the Japan Coast Guard.

In our aircraft leasing operations, we established a lease equity distributing company in Japan to promote expansion and improvement of capabilities. What's more, we began looking into business expansion in emerging markets and entered into a comprehensive alliance with the Vietnamese government for the development of the aviation industry in Vietnam.

Meanwhile the Sojitz business jet sales business received orders for two large newly-built aircraft, and our dispatch business and charter sales, etc., in which we engage via our affiliates, are also doing well, and we will be strengthening those businesses going forward.

Defense

Since we delivered the first Boeing AH-64D Apache helicopters to the Japan Ground Self Defense Forces in March 2006, five more have been delivered right on time. Operating tests started in previous fiscal year, and preparations are underway to ensure that the helicopters are ready for full use by local forces starting in 2009.

Marine

The ocean freight market conditions in FY2007 continued to be favorable from FY2006, and in autumn, the all-time-high record was renewed, surpassing the Fall of 2003. Continued demand for new marine vessels allowed us to advance negotiations for delivery in 2012 and 2013. Given these circumstances, Sojitz Marine & Engineering Corporation sales of new and used vessels, charter brokerage, as well as marine materials and equipments reached records in terms of increase in revenue and profit, and a large back-log of orders yet to fill is increased on a grand scale. Meanwhile, our own shipping business remains robust, and we are continuing to invest to optimize the Sojitz fleet portfolio with an eye to the future.

Plant

Transactions for Asia, Middle East and BRICs progressed favorably due to growing demand on the back of high economic growth rates. In particular, in the steel business, we received successive major orders in Taiwan and Korea. What's more, in the fertilizer business, we received major Plant orders in Pakistan, and the whole of Plant transactions expanded, together with the electricity and chemical businesses. Meanwhile, in our efforts to build a new business foundation , we are working at investing in highly profitable businesses, such as steel and electricity in other countries and regions.

* Plant primarily focusing on electricity businesses has been handled at our Energy & Mineral Resources Business Division. We have transferred all the plant business together in FY2007 to Machinery & Aerospace Business Division. Accordingly, the plant business will be disclosed in Machinery & Aerospace Business Division in FY2008 and thereafter.

Energy & Mineral Resources

Energy

In the oil and gas upstream businesses, we acquired concession rights in overland gas fields in the State of Texas of the USA, deepwater crude oil and gas fields in the Gulf of Mexico, and also, concession rights in Australia (State of Victoria offshore, naval crude oil and gas field), which was the first move for us, and with it, we are promoting accumulation of regionally well-balanced assets. Meanwhile, in the downstream business, the LPG business company in Vietnam started operations as planned, and trading petroleum products generally progressed on time both domestically and overseas.

In nuclear power-related arena, we financed into Cybernetix in France and decided to participate in a nuclear reactor demolition engineering project. Results for LNG Japan Corporation, with 50% capital financed by Sojitz, continued favorably, based on the increased dividend income from the effects of higher oil prices on concession rights held.

Mineral Resources

Molybdenum, nickel and aluminum stayed at high prices and greatly contributed to increases in revenue from mineral resources. In addition, we bought a tungsten production company in Portugal through a friendly TOB, and as a result, we have come to possess either a mine or a production company for six out of the seven items in the government rare metals stockpile. This acquisition of concession rights has great significance, since the mine is located in Europe, where country risk is low, and since we will begin to manage a mining company, a first for us, through 100% ownership of the relevant company.

Affected by demurrage and bad weather in Australia, the coal business in FY 2007 turned in results below the numbers initially planned; however, as for upstream assets, we succeeded in acquiring 10% of the concession rights to a large ordinary coal mine located in the State of New South Wales in Australia (Moolarben Coal Mine), and the coal mine will start production of ordinary coal in the latter half of FY2008. The Vermont raw materials coal mine, located in the State of Queensland, which is also in Australia, is also projected to start production in 2009. Considering the recent spiraling market conditions, it is highly anticipated to make +a contribution to revenues in the medium term if market conditions hold steady or keep going forward as well.

Meanwhile, in our iron ore business, we acquired 30% concession rights in the South Down mine in West Australia, aiming at starting operations in 2010, and we will project to secure high business profits by performing not only in mine development but also through sales of value-added pellets. What's more, in trading, we newly concluded long-term contracts to sell iron ore from Brazil to a major steel and iron company in China, with a contract amount of 12 million tons per year, with eight years of shipments from the end of 2009.

Market conditions for steel products have continued to be strong, and the results of Metal One Corporation, which is 40% owned by the Company, were as projected, and it made a major contribution to consolidated revenues.

New Energy and Environment

In the New Energy arena, we went into the Bio Ethanol production business in Brazil. Jointly with Odebrecht S.A., a major local conglomerate, we will handle an integrated business from cultivation of sugarcane to production of bio ethanol and sugar. We will expand the business through M&A in the near future, and also have an idea for a power generating business using ethanol, etc.

Moreover, in the environmental business, we went into the auction business for emissions trading, which is the first attempt as a Japanese company. We entered into an alliance with a Singapore company that has already been operating emissions business on internet trades and are planning to start online trading soon, making use of the network of our subsidiary, CoalinQ Corporation.

Chemicals & Plastics

Chemicals

Solvents for inks, paints and thinners are leading domestic products in our organic chemicals business, and repeated price increases continuously from FY2006 have made this an increasingly competitive area, the expansion in imports of solvents from China through use of Sojitz's domestic tank facilities contributed to a rise in revenues. Similarly, an increase in tank capacity for liquid chemicals in Vietnam led to improved profits.

In the Inorganic chemicals & industrial minerals business, exporting Sodium hydroxide to China lost market share to cheap Chinese products, but sustained high foreign and domestic demand for caustic soda saw a rise in the volume of salt as raw material to handle and caustic soda to export. Additionally, a robust global steel industry contributed to increased revenues and profits on sales of fire-proof materials, minerals and related materials.

In the specialty chemicals business, we went into tank container-combined transport businesses in China, and accelerated the expansion of logistical transactions for liquid functional chemicals, for which quality assurance is required. In Japan, we made an investment in the Rare-Earth Business and established an infrastructure for stable business.

Meanwhile, the fine chemicals business progressed well on the back of strong sales of petroleum refining catalysts and exports of intermediate products from

India for Japan and the Americas.

Plastics

Raw material prices continued to inflate in FY2007, however, the broad-ranging capabilities of the Sojitz Group, which has a joint venture company in China, dealing in plastics compounds to fulfill its coloring and processing requirements, proves invaluable, and our subsidiary Sojitz Pla-Net Corporation was able to capitalize on burgeoning business pertaining to resins and raw materials for new computer game devices both in Japan and overseas.

Furthermore, for the packaging materials industry, we put a great deal of efforts into the products which include nano hybrid capsules that have the effect of CO2 reduction, and recycled items, and these are used in major mass market apparel stores and convenience stores. Moreover, we became the sole agency for major copper-clad laminate manufacturers for Japanese companies and have already started marketing for the full-scale sales from FY2008.

Fertilizer

While global prices for fertilizer raw materials remain high, there was strong market penetration of our top-quality brands and sales expansion of original brands in Thailand, the Philippines, and Vietnam, where we have our joint venture companies that manufacture and sell advanced chemical fertilizers, allowing our companies there to increase sales. The three Sojitz joint ventures boast good sales continuing from the previous year, reaching a total of 1.8 million tons in 2007, a 2% increase over the previous year.

Methanol Business

PT Kaltim Methanol Industri, a methanol manufacturer in Indonesia, 85% owned by Sojitz, maintained stable operations for respectable production and sales of 730,000 tons for the year, an 8% increase over the previous year.

Moreover, since there are problems with supply of natural gas, the raw material, at the major plant in South America, and methanol demand in Asia demonstrated sudden growth, centering on such energy fields as dimethyl ethyl and bio diesel, the methanol international market price reached its highest point worldwide in twelve years, and indeed, Sojitz enjoyed significant results in its methanol business.

<u>Real Estate Development & Forest Products</u>

Condominiums

Due to the delayed starts of construction work through the impact of the revised Building Standards Law, and an environment where sales prices of condominiums were on the rise as a result of spiraling land prices and construction costs, and in addition, uncertainties about the economy going forward, derived from the Subprime mortgage crisis, the trend of consumers holding back purchases of residences became more pronounced, and condominium sales in general decelerated. Meanwhile, the handover of the Tokyo Sweet Residence (completed March 2008, 526 units) in Kitasuna, Koto- ku, and Aqua Residence (completed March 2008, 424 units) in Abiko-shi, Chiba Prefecture were completed successfully and enjoyed a positive reception. Furthermore, we commenced the full-scale supply of superior residences based on the concepts (sophistication, comfort and innovation) of our IMPREST condominium brand. Meanwhile, there are some projects where we are having difficulties in sales in parallel with the trend for the entire industry and we are dealing with these problems through reconsideration of sales strategies and prices.

In FY 2007, the wholesale business of rental condominiums and rental offices grew rapidly against the backdrop of heightened eagerness to purchase real estate type funds, etc., and we steadily made deliveries at Okubo Condominium (completed in November, 2007, 179 units) and at Hacchobori Office Buildings (completed in December, 2007), etc. However, since the Subprime mortgage crisis surfaced, there is a partial sense of dampening in eagerness to purchase.

In FY2008 and afterwards, we have a policy of making a thoroughly detailed examination on both condominiums and wholesale business, for both purchase and sales aspects, of handling things carefully while considering the timing of recovery of condominium market conditions.

Commercial Facility Development

Sojitz started the full-scale development of our Mallage series shopping center brand, with the third and fourth stores in Japan, Mallage Shobu, (projected to open in the Autumn of 2008, site area about 43,000 *tsubo* (141,900 m^2)) in Shobu cho, Saitama Prefecture, and Mallage Senboku, (projected to open in spring 2010, site area about 53,000 *tsubo* (174,900 m^2)) in Izumi City, Osaka.

In FY 2008 and afterwards, our plan is to aim at development of attractive shopping centers, thoroughly highlighting on characteristics based on our past results, shopping centers of not only the suburban type, but also the urban core and more community-centric types.

In the Outlet Mall Business operated by Chelsea Japan Co., Ltd., which is 30% owned by Sojitz, Kobe Sanda Outlet Mall (site area about 56,000 *tsubo* (184,800 m^2)) opened in August 2007, Chelsea's sixth outlet mall in Japan, and things are progressing favorably. Additionally, the Phase III construction to expand Gotenba Outlet Mall (site area about 94,000 *tsubo* (310,200 m^2)) was completed in March 2008, and opening of the Sendai Izumi Outlet Mall (tentative name) (site area about 18,000 tsubo (59,400 m^2)) in the Fall of 2008 and development of Ami Outlet Mall (tentative name) (site area about 53,000 *tsubo* (174,900 m^2)) have been set, and expansion of results in the future can be anticipated.

Forest Products

Because of the drop in the number of residential housing starts under the impact of the revised Building Standards Law, domestic demand for forest products was down significantly, with sales prices also down accordingly, and FY2007 finished up as a hard year for revenue. Meanwhile, through further expansion of manufacturer functions, we laid the foundation for growth in FY 2008 and afterwards. A joint-venture lumber factory in the Mongolian Autonomous District in China began operations in November 2007, and a joint venture plywood factory is under construction in the Far East area of Russia, and planned to begin operations in FY2009.

Our environmentally considerate business is beginning to flourish now, with sales of source wood certified by the Forest Stewardship Council as having been supplied through sustainable forest management, and of similarly certified wood products taking hold. We have set lofty goals for further development in this area.

Consumer Lifestyle Business

Foods

We, at Sojitz, have worked to develop our businesses in upstream sectors, including trilateral transactions that involve Canadian and Australian wheat, imports of rice from China, raw sugar from Thailand and Fiji, chocolate from Europe, livestock feed ingredients from the USA and China, and tuna.

In midstream and downstream sectors, we worked hard at our domestic businesses in the food arena, mainly Sojitz Foods, a specialized trading company/wholesaler with functions to develop, import and distribute foods. However, increased competition in handling of products closer to customers, high raw material costs and low product prices in consumer markets saw revenues dip below targets. Moreover, since there were serious health problems in some frozen foods for which Sojitz Foods handled the importing procedures, we will establish a new Quality Control Office inside Food Headquarters in April 2008 to enhance further the food safety and security systems of the entire Group, and will be engaged in the food business in our most important role of delivering safe and secure food to consumers.

Meanwhile, in June 2007, we financed Interflour Vietnam Ltd., which is engaged in development of industrial food complexes and the harbor infrastructure construction business, and then, in February 2008, financed Vietnam food wholesaler Huong Thuy Manufacture Service Trading, thus entering into a food distribution business, where the market has been expanding dramatically. Moreover, in China, which is becoming an economic powerhouse at a rapid pace, we established Beijing San Yuan Sojitz Food Distribution Corp., in August 2007, which is expanding complete distribution services for frozen, chilled and un-chilled foods and wholesale foods. In addition, we anticipated further growth as the volume of deep frozen tuna sold by Dalian Global Food Corp., a subsidiary established in Dalian in 2003, increases steadily.

Textiles

The external environment surrounding the textiles business continues to be harsh, with such things as stagnant domestic demand and increases in raw materials costs, and revenues for FY2007 were lackluster. We established a special company-wide team at the end of last year and are working on a textiles reconstruction project to build a solid base for profits through selection of businesses and commercial rights, which are non-profit making and reallocation of management resources.

In the Apparel sector, our subsidiary Nichimen Infinity, which runs the McGREGOR apparel brand, launched the new “McGREGOR BUDGE DRAGON” collection in a joint project with BEAMS Co., Ltd.. As sophisticated casual ware, the brand is based on old-fashioned good American casual from the 60s with modern arrangements in collaboration with BEAMS, and in the pursuit of comfort, sense of materials, and functionality, it went on sale since February 2008 at BEAMS + (beams plus) shops in Shinjuku and Shibuya and major BEAMS stores nationwide.

In the Textile business, through Nichimen Fashion Co., Ltd., which is a fabric wholesaler, Sojitz started sales of organic cotton fabrics. At cooperating factories in China, we spin and weave cotton, which it has been grown and produced on farmland in Turkey, where no agrichemicals or chemical fertilizers have been used for three years, and import and sell these fabrics, which are penetrating the market as various “eco-friendly” textile products for interior goods, apparel and life-related textile products.

Moreover, we focus on expansion of non-apparel field businesses using eco-friendly cellulose textiles, and expand plant-derived materials, high-tech non-woven fabrics, and high-strength super textiles to industrial uses with environment, energy and automotive as keywords for future business areas.

Commodities

Sojitz has been engaged in the afforestation business in Vietnam and Australia, and the area has grown to about 18,000 hectares. Singling out Vietnam, we own four chip processing companies. By providing of free seedlings and tree plantation financing through these joint venture companies, we afforested about 26,000 hectares of forests on non-forested land in Vietnam, creating employment of 500,000 persons per year, and producing 300,000 tons of chips. While demand and supply of wooden chips, the raw material for paper manufacturing, is getting tight, to secure a basis for supply, Sojitz entered the integrated business — from management of tree planting land to export of chips in South Africa and Mozambique — and entered into a joint venture agreement with a corporation in South Africa. This project is not for the management of a large-scale forest owned by a joint venture company, but fostering farmer households and farmer groups as forestry business managers through financing to farmers, sharing business risks and profits, and free provision of seedlings, etc. We aim to solidify the business model we have cultivated in Vietnam, and are contemplating the "realization of a sustainable industrial system and social basis" in Mozambique.

Overseas

The Americas

FY2007 started with a correction of the USA housing market, and in the first half the real economy was solid; however, toward the second half, starting from the Subprime mortgage crisis the uncertainties of the USA economy spread wider, and it began to look obvious that the real economy would be affected by this. In such an environment, IT equipments oriented for European and the USA markets, and exports of iron ore from Middle and South Americas that captures the expanded world demand in the mineral resources field largely led results in the Americas. In the automotive business, we expanded the production base of CBU vehicle manufacturers and engaged in investment primarily in Middle and South America, where consumption has significantly increased, to enhance a solid profit-earning foundation in the future. Meanwhile we position a redoubling of the speed of growth of the Chemicals and Consumer lifestyle business (food and textile commodities business) as our utmost priority tasks.

Europe, Russian NIS

In Europe, results continued to be positive: exports and imports of industrial and ship machinery remained strong, while the sales inside the area and expansion of sales to Central and Eastern Europe of plastics such as packaging materials and engineering plastics, and energy transactions including nuclear power trading also remained robust. Meanwhile, revenues from the electronics equipment-related and health food-related businesses partially deteriorated, and we will aim at stabilization of the commercial channels through rebuilding of these businesses and granting logistics functions to existing businesses. Moreover, we will reexamine our energy concessions portfolio jointly with the head office. In the food business, we made efforts toward sales of marine products inside Europe, centering on tuna. In addition, to reinforce our activities in Russia, NIS, and Central and Eastern Europe, wherein we expect excellent growth in the future, we are making active efforts aiming at the cultivation of new transactions and the expansion of investment and financing to correspond to changes via strategy creation and personnel dispatch in conformance with regional characteristics.

Asia and Oceania

Overall, Asia maintained high growth rate continuously, led by FY2007 GDP growth rates of 9.0% for India, 8.5% for Vietnam, 7.7% for Singapore, and 6.3% for Indonesia, etc. Sojitz's fundamental logistics commercial interests in Asia — chemicals, plastics and foodstuffs — performed solidly. As for investment, entry to food receiving terminals and efforts as a wholesaler started in Vietnam, and meanwhile, the fertilizer business in Thailand, Vietnam and the Philippines maintained a positive status. We also made additional business investments in industrial salts in Australia, nickel in the Philippines, and forest plantations in Vietnam. In Australia, Sojitz succeeded at the end of FY2007 in gaining petroleum concession rights for the first time in Australia, and we expect this will contribute dramatically to revenues of FY2008 and afterwards, together with already-acquired gas concession rights, as development progresses. Moreover, there is an expansion plan for the alumina business and additional investment is being planned. With the keywords of "growing Asia," in FY2007 Overseas Task Forces were launched in three regions in Asia--India, Indochina and Indonesia, and local customer strategies and overseas strategies were examined by the Task Force Team, and now we will move to the stage of actual implementation. Formation of new customer bases and new business investment through company-wide efforts by several divisions are being looked into.

China

The Chinese market maintains a high rate of growth, exceeding 11% for FY2007, driven by exporting and investment, and its export products have come to be upgraded steadily. Meanwhile, in importing, the percentage of energy and raw materials has increased. However, in the Chinese economy, the advance of inflation has become a huge risk, and due to price rises of daily essentials including foods such as pork and cooking oils, and fuels, etc., the rate of increase for consumer prices reached as high as 6.9% at the end of FY2007. In financial aspects as well, the bank reserve deposit rate was raised ten times and lending and deposit interest rates were raised six times, bank lending restriction measures under administrative guidance were tightened yet further and the Chinese government has taken a hard stance against inflation.

In such an economic environment, we reinforced aspects of our revenues through extended transactions related to resources and industrial minerals, expansion of bearing products and related transactions, and transactions in organic and specialty chemical materials in response to runaway domestic Chinese demand, and what's more, by promoting new business investment in food materials processing factories, automotive related business, logistics, and infrastructure related manufacturing plants, etc., we are moving forward the expansion of our business base in China.

Middle East and Africa

In this region, which has been newly established as one of our five overseas pillars since FY2007, positive economic conditions continued in general, thanks to the benefits of the high crude oil price and other natural resource prices. In the Middle East and Gulf areas, the high rate of economic growth continued with support from abundant petroleum income, and large scale infrastructure-related projects, and industrial projects for aluminum smelting, iron and steel and cement using low cost natural gas as a fuel are ongoing at various places. In such an environment, we have made good progress in exporting automobiles to Gulf area and in the United Arab Emirates we received orders for large-scale electric equipment such as rectifiers for aluminum factories. Meanwhile, in Qatar, we decided on additional investment in upstream petroleum concessions, and production increases in the future is anticipated. In Saudi Arabia, handling of cultured shrimp for Asia is growing steadily and increases of production is under examined.

Meanwhile, focus was directed to the region of Africa from other countries in the world , due to the stabilized political situation and for the purpose of acquisition of metal and energy resources, and in particular, there have been remarkable advances from newly-emerging countries such as China and India. Sojitz's business of handling of metallic resources such as manganese and ferrochrome in South Africa has been solid. We have also invested in automobile distributing companies in South Africa and planned to move into domestic sales of automotives. Moreover, Sojitz established tree planting and chip manufacturing companies in South Africa and Mozambique, and started manufacturing in FY2008. We own upstream concession rights of crude oil and natural gas in Gabon and Egypt, are advancing crude oil production and natural gas development.

Other businesses

ICT businesses (information and communications technology-related businesses)

A Sojitz subsidiary Nissho Electronics Corporation experienced a drop in sales as a result of shifting focus to more profitable items, however, as its telecom carrier solutions remained popular, overall, Nissho Electronics managed to raise its Gross trading profit and, thanks to further improvements to management efficiency, succeeded in increasing Recurring profit as well. However, affected by accrual of extraordinary losses such as loss on evaluation of investment securities, etc., it recorded a deficit in net income.

In addition, for building the business base in the industrial information sector, we invested in Sakura Internet Inc. (data center company) and Net Enrich (IT Infrastructure remote supervision service company).

[Consolidated Sales by transaction type] (Millions of yen)

	FY2007		FY2006		Year-on-year	
	Apr. 2007 to Mar. 2008	Composition ratio (%)	Apr. 2006 to Mar. 2007	Composition ratio (%)	Change	Rate of change (%)
Export	955,032	16.6	842,546	16.2	112,486	13.4
Import	1,381,002	23.9	1,321,336	25.3	59,666	4.5
Domestic	2,240,705	38.8	2,014,624	38.6	226,081	11.2
International	1,194,287	20.7	1,039,645	19.9	154,642	14.9
Total	5,771,028	100.0	5,218,153	100.0	552,875	10.6

[Consolidated Sales by business segment] (Millions of yen)

	FY2007		FY2006		Year-on-year	
	Apr. 2007 to Mar. 2008	Composition ratio (%)	Apr. 2006 to Mar. 2007	Composition ratio (%)	Change	Rate of change (%)
Machinery, aerospace	1,222,121	21.2	1,118,192	21.4	103,929	9.3
Energy, mineral resources	1,467,775	25.4	1,286,934	24.7	180,841	14.1
Chemicals, plastics	703,049	12.2	668,737	12.8	34,312	5.1
Real estate development, forest products	345,326	6.0	380,340	7.3	(35,014)	(9.2)
Consumer Lifestyle Business	1,254,861	21.7	913,833	17.5	341,028	37.3
Overseas Subsidiaries	653,936	11.3	720,832	13.8	(66,896)	(9.3)
Others	123,958	2.2	129,283	2.5	(5,325)	(4.1)
Total	5,771,028	100.0	5,218,153	100.0	552,875	10.6

Notes: 1. Amounts less than one million yen have been discarded.

2. See (5) Major business segments of the Sojitz Group for main products handled by each business unit.

(2) Financing

1) Financing

The Sojitz medium-term business plan, entitled *New Stage 2008*, sets forth a financial strategy that involves a basic policy aimed at improving the stability of our financing structure. To that end, we have implemented policies aimed at achieving a liquidity ratio of at least 120% and a long-term financing ratio of approximately 70%, both of which are targets for the period ended March 2009, the final year of the plan. In terms of direct financing, continuing the trend of FY2006, we sourced funds from the public bond market in FY2007 as well, issuing a total of 45 billion yen in public bonds over four occasions following an issue of 10 billion yen in April 2007. In terms of indirect financing, we worked aggressively to execute new long-term borrowings and switch from short-term funds to long-term, so as to ensure a stable, efficient financing structure.

Additionally, as part of our drive to restructure capital through the disposal of preferred shares, conversion of third-and fourth-series unsecured convertible bonds we had issued in May 2006 to Nomura Securities (Bermuda) (total issue amount 300 billion yen, previous term-end balance 75 billion yen) to common shares was completed, and outstanding preferred shares with a face value of 221.1 billion yen (purchased for a total of 55,173 million yen) were purchased and cancelled on June 22, 2007, and shares with a face value of 108.9 billion yen (purchased for a total of 46,827 million yen) were purchased and cancelled on September 28, 2007. As a result, together with the portions of the FY2006, purchase and cancellation of outstanding preferred shares with a face value of 560.4 billion yen (purchased for a total of 342,920 million yen) was completed, and one of the most important matters in the Sojitz medium-term business plan *New Stage 2008*, reorganization of capital structure, is completed.

2) Business assignment, Demerger or Incorporation-type company split

In accordance with a resolution of the Board of Directors held on December 21, 2006, the Cosmetics business of Sojitz was spun off on April 2, 2007, to Sojitz Cosmetics Corporation, which was newly established as a wholly-owned subsidiary of Sojitz.

Meanwhile, pursuant to a Board of Directors' resolution on May 29, 2007, Sojitz assigned all the 9,800,000 shares we held (holding ratio: 26.80 %) of Arysta Lifescience Corporation (the company under the equity method) to LB Star Investment LLC on June 28, 2007.

(3) Assets, Profits and Losses in the past three business years

1) Sojitz Group Assets, Profits and Losses

The group's assets, profits and losses in FY2007 and over the past three business years are as outlined below.

(Millions of yen, otherwise specified)

Item \ FY	FY2004	FY2005	FY2006	FY2007
Sales	4,675,903	4,972,059	5,218,153	5,771,028
Recurring profit	58,088	78,773	89,535	101,480
Net income/loss	(412,475)	43,706	58,766	62,693
Net income/loss per share	(1,876.48) (yen)	126.21	83.20	51.98
Total assets	2,448,478	2,521,679	2,619,507	2,669,352
Total shareholders' equity	280,241	426,949	531,635	520,327
Total shareholders' equity per share	(1,440.26) (yen)	(368.95)	144.22	383.46
Consolidated subsidiaries	329 (companies)	321	334	360
Companies Subject to the Equity Method	188 (companies)	192	200	209

Notes: 1. On October 1, 2005, Sojitz merged with the former Sojitz Corporation, its wholly-owned subsidiary company, and following the transfer of the subsidiary's operations to Sojitz as the surviving entity, the company changed its trade name to Sojitz Corporation.
2. Amounts less than one million yen have been discarded.
3. Accounting standards issued by ASBJ are applied to calculate current net income/loss per share and net assets per share. The current net income or net deficit per share is calculated by subtracting the number of treasury shares from the average number of common shares issued during the term. Also, the net assets per share is calculated by subtracting the number of preferred shares issued by the end of the term multiplied by the issuing price from the net assets at the end of the term, and dividing it by the number of common shares issued by the end of the term with the number of treasury shares subtracted.

2) Sojitz Group Assets, Profits and Losses

The company's assets, profits and losses in FY2007 and over the past three business years are as outlined below.

(Millions of yen, otherwise specified)

Item \ FY	FY2004	FY2005	FY2006	FY2007
Sales	-	1,328,787	2,833,207	3,480,490
Gains on sales	2,160	1,335	-	-
Recurring profit	186	19,767	55,316	33,980
Net income/loss	(563,141)	16,808	21,010	31,523
Net income/loss per share	(2,561.51) (yen)	48.55	28.26	26.13
Total assets	316,597	1,810,259	1,916,431	1,925,999
Total shareholders' equity	280,246	442,417	451,254	416,911
Total shareholders' equity per share	(1,439.89) (yen)	(330.61)	109.25	335.52

Notes: 1. On October 1, 2005, Sojitz merged with the former Sojitz Corporation, its wholly-owned subsidiary company, and following the transfer of the subsidiary's operations to Sojitz as the surviving entity, the company changed its trade name to Sojitz Corporation.
2. Amounts less than one million yen have been discarded.
3. Accounting standards issued by ASBJ are applied to calculate current net income/loss per share and net assets per share. The current net income or net deficit per share is calculated by subtracting the number of treasury shares from the average number of common shares issued during the term. Also, the net assets per share is calculated by subtracting the number of preferred shares issued by the end of the term multiplied by the issuing price from the net assets at the end of the term, and dividing it by the number of common shares issued by the end of the term with the number of treasury shares subtracted.

(4) Business Outlook and Challenges

The business of the Sojitz Group has been growing reliably and strongly by our efforts through the steady progress of our *New Stage 2008* medium-term business plan. We have built a strong business and financial base to overcome changes in the climate. Although there are possibilities that the future economic climate will not be smooth, we, at Sojitz Group, are continuously working at measures to improve corporate value and will continue to have steady growth. In the meantime, we consider it necessary to deal with the following goals in FY2008, the final year of our *New Stage 2008* medium-term business plan.

1) Further Advancement of Growth Strategies

We, At the Sojitz Group, have advanced growth strategies steadily through promotion of our *New Stage 2008* medium-term business plan; however, we recognize it necessary to further improve the growth strategy against economic uncertainties. With this recognition, the Sojitz Group is promoting the enhancement of company-wide efforts toward the automotive business and efforts toward the environment and new energy businesses under the keywords of “cross-divisional effort” and “new viewpoint and new line of sight.” What’s more, we recognize that the markets that will grow from now towards the future will be overseas markets, especially newly emerging countries, and based on this recognition, we will make cross-divisional efforts toward these markets, for enhancement of business competitiveness. We have promoted not only those company-wide marketing activities, but also an organizational approach such as establishing the Marine Unit and Steel Business Unit, aiming at entering fields of growth with new viewpoints based on traditional business.

Meanwhile, by implementing continued “selection and focus” initiatives, we will continue the reexamination of unprofitable businesses, and strive for maintenance and improvement of a proper business portfolio through the injection of management resources into growing businesses and business fields.

2) Upgrading of Risk Management

To complement our growth strategies, we are working to bolster and upgrade the Sojitz Group’s risk management in order to ensure that growth is sustained in the changing economic climate. In particular, for the business investment, we will review the profit performance and actual results of dividends received from cumulative investment in individual cases after the fact, and reinforce the management system so that necessary countermeasures can be looked into early on.

Risk assets will continue to be kept to within 100% of shareholders’ equity (*) (our basic stance is to aim to control risk assets at around 80% of shareholders’ equity (*)). Moreover, for even greater sophistication, the approximate value of maximum limit of exposure that can be taken for any one obligor will be established for each credit rating, and in addition, not only for business investment but also for credit grant accompanying commercial transactions, we will ensure returns that match the risks using profitability guidelines in accordance with credit risks.

Moreover, not only are we dedicated to reinforcing internal control and compliance systems and maintaining highly transparent business management systems, but we also place grave importance on ensuring we discharge our responsibility to explain our business circumstances to shareholders and other stakeholders, and you may rest assured that we will continue our efforts to ensure our corporate governance is unparalleled.

(*):Accompanying a change of accounting standards as a result of the enforcement of the Corporate Law, of the financial affairs targets in the Medium-term Management Plan of Sojitz Corporation, "kabunushi shihon (shareholders' equity) is read as "jiko-shihon (shareholders' equity)." Jiko-shihon (Shareholders' equity) is total net assets minus minority interests.

3) For the Next Stage (next medium-term business plan)

FY2008 is the final year of the current *New Stage 2008* medium-term business plan, and we, at Sojitz Group, are on the process of formulation of the next medium-term business plan. In forecasting the future changes of climate and economic activities, our policy is to build a medium-term strategy with special focus on ascertaining fields of growth and allocation of management resources to priority areas, enhancement of the group management system and personnel development. In our management vision, we need to fully develop our strategies and measures toward activation of Sojitz's strengths and establishment of new strengths for the purpose of further clarification of improvements in our corporate value, and achievement of a new stage for our Group. We believe that the creation of an executable plan to improve our corporate value through concerted efforts by each executive and employee of the Sojitz Group is one of the most important tasks for FY2008.

(5) Major Business Segments of the Group

The Sojitz Group is a comprehensive collection of companies involved in the manufacturing and sales of various types of products and the provision of services overseas and domestically, our chief focus being trade and the sales and purchase of goods. We also have demonstrable talents for planning and coordinating projects.

In addition, we invest in and fund a variety of businesses worldwide, becoming of a major corporate group that consists of 409 subsidiaries and 216 affiliates through which to carry on our business activities (of a total of 625 related companies, 569 are part of our consolidated operations).

The following is an outline of our business segments, and their core products and services, as well as the main affiliated companies in those areas.

Business Segments (as of March 31, 2008)

Type of business	Major products or services	Major companies
Machinery & Aerospace	Automobiles and car parts; auto manufacturing equipment and facilities; construction machinery; bearings; power generators; industrial machinery; marine vessels; rolling stock; airplanes and all related equipment; electronic, communication and home electronic equipment; steel manufacturing; steel, cement and chemical plants and equipment; metal processing machinery and related equipment.	• Sojitz Machinery Corporation (import/export and sales of general industrial machinery; subsidiary) • Sojitz Aerospace Corporation (import/export and sales of aerospace- and defense-related equipment; subsidiary) • Sojitz Marine & Engineering Corporation (sales, purchase and charter brokerage of marine vessels; import/export and domestic sales of shipping equipment and materials; subsidiary) • MMC Automotriz, S.A. (sales and assembly of automobiles; subsidiary) • Sojitz Aircraft Leasing B.V. (aircraft leasing; subsidiary) • Subaru Motor LLC (Import and exclusive distribution of Subaru automobiles in Russia, subsidiary) 116 subsidiaries (23 domestic, 93 overseas) 58 affiliates (3 domestic, 55 overseas)

Type of business	Major products or services	Major companies
Energy & Mineral Resources	Oil; gas; petroleum products; nuclear fuel; machinery for nuclear power generation; coal; ironstone; alloy iron (nickel, molybdenum, vanadium, rare metals); alumina; aluminum; copper; lead; zinc; tin; precious metals; machinery and equipment for offshore oil production; power generation; electricity-related equipment and materials (generation, transformation and distribution); energy and chemical projects; LNG operations, steel-manufacturing-related operations; new energy business; environment-related business.	• Sojitz Energy Corporation (sales of petroleum products; subsidiary) • Ject Corporation (trading in coke, carbon and mineral products; subsidiary) • Tokyo Yuso Co., Ltd. (oil storage facility management, warehousing and transportation; subsidiary) • Catherine Hill Resources Pty. Ltd. (investment in coal mines; subsidiary) • Sojitz Moly Resources, Inc. (invests in molybdenum mines; subsidiary) • Sojitz Energy Venture Inc. (Oil and gas development, subsidiary) • Metal One Corporation (import/export and domestic and international sales of steel-related products; affiliate) • LNG Japan Corporation (LNG business and related investments; affiliate) • Alconix Corporation (sales of nonferrous products, construction and electronic material; affiliate) (*1) • Coral Bay Nickel Corporation (Nickel and cobalt combined sulphyde manufacturing and sales related, affiliate) • Japan Alumina Associates (Australia) Pty. Ltd. (alumina production; affiliate) 49 subsidiaries (12 domestic, 37 overseas) 22 affiliates (7 domestic, 15 overseas)
Chemical & Plastics	Organic chemicals; inorganic chemicals, specialty chemicals, fine chemicals; industrial salt; chemical fertilizers; cosmetics; chemical food ingredients; ceramic, mineral products; rare earth; general-purpose resins; raw materials for plastics such as engineering plastics; films and sheets for industrial, packaging or food applications; electronic materials such as liquid crystal and electrolytic copper foil; plastic moulding machinery; and other plastics products.	• Sojitz Pla-Net Holdings, Inc. (plastics business holdings; subsidiary) • Sojitz Pla-Net Corporation (domestic and offshore trading of plastic materials and products; subsidiary) • Pla Matels Corporation (domestic and offshore trading of plastic materials and products; subsidiary) (*1) • Sojitz Cosmetics Co. (Development, product planning and sales of cosmetics, subsidiary) • P.T. Kaltim Methanol Industri (sales and manufacturing of methanol; subsidiary) • Thai Central Chemical Public Co., Ltd. (production and sales of fertilizers, sales of imported fertilizers; subsidiary) 49 subsidiaries (17 domestic, 32 overseas) 37 affiliates (12 domestic, 25 overseas)

Type of business	Major products or services	Major companies
Real Estate Development & Forest Products	Planning, construction and subdivision of condominiums; development and sales of housing sites; sales, purchase, development, lease and management of buildings; construction contracting; sales, purchase, lease, brokerage, and management of real estate; development of commercial facilities; construction materials; imported raw wood; sawmilling and wood products such as plywood and bonded wood; housing construction materials.	• Sojitz Materials Corporation (sales of construction materials; subsidiary) (*2) • Sojitz Realnet Corporation (sales, purchases, brokerage of real estate; subsidiary) • Sojitz General Property Management Corporation (building, condominium, commercial facility and other real estate management; subsidiary) • Yoshimoto Ringyo Co., Ltd. (sales of lumber and plywood; subsidiary) • New Real Creation, Inc. (Real estate purchase and sales, investment and brokerage, receivable sales; subsidiary) • Sojitz Commerce Development Corporation (development, construction, operation and lease of retail property; subsidiary) • Sojitz Housing Materials Corporation (sales of lumber, plywood and all types of construction materials; subsidiary) (*2) • Chelsea Japan Co., Ltd. (development, ownership, leasing and management of commercial facilities; subsidiary) • Tachikawa Forest Products (N.Z.) Ltd. (sawmilling and sales of lumber products; affiliate) 45 subsidiaries (36 domestic, 9 overseas) 15 affiliates (10 domestic, 5 overseas)

Type of business	Major products or services	Major companies
Consumer Lifestyle Business	Raw feathers and feather products; cotton and chemical fibers; bonded textile; knitted clothes and knit products; fibrous raw material; fibrous raw material for industrial supplies and related products; apparel; interior accessory; bedclothes, bedding and home interior accessory and related products; cereal grain; wheat flour; oils and fats; oilcake and raw materials for feed; stock farm products and marine products; farmed marine products and processed food; fruit and vegetables; frozen vegetables; frozen food; snack and candy; ingredients for snacks and candy; coffee beans; sugar; other food products and ingredients; nursery items; general merchandise; wood chips and forestry.	• Nichimen Infinity Inc. (planning, manufacturing and sales of men's, women's and children's apparel; subsidiary) • Sojitz Foods Corporation (sales of sugar; glycated products; dairy products; farm, livestock and marine products; processed foods; and other foodstuffs; subsidiary) • Daiichibo Co., Ltd. (manufacturing and sales of textiles, storage distribution, shopping center management; subsidiary) • Sojitz General Merchandise Corporation (import/export and sales of general merchandise; subsidiary) • Nissho Iwai Meat & Agri-Products Corporation (import and domestic sales of meat, gardening products and feed; subsidiary) • Nichimen Fashion Co., Ltd. (planning, fabrication and wholesaling of print, solid and yarn dyed, etc. cotton and chemical synthetic fibers, etc., subsidiary) • Singapore Co., Ltd. (planning, manufacturing and sales of clothing; subsidiary) • Now Apparel Ltd. (production, management and sales of secondary textile products; subsidiary) • Vietnam Japan Chip Vung Ang Corporation (manufacturing and sales of wood chip and tree-planting program; subsidiary) • Fuji Nihon Seito Corporation (manufacturing, refining, processing and sales of sugar; affiliate) (*1) • Yamazaki-Nabisco Co., Ltd. (manufacturing of snacks and candy; affiliate) • Nissho Iwai Paper & Pulp Corporation (sales of wrapping and packaging materials, containers and machinery; affiliate) • P.T. Moriuchi Indonesia (manufacture of industrial fabrics; subsidiary) 37 subsidiaries (21 domestic, 16 overseas) 37 affiliates (14 domestic, 23 overseas)
Overseas Subsidiaries	General trading company dealing with various products, headquartered in major cities abroad. Their business activities hold a great variety.	• Sojitz Corporation of America (subsidiary) • Sojitz Europe plc (subsidiary) • Sojitz Asia Pte. Ltd. (subsidiary) • Sojitz (Hong Kong) Limited (subsidiary) • Sojitz (China) Co., Ltd. (subsidiary) 62 subsidiaries (all overseas) 21 affiliates (all overseas)

Type of business	Major products or services	Major companies
Others	Occupational-ability-related consulting and services; local corporation; logistic services; insurance agency services; venture capital; management and operation of corporate rejuvenation funds; IT industry-related business; content; environment-related businesses; medical equipment and healthcare; real-estate leasing; data processing; computer software development.	• Nissho Electronics Corporation (network services; subsidiary) (*1) • NextGen, Inc. (network services; subsidiary) (*1) • Sojitz Kyushu Corporation (domestic local corporation; subsidiary) • Sojitz Logistics Corporation (logistic services business, land, sea, and air cargo, international nonvessel operating common carrier (NVOCC) transportation; subsidiary) • Sojitz Insurance Agency Corporation (insurance agency services; subsidiary) • Sojitz Shared Services Corporation (occupational-ability-related consulting and services; subsidiary) • Jalux Inc. (logistics and services in the airline, airport, lifestyle and customer service sectors; affiliated) (*1) • TechMatrix Corporation (IT systems and consulting; affiliate) (*1) • SAKURA Internet Inc. (Internet Data Center business-related, affiliate) (*1) • Synergy Capital Ltd. (management and operation of corporate rejuvenation fund; affiliate) 51 subsidiaries (32 domestic, 19 overseas) 26 affiliates (14 domestic, 12 overseas)

Notes: (*1) Of the affiliated companies, Nissho Electronics and Jalux were listed on the first section of the Tokyo Stock Exchange, Fuji Nihon Seito was listed on the second section of the Tokyo Stock Exchange, Alconix was listed on the second section of the Tokyo Stock Exchange and JASDAQ, SAKURA Internet Inc. listed on the Mothers, Pla Matels and TechMatrix were listed on JASDAQ, and NextGen was listed on the Hercules market; all as of March 31, 2008.

(*2) Sojitz Materials Corporation merged with Sojitz Housing Materials Corporation as of April 1, 2008.

(6) Group Business Locations and Employees (as of March 31, 2008)

1) Sojitz Group Business Locations

a. Sojitz Corporation

Japan:	HQ	Tokyo
	Branches	Sapporo, Sendai, Nagoya, and Fukuoka
Overseas:	Branches	Singapore, Philippines, Thailand, Malaysia, Myanmar, Pakistan, Saudi Arabia, and Republic of South Africa

b. Subsidiaries

Domestic:	Local companies	Sendai, Hamamatsu, Toyama, Fukui, Hiroshima, Fukuoka, Nagasaki, and Naha
Overseas:	Overseas Subsidiaries	26 countries and regions, incl. USA, UK, China, Singapore, Taiwan, Korea, Australia, Russia, New Zealand, Thailand, Indonesia, India, Brazil, Malaysia, Philippines, Mexico, Nigeria, UAE, Argentina, Venezuela, Peru, and Canada

2) Sojitz Group employees

Segment	Number of employees
Machinery & Aerospace	3,289
Energy & Mineral Resources	1,054
Chemicals & Plastics	3,253
Real Estate Development & Forest Products	1,243
Consumer Lifestyle Business	5,382
Overseas Subsidiaries	1,844
Others	2,375
Total	18,440

Sojitz Corporation employees

Number of employees	Compared with previous year	Average age	Average term of continuous employment
2,224	+57	40.54 years old	13.82 years

Notes: 1. The chart above does not include 267 locally-hired overseas employees.
2. The average term of continuous employment is calculated including years spent at the former Sojitz Corporation.

(7) Major Subsidiaries

1) Major Subsidiaries and Affiliates

(Subsidiaries)

(Millions of yen, otherwise noted)

Company	Capital	Percentage of equity participa-tion (%)	Main business activities
Sojitz Corporation of America	US$586,083,868	100.00	Offshore trade
Sojitz Europe plc.	13,240 £73,117,500	100.00	Offshore trade
Sojitz Asia Pte. Ltd.	US$136,507,474	100.00	Offshore trade
Sojitz (Hong Kong) Ltd.	HK$703,840,000	100.00	Offshore trade
Sojitz Aerospace Corporation	1,410	100.00	Import/export and sales of aerospace- and defence-related equipment
Sojitz Machinery Corporation	1,500	100.00	Import/export and sales of general machinery
Sojitz Marine & Engineering Corporation	800	100.00	Sales, purchase and charter brokerage of vessels, domestic sales in Japan and import/export of shipping-related equipment and materials
Sojitz Energy Corporation	500	97.07	Sales of petroleum products
Sojitz Pla-Net Holdings, Inc.	6,164	100.00	Plastics business holdings
Sojitz Pla-Net Corporation	3,000	100.00 (*1)	Domestic and offshore trading of plastic materials and products
Pla Matels Corporation	793	46.55 (*2)	Domestic and offshore trading of plastic materials and products
Sojitz Materials Corporation	1,039	100.00	Sales of construction materials
Sojitz Commerce Development Corporation	600	100.00	Development, construction, operations and lease of retail property
Sojitz General Property Management Corporation	324	100.00	Building, condominium, commercial facility and other real estate management
Sojitz Realnet Corporation	300	100.00	Sales, purchase, brokerage of real estate
Sojitz Foods Corporation	412	100.00	Sales of sugar; glycated products; dairy products; farm, livestock and marine products; processed foods; and other foodstuffs
Daiichibo Co., Ltd.	4,000	100.00	Manufacturing and sales of textiles, storage distribution, shopping center management
Nichimen Infinity Inc.	2,946	100.00	Planning, manufacturing and sales of men's, women's and children's apparel
Nichimen Fashion Co., Ltd.	100	100.00 (*3)	Cotton and synthetic fabric printing, planning, processing and wholesaling of plain and dyed textiles
Nissho Electronics Corporation	14,336	40.17	Network services
Sojitz Kyushu Corporation	500	100.00	Domestic regional corporation

Notes: (*1) Sojitz Pla-Net Corporation is a wholly-owned subsidiary of Sojitz Pla-Net Holdings.
(*2) Pla Matels Corporation is 46.55%-owned subsidiary of Sojitz Pla-Net Corporation.
(*3) Nichimen Fashion Co., Ltd. is a wholly-owned subsidiary of Nichimen Infinity Inc.

(Affiliates)

Company	Common and preferred stock (Millions of yen)	Percentage of equity participation (%)	Main business activities
Metal One Corporation	100,000	40.00	Import/export and domestic and international sales of steel-related products
LNG Japan Corporation	8,002	50.00	LNG business and related investments
Jalux Inc.	2,558	30.00	Logistics and services in the airline, airport, lifestyle and customer service sectors

2) Mergers

1. The Cosmetics business of Sojitz was spun off to Sojitz Cosmetics Corporation, which was newly established on April 2, 2007.

3) Result of mergers

1. Sojitz now has 360 consolidated subsidiaries and 209 companies accounted for under the equity-method.
2. The business performance of the Sojitz Group in FY2007 is set forth in section (1).

(8) Major creditors and borrowed amounts

(Billions of yen)

Creditor	Amount outstanding
Bank of Tokyo-Mitsubishi UFJ (*3)	147.8
Mizuho Corporate Bank (*3)	100.6
Sumitomo Trust and Banking (*3)	87.7
Norinchukin Bank (*3)	67.7
Sumitomo Mitsui Banking (*3)	61.3
Development Bank of Japan (*3)	48.7
Mitsubishi UFJ Trust and Banking (*3)	42.3
Aozora Bank	40.7
Resona Bank (*3)	31.1
Shinkin Central Bank	25.5

Notes: (*1) Presented amount is on non-consolidated basis.
(*2) Amounts less than 100 million have been rounded down to the nearest 100 million.
(*3) Sojitz accepts that these loans may be assigned in part or in whole upon request by the lender.

2. Shares

(1) Total Number of Shares Authorized to be Issued

Common shares:	1,349,000,000	(end of FY 2006: 1,349,000,000)
Class-I preferred shares	-	(end of FY 2006: 78,900,000)
Class-II preferred shares	-	(end of FY 2006: 26,300,000)
Class-III preferred shares	1,500,000	(end of FY 2006: 1,500,000)
Class-IV preferred shares	19,950,000	(end of FY 2006: 19,950,000)
Class-V preferred shares	10,875,000	(end of FY 2006: 12,875,000)

(2) Total Number of Outstanding Shares

Common shares	1,233,852,443	(end of FY 2006: 1,068,105,228)
First Series Class-III preferred shares	1,500,000	(end of FY 2006: 1,500,000)
First Series Class-IV preferred shares	-	(end of FY 2006: 19,950,000)
First Series Class-V preferred shares	-	(end of FY 2006: 10,875,000)

Notes: 1. The total number of outstanding shares of common stock includes the number of treasury shares (227, 219 shares).

2. Increases/decreases in the total number of shares issued during FY2007, and reasons for such changes, are as follows.

Common shares:	Increases due to the exercise of stock acquisition rights attached to the bonds with stock acquisition rights:	165,747,215
Preferred Shares:	Decreases due to repurchase and cancellation:	
	First Series Class-IV shares	19,950,000
	First Series Class-V shares	10,875,000

(3) Number of Shareholders

Common shares	191,012
Class-III preferred shares	1

(4) Major Shareholders

1) Common Shares

Shareholder	Investment in Sojitz Corporation	
	Shares held (in thousands)	Investment ratio (%)
Japan Trustee Services Bank(*2)	98,848	8.01
Master Trust Bank of Japan(*3)	75,399	6.11
Goldman Sachs International	45,833	3.72
Trust & Custody Services Bank(*4)	32,209	2.61
State Street Bank and Trust Company 505103	19,629	1.59
Investors Bank West Pension Fund Clients	18,999	1.53
Morgan Stanley and Co., Inc.	15,470	1.25
Bank of New York GCM Client Accounts JBRDISGFEAC	13,426	1.09
The Chase Manhattan Bank, NA London, SL Omnibus account	13,082	1.06
State Street Bank and Trust Company	12,161	0.99

Notes: (*1) The number of share less than 1000 is rounded down to the nearest thousand.
(*2) The number of the shares held by the Japan Trustee Services Bank includes 87,421 thousand shares held in trust accounts.
(*3) The number of the shares held by the Master Trust Bank of Japan includes 74,003 thousand shares held in trust accounts.
(*4) The number of the shares held by the Trust & Custody Services Bank includes 30,945 thousand shares held in trust accounts.
(*5) The number of treasury shares is excluded from the total number of outstanding shares for calculation of the investment ratio.

2) Class-III Preferred Shares

Shareholder	Investment in Sojitz Corporation	
	Shares held (in thousands)	Investment ratio (%)
Lehman Brothers Asia Capital Company	1,500	100.00

3. Directors

(1) Directors and corporate auditors

Name	Position	Responsibilities	Representation of Other Companies
Akio Dobashi	Representative Director and Chairman		
Yutaka Kase	Representative Director and President	CEO	
Masaki Hashikawa	Representative Director and Executive Vice President	Adviser to the President and Supervisor for Corporate Departments.	
Yasuyuki Fujishima	Representative Director and Senior Managing Executive Officer	CCO Responsible for Internal Control Administration Office and Compliance Dept.	
Yoji Sato	Director and Senior Managing Executive Officer	CFO Responsible for Human Resources & General Affairs Dept., Finance Dept., Project Finance Dept, Corporate Accounting Dept., and Investor Relations Office.	
Shigeo Muraoka	Director (Part-time)		Advisor, Institute of Energy Economics, Japan
Yoshihiko Miyauchi	Director (Part-time)		Chairman and CEO of Orix Corp., CEO of the Orix Group
Kenji Okazaki	Corporate auditor		
Joji Wada	Corporate auditor		
Shunsaku Yahata	Corporate auditor		
Yoshiaki Ishida	Corporate auditor (Part-time)		
Kazuo Hoshino	Corporate auditor (Part-time)		

Notes: 1. Shigeo Muraoka is an outside director as stipulated in Article 2 Item 15 of the Company Law.
2. Shunsaku Yahata, Yoshiaki Ishida and Kazuo Hoshino are outside corporate auditors as stipulated in Article 2 Item 16 of the Company Law.
3. Yasuyuki Fujishima retired from Representative Director and director on March 31, 2008.
4. Masaki Hashikawa appointed Representative Director and Vice Chairman, and Yoji Sato appointed Representative Director and Executive Vice President on April 1, 2008.

(2) Directors' and Auditors' Remunerations

(Millions of yen)

	Directors		Corporate auditors		Total		Remarks
	Number of persons to be paid	Amount	Number of persons to be paid	Amount	Number of persons to be paid	Amount	
Remuneration pursuant to resolution of General Shareholders' Meeting	7	336	5	133	12	469	(*1), (*2)
Internal	6	(Note 2) 325	2	(Note 3) 76	8	401	
External	1	11	3	57	4	68	

(*1) Directors' maximum remuneration: a resolution at the Ordinary General Shareholders' Meeting held on June 27, 2007
Directors 550 million yen per year (the salary as for being employees)
Outside Directors 50 million yen per year

(*2) Corporate auditors' maximum remuneration: a resolution at the Ordinary General Shareholders' Meeting held on June 27, 2007
Corporate Auditor 150 million yen per year

Notes: 1. Amounts less than million were rounded down to the nearest million.
2. The payment amount of 325 million yen includes the FY2007 provisions for retirement benefits for directors and auditors, 15 million yen.
3. The payment amount of 76 million yen includes the FY2007 provisions for retirement benefits for directors and auditors, 3 million yen.

(3) Outside Directors' Concurrent Positions

Position	Name	Other organization	Concurrent position	Relationship
Outside director	Shigeo Muraoka	Institute of Energy Economics, Japan	Advisor	N/A

(4) Outside Directors' and Outside Corporate Auditors' Main Activities

Position	Name	Main activities
Outside director	Shigeo Muraoka	Muraoka attended all meetings of the board of directors in FY2007. A veteran of important positions throughout the economic community, Muraoka has a broad knowledge and valuable expertise about management, and he provides comments wherever necessary.
Outside corporate auditor	Shunsaku Yahata	Yahata attended all meetings of the boards of directors and corporate auditors in FY2007. A veteran of important positions throughout the economic community, Yahata has a broad knowledge and valuable expertise about management, and he provides comments wherever necessary.
Outside corporate auditor	Yoshiaki Ishida	Ishida attended 15 of 16 meetings of the board of directors in FY2007, and all meetings of the board of corporate auditors. A veteran of important positions throughout the economic community, Ishida has a broad knowledge and valuable expertise about management, and he provides comments wherever necessary.
Outside corporate auditor	Kazuo Hoshino	Hoshino attended 15 of 16 meetings of the board of directors in FY2007, and 11 of 13 meetings of the board of corporate auditors. A veteran of important positions throughout the economic community, Hoshino has a broad knowledge and valuable expertise about management, and he provides comments wherever necessary.

(5) Limited Liability Agreements with Outside Director and Outside Corporate Auditors

We have executed agreements with outside director Shigeo Muraoka and outside auditors Yoshiaki Ishida and Kazuo Hoshino, regarding limiting their liability to either ten million yen or the minimum liability amount stipulated in Article 425 Clause 1 of the Corporate Law, whichever is greater.

4. Accounting Auditors

(1) Accounting Auditor's Name

KPMG Azsa & Co.

(2) FY2007 Accounting Auditors' Remunerations

(Millions of yen)

	Amount
	KPMG Azsa
FY2007 remuneration	
Remuneration pertaining to tasks that constitute activities stipulated in Article 2, Paragraph 1 of the Certified Public Accountant Law	315
Remuneration pertaining to activities outside the tasks that constitute activities stipulated in Article 2, Paragraph 1 of the Certified Public Accountant Law	64
Total	379
Total amount of money and other financial benefits payable by Sojitz Corp. and subsidiaries to accounting auditors	578

Notes: 1. The audit agreement between Sojitz Corporation and the accounting auditors does not and cannot practically distinguish between remunerations for audits stipulated by the Company Law and those stipulated by the Financial Instrument and Exchange Law. For this reason, the amount of the above item 3 includes remuneration amount for audits based on the Financial Instrument and Exchange Law.

2. Major Sojitz Group subsidiaries, including Sojitz Corporation of America, Sojitz Europe plc., Sojitz Asia Pte. Ltd., Sojitz (Hong Kong) Ltd., Nichimen Infinity Inc., Nichimen Fashion Co., Ltd. are subject to audits (limited to those provided for in the Corporate or Financial Instrument and Exchange Law, or, foreign laws of the pertinent country that correspond to these) by CPAs or auditing firms (or other parties that hold qualifications that correspond to CPA or auditing firm in the pertinent foreign country) other than KPMG Azsa & Co.

3. Amounts less than million were rounded down to the nearest million.

(3) Activities other than Auditing

We, at Sojitz, entrust our accounting auditors to provide advisory services pertaining to the establishment of internal control systems, regarding financial reporting, a task which constitutes activities stipulated in Article 2, Paragraph 1 of the Certified Public Accountant Law.

(4) Guidelines for decisions to dismiss or not re-appoint accounting auditors

In the event that the board of corporate auditors deems that an accounting auditor has committed any act stipulated in Article 340, Paragraph 1 of the Company Law or otherwise causes any situation that may cause material hindrance to the auditing of Sojitz, the company shall dismiss the pertinent accounting auditors.

In addition, a director of the company shall, with the approval of or upon request by the board of corporate auditors, table a motion at a meeting of shareholders to dismiss or not re-appoint the pertinent auditor and select another suitable auditing firm.

5. A system to Ensure Correct Processes

(1) Fundamental Stance to Governance

We, at Sojitz, consider corporate governance to be a vital part of doing business. In order to keep our corporate governance robust, we are proactive in clarifying our business and disclosure responsibilities to shareholders and other stakeholders, and we strive to maintain a highly transparent management framework and implement aggressive monitoring and supervision. Through these policies we aim to continually raise group-wide profitability and maximize corporate value.

(2) Governance

Business Management Framework pertaining to Decision-making, Execution and Supervision, and other Corporate Governance

1) Sojitz Governance Institutions

a. Organization

Governance is overseen by the Sojitz board of corporate auditors

b. Directors and Executive Officers

The Sojitz board of directors is comprised of seven directors (two of which are invited from the outside of the company). In order to reinforce our governance framework, previously the President chaired the board of directors, however in and after June 2007, to further the separation of management and execution, it was decided that the chairman of the company would chair board meetings. In addition, for greater enhancement of the management system, at the AGM scheduled for June 25, 2008 we propose that the Sojitz articles of incorporation be amended so that a post of vice chairman of the board will be established newly.

Aiming to clarify the authorities and responsibilities by separating management decision-making and execution, and to speed up the decision-making and executive processes, we, at Sojitz, have an executive officer system. The term of office of directors and executive officers is limited to one year in order to better allow the company to adapt swiftly and appropriately to rapid changes in the business climate, and to more effectively clarify responsibility to management.

Mr. Shigeo Muraoka is the one outside director of ours at present; serving on a limited-liability contract. He was selected because of his experience in a variety of important positions throughout the economic community, his noble disposition and piercing insight, and his ability to provide objective advice regarding Sojitz business. Mr. Muraoka attended all 16 board meetings in FY2007. In addition, he has been fulfilling his duties by actively providing objective and appropriate opinions at board meetings, etc. and through proper management decision-making during his term as Director.

While director Mr. Yoshihiko Miyauchi does not meet the criteria for “outside director” as stipulated in Article 2 Item 15 of the Company Law, we believe that his independence from Sojitz is substantially equivalent to an outside director. Furthermore, he also has been fulfilling his duties by actively providing objective and appropriate opinions at board meetings, etc. and through proper management decision-making during his term as Director.

We also have a nominating committee and remuneration committee, both headed by those directors invited from the outside of the company that act as advisory bodies to the board of directors so as to ensure fairness and transparency in the appointments of and remuneration for the directors.

c. Corporate Auditors

The board of corporate auditors is comprised of five auditors, three of whom are outside auditors and three of whom are full-time auditors. The auditors are independent from the board of directors, and audit the directors' execution of their duties.

Our outside auditors are Mr. Shunsaku Yahata, Mr. Yoshiaki Ishida and Mr. Kazuo Hoshino. They were selected because of their experience in a variety of important positions throughout the economic community, their noble dispositions and piercing insight, and their broad knowledge and valuable expertise about management. Mr. Ishida and Mr. Hoshino serve on limited-liability contracts. The outside auditors' main activities have been as follows.

Mr. Yahata attended all 16 meeting of board of directors in FY2007.

Mr. Ishida attended 15 of 16 meetings of board of directors in FY2007.

Mr. Hoshino attended 15 of 16 meetings of board of directors in FY2007.

d. Support for Outside Directors and Auditors

We provide support for outside directors such as by providing information about items on the agenda of board meetings well in advance of the meetings, as well as relaying relevant reports and other pertinent matters.

The board of corporate auditors has a dedicated support organization, the Corporate Auditors' Office, which is manned by three dedicated staffs to help provide information, relevant reports and other pertinent matters to outside auditors.

e. Internal Committees

To tackle management issues that affect the entire Sojitz organization, we have established several internal committees. These are the Internal Control, Compliance, and CSR Committees.

2) Execution and Management, Nomination and Remuneration, and Auditing

a. Execution and Management

We, at Sojitz, have the bodies for execution and management such as follows.

Management Committee (meets twice-monthly)

The committee is comprised of managing directors and the heads of the Businee Divisions and Corporate Departments, and deliberates and decides on important matters pertaining to the running of the business.

Finance and Investment Deliberation Committee (meets twice monthly)

The committee is comprised of managing directors and the heads of the Corporate Departments, and deliberates and decides on major finance and investment opportunities.

b. Selection of Directors, Remuneration Decisions

We, at Sojitz, have the following advisory bodies to the board of directors to help select directors and decide on remuneration.

Nominating committee (meets twice in a year)

Chaired by the directors invited from the outside of the Company, the committee deliberates on and proposes standards and methods for the selecting and assessing director and executive officer candidates.

Remuneration Committee (meets thrice in a year)

Chaired by the directors invited from the outside of the Company, the committee deliberates on and proposes standards for directors' and executive officers' remuneration, as well as systems pertaining to performance assessments and remuneration.

c. Corporate Audit, Accounting Audit and Internal Audit

- Corporate Audit

Organization: Board of corporate auditors

Staff: Five auditors, including three outside auditors. Of the five, three are full-time, two are part-time; one of the outside auditors is full-time.

Procedure Pursuant to the Corporate Audit Standards established by the board of corporate auditors and in line with audit plans and task assignments, corporate auditors attend meetings of the board of directors and other important meetings such as those of the Management Committee and Finance and Investment Deliberation Committee. They receive reports from directors about their performance of tasks, read vital decision-making documents, and requested business reports from subsidiaries, thus auditing the company and monitoring and supervising its management.

Corporate auditors receive explanations of audit plans and regular audit reports from the accounting auditors, which allows for sharing of information and efficiency in auditing processes, and meanwhile monitor the independence of the accounting auditors. In addition, the Audit Department outlines its audit plans and provides biannual auditing reports to the board of corporate auditors. Furthermore, this cooperation is underscored by constant, interactive exchange of information. In one example, full-time corporate auditors attend audit review meetings held by the Audit Department and submit corporate auditors' written opinions in response to the Audit Department's auditing activities.

- Accounting Audit

Sojitz has an audit system for accounting audits under the Company Law and the Financial Instrument and Exchange Law under which KPMG Azusa & Co. is engaged in. Details of the executive officers and staff working with Sojitz in FY2007 are as follows:

CPAs		Auditing firm
Designated member Executive officers	Takuichi Arai	KPMG Azusa & Co.
	Junshi Ono	
	Iwao Hirano	

The staff of twelve CPAs and twenty assistants CPAs work on accounting audits for Sojitz.

Because all of the CPAs that audited Sojitz have served for less than seven years, details have been omitted.

- Internal Audit

Organization: Audit Department

Staff: 27 people up to department head

Procedure: Based on an audit plan authorized by the board of directors at the beginning of each fiscal year, the department audits the Business Divisions and Finance Department, consolidated subsidiaries and Sojitz USA, Europe, Asia and China. The domestic departments (including those that engage in hedge trading and other future transactions) and consolidated subsidiaries are audited annually; others biennially.

The Business Divisions are required to keeps close and timely eye on trade risks, and a Self-inspection System has been implemented to those divisions, together with group companies. The System entails repeatedly running in-house checks in order to enable them to nip problems in the bud, thereby continually promoting efficiency of processes, preventing losses and maintaining a strong focus on risk management. Under this system, a check list compiled by the Audit Department is used to conduct biannual independent checks, and areas identified as needing improvement are subjected to thorough follow-ups.

We , by placing emphasis on compliance, reliable financial reporting and risk management, closely monitor audited departments to ensure that internal control systems and governance are functioning correctly. After testing and assessments, reports are furnished to the President and advice given on how to effectively improve the workplace.

After auditing, the department holds audit review meetings to report on audit records to the audited departments, and the heads of the Business Divisions and Corporate Departments.

Summaries of the audit reports are submitted to the President. Also, the Chairman of the Board, President and Executive Vice President receive explanations and take necessary actions each month. In order to ensure the audited departments work swiftly to improve that areas identified during audits as needing improvement, they are required to report back after three and six months, while follow-up audits are conducted to check on their progress.

(3) Policies regarding Shareholders and other Stakeholders

1) Efforts to Ensure Vital Shareholders Meetings and Unhindered Exercising of Voting Rights

We, at Sojitz, have a range of measures in place for shareholders' meetings:

Early serving of shareholders meeting convention notices
Avoiding holding shareholders' meetings on days on which many companies hold theirs
Computerized exercising of voting rights
Publishing of quarterly *Shareholders Magazine* business reports (four times publishment in a year)
Website for non-corporate shareholders

2) Investor Relations

At Sojitz, the Investor Relations Office organizes seminars for analysts and institutional investors and individual meetings on a regular basis. We have been paying visits to foreign investors and holding individual meetings or periodic seminars for them, and we now fully intend to make these a continuing part of our investor relations activities. There is also a generous range of materials—generally hand-outs from investor seminars—on the Sojitz website.

Meanwhile, through holding shareholder gatherings as an opportunity for individual shareholder to have direct conversation with our management, and implementing investor surveys continuously, as well as revamping the former biannual *Business Report* into the quarterly *Shareholders Magazine* (published four timed annually), we at Sojitz have beefed up our shareholder relations activities to address the needs of non-institutional investors as well.

3) Respect for Stakeholders' Circumstances

- Respect for stakeholders' circumstances

  We, at Sojitz, have Standards for the Compliance Code of Conduct that stipulates how we should orient our daily actions to pleasing our stakeholders and how the Sojitz Group makes the earning and maintaining the trust of stakeholders a group-wide goal.

- Environmental protection, CSR

  We, at the Sojitz Group, take the view that CSR is an integral part of corporate activities. In our corporate activities, we aim to strike a balance between the economy, the environment and the community so as to best make a contribution to our stakeholders and build up trust relationships.

  Furthermore, we are proactive in implementing environment-minded measures such as energy and resource conservation, waste reduction, recycling and "green" purchasing, etc.. Indeed, every Sojitz employee makes an effort to reduce environmental impact, and the promotion of eco-friendly business is a group-wide target. We operate a range of businesses in a variety of fields that are conducive to protection of the natural environment.

- Disclosure of information for stakeholders

  Under the Sojitz Standards for the Compliance Code of Conduct, not only do we provide information that is legally required to be disclosed, but we also offer information not subject to law but still relevant in order that we might promote more accurate understanding among stakeholders and better earn their trust.

(4) Internal Control System: Basic Stance and Implementation

1) Basic Stance

We, at Sojitz, have long striven to implement and maintain internal control systems for our regulations, organization and systems, and on May 12, 2006, the following resolution was passed at a board meeting, and a basic policy regarding the implementation of the System to Ensure Correct Processes was set forth. (partially amended in April, 2008 (hereinafter Underlined))

a. System to Ensure Compliance in Execution of Business by Directors and Employees

The Sojitz Group Compliance Code of Conduct, Standards for the Compliance Code of Conduct and the Sojitz Group Compliance Program were implemented in an attempt to ensure that all titled employees of the Sojitz Group complied with law, the Articles of Incorporation and internal regulations.

A compliance framework was set up centered on the Compliance Committee to clarify the duties for which each department of the company is responsible, and to comply with the all relevant laws and keep abreast of any changes therein.

<u>Absolutely no relationship must exist with anti-social entities, and against illegal requests, strict handling must be carried out, including legal responses, and this policy must be thoroughly understood by the Sojitz Group overall.</u>

Separate internal regulations were established for security trade control, prevention of insider trading and other legally sensitive areas, and an aggressive effort made to ensure compliance regarding these issues.

b. System for Storage and Handling of Information regarding Directors' Execution of Businesses

The internal regulations pertaining to the Board of Directors and document management are to stipulate a term of storage of Board meeting minutes, collective decision documents and other important documents pertaining to directors' execution of business longer than that required by law, as well as the company department responsible for doing so, and a system established so that these can be viewed where necessary.

c. Regulations regarding Management of Loss Eisks; Other Systems

Internal regulations and procedures were implemented to help identify and classify internal and external risks that may lead to losses, and a department was appointed to be responsible for such risk management. Through this effort, we aim to prevent losses and minimize any that may arise.

Credit and business investment risks are to be evaluated and dealt with appropriately in accordance with risk management regulations. Market risks are to be minimized as much as possible in line with relevant regulations. Regulations and manuals are to be prepared for natural disaster contingencies.

The various internal regulations and procedures implemented are to be subjected to ongoing checks as to their efficacy, and improvements made where necessary. In the event that any new risk may arise as a result of changes in the business climate, internal regulations are to be implemented swiftly to deal with them, and a person and department appointed to be responsible.

d. System to Ensure Efficient Execution of Directors' Businesses

Assignment of directors' and executive officers' roles and departments' tasks, a chain of commands, authorities and decision-making rules are to be clearly established.

Important matters to be decided on by the board of directors are to be clearly defined by the Board of Directors' Regulations, and a management committee and other deliberation councils and committees formed in order to deliberate and decide on such important matters and areas. Matters that are to be reported to the board of directors shall also be clearly defined by the Board of Directors' Regulations, and the pertinent parties caused to make such reports.

Management policies are to be promptly communicated throughout the company via the Management Committee or Corporate Planning Department, and the company will endeavor to ensure thorough awareness among titled employees by oral and written means.

e. System to Ensure Correct Processes throughout the Sojitz Group

The Group Administration Department will host a section dedicated to the administration and operation of the Sojitz Group companies. This will help ensure healthy management of the group companies and offer a boost for the Audit Department by conducting internal audits of group companies and assessing the correctness of their business.

The Compliance Code of Conduct and Program apply to the whole group, and all group companies are expected to comply.

Group companies' business processes are to be inspected and strengthened with an eye to assessing internal control systems pertaining to consolidated financial reporting.

f. Corporate Auditors' Staff and Systems to Ensure their Independence from Directors

A Corporate Auditors Office is to be established and staffed as necessary in order to help the corporate auditors with their work. The staff will perform their work in line with corporate auditors' instructions, and assessments and transfers of such staff shall require the approval of the corporate auditors.

g. System for Directors', Employees' and other Reports to Corporate Auditors

The Board of Directors' Regulations shall stipulate that any director that makes a discovery of something, which may cause significant damage to Sojitz, shall promptly report to the corporate auditors. Upon completion of investigation by the Audit Department, a copy of the internal audit report shall be distributed to the corporate auditors.

The board of corporate auditors may demand reports where necessary from accounting auditors, directors or other persons.

h. System to Otherwise Ensure the Efficacy of Corporate Auditing

Corporate auditors shall attend meetings of the board of directors and shall offer their opinions as necessary. They may also attend important meetings such as those of the Management Committee so as to be directly privy to proceedings from deliberations regarding important matters to reports.

The representative director shall meet regularly with the corporate auditors and exchange opinions on issues with which the company must deal, the corporate auditing environment and other important audit-related matters.

2) Implementation

a. Overview

The Sojitz internal control systems works centering on the inspection and bolstering of legal compliance systems, led by the Compliance Committee, and of risk management methods, led by the Risk Management Planning Office (to be renamed as Risk Management Planning Department as of April, 2008) Division, and on the promotion of the internal control system throughout the Sojitz Group as a whole, led by the Internal Control Systems Committee. We have also prepared a system for the assessment, reporting and auditing of internal control systems regarding to financial reporting as contained in the Financial Instrument and Exchange Law, and this will be the initial year for application of the system.

b. Compliance

We are engaged in the following activities in order to ensure compliance.

The Sojitz Group Compliance Code of Conduct and Standards for the Compliance Code of Conduct have been printed in booklet form and distributed to titled employees of all group companies so as to ensure thorough awareness of the importance of compliance. Moving forward, we will place more emphasis in education, such as by holding regular training workshops tailored to specific tiers of our corporate hierarchy, e-learning training at the Company and compliance training workshops aimed exclusively at group companies.

We, aiming to prevent or swiftly identify and react to breaches of law within the Sojitz Group, preach the importance of initial reports to the Compliance Committee, and are attempting to ensure full awareness of the issue. We have also set up a whistleblower hotline to the CCO and an outside attorney, and consultations window at the Compliance Department (as of April 2008, this section became the CSR and Compliance Department.)

Shutting off relationships with anti-social entities is specified in the Sojitz Group Compliance Code of Conduct and Standards for the Compliance Code of Conduct in an attempt to ensure full awareness and thorough implementation by all the executives and employees of the Group, in addition to handling of the issues by the sections dedicated to the issues.

The Audit Department conducts compliance-centric audits of all companies in the Sojitz Group. The audits focus strongly on compliance with law, articles of incorporation and internal regulations.

c. Risk management

We are engaged in the following activities to manage risks.

Credit risks are controlled through the use of an internal credit rating system for each trading partner.

Country risks are controlled with use of a country rating system, which determines a maximum volume of exposure for each country.

Business investment risks are controlled through the use of a system that assesses partner risks and business-specific qualities in addition to the aforementioned country risks, and establishes stringent criteria—e.g., comparison with internal rates of return—for deciding on whether or not to proceed with new projects. There are regular follow-up checks and strict criteria for withdrawal.

Combining all of the aforementioned risk management methods, our comprehensive risk management system allows us to accurately judge the volume of risk assets overall and keep risk assets pinned to shareholders' equity (our basic stance being to keep it around 80% of shareholders' equity).

d. Group Companies Business Management

Business management of the Sojitz Group companies centers on the integrated establishment and maintenance of a business management system group by the Corporate Planning Department, and on beefing up the discouragement of inappropriate actions and bolstering our ability to identify problems early and prevent losses through annual audits of group companies by the Audit Department. In this way, we encourage self-inspection and the stance of business improvement in our workplaces. Additionally, consolidating the cooperation between the Audit Department and the Auditors of major group companies through the exchange of information, we conduct an efficient monitoring framework aptly suited to consolidated management.

e. Ensuring Reliability of Financial Reporting

The Internal Control System Committee plays a central role and is maintaining and improving internal control systems of the entire Sojitz Group and aims at their evolving into ever-higher levels of quality for securing the reliability of financial reports. As FY2008 will be the initial year of application of the system of "assessment, report and audit of internal controls pertaining to financial reporting," and we will start on assessment of the effectiveness of internal controls pertaining to financial reporting, and also re-ensure full awareness of securing reliability of financial reporting and the importance of internal control activities for that purpose by the entire

Sojitz Group, and determine Basic Policies to Ensure Proper Financial Reporting at meetings of Board of Directors as below, and ensure full awareness and thoroughgoing observance of them.

Basic Policies to Ensure Proper Financial Reporting (Board of Directors' Resolution, April 2008)

We believe one of the most important targets for maintenance and improvement of our social credibility is to ensure proper financial reporting, and shall determine the following basic policies upon commencement of application of Internal Control Report System as prescribed in Article 24-4-4 of the Financial Instrument and Exchange Law of Japan.

1. Basic Principles to Ensure Proper Financial Reporting
   - Our Group always chooses the appropriate accounting principles and determines as the rules, to familiarize all the executives and employees of the Group with the rules, and to carry out accounting processing in accordance with this principle.
   - We ensure thoroughgoing recognition by all of our executives and employees of the fact that false representations that arise from not only just through improperness or willful act, but also from carelessness and lack of understanding of accounting standards will damage the credibility of our financial reporting, and significantly harm the trustworthiness of Sojitz Group, and the fact that should such a circumstance occur we will carry out a strict disposition.

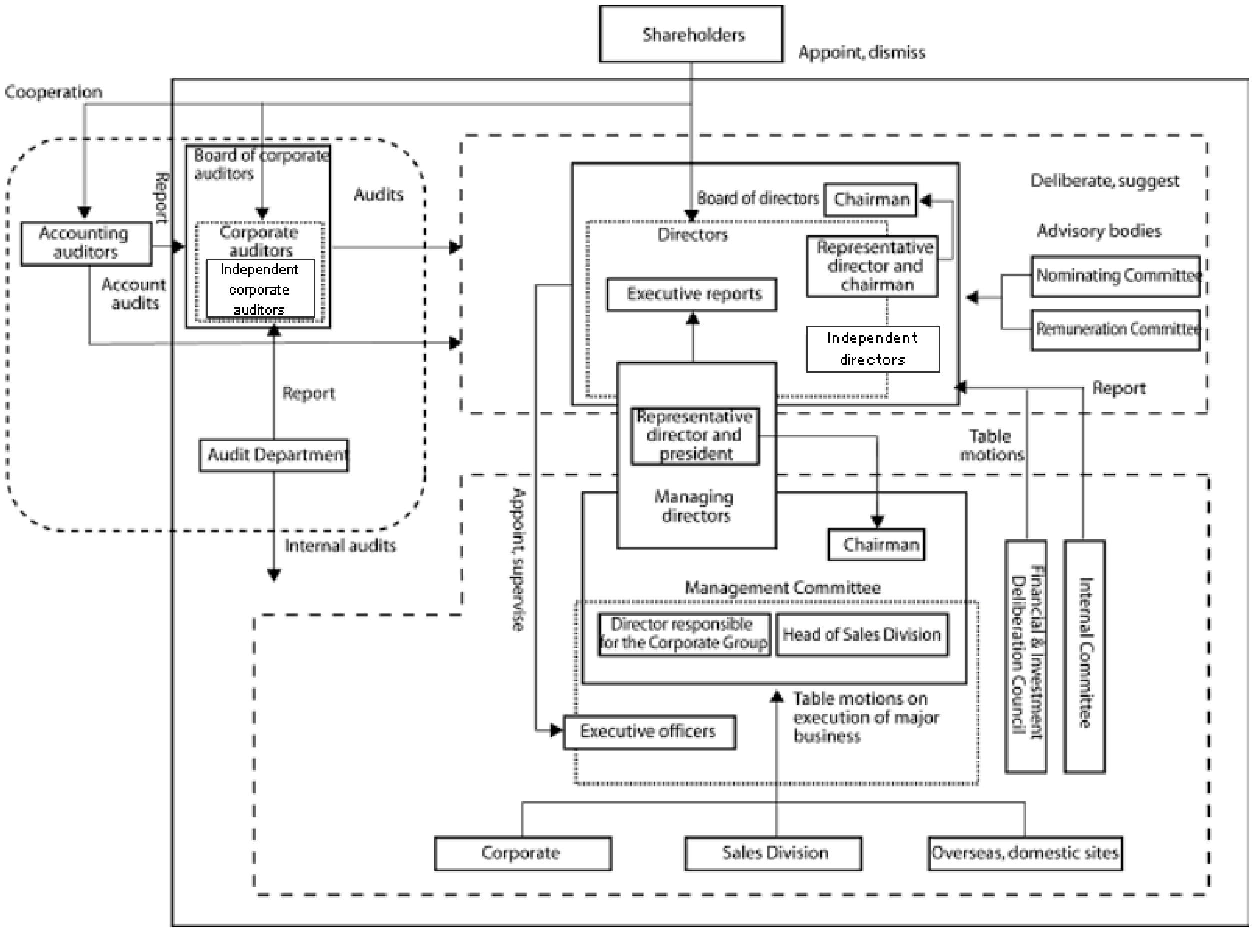
2. Preparation of Systems and Procedures to Ensure Proper Financial Reporting
   - The Board of Directors must recognize that it has the responsibility to supervise and monitor the managers properly with respect to financial reporting and internal controls pertaining thereto, and exercise that responsibility.
   - In order to ensure proper financial reporting, we will build up proper organizational structures that conform to the business lines of our Group, and specify the allocation of duties pertaining to financial reporting, and allocate the authority and obligations appropriately.
   - We will distinguish and analyze the risks of the possible occurrence of significant false representations, and then set up effective internal controls to lessen those risks, and implement these in good faith.
   - We will construct mechanisms to monitor internal controls pertaining to financial reporting on a daily basis, and prepare a system for timely and proper reporting of internal control related issues grasped by daily monitoring.
   - We will prepare and construct a system in which important internal controls-related information pertaining to financial reporting is conveyed in a timely fashion and properly at the respective levels of management, managers, and persons in charge.

3. Use of IT on internal control pertaining to financial reporting
   - We recognize the importance of the IT infrastructure in relation to internal controls pertaining to financial reporting, and commit to properly understand the related risks, attempt to lessen those risks, and strive for efficient implementation of internal controls upon effective utilization of IT controls.

4. "Assessment and report of internal controls pertaining to financial reporting" pursuant to the Financial Instrument and Exchange Law
   - We will carry out in good faith the "assessment and reporting on internal controls pertaining to financial reporting by management" of the Sojitz Group pursuant to the Financial Instrument and Exchange Law. Detailed policies and plans will be separately determined as necessary.

- We will correct without delay any insufficiency and material defect in our internal controls discovered in the process of the "assessment and report of internal controls pertaining to financial reporting by managers" of the Sojitz Group pursuant to the Financial Instrument and Exchange Law.

The diagrams below outline the Sojitz corporate governance structure, including internal control systems.



Financial Statements

Consolidated Financial Statements

Consolidated Balance Sheet

(Millions of yen)

Account	As of Mar. 31, 2008	As of Mar. 31, 2007	Account	As of Mar. 31, 2008	As of Mar. 31, 2007
Assets			Liabilities		
Current Assets	1,675,946	1,615,081	Current Liabilities	1383451	1,219,497
Cash and deposits	380,195	471,570	Trade notes and trade accounts payable	578,995	531,508
Trade notes and trade accounts receivable	691,492	672,658	Short-term loans payable	497,208	501,055
Securities	9,180	7,251	Commercial paper	25,000	10,000
Inventories	422,158	315,885	Short-term loans receivable	75,100	896
Short-term loans receivable	11,609	23,182	Income taxes payable	8,246	8,811
Deferred tax assets-current	19,179	8,591	Deferred tax liabilities-current	53	34
Others current assets	156,000	130,636			
Allowance for doubtful receivables	(13,869)	(14,695)	Allowance for employees' bonus	7,686	7,412
			Other current liabilities	191,161	159,778
Fixed Assets	990,875	1,000,951	Non-current liabilities	765,572	868,374
Tangible assets	232,018	229,966	Bonds, less current portion	141,496	245,540
Buildings and structures	63,529	54,171	Long-term loans payable	560,281	560,187
Machinery and vehicles and transport equipment	96,783	100,906	Deferred tax liabilities-non-current	16,685	13,078
Land	56,393	59,684	Deferred tax liabilities-revaluation	1,193	1,238
Construction in progress	7,139	3,084	Allowance for retirement benefits	19,410	22,526
Other tangible assets	8,172	12,119			
Intangible assets	133,343	99,127	Reserve for retirement benefits for directors and auditors	958	1,394
Goodwill	65,466	69,925			
Other intangible assets	67,876	29,202			
			Other non-current liabilities	25,548	24,409
Investments and other fixed assets	625,514	671,857			
Investments securities	480,993	518,615	Total Liabilities	2,149,024	2,087,872
Long-term loans receivable	36,961	39,304	Net assets		
			Total shareholders' equity	451,619	428,464
Non-performing receivables	109,440	162,305	Common and preferred stock	160,339	122,790
Deferred tax assets-non-current	31,053	19,754	Capital surplus	152,160	158,593
			Retained earnings	139,264	147,206
Others	44,400	49,916	Treasury stock	(145)	(126)
Allowance for doubtful receivables	(77,335)	(118,039)			
			Total valuation and translation adjustments	24,412	60,122
Deferred assets	2,529	3,475	Net unrealized gains on available-for-sales securities	60,280	94,316
Stock issuing expenses	1,918	2,582			
Bond issuing expenses	451	510	Deferred gains or losses on hedges	1,345	623
Business commencement expenses	159	382			
			Land revaluation difference	(2,530)	(1,935)
			Valuation difference on available-for-sales securities	(34,684)	(32,882)
			Minority interests	44,296	43,048
			Total net assets	520,327	531,635
Total assets	2,669,352	2,619,507	Total liabilities and net assets	2,669,352	2,619,507

Consolidated Statement of Income

(Millions of yen)

Account	FY 2007 (From April 1, 2007, to March 31, 2008)		FY 2006 (From April 1, 2006, to March 31, 2007)	
Net sales		5,771,028		5,218,153
Cost of sales		5,493,296		4,963,686
Gross trading profit		277,732		254,466
Selling, general and administrative expenses		185,368		176,533
Operating income		92,363		77,932
Non-operating revenue		61,095		62,030
Interest income	13,715		14,995	
Dividends	5,004		6,052	
Equity in earnings of unconsolidated subsidiaries and affiliates	28,911		23,752	
Gain of sales of securities	61		1,872	
Other income	13,402		15,357	
Non-operating expenses		51,979		50,427
Interest expense	33,101		38,332	
Interest expense on commercial papers	183		89	
Foreign exchange losses	5,664		-	
Other expenses	13,030		12,005	
Recurring profit		101,480		89,535
Extraordinary Income		15,827		30,562
Gain on sales and disposal of properties	1,187		11,596	
Gain on sales of investment securities	9,605		12,952	
Gain on sales of investment in partnership	166		188	
Dilution gain from changes in equity interest	121		227	
Gain on reversal of allowance for doubtful accounts	4,540		5,259	
Gain on sales of certain overseas receivables	29		30	
Gain on bad debt recovered	177		308	
Extraordinary loss-net		28,962		32,012
Loss on sales and disposal of properties	1,473		2,144	
Impairment losses on fixed assets	6,994		3,393	
Loss on sales of investment securities	659		293	
Loss on sales of investment in partnership	2		9	
Loss on devaluation of securities	6,085		3,957	
Dilution loss from changes in equity interest	26		150	
Loss, and provision for loss on dissolution of subsidiaries and affiliates	9,107		20,059	
Restructuring loss	4,613		1,380	
Special early retirement benefits	-		160	
Provision for retirement benefits for directors, executive officers and corporate auditors	-		463	
Income before income taxes and minority interests		88,344		88,085
Income taxes; Current		20,118		18,841
Income taxes; Deferred		2,062		4,971
Minority interests		3,469		5,506
Net income		62,693		58,766

Consolidated Statement of Changes in Shareholders' Equity

FY2007 (from April 1, 2007 to March 31, 2008) (Millions of yen)

	Shareholders' equity				
	Common and preferred stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2007	122,790	158,593	147,206	(126)	428,464
Change in FY2007					
New shares issued (share acquisition rights exercised)	37,549	37,450			75,000
Transfer from retained earnings to capital surplus		58,115	(58,115)		
Dividend of surplus			(12,322)		(12,322)
Current net income			62,693		62,693
Reversal of variance of land revaluation			339		339
Change due to increase/decrease in subsidiaries and equity-method companies			(477)		(477)
Change due to change in accounting system(*1)			(141)		(141)
Pension liability adjustment(*1)			81		81
Acquisition of treasury stock				(102,018)	(102,018)
Cancellation of treasury stock		(102,000)		102,000	-
Changes due to changes in equity-method company equity ratio				(0)	(0)
Net changes in accounts other than total shareholders' equity during the consolidated fiscal year					
Total change during FY2007	37,549	(6,433)	(7,942)	(18)	23,154
Balance as of March 31, 2008	160,339	152,160	139,264	(145)	451,619

	Total valuation and translation adjustments						
	Net unrealized gain on other securities	Deferred gains or losses on hedges	Land revaluation difference	Foreign currency translation adjustments	Total valuation and translation adjustments	Minority interest	Total net assets
Balance as of March 31, 2007	94,316	623	(1,935)	(32,882)	60,122	43,048	531,635
Change in FY2007							
New shares issued (share acquisition rights exercised)							75,000
Transfer from retained earnings to capital surplus							-
Dividend of surplus							(12,322)
Current net income							62,693
Reversal of variance of land revaluation							339
Change due to increase/decrease in subsidiaries and equity-method companies							(477)
Change due to change in accounting system(*1)							(141)
Pension liability adjustment(*1)							81
Acquisition of treasury stock							(102,018)
Cancellation of treasury stock							-
Changes due to changes in equity-method company equity ratio							(0)
Net changes in accounts other than total shareholders' equity during the consolidated fiscal year	(34,036)	722	(595)	(1,801)	(35,710)	1,248	(34,462)
Total change during FY2007	(34,036)	722	(595)	(1,801)	(35,710)	1,248	(11,307)
Balance as of March 31, 2008	60,280	1,345	(2,530)	(34,684)	24,412	44,296	520,327

(*1)Increase/decrease in conjunction with processing at overseas affiliates

Notes on Consolidated Accounts

Basis of Presenting Consolidated Financial Statements

1. Scope of Consolidation

(1) Number of Consolidated Subsidiaries: 360

The principal consolidated subsidiaries of the Sojitz Group are:

Sojitz Aerospace Corporation, Sojitz Machinery Corporation, Sojitz Marine & Engineering Corporation, Sojitz Energy Corporation, Sojitz Pla-Net Holdings, Inc., Sojitz Pla-Net Corporation, Pla Matels Corporation, Sojitz Building Materials Corporation, Sojitz Commerce Development Corporation, Sojitz General Property Management Corporation, Sojitz Realnet Corporation, Sojitz Foods Corporation, Daiichibo, Co., Ltd., Nichimen Infinity, Inc., Nichimen Fashion, Co., Ltd., Nissho Electronics Corporation, Sojitz Kyushu Corporation, Sojitz Corporation of America, Sojitz Europe plc., Sojitz Asia Pte. Ltd., Sojitz (Hong Kong) Ltd.

Fifty-three companies were brought under Sojitz consolidation during the consolidated accounting year, as a result of new incorporation or acquisition of existing companies; twenty-seven consolidated companies were sold or liquidated.

(2) Principal Non-consolidated Subsidiaries

CRJ Investment, Inc.

Reason for excluding this company from the consolidation:

Since the amounts of the total assets, net sales, net income and retained earnings of this company are so low that they would not significantly influence the consolidated financial statements, the company is excluded from the scope of consolidation.

2. Application of Equity Method

(1) Number of Non-consolidated Affiliates and Subsidiaries Accounted for by the Equity Method: 209

The principal equity-method affiliates of the Sojitz Group are:

Metal One Corporation, LNG Japan Corporation, Jalux, Inc.

Thirty-eight companies became equity-method companies during the consolidated accounting year, as a result of new incorporation or acquisition of existing companies; twenty-nine companies were sold and therefore became non-equity-method companies.

(2) Principal Non-consolidated Affiliates and Subsidiaries not Accounted for by the Equity Method:

D-Storm,Inc.

Reason for not applying the equity method to this company:

Since the amounts of the net income and retained earnings of this company are so low that they would not significantly influence the consolidated financial statements, the company is excluded from the target to which the equity method applies.

(3) Changes of Accounting Term of Major Companies under the Equity Method

The Closing date of the accounting year of one of our major affiliates, Metal One Corporation, was changed from December 31 to March 31. As a result, the business results for the fifteen months up to the end of March 2008 for the relevant company were reflected in the consolidated accounting for FY2007, and equity in earnings increased by 1,612 million yen.

3. Consolidated Subsidiaries' Business Years

A total of 234 consolidated subsidiaries use settling days different from that of the consolidated settlement of accounts. If the settling day of a consolidated subsidiary differs from the consolidated settling day by up to three months, the financial statements of that subsidiary are used for consolidated accounting. If the settling day difference significantly influences business transactions, adjustment to be required for consolidation is made on the business transaction. If the settling day of a consolidated subsidiary differs from the consolidated settling day by longer than three months, a settlement procedure considered as reasonable for a consolidated affiliate is conducted for that subsidiary on the consolidated settling day.

4. Accounting Standards

(1) Standards and Methods of Valuation of Significant Assets

1) Securities (including investment securities)

Trading securities

The market value method is used.

Cost of sales is generally calculated using the moving average method.

Bonds held to maturity

The amortization method (straight line method) is used.

Other securities

Those with fair market value

Such securities are valuated by the market value method based on the market value on the consolidated settling day (related valuation differences are directly charged or credited to the shareholders' equity and cost of securities sold is calculated using the moving average method).

Those without fair market value

Such securities are valuated at their cost based on the moving average method. Investments in a limited partnership for investment or a similar partnership (considered as marketable securities in accordance with Article 2, Paragraph 2 of the Financial Instrument and Exchange Law) are stated at their net equity value based on the most recent financial statements that are available on the settlement report date as specified in the partnership agreement.

2) Derivatives

The market value method is used.

3) Investment-purpose money trusts

The market value method is used.

4) Inventories

Inventories are generally valuated at their cost based on the specific identification method or moving average method, but some foreign consolidated subsidiaries use a lower-of-cost-or-market method based on a specific identification scheme.

(2) Methods of Depreciation and Amortization for Significant Depreciable Assets

1) Tangible Assets

The declining balance method is generally used. However, the straight line method has been used for buildings (excluding their attached facilities) that were acquired on or after April 1, 1998.

The useful lives for major tangible fixed assets are as follows:

Buildings and structures:	2 to 65 years
Machinery and transportation equipment:	1 to 40 years

2) Intangible Assets

The straight line method is generally used. Software for in-house use is amortized by the straight line method based on the in-house service life (5 years). Certain consolidated subsidiaries use the unit-of-production method for mining rights.

(3) Accounting Standards for Significant Reserves/Allowances

1) Allowance for Doubtful Receivables

In preparation for losses from bad receivables, bad loans, or other bad debts, possibilities of recovery of general debts are considered, based on the actual bad debt write-off rates, while for specific debts where default is likely, it is considered on an individual basis. The expected write-off amount as the result of this consideration is listed in accounts.

2) Allowance for Employees' Bonus

In preparation for the payment of employee bonuses, the amount expected to be paid is listed in accounts.

3) Reserve for Retirement Benefits

In preparation for the payment of retirement benefits to employees, this reserve is stated at the amount, reasonably expected to be paid at the end of this period, based on the retirement benefit liabilities at the end of this period and the expected amount of pension assets.

4) Reserve for Retirement Benefits for Directors and Auditors

In preparation for payment of retirement allowances to directors, auditors and executive officers, the estimated amount payable at the end of 2007, as calculated pursuant to the internal regulations is listed in accounts.

Additional Information

At the Annual General Shareholders' Meeting held on June 27, 2007, we adopted a resolution for the severance payments arising from the abolition of the retirement benefits system for directors and auditors. Accordingly, the entire accrued amount of retirement benefits for directors and auditors as of the time of the resolution was reversed, and unpaid portion of the payments is stated as other non-current liabilities.

(4) Standards for Converting Significant Assets or Liabilities in Foreign Currency to those in Local Currency

Credits and debts in foreign currency are converted to those in yen at the spot exchange rate on the consolidated settling day, and the exchange differences are stated as profit or loss. The assets and liabilities of overseas subsidiaries are converted to yen equivalents at the spot exchange rate on the pertinent subsidiary's settling day, and earnings and expenses are converted to yen equivalents at the current-period average exchange rate. The exchange differences are included in the minority interest and in the foreign exchange translation adjustment contained in the Shareholders' Equity section.

(5) Accounting Method for Significant Lease Transactions

For finance lease transactions in which the ownership of lease properties are not recognized as transferred to the lessee, the accounting method for ordinary lease transactions is used. Some overseas consolidated subsidiaries, however, use accounting methods associated with sale-and-purchase transactions are used.

(6) Significant Hedge Accounting Methods

1) Hedge Accounting Method

In general, the deferred hedge accounting is used. Exchange contracts, currency swaps, and currency options that fulfill the allocation requirements are subjected to the allocation accounting method, while interest rate swaps that fulfill the specific matching criteria are subjected to the accounting methods stipulated by those criteria.

2) Hedging Instruments and Hedged Items

Exchange forward contract, currency swap, and currency option transactions are used as hedging instruments against exchange rate variation risks involved in transactions in foreign currencies; interest rate swap, interest rate cap, and interest rate option transactions are used as hedging instruments against interest rate variation risks involved in debts, loans, coupon bonds, and similar transactions; commodity future, forward delivery, and also, similar transactions are used as hedging instruments against precious metals, grain, petroleum, and other merchandise price variation risks.

3) Hedge Policy

To avoid currency, interest rate, securities value, merchandise price variation risks that may accompany with our business activities, derivative transactions are generally used to hedge these risks in accordance with in-house management regulations.

4) Hedge Effectiveness Evaluation Method

Cumulative cash-flow or market fluctuations in hedged items are compared with those in as hedging instruments at half-year intervals. Effectiveness is evaluated, based on the fluctuations in both quantities. However, effectiveness evaluation is not conducted on interest rate swaps that rely on accounting methods to which specific matching criteria are applied.

(7) Other Basis of Presenting Consolidated Financial Statements

1) Accounting for Deferred Assets

Start-up costs of domestic consolidated subsidiaries are amortized on a straight line basis over 5 years; those of overseas consolidated subsidiaries over the period stipulated by local accounting standards. Stock issuing costs are amortized on a straight line basis over 3 years. Bond issuing costs are amortized on a straight line basis over the period of bond maturity. Costs of issuing bonds issued on or before March 31, 2006 are amortized over the period of bond maturity or 3 years, whichever is shorter. However, if this cost is low in amount, it is included in the lump-sum expenses.

2) Treating Paid Interests associated with Large Real-estate Development Projects as part of Historical Cost

Interests paid for a large real-estate development project (whose total investment is 2 billion yen or more and whose development period exceeds one year) during the normal development period are treated as part of the historical cost.

3) Accounting for Consumption Tax

The tax-excluded method is used.

4) Application of Consolidated tax Systems

The consolidated tax system is applied.

5. Valuation of Consolidated Subsidiaries' Assets and Liabilities

The assets and liabilities of consolidated subsidiaries are totally valuated at their market values.

6. Amortization of Goodwill

Goodwill is amortized on a straight line basis over five to 20 years, negative goodwill is amortized in five years but if this cost is low in amount, it is included in the lump-sum expenses of the pertinent year.

Changes in Accounting Policy

Methods of Depreciation and Amortization for Significant Depreciable Assets

Accompanying the revision of the Corporation Tax Law (Law for Revision of a Part of the Income Tax Law, etc., Law No. 6 of March 30, 2007, and Cabinet Order for Revision of a Part of the Enforcement Order of the Corporation Tax Law, Cabinet Order No. 83 of March 30, 2007), those acquired on and after April 1, 2007 are depreciated and amortized in accordance with the revised Corporation Tax Law.

The impact of this change on gross trading profits, operating income, recurring profits and income before income taxes and minority interest in and after FY2007 is negligible, compared to the hypothetical use of previous methods.

Additional Information

Those acquired on or before March 31, 2007 are amortized on a straight line basis over 5 years, from the year following the completion of amortization up to the maximum amortizable amount.

The impact of this change on gains and losses is negligible.

Practical Guidelines for Tax Effect Accounting in Consolidated Financial Statements

Accompanying the revisions of "Practical Guidelines for Tax Effect Accounting in Consolidated Financial Statements" (Accounting Systems Committee Report, No. 6) on March 29, 2007, revised guidelines were applied in FY2007, and deferred tax assets accompanying the deletion of unrealized profits accrued upon sales of subsidiaries' shares, etc. between consolidated companies are reversed and stated in income taxes deferred.

Compared to the hypothetical use of previous methods, the net income decreased by 7,952 million yen, accompanying this change.

Changes in the Presentation Method

Statement of Income

Since the amount of foreign exchange loss exceeds 10% of non-operating expenses, it is separately posted from the current consolidated year. In the previous consolidated year, foreign exchange gains, 1,408 million yen, were included in other income under non-operating revenue.

Notes on Consolidated Balance Sheet

1. Amounts of less than one Million Yen have been Discarded.

2. Mortgaged Assets and Liabilities

(1) Assets offered as Collateral for Borrowings

(Millions of yen)

Mortgaged assets		Corresponding liabilities	
Type	End-of-year book value		
Cash and deposits	659	Trade notes and trade accounts payable	9,853
Accounts receivable	2,196	Short-term loans payable	11,138
Inventories	66,075	Other current liabilities	38,775
Other current assets	1,613	Corporate bonds	1,276
Buildings and structures	9,362	Long-term loans payable	50,679
Machinery and transportation equipment	28,640	Other long-term liabilities	315
Land	9,256		
Construction in progress	1,069		
Other tangible fixed assets	2		
Intangible fixed assets (Other)	683		
Investment securities	47,277		
Long-term loans receivable	194		
Investments and other assets (Other)	520		
Total	167,552	Total	112,038

Note: In addition to the above, Sojitz has 3,633 million yen in investment securities, short-term loans receivable and long-term loans receivable in the form of shares in subsidiaries eliminated in consolidation and 409 million yen in subsidiary loans, and Sojitz Corporation of America’s borrowings of 10,391 million yen are mortgaged under the USA personal property security laws.

(2) Assets offered as Security Deposit, etc.

Cash and deposits:	5 million yen
Investment securities (including securities)	28,342 million yen

Note: In addition to the above, Sojitz has 12,175 million yen in investment securities in the form of shares in subsidiaries eliminated in consolidation.

3. Accumulated Depreciation of Tangible Fixed Assets 144,058 million yen

4. Guaranteed Debts

(Millions of yen)

Guaranteed party	Amount of guaranteed debts
LNG Japan	11,082
INPEX Offshore North Campos, Ltd.	2,566
Bontang LNG Train-H Investment Co., Ltd.	2,311
Nippon Asahan Aluminium Co., Ltd.	1,236
Usiminas Siderurgias De Minas Gerais S.A.	1,102
Others (88 debts)	30,050
Total	48,349

Note: The guaranteed debts listed above represent mainly guarantees of borrowings from financial institutions.

5. Notes Discounted 37,902 million yen

6. Notes Transferred by Endorsement 406 million yen

7. Provisional Disposition Method in Allocation of Historical Cost Pertaining to Merger

Assets of which historical cost has not been allocated as of closing date after the date of merger are posted as intangible fixed assets, by using provisional accounting procedures based on reasonable information obtainable at the relevant point.

8. Revaluation of Land

Some domestic consolidated subsidiaries revaluated their business-purpose land pursuant to the Law Concerning Revaluation of Land (Law No. 34 promulgated on March 31, 1998) and state the land revaluation differences in the section of Shareholders' Equity.

Revaluation Method

In general, land is revaluated based on appraisal reports from real estate appraisers as defined in Article 2, Paragraph 5 of the Enforcement Ordinance of the Law Concerning Revaluation of Land (Ordinance No. 119 promulgated on March 31, 1998).

Dates of Revaluation

On and before March 31, 2002

Difference Between the Market Value of Revaluated Land at the End of the Current Period and the Book Value:

582 million yen

Notes on Consolidated Statement of Income

Less than one million yen are discarded.

Notes on Consolidated Statement of Changes in Shareholder's Equity

1. Amounts of less than one million yen have been discarded.

2. Types and numbers of shares outstanding at the end of FY2007

Common shares:	1,233,852,443
First Series Class-III preferred shares:	1,500,000
Total:	1,235,352,443

3. Dividends

(1) Amount of dividends paid during the year ended March 31, 2008

Resolution	Class of shares	Source of dividend funds	Total amount of dividends (Millions of yen)	Dividend per share	Record date	Effective date
The Ordinary General Shareholders' Meeting held on June 27, 2007	Common share	Retained earnings	6,407	6.00 yen	March 31, 2007	June 28, 2007
The Ordinary General Shareholders' Meeting held on June 27, 2007	First Series Class-III preferred share	Retained earnings	22	15.00 yen	March 31, 2007	June 28, 2007
The Ordinary General Shareholders' Meeting held on June 27, 2007	First Series Class-V preferred share	Retained earnings	1,563	143.76 yen	March 31, 2007	June 28, 2007
Meeting of Board of Directors held on October 30, 2007	Common share	Retained earnings	4,317	3.50 yen	September 30, 2007	December 4, 2007
Meeting of Board of Directors held on October 30, 2007	First Series Class-III preferred share	Retained earnings	11	7.50 yen	September 30, 2007	December 4, 2007

(2) Dividends with a record date falling within FY2007 which come into effect in the next consolidated fiscal year

A motion is to be tabled at the AGM scheduled for June 25, 2008, suggesting the following dividends for common and preferred shares.

Common share dividends

1)	Amount of dividends:	5,551 million yen
2)	Source of dividend funds:	Retained earnings
3)	Dividend per share:	4.50 yen
4)	Record date:	March 31, 2008
5)	Effective date:	June 26, 2008

First Series Class-III preferred share dividends

1)	Amount of dividend:	11 million yen
2)	Source of dividend funds:	Retained earnings
3)	Dividend per share:	7.50 yen
4)	Record date:	March 31, 2008
5)	Effective date:	June 26, 2008

Notes on Per-share Information

1. Shareholders' equity per share: 383.46 yen

2. Current net income per share: 51.98 yen

Consolidated Cash Flow Statement

(Millions of yen)

	Account	FY2007 (From April 1, 2007 to March 31, 2008)	FY2006 (From April 1, 2006 to March 31, 2007)
1.	Net cash provided by operating activities		
2.	Income before income taxes and minority interests	88,344	88,085
3.	Depreciation and amortization	28,844	23,928
4.	Loss on revaluation of securities	6,085	3,957
5.	Decrease (increase) in allowance for doubtful receivables	(41,067)	(6,148)
6.	Interest and dividend income	(18,719)	(21,048)
7.	Interest expense	33,284	38,421
8.	Equity in earnings of unconsolidated subsidiaries and affiliates	(28,911)	(23,752)
9.	Gain (loss) on sales of securities	(9,265)	(14,787)
10.	Gain (loss) on sales and disposal of property & equipment	285	(9,452)
11.	Impairment loss on fixed assets	6,994	3,393
12.	Decrease in trade receivables	(26,135)	(62,697)
13.	Increase (decrease) in inventories	(108,510)	(99,052)
14.	Increase (decrease) in trade payables	55,154	78,685
15.	Other, net	49,024	7,507
16.	**Net cash provided by operating activities**	35,407	7,040
17.	Net cash provided by investment activities		
18.	Decrease in time deposit, net	(268)	9,392
19.	Decrease (increase) in marketable securities, net	(190)	84
20.	Payments for property & equipment	(40,354)	(28,774)
21.	Proceeds from sales of property & equipment	7,969	38,255
22.	Payments for purchase of investment securities	(48,013)	(35,763)
23.	Proceeds from sales of investment securities	40,234	46,480
24.	Decrease in short-term loans receivable, net	13,891	36,315
25.	Increase of long-term loans receivable	(7,136)	(22,914)
26.	Collection of long-term loans receivable	2,361	8,576
27.	Other, net	(37,216)	(8,945)
28.	**Net cash provided by investing activities**	(68,723)	42,706
29.	Net cash provided by financing activities		
30.	Increase (decrease) in short-term debt, net	(54,258)	(201,386)
31.	Decrease in commercial paper, net	15,000	(19,200)
32.	Proceeds from long-term debt	211,648	274,898
33.	Repayments of long-term debt	(154,977)	(266,922)
34.	Proceeds from issuance of bonds	45,905	374,626
35.	Redemption of bonds	(999)	(12,668)
36.	Payment for purchase of preferred shares	(102,000)	(240,920)
37.	Cash dividend paid	(12,322)	-
38.	Other, net	(1,720)	(3,903)
39.	**Net cash provided by financing activities**	(53,723)	(95,476)
40.	Effect of exchange rate changes on cash & cash equivalents	(4,289)	3,419
41.	Net decrease in cash & cash equivalents	(91,328)	(42,310)
42.	Cash & cash equivalents at the beginning of the period	464,273	506,254
43.	Effect of change in scope of consolidation	939	329
44.	Cash & cash equivalents at the end of the period	373,883	464,273

Consolidated Business Segment Information

Business Segment Information

FY2007 (From April 1, 2007, to March 31, 2008)

(Millions of yen)

	Machinery & Aerospace	Energy & Mineral Resources	Chemicals and Plastics	Real Estate Develop-ment & Forest Products	Consumer Lifestyle Business	Overseas Subsidiaries	Other Business	Total	Eliminated or Corporate	Consolidated
I. Net sales and operating income/loss										
Sales										
(1) Sales to outside customers	1,222,121	1,467,775	703,049	345,326	1,254,861	653,936	123,958	5,771,028	-	5,771,028
(2) Internal sales between segments	27,609	6,223	57,159	1,701	19,641	366,119	10,777	489,233	(489,233)	-
Total	1,249,730	1,473,999	760,208	347,027	1,274,502	1,020,056	134,736	6,260,262	(489,233)	5,771,028
Operating expenses	1,217,833	1,455,648	736,888	339,059	1,270,114	1,019,002	131,304	6,169,850	(491,185)	5,678,665
Operating income	31,897	18,351	23,320	7,967	4,388	1,053	3,432	90,411	1,952	92,363
II. Assets (at the end of March 2008)	447,278	591,333	345,394	296,038	335,885	362,904	144,409	2,523,243	146,108	2,669,352

Notes: 1. The unallocatable operating expenses that fall in the "Eliminated or Corporate" category amount to 657 million yen. The main portion is expenses of corporate divisions of Sojitz Corp.
2. The company-wide assets that fall in the "Eliminated or Corporate" category amount to 291,919 million yen. The main portion is in the form of cash, deposits, idle funds for investment, such as government and private bonds and securities.

FY2006 (From April 1, 2006, to March 31, 2007)

(Millions of yen)

	Machinery & Aerospace	Energy & Mineral Resources	Chemicals and Plastics	Real Estate Develop-ment & Forest Products	Consumer Lifestyle Business	Overseas Subsidiaries	Other Business	Total	Eliminated or Corporate	Consolidated
I. Net sales and operating income/loss										
Sales										
(1) Sales to outside customers	1,118,192	1,286,934	668,737	380,340	913,833	720,832	129,283	5,218,153	-	5,218,153
(2) Internal sales between segments	13,895	7,526	48,440	2,393	13,307	333,966	22,792	442,322	(442,322)	-
Total	1,132,088	1,294,460	717,178	382,733	927,140	1,054,798	152,075	5,660,475	(442,322)	5,218,153
Operating expenses	1,116,376	1,275,570	695,359	371,024	921,533	1,052,911	149,994	5,582,771	(442,550)	5,140,220
Operating income	15,711	18,889	21,818	11,708	5,607	1,887	2,080	77,704	228	77,932
II. Assets (at the end of March 2007)	355,323	504,317	370,225	272,799	316,111	363,495	171,580	2,353,853	265,654	2,619,507

Notes: 1. The unallocatable operating expenses that fall in the "Eliminated or Corporate" category amount to 1,584 million yen. The main portion is expenses of corporate divisions of Sojitz Corp.
2. The company-wide assets that fall in the "Eliminated or Corporate" category amount to 431,910 million yen. The main portion is in the form of cash, deposits, idle funds for investment, such as government and private bonds and securities.

* See " 2. Current circumstances of the group, (5) Major business segments of the group" for main products handled by each business unit.

Non-consolidated Financial Statements

Non-consolidated Balance Sheet

(Millions of yen)

Account	As of March 31, 2008	As of March 31, 2007
Assets		
Current Assets	955,770	905,173
Cash and deposits	154,723	274,927
Trade notes receivable	36,221	42,539
Trade accounts receivable	303,902	250,647
Securities	400	399
Merchandise	127,001	100,436
Real estate for sales	79,595	54,292
Merchandise in transit	42,453	27,543
Advance payments	35,656	18,482
Prepaid expenses	2,563	3,538
Deferred tax assets	13,181	1,996
Short-term loans receivable	1,391	2,317
Short-term loans to subsidiaries	79,834	67,955
Guarantee deposits	5,709	3,775
Accrued revenue	1,658	1,684
Accounts receivable	60,142	52,301
Others	14,755	5,469
Allowance for doubtful receivables	(3,418)	(3,136)
Fixed assets	967,882	1,008,178
Tangible assets	9,450	8,586
Buildings	4,188	3,934
Structures	392	398
Machinery	78	153
Vehicles and transport equipment	83	98
Instruments and utensils	558	642
Land	4,149	3,359
Intangible assets	20,610	23,262
Software	3,797	5,322
Goodwill	16,768	17,902
Telephone subscription rights	29	29
Telecommunication service	1	2
Others	12	6
Investments and other assets	937,822	976,329
Investment securities	210,305	242,105
Subsidiary stock	589,044	589,979
Subsidiary bonds	-	0
Marketable securities of other related companies	13,588	8,881
Investments	2,920	4,199
Investments in subsidiaries	28,604	27,412
Long-term loans	3,667	5,177
Long-term loans to employees	27	44
Long-term loans to subsidiaries	27,271	39,920
Long-term receivables	124,337	183,660
Long-term expenses in advance	5,702	5,860
Deferred tax assets	18,591	3,779
Others	4,963	10,550
Allowance for doubtful receivables	(87,572)	(132,189)
Allowance for investment loss	(3,630)	(13,052)
Deferred assets	2,346	3,079
Stock issuing cost	1,903	2,569
Bond issuing cost	443	510
Total assets	1,925,999	1,916,431

Account	As of March 31, 2008	As of March 31, 2007
Liabilities		
Current liabilities	847,304	681,885
Notes payable	9,283	15,403
Notes payable-trading	24,800	15,155
Accounts payable	276,657	215,792
Short-term borrowings	331,814	315,071
Commercial paper	25,000	10,000
Corporate bonds (redeemed within one year)	75,000	500
Accrued payable	7,332	10,754
Accrued expenses	3,230	3,632
Accrued income and other taxes	757	1,235
Advance receipts	22,677	13,482
Deposits	59,761	72,689
Income in advance	263	415
Guarantee deposits	3,412	2,577
Allowance for employees' bonus	3,237	3,097
Others	4,077	2,077
Non-current liabilities	661,784	783,291
Bonds, less current portion	140,000	245,000
Long-term loans payable	487,011	497,072
Long-term borrowings from subsidiaries	13,718	16,700
Allowance for retirement benefits	10,659	14,502
Reserve for retirement benefits for directors and auditors	-	690
Others	10,395	9,323
Total Liabilities	1,509,088	1,465,176
Net assets		
Total shareholders' equity	376,292	384,109
Common and preferred stock	160,339	122,790
Capital surplus	155,271	219,820
Capital reserves	152,160	114,709
Other capital surplus	3,110	105,110
Retained earnings	60,795	41,594
Other retained earnings	60,795	41,594
Deferred retained earnings	60,795	41,594
Treasury stock	(114)	(96)
Valuation and translation adjustments	40,619	67,145
Net unrealized gain on other securities	39,183	66,406
Deferred gains or losses on hedges	1,436	739
Total net assets	416,911	451,254
Total liabilities and net assets	1,925,999	1,916,431

Non-consolidated Statement of Income

(Millions of yen)

Account	FY 2007 (From April 1, 2007, to March 31, 2008)		FY 2006 (From April 1, 2006, to March 31, 2007)	
Net sales		3,480,490		2,833,207
Cost of sales		3,404,192		2,768,087
Gross profit on operating revenues		76,297		65,120
Selling, general and administrative expenses		60,072		57,599
Operating income		16,224		7,520
Non-operating revenue		56,739		85,666
Interest receivable	8,712		10,105	
Dividends income	38,729		60,783	
Others	9,297		14,777	
Non-operating expenses		38,983		37,870
Interest expenses	24,418		28,030	
Commercial paper interest	183		89	
Foreign exchange losses	5,228		-	
Miscellaneous expenses	9,152		9,750	
Recurring profit		33,980		55,316
Extraordinary Income		11,629		23,250
Gain on sales and disposal of properties	15		19	
Gain on sales of stock of subsidiaries	113		2,425	
Gain on sales of investment securities	4,259		7,116	
Gain on sales of investment in partners	86		181	
Gain on reversal of allowance for doubtful accounts	3,528		6,110	
Gain on sales of certain overseas receivables	29		30	
Gain on bad debt recovered	8		7	
Reversal of allowance for investment loss	3,588		-	
Gain on reorganization of affiliates	-		7,359	
Extraordinary Loss		23,891		55,184
Loss on sales and disposal of properties	8		15	
Loss on disposal of tangible fixed assets	24		81	
Impairment loss on fixed assets	309		240	
Loss on sales of investment securities	538		267	
Loss on sales of investments in partnerships	2		9	
Evaluation loss on investment securities	3,991		3,517	
Loss on devaluation of securities	3		111	
Loss, and provision for loss on dissolution of subsidiaries and affiliates	15,407		18,335	
Restructuring loss	3,602		-	
Omnibus share distinction loss	-		19,089	
Provision for allowance for investment losses	1		13,052	
Provision for retirement benefits for directors, executive officers and corporate auditors	-		463	
Income before income taxes and minority interests		21,719		23,383
Corporate income tax, corporate inhabit tax and enterprise tax		(3,134)		(3,899)
Income tax; Deferred		(6,670)		6,272
Net income		31,523		21,010

Non-consolidated Statement of Changes in Shareholder's Equity

FY2007 (From April 1, 2007, to March 31, 2008)

(Millions of yen)

	Total shareholders' equity							
	Common and preferred stock	Capital surplus			Retained earnings		Treasury stock	Total shareholders' equity
		Capital reserves	Other capital surplus	Total capital surplus	Other retained earnings Deferred retained earnings	Total retained earnings		
Balance as of March 31, 2007	122,790	114,709	105,110	219,820	41,594	41,594	(96)	384,109
Change during FY2007								
New shares issued (share acquisition rights exercised)	37,549	37,450		37,450				75,000
Dividend of surplus					(12,322)	(12,322)		(12,322)
Current net income					31,523	31,523		31,523
Acquisition of treasury stock							(102,018)	(102,018)
Cancellation of treasury stock			(102,000)	(102,000)			102,000	-
Net change in accounts other than total shareholders' equity during 2007								
Total change during FY2007	37,549	37,450	(102,000)	(64,549)	19,201	19,201	(18)	(7,817)
Balance as of March 31, 2008	160,339	152,160	3,110	155,271	60,795	60,795	(114)	376,292

	Valuation and translation adjustments			Total net assets
	Net unrealized gain/loss on other securities	Deferred gains or losses on hedges	Valuation and translation adjustments	
Balance as of March 31, 2007	66,406	739	67,145	451,254
Change during FY2007				
New shares issued (share acquisition rights exercised)				75,000
Dividend of surplus				(12,322)
Current net income				31,523
Acquisition of treasury stock				(102,018)
Cancellation of treasury stock				—
Net change in accounts other than total shareholders' equity during 2007	(27,223)	696	(26,526)	(26,526)
Total change during FY2007	(27,223)	696	(26,526)	(34,343)
Balance as of March 31, 2008	39,183	1,436	40,619	416,911

Notes on Non-consolidated Financial Statements

Significant Accounting Policies

1. Standards and Methods of Valuation of Assets

(1) Standards and Methods of Valuation of Securities

Securities for sales/purchase

These are valuated at their market value. Cost of sales is generally calculated by using the moving average method.

Bonds to be held to maturity

These are valuated by using the depreciation method (straight line method).

Affiliates and subsidiaries shares

These are valuated based on their cost determined by using the moving average method.

Other securities with fair market value

These are valuated by the market value method, based on the market value on the closing date of the period (related valuation differences are directly charged or credited to the net assets and cost of securities sold is calculated using the moving average method).

Other securities without fair market value

These are valuated at their cost based on the moving average method. Investments in a limited partnership for investment or a similar partnership (that can be considered as marketable securities in accordance with Article 2, Paragraph 2 of the Financial Instrument and Exchange Law) are stated at their net equity value on the most recent financial statements that are available on the settlement report date as specified in the partnership agreement.

(2) Derivatives

These are valuated by the market value method.

(3) Investment-purpose Money Trusts

These are valuated by the market value method.

(4) Inventories

These are generally valuated at their cost based on the specific identification method or moving average method.

2. Depreciation Methods for Fixed Assets

(1) Tangible Assets

These are depreciated by the declining balance method. However, the straight line method is used for buildings (excluding their attached facilities) that were acquired on or after April 1, 1998.

(2) Intangible Assets

For these, the straight line method is generally used. Software for in-house use is amortized by the straight line method based on the in-house service life (5 years).

3. Accounting Standards for Reserves/Allowances

(1) Allowance for Doubtful Receivables

In preparation for losses from bad receivables, bad loans, or other bad debts, possibility of recovery is considered for general debts based on the actual bad debt write-off rate, whereas it is considered individually for specific debts where default is likely. The expected write-off amount as the result of this consideration is listed in accounts.

(2) Allowance for Investment Losses

In preparation for losses on investments in affiliates, we list in accounts the predicted amount of loss calculated individually in accordance with the company standards, which takes into account the financial situation and business value of the pertinent affiliate.

(3) Allowance for Bonuses

In preparation for the payment of employee bonuses, the amount expected to be paid is listed in accounts.

(4) Reserve for Retirement Benefits

In preparation for the payment of retirement benefits to employees, the reserve for retirement benefits is listed in accounts based on the amount of retirement benefit liabilities at the end of the fiscal year.

(5) Reserve for Retirement Benefits for Directors and Auditors

In preparation for payment of retirement allowances to directors and executive officers, the predicted amount payable at the end of 2007 as calculated pursuant to internal regulations was listed in accounts.

Additional Information

At the AGM held on June 27, 2007, we adopted a resolution for the severance payments arising from the abolition of the retirement benefits system for directors and auditors. Accordingly, the entire accrued amount of retirement benefits for directors and auditors as of the time of the resolution was reversed, and unpaid portion of the payments is stated as other non-current liabilities.

4. Standards for Converting Assets or Liabilities in Foreign Currency to those in Local Currency

Credits and debts in foreign currency are converted to those in yen at the spot exchange rate on the settlement date, and the exchange differences are stated as profit or loss.

5. Accounting Method for Lease Transactions

For finance lease transactions in which the ownership of lease properties is not recognized as transferred to the lessee, the accounting method for ordinary lease transactions is used.

6. Hedge Accounting Methods

(1) Hedge Accounting Method

In general, the deferred-hedge accounting method is used. Exchange contracts, currency swaps, and currency options that fulfill the allocation requirements are subject to the allocation accounting methods, while interest rate swaps that fulfill the specific matching criteria are subject to the accounting methods stipulated by those criteria.

(2) Hedging Instruments and Hedged Items

Exchange forward contract, currency swap, and currency option transactions are used as hedging instruments against exchange rate variation risks involved in transactions in foreign currencies; interest rate swap, interest rate cap, and interest rate option transactions are used as hedging instruments against interest rate variation risks involved in debts, loans, coupon bonds, and similar transactions; commodity future, forward delivery, and similar transactions are used as hedging instruments against precious metals, grain, petroleum, and other merchandise price variation risks.

(3) Hedge Policy

To avoid currency, interest rate, securities value, merchandise price variation risks that may accompany with our business activities, derivative transactions are generally used to hedge these risks in accordance with the in-house management regulations.

(4) Hedge Effectiveness Evaluation Method

Cumulative cash-flow or market fluctuations in hedged items are compared with those in hedging instruments at half-year intervals. The effectiveness is evaluated, based on the fluctuations in both quantities. However, effectiveness evaluation is not conducted on interest rate swaps that rely on the accounting method to which the specific matching criteria are applied.

7. Other Basis of Presenting Financial Statements

(1) Accounting for Deferred Assets

Stock issuing costs are amortized on a straight line basis over 3 years. Bond issuing costs are amortized on a straight line basis over the period of bond maturity. Costs of issuing bonds issued on or before March 31, 2006 are amortized over the period of bond maturity or 3 years, whichever is shorter. However, if this cost is low in amount, it is included in the lump-sum expenses.

(2) Treating Interest Paid associated with Large Real-estate Development Projects as Part of Historical Cost

Interests paid for a large real-estate development project (whose total investment is 2 billion yen or more and whose development period exceeds one year) during the normal development period are treated as part of the historical cost.

(3) Accounting for Consumption Tax

The tax-excluded method is used.

(4) Application of the Consolidated Tax Systems

The consolidated tax system is used.

Changes in Accounting Policy

Methods of Depreciation and Amortization for Significant Depreciable Assets

Accompanying the revision of the Corporation Tax Law (Law for Revision of a Part of the Income Tax Law, etc., Law No. 6 of March 30, 2007, and Cabinet Order for Revision of a Part of the Enforcement Order of the Corporation Tax Law, Cabinet Order No. 83 of March 30, 2007), those acquired on and after April 1, 2007 are depreciated and amortized in accordance with the revised Corporation Tax Law.

The impact of this change on gross trading profits, operating income, recurring profits and income before income taxes and minority interest in and after FY2007 is negligible, compared to the hypothetical use of previous methods.

Additional Information

Those acquired on or before March 31, 2007 are amortized on a straight line basis over 5 years, from the year following the completion of amortization up to the maximum amortizable amount.

The impact of this change on gains and losses is negligible.

Changes in Presentation Method

Statement of Income

Since the amount of foreign exchange loss exceeds 10% of non-operating expenses, it is separately posted from the current fiscal year. In the previous fiscal year, foreign exchange gains, 1,757 million yen, were included in other income under non-operating revenue.

Notes on Balance Sheet

1. Amounts of less than one Million Yen have been Discarded.

2. Mortgaged Assets and Liabilities

(Millions of yen)

Mortgaged assets		Corresponding liabilities	
Type	Book value at the end of fiscal year		
Securities	400	The assets to the left have been offered as collateral for borrowings or as security deposit. The reasons for those assets being mortgaged are listed below.	
Accounts receivable	264		
Merchandise	38,654		
Short-term loans receivable (including those to affiliates)	271	Long-term borrowings (including those repaid within one year)	6,862
Investment securities (including shares in affiliates)	85,915	Deposits received	38,654
Long-term loans receivable (including those to affiliates)	332		
Total	125,837	Total	45,517

Notes: 40,117 million yen of the Company's investment securities were offered as security deposits.

3. Accumulated Depreciation of Tangible Fixed Assets: 5,200 million yen

4. Guaranteed Debts

(Millions of yen)

Guaranteed party	Amount of guaranteed debts
Sojitz Corporation of America	41,164
Sojitz Asia Pte. Ltd.	27,282
Sojitz (Hong Kong) Ltd.	16,182
Sojitz Energy Project Ltd.	14,139
Sojitz (Thailand) Co., Ltd.	11,723
LNG Japan	11,082
Sojitz UK plc.	10,436
Sojitz Energy Corporation	9,000
Sojitz Petroleum Co., (Singapore) Pte. Ltd.	8,339
Charlotte Aircraft Corporation	6,940
Others (170 debts)	101,228
Total	257,521

Note: The guaranteed debts listed above represent mainly guarantees of borrowings from financial institutions, and include 89,343 million yen in quasi guarantee acts.

5. Notes Discounted: 36,325 million yen

Note: Outstanding inter-bank transactions, which represent the balance of export letters of credit yet to be purchased by banks, are included in the discounts on trade notes receivable because they can be treated as trade note discounts. Their amount is 12,224 million yen.

6. Monetary Claims against and Debts to Affiliates

Short-term monetary claim:	206,210 million yen
Long-term monetary claim:	77,064 million yen
Short-term monetary debt:	68,510 million yen
Long-term monetary debt:	15,419 million yen

Notes on Statement of Income

1. Amounts of less than one Million Yen have been Discarded.

2. Transactions with Affiliates

Sales to affiliates:	372,787 million yen
Purchases from affiliates:	476,171 million yen
Non-operating transactions with affiliates:	49,645 million yen

Notes on Statement of Changes in Shareholder's Equity

1. Amounts of less than one million yen have been discarded.

2. Types and numbers of shares outstanding at the end of 2007

Common shares:	227,219

<u>Notes on Accounting for Tax Effects</u>

1. Amounts of less than one million yen have been discarded.

2. Major causes of deferred tax assets and liabilities

Deferred tax assets

Allowance for doubtful receivables and write off in excess of maximum allowable amount:	13,372 million yen
Loss on devaluation of investment securities:	18,989 million yen
Loss from consolidation:	7,454 million yen
Reserve for retirement benefits in excess of maximum allowable amount:	2,816 million yen
Losses carried forward:	272,971 million yen
Others:	11,095 million yen
Subtotal:	326,699 million yen
Valuation allowance:	(242,186) million yen
Total deferred tax assets:	84,513 million yen
Offset against deferred tax liabilities:	(52,740) million yen
Deferred tax assets listed in accounts:	31,772 million yen

Deferred tax liabilities

Gain from consolidation:	(25,397) million yen
Net unrealized gain on other securities:	(26,336) million yen
Others:	(1,006) million yen
Total deferred tax liabilities:	(52,740) million yen
Offset against deferred tax assets:	52,740 million yen
Deferred tax liabilities listed in accounts:	—
Net deferred tax assets:	31,772 million yen

<u>Notes on Leased Fixed Assets</u>

Major fixed assets that Sojitz uses under lease agreements in addition to the fixed assets stated on the balance sheet include computer equipment.

Transactions with Affiliated Parties

Subsidiaries

(Millions of yen)

Classification	Company	Ownership including voting right	Relationship		Transactions	Amount of business	Account	As of March 31, 2008
			Holding the executive position in other organizations	Business relationship				
Subsidiary	Sojitz Corporation of America	Directly and wholly owned	2 persons	Buyer and supplier of products	Debts guaranteed (*1) Guarantee fees received (*2)	41,164 41	- -	- -
Subsidiary	Sojitz Asia Pte. Ltd.	Directly and wholly owned	-	Buyer and supplier of products	Debts guaranteed (*1) Guarantee fees received (*2)	27,282 2	-	-
Subsidiary	MMC Automotriz, S.A.	Directly and owned 92.3%	-	Buyer of products	Sales of products (*3)	50,223	Accounts receivable —trade	20,775
Subsidiary	Subaru Motor LLC	Directly and owned 51.0%	-	Buyer of products	Sales of products (*3)	41,203	Accounts receivable —trade	22,787
Subsidiary	N-I Energy Development Inc.	Directly and owned 80.0% Indirectly 20.0%	-	Borrower of funding loans	Claims write-off (*4)	4,245	-	-

Terms of Trade and Policies for Determining These Terms

*1 Sojitz Corporation guarantees the pertinent company's bank borrowings.

*2 Sojitz Corporation receives a fee of 0.1% per annum on the outstanding balance of the loans.

*3 The Sales price is determined upon negotiations taking into account market price

*4 We wroteoff our claims upon completion of liquidation of the company.

Notes on Per-share Information

1. Shareholders' equity per share: 335.52 yen
2. Current net income per share: 26.13 yen

Independent Auditors' Audit Report

May 14, 2008

To the Board of Directors,
Sojitz Corporation

KPMG AZSA & Co.

Designated and Engagement Partner Certified Public Accountant	Takuichi Arai	Seal
Designated and Engagement Partner Certified Public Accountant	Junshi Ono	Seal
Designated and Engagement Partner Certified Public Accountant	Iwao Hirano	Seal

In accordance with Article 444, Paragraph 4 of the Corporate Law, we, the audit corporation, audited the consolidated financial statements, that is, the consolidated balance sheet, consolidated statement of income, consolidated statements of change in shareholders' equity and the notes to the consolidated financial statements of the Company for the consolidated fiscal term from April 1, 2007 to March 31, 2008. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on the consolidated financial statements.

We, the audit corporation, conducted our audit in accordance with auditing standards generally accepted in Japan. Those auditing standards require that we plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

These consolidated financial statements are in accordance with auditing standards generally accepted in Japan and they present fairly the financial position and the results of operations in every material matter which consists of Sojitz Corporation and its subsidiaries for the period of the consolidated financial statements of the Group.

Additional Information

As described in the paragraph under the changes of the auditing policy in the notes to the consolidated financial statements, the Company applied "Practical Guidelines on Accounting Standards for Tax Effect Accounting in Consolidated Financial Statements." (Accounting Systems Committee Report, No. 6) from the period under review.

Our firm and engagement partners have no interest in the Company which must be disclosed pursuant to the provisions of the Certified Public Accountants Law.

Independent Auditors' Audit Report

May 14, 2008

To the Board of Directors,
Sojitz Corporation

KPMG AZSA & Co.

Designated and Engagement Partner Certified Public Accountant	Takuichi Arai	Seal
Designated and Engagement Partner Certified Public Accountant	Junshi Ono	Seal
Designated and Engagement Partner Certified Public Accountant	Iwao Hirano	Seal

In accordance with Article 436, Paragraph 2 Item 1 of the Corporate Law, we, the audit corporation audited the non-consolidated financial statements, that is, the non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statements of change in shareholders' equity and the notes to non-consolidated financial statements and supplementary schedules of the Company for the 5th fiscal term from April 1, 2007 to March 31, 2008. These non-consolidated financial statements and supplementary schedules are the responsibility of the Company's management. Our responsibility is to independently express an opinion on the non-consolidated financial statements and the supplementary schedules based on our audit.

We, the audit corporation, conducted our audit in accordance with auditing standards generally accepted in Japan. Those auditing standards require that we plan and perform the audit to obtain reasonable assurance as to whether the non-consolidated financial statements and supplementary schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the non-consolidated financial statements and supplementary schedules, assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall presentation of the non-consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

These non-consolidated financial statements and supplementary schedules are in accordance with auditing standards generally accepted in Japan and they present fairly the financial position and the results of operations in every material matter for the period of the non-consolidated financial statements.

Our firm and engagement partners have no interest in the Company which must be disclosed pursuant to the provisions of the Certified Public Accountants Law.

Board of Corporate Auditors' Audit Report: Full Copy

Audit Report

The Board of Corporate Auditors, based on the audit reports made by each Corporate Auditor concerning the execution of duties by Directors for the 5^{th} fiscal term from April 1, 2007 to March 31, 2008, prepared this Audit Report and hereby submit it as follows:

1. The methods and details of the Audit Conducted by the Corporate Auditors and the Board of Corporate Auditors

The Board of Corporate Auditors determined auditing policies and allocation of duties, received reports from each Corporate Auditor concerning the implementation and the results of the audits, obtained reports on business operations from Directors and other relevant persons as well as the Accounting Auditors concerned, and requested explanations as necessary.

In accordance with the audit standards for the Corporate Auditors as established by the Board of Corporate Auditors, the auditing policies, the audit execution plan and allocation of duties, each Corporate Auditor communicated Directors, Internal Audit Department as well as other employees, committed to gather information and develop an audit environment, attended the meetings of the Board of Directors and other significant meetings; obtained reports on business operations from Directors and others; requested explanation as necessary; reviewed documents which record approval of material matters; conducted investigations regarding the status of the business operations and assets of the head office and other major offices.

In addition, the Corporate Auditors monitored and confirmed the condition of the system (the internal control system) implemented based on the corporate resolution concerning the implementation of system set forth in the Article 100, Paragraph 1 and 3 of the Corporate Law and required to ensure the execution of duties by Directors in accordance with related laws, regulations and the Articles of Incorporation of the Company.

Based on the methods as described above, the Board of Corporate Auditors deliberated the business reports and supplementary schedules for the period under review.

Furthermore, the Corporate Auditors monitored and confirmed if the Accounting Auditors holding independent position and performing appropriate audit received reports on auditing operations from the Accounting Auditors; and requested explanation as necessary. Also, the Corporate Auditors received a notice of "system to ensure appropriate execution of duties" (set forth in Article 159 of the Company's Calculation Rules) from the Accounting Auditors and requested explanation as necessary.

Based on the methods as described above, the Board of Corporate Auditors deliberated the non-consolidated financial statements (the non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statements of change in net assets and the notes to non-consolidated financial statements) and supplementary schedules and the consolidated financial statements (the consolidated balance sheet, consolidated statement of income, consolidated statements of change in net assets and the notes to non-consolidated financial statements for the period under review.

2. Results of audit

(1) Audit results of business operation reports and other documents concerned

1. The business report and supplementary schedules comply with the laws and regulations and with the articles of incorporation and correctly represents the company status.
2. The business activities performed by the directors were correct and did not seriously violate the laws, regulations, or the articles of incorporations.
3. The corporate resolution concerning the internal control system is fair and reasonable. There are not matters to be pointed out for the execution of duties by Directors regarding the internal control system.

(2) Audit results of the non-consolidated financial statements and supplementary schedules

The auditing methods and results of the Accounting Auditors, KPMG AZSA & Co., are fair and reasonable.

(3) Audit results of the consolidated financial statements

The auditing methods and results of the Accounting Auditors, KPMG AZSA & Co., are fair and reasonable.

May 16, 2008

Sojitz Corporation Board of Corporate Auditors

Corporate Auditor (regular)	Kenji Okazaki	Seal
Corporate Auditor (regular)	Joji Wada	Seal
Outside Corporate Auditor (regular)	Shunsaku Yahata	Seal
Outside Corporate Auditor	Yoshiaki Ishida	Seal
Outside Corporate Auditor	Kazuo Hoshino	Seal