



PROFILE

Sojitz Holdings Corporation, which changed its name from Nissho Iwai - Nichimen Holdings Corporation on July 1, 2004, was established as a holding company of the former Nichimen Corporation (hereinafter referred to as “Nichimen”) and the former Nissho Iwai Corporation (hereinafter referred to as “Nissho Iwai”) on April 1, 2003. The Company is responsible for the overall management of the Group and is accountable to all stakeholders including shareholders. Sojitz Holdings is committed to increasing earning power and maximizing corporate value, while at the same time overseeing the business activities of Group operating companies.

On April 1, 2004, Nichimen and Nissho Iwai merged to form a new company, Sojitz Corporation. As the core operating company of the Sojitz Group, Sojitz strives to leverage the functions, know-how and customer base, built by its predecessors over a long period. As a general trading company, Sojitz is active in a number of global businesses. The company endeavors to pursue commodities import and export across a broad cross section of markets in Japan and overseas. Sojitz also engages in activities related to the manufacture, sale and service of diverse products, plans and coordinates a variety of projects, and invests in and finances activities in diverse business fields.

The Sojitz Group will work to reinforce and expand profitability by enhancing collective strengths and pursuing business synergies, and striving to become an innovative and functional trading company group underpinned by its Group management vision.

GROUP MANAGEMENT VISION

- Establish a multi-faceted business, which has both top-tier competitiveness and strong earning power in specific industries and markets, by continuously pursuing profitability and growth in core business areas.
- Establish an innovative trading company, to actively respond to environmental changes and market globalization, and continuously develop new business fields through entrepreneurship.
- Establish a functional trading company, to understand multiple customer needs and provide sophisticated, tailor-made services as a customer’s business partner.
- Establish an open company, where each employee is given a chance to realize his or her own personal goals and ambitions.

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SOJITZ GROUP

The Group is identified under the new name of “Sojitz.” The Sojitz brand strategy employs a single brand name and a single brand symbol to unite every Group member company in both form and action.

Group Name

The name “Sojitz” is composed of two parts. The Japanese word “so” is used here to symbolize the strong partnership among us, our customers and society. The Japanese word “jitz” symbolizes our efforts to become a corporate group characterized by its dynamic energy and a source of great power. Together, “Sojitz” embodies the Group’s commitment and dedication to secure sustained growth in concert with our customers and to realize a bright and prosperous future.

Group Symbol



“Global Arrows” (Symbol Mark)

The symbol mark is a dynamic image of two arrows soaring skyward, extending beyond the earth’s horizon. The design is also a pictogram of the Japanese character for the “so” in our name.

“Sojitz Blue” (Group Color)

We have identified “Sojitz Blue” as the color for our symbol mark, which represents the trust we are working to garner from our customers and society, and our global efforts to pursue business with speed and a spirit of innovation.

Group Structure





**SUMMARY OF THE FIRST FISCAL YEAR—
TOWARD AN IMPROVEMENT IN PROFITABILITY**

With over a century of tradition and experience, Nichimen and Nissho Iwai executed the business integration on April 1, 2003 and established a holding company of Nichimen and Nissho Iwai as the core operating companies, as the first step in a new beginning. At the same time, the new holding company, Nissho Iwai - Nichimen Holdings Corporation, which changed its name to Sojitz Holdings Corporation on July 1, 2004, formulated its Business Plan, a three-year management plan covering the period from April 2003 through March 2006, based on two fundamental policies: (1) the improvement of profitability, and (2) the reinforcement of financial strength.

Looking at fiscal 2003, the first year of our Business Plan, we brought forward efforts to consolidate domestic and overseas bases, streamline and rationalize the Group's administrative organization and reorganize business structure

including the integration of subsidiaries wherever possible, based on the keywords "Speed and Action." In order to improve profitability, we also took great strides in establishing an optimum Group structure, while working to curtail costs. At the same time, we worked to reinforce financial strength by implementing an equity-financing program. In the first year of the Business Plan, we were successful in accelerating efforts to strengthen shareholders' equity and reduce interest-bearing debt. With the aim of further reinforcing financial strength, we recorded a special loss for the fiscal year ended March 31, 2004 as part of initiatives to rationalize affiliated companies and restore overseas asset quality, and allocated merger disposition on April 1, 2004 in connection with the merger of the Group's principal operating companies, for an aggregate total of ¥200 billion.

As a result of these initiatives, we are now in a position to concentrate our efforts on proactively reinforcing profitability and to establish a platform for significant growth.

STRENGTHENING CORPORATE GOVERNANCE

As a public listed company, Sojitz Holdings focuses on clarifying its management responsibilities and accountability to stakeholders, including shareholders, and at the same time to manage and oversee the business management of Sojitz Corporation. Leveraging business synergies and the organizational strength generated through the merger, Sojitz Corporation, the principal operating company of the Group, manages and oversees the operations of Group companies and affiliates. In June 2004, the appointment of an outside director was ratified at the Annual General Shareholders' Meeting. The outside director acts as chairman of the Nomination and Remuneration Committees. Both committees serve in an advisory function to the Company's Board of Directors. Through these means, Sojitz Holdings is working to establish an efficient and highly transparent management framework and to reinforce Group corporate governance.

FROM CREATION TO GROWTH AS A HIGHLY FUNCTIONAL AND INNOVATIVE TRADING COMPANY

Performing on the global stage, the Sojitz Group is active in business development across diverse domains, primarily focusing on trade and investments. We strive to recognize market needs, one step ahead of environmental and technology trends. We evaluate each proposal from every possible angle to gain a broad and deep understanding in advance of our rivals. Backed by a "Think Beyond the Client—Look Beyond the Market" philosophy, recognizing the latest needs of customers and preempting market trends, our goal as a functional and innovative trading company is to gain the increasing trust of customers and partners by consistently providing highly acclaimed functions and services.

EVOLUTION TOWARD A MULTI-FACETED BUSINESS

The Sojitz Group will endeavor to deliver functions and services that exceed market and customer expectations, while reinforcing financial strength, improving profitability and strengthening management structure. In addition, we will leverage collective Group strengths, and establish an upward spiral by which Group companies continuously deliver value-added quality. This upward spiral is critical to becoming a customer-oriented general trading company.

The Sojitz Group is committed to change, and through its collective know-how and enthusiasm, to accelerate the process of self-evolution. Focusing on the diverse needs of our customers, and prompted by calls from society, we will continue to evolve to satisfy the demands of the market and stakeholders. Sojitz will endeavor to grow in partnership with customers and society, and to realize a bright and prosperous future.

Sojitz Group management and employees together are committed to raising corporate value through the implementation of its Business Plan. We will refocus efforts to become a multi-faceted business and to secure dynamic earning power and a top position in those industries in which we operate.

July 1, 2004



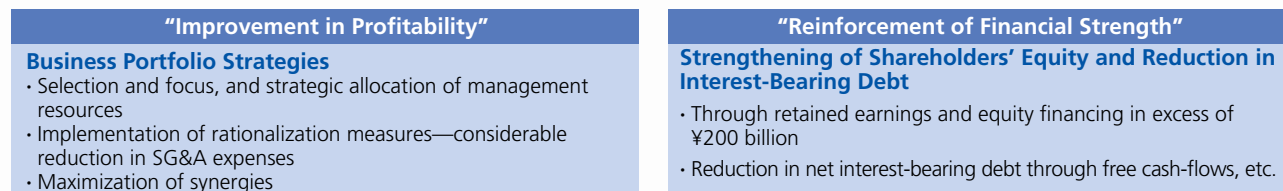
Hidetoshi Nishimura

President and CEO

THREE-YEAR BUSINESS PLAN

Details of the current Three-Year Business Plan, described below were announced in January 2003. On July 23, 2004, the Sojitz Group announced the fundamental policies of the New Business Plan, which progressively reviews the current Three-Year Business Plan. Full details of the New Business Plan are due for announcement in September 2004.

Fundamental Policy

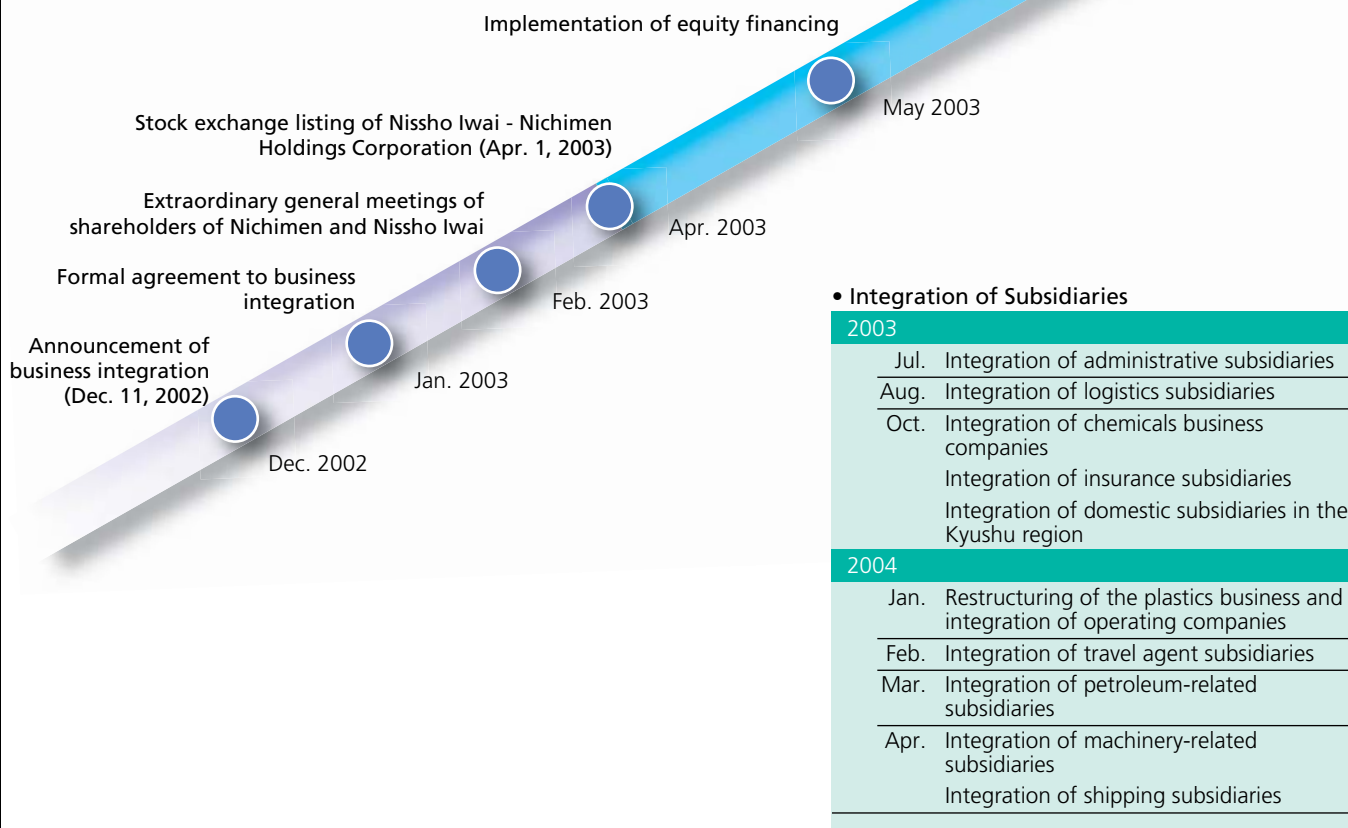


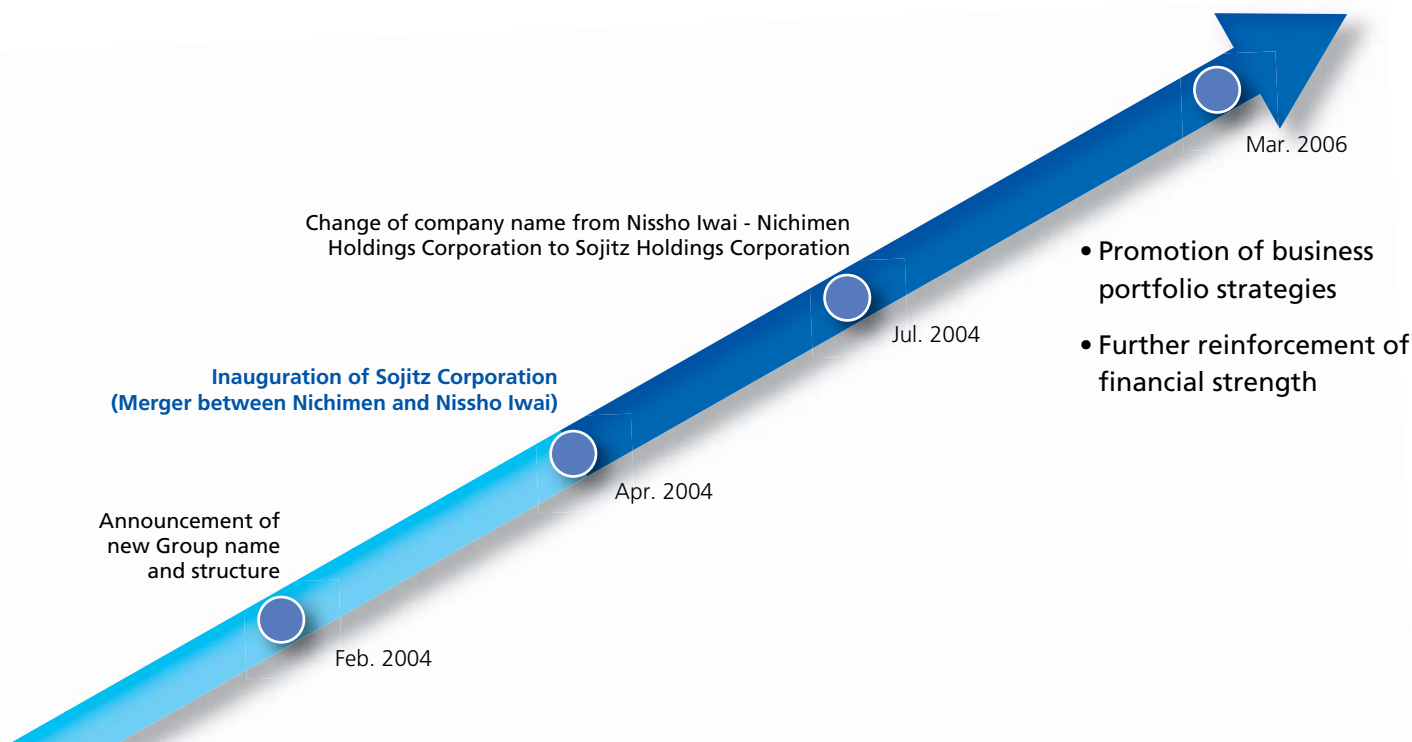
¹Recurring profit is in conformity with accounting line items generally accepted in Japan and represents the fundamental earning power of the Company

²Net interest-bearing debt = Gross interest-bearing debt (Long- and short-term debt + corporate and convertible bonds + CP) - Cash and cash equivalents

Implementation Points

- Period of the Plan: April 1, 2003 to March 31, 2006 (Three-Year Business Plan)
- Prompt implementation of drastic restructuring measures
 - Commence all possible restructuring efforts in the first year. Forecast deficit in the first year due to restructuring costs.
 - Anticipate significant rise in profitability from the second year owing to restructuring and synergy effects.





First Year Business Plan Results

Earnings and Balance Sheet Summary

A good start based on achievement of initial plans

	FY2002 Results* ³	FY2003 Forecast	FY2003 Results
Recurring Profit (Billions of yen)	27.5	48.0	48.5
Net Loss (Billions of yen)	(122.4)	(29.0)	(33.6)

*³ Reference figures calculated based on FY2002 results, for both Nichimen and Nissho Iwai, and on factors such as consolidated adjustments relating to mutual subsidiaries owned by both companies.

Net loss was ¥33.6 billion, more than initially planned. This is attributed to additional efforts to restore asset quality and a special loss of ¥112.8 billion reported during the fiscal year ended March 31, 2004, following the review of investments in and loans to subsidiaries and affiliated companies, and in overseas receivables.

	As of April 1, 2003	Forecast for March 31, 2004	Result as of March 31, 2004
Net DER (Times)	41.4	8.5	4.9
Net Interest-Bearing Debt (Billions of yen)	2,087.6	1,945.0	1,557.1
Shareholders' Equity (Billions of yen)	50.4	230.0	316.2

Improvement in Profitability

Recurring profit for the first year achieved according to the Plan

● Rationalization

Business Plan Rationalization targets achieved in **the first year** of the Plan

● Results of Rationalization Plan

	As of September 30, 2002	Targets for March 31, 2006	Actual as of March 31, 2004	Achievement (B/A)
Number of employees (consolidated)	21,800	(6,200)	(7,200)	116%
Number of subsidiaries (consolidated)* ⁴	430	(160)	(172)	108%
Number of domestic branches	8	(4)	(4)	100%
Number of overseas operating bases* ⁴	187	(120)	(125)	104%

Note: Progress compared with the initial Rationalization Plan

*⁴ Rationalization results as of March 31, 2004 are inclusive of consolidations as of April 1, 2004.

Reinforcement of Financial Strength

Reinforcement of financial strength, significantly exceeding initial plans

● Increases in capital

The Company raised **¥283.2 billion** in equity finance, exceeding its initial target of ¥200 billion.

(Preferred stock ¥266.0 billion, common stock approximately ¥7.2 billion, corporate bonds*⁵ ¥10.0 billion) *⁵ Yen-denominated convertible bonds

● Direct procurement from the market

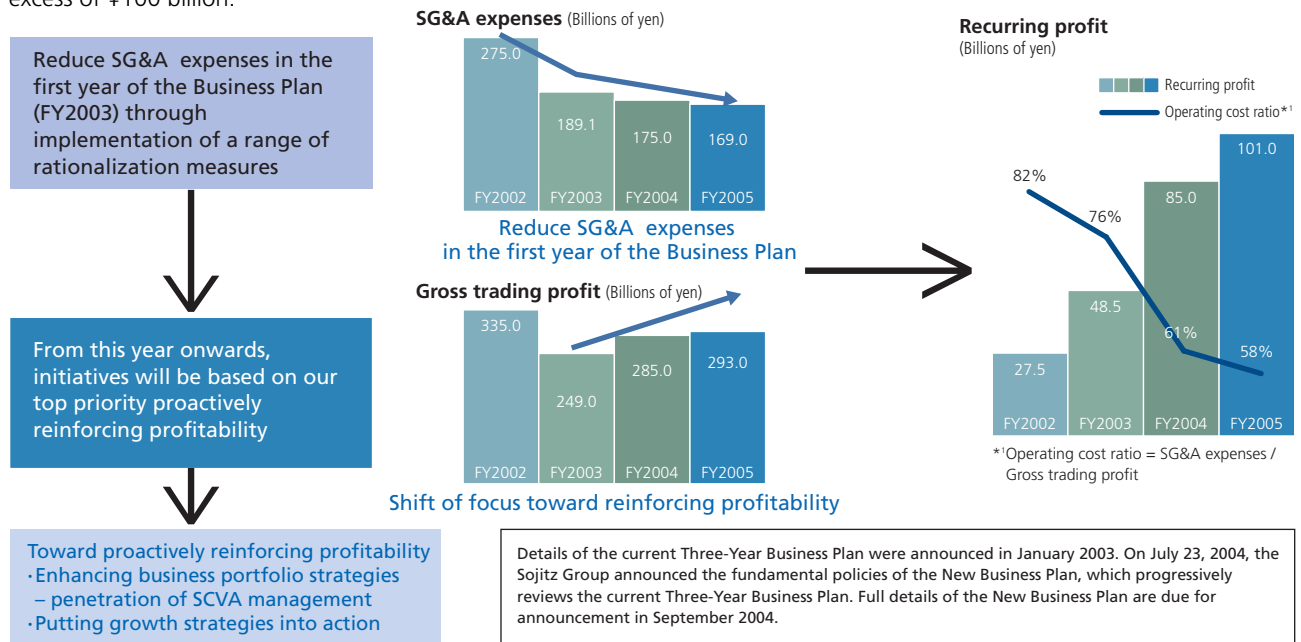
Issue of **¥25 billion** straight bonds with the aim of improving capital structure. (Increased issue from initial amount of ¥20 billion.)

● Restoration of assets

Disposition of **roughly ¥200 billion** and reduced risk of additional future loss through disposition of special loss during FY2003, and merger disposition on April 1, 2004.

Toward Proactively Reinforcing Profitability

From this year onwards, Sojitz will place top priority on expanding profitability. In conjunction with additional rationalization efforts, Sojitz is committed to shifting its focus toward proactively reinforcing profitability and to implement its business portfolio and growth strategies underpinned by the goals of improving gross trading profit and achieving recurring profit in excess of ¥100 billion.



Enhancing Business Portfolio Strategies

Sojitz has introduced SCVA (Sojitz Corporation Value Added) as a new common management indicator across the Group. SCVA serves as a tool to analyze current value creation and the future potential for each business line and business model as value-creation mechanisms with the aim of prioritizing business activities and effectively reallocating management resources. The Sojitz Group will thoroughly implement its business portfolio strategies based on SCVA and enhance corporate value.

Business Evaluation

- Quantitative evaluation (SCVA) and qualitative evaluation (market growth potential and competitive advantage)
- More detailed measurements based on business lines and business models

Evaluation Standards	(Quantitative) Value Creation (Introduce SCVA)	(Qualitative) Business Platform
Evaluation Measures	More Detailed Measurements Based on Business Lines and Business Models	
	<ul style="list-style-type: none"> Clarify earning platform and risk through detailed evaluation measures Secure a cross-sectional value chain →Efficiently and organically derive measures based on each business line and model as quickly as possible 	

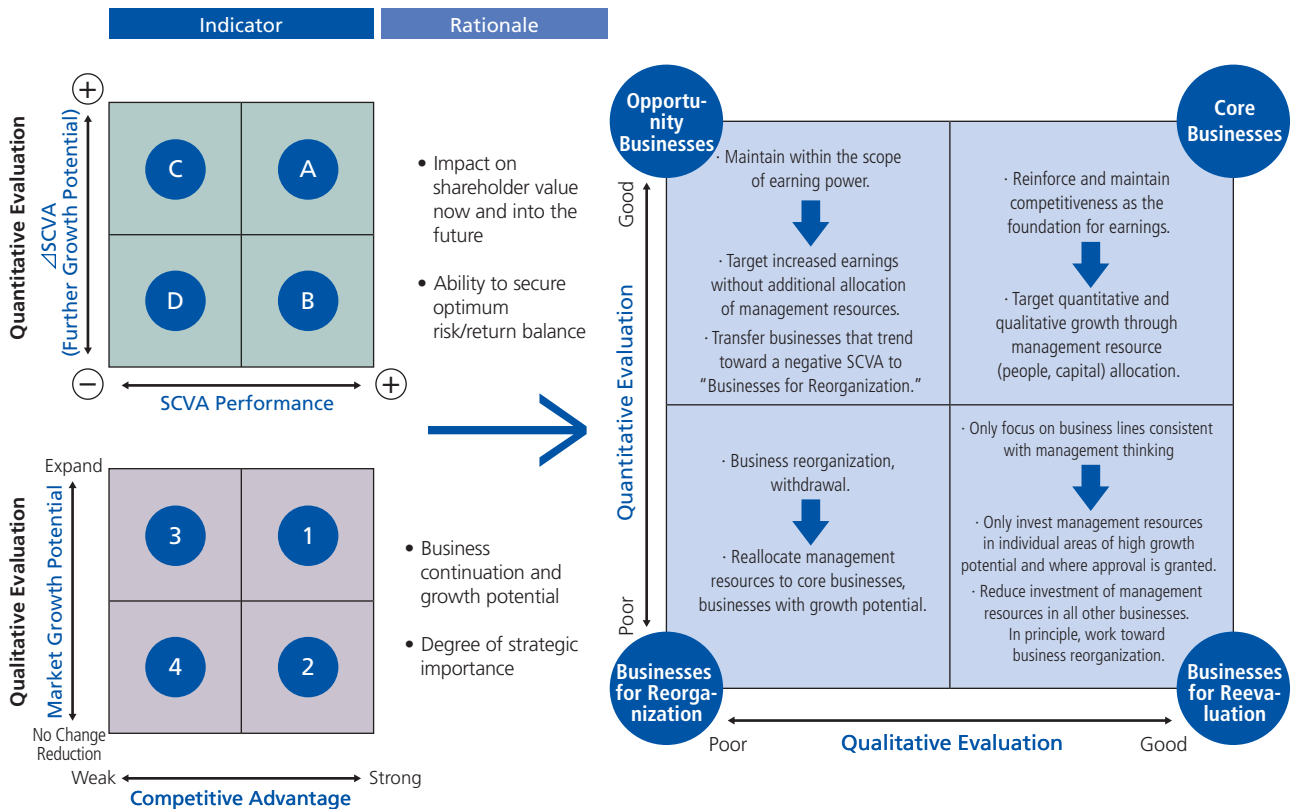
Fundamental SCVA Framework

Introduce an indicator that accurately reflects capital cost, risk and other factors shared between management and the front-line with the aim of creating value

SCVA	=	$\frac{\text{Recurring Profit} + \text{Interest Expense}}{X(1 - \text{Tax Rate})}$	-	(Funds Utilized	X	Capital Cost Ratio)
To improve SCVA	→	Improvement in Profitability	+	Reduction in Funds Utilized	+	Comprehensive Risk Management

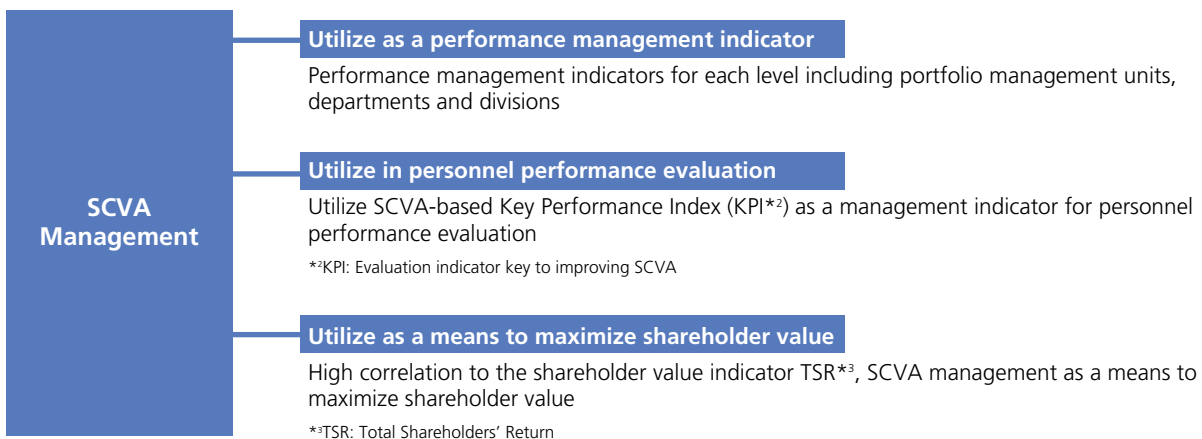
Matrix Evaluation

- Each business classified into one of four categories based on the quantitative and qualitative evaluation matrix
- Continuous portfolio review, interchange among businesses, reallocation of management resources to high earning, highly efficient fields



Establish an SCVA Management Framework

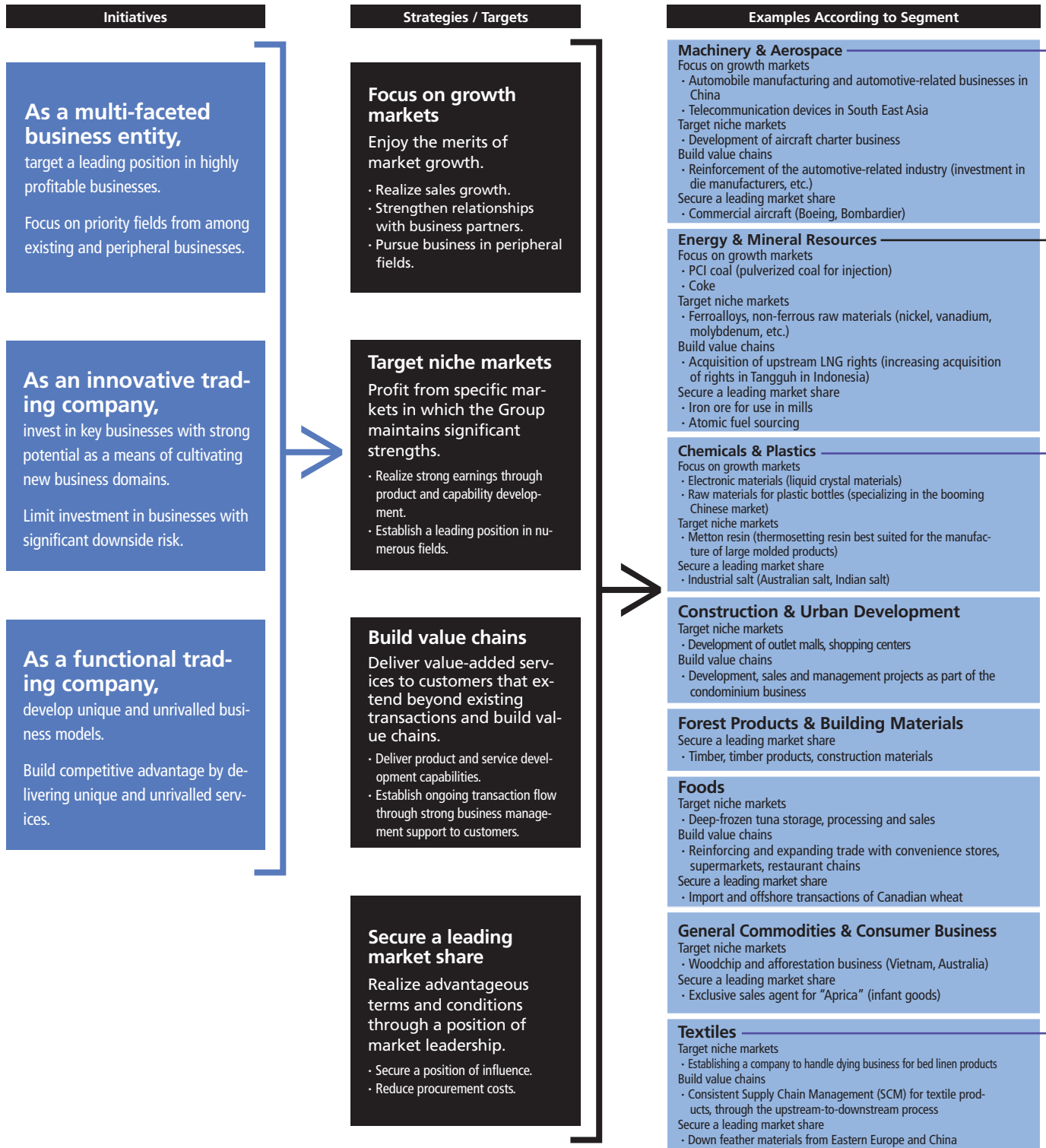
- Utilize SCVA as a performance management indicator and as a Key Performance Index for evaluating individual employee performance
- Utilize SCVA as a main indicator for corporate management to drive value creation for management and the frontline in an effort to increase corporate value



Putting Growth Strategies Into Action

Growth strategies aimed at realizing proactive reinforcement of profitability

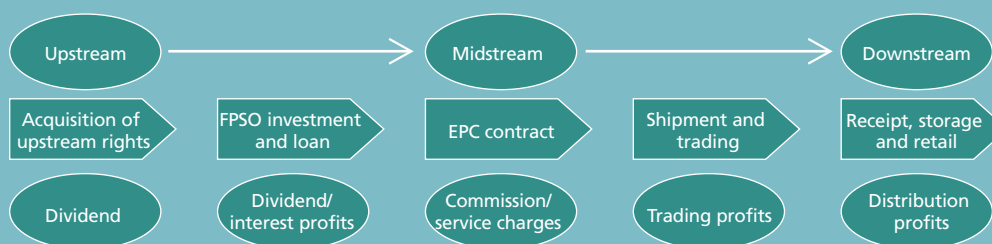
Based on its growth strategies, Sojitz will focus on four strategies that distinguish itself from its competitors.



Examples of Growth Strategies

An Example of Building Value Chains in the Energy Resource Business

Strengthening value chains in the energy resource business through the acquisition of upstream rights



Development of LNG resources (example investment)

- Ras Laffan LNG Project in Qatar (in production) (Percentage of rights: 3%; Equity production volume : 100,000 tons per year)
- Tangguh LNG Project in Indonesia (under development) (Percentage of rights: 7.35%; Equity production volume: 250,000 tons per year)

Development of oil and gas resources (example investment)

- Working interests in Gryphon oil fields, offshore UK (in production) (Percentage of rights: 10%; Equity peak production volume: 1,800 BOPD)
- Working interests in the oil & gas fields in the Gulf of Mexico, USA (in production/under development) (Distributed investments to each of our 19 mining lots; Equity peak production volume: approx. 45 MMCFED) (crude oil equivalent: 7,500 BOPD)
- Working interests in Etame oil fields, offshore Gabon (in production) (Percentage of rights: 5.78%; Equity peak production volume: 1,500 BOPD)

Participation is focused on the superior quality of resources, as yet undeveloped sites among upstream rights to oil and gas go under production. Aiming to secure compound development of derivative businesses, such as increased distribution trade, in addition to aiming to secure dividend profits.

Examples of Business in Chinese Growth Markets

Increased investment in booming Chinese markets

Machinery (automobile-related)

- Automobile manufacturing business—we are the only company to invest directly in finished automobile manufacturers
- Automobile-related business including the sale and repair of car products and accessories
- Building a consistent value chain within the rapidly growing Chinese automobile market covering development, manufacture, sales and after-marketing

Machinery (bearings)

- Reinforcement of manufacturing bases for bearing products and components
- Strengthening both the supply of materials and product sales in China, where demand is expected to grow in line with the increased production of machinery and equipment, such as automobiles

Textiles

- Participation in high-quality textile material manufacturing and dyeing business
- Establishing a company to handle textile product dyeing business in collaboration with a leading bed linen company
- Developing consistent SCM in China covering everything from raw materials to products

Plastics

- Entry into plastic bottle related business
- Targeting the Chinese market, where the demand for plastic bottles is rapidly increasing, by investing in manufacturers of PIA, (the basic plastic material used in making bottles), and focusing on expanding sales

Aiming to expand investment in booming Chinese markets and building up local trade with high added value



A SECOND FOUNDATION—SOJITZ CORPORATION

Since the business integration of Nichimen and Nissho Iwai on April 1, 2003, both of the operating companies, under the guidance of Nissho Iwai - Nichimen Holdings Corporation, have taken great strides in the integration of principal subsidiary and affiliated companies, the reorganization of their domestic and overseas network, and the realization of the Business Plan. On April 1, 2004, the two core operating companies Nichimen and Nissho Iwai merged to form Sojitz Corporation with the aim of further enhancing management efficiency and to maximize the benefits from business integration. Heralding a new era that commenced with our second founding, our mission is to increase earning power as an innovative trading company. As the engine for growth, our role, as principal operating company, is to serve as the fuel for Groupwide earnings, and to drive us toward improved profitability.

ESTABLISHING A STABLE AND DYNAMIC EARNING PLATFORM—A TOP PRIORITY

As competitive forces escalate, Sojitz Corporation has identified a stable and dynamic earning platform as key to the Company's ongoing survival.

In the fiscal year ended March 31, 2004, the first year of the Company's Three-Year Business Plan (April 1, 2003 to March 31, 2006), the Sojitz Group achieved a recurring profit of ¥48.5 billion, against a target of ¥48.0 billion. At the same time, we successfully met all rationalization targets identified for the full term of the plan reflecting Groupwide efforts to streamline operations and our organizational structure. In this fiscal year, the second year of our Business Plan, we will focus on realizing our full potential, as the core operating company of the Sojitz Group. Accordingly, we will shift our emphasis from rationalization to proactively reinforcing profitability.

PROACTIVELY REINFORCING PROFITABILITY

We have identified two strategies aimed at proactively reinforcing profitability. The first will involve efforts to enhance our business portfolio. The second is to implement growth-oriented initiatives and strategies.

1. Enhancing our Business Portfolio Strategy

In redoubling our efforts to implement a business portfolio strategy, Sojitz will continue to stress selection and focus, and through optimal allocation of management resources, construct the necessary platform capable of generating sustainable earnings. In order to achieve our stated objective, we have introduced SCVA (Sojitz Corporation Value Added), a new proprietary management indicator, to ensure maximum return. I strongly believe SCVA is crucial to our future growth.

As a management tool, it provides a more detailed quantitative measure based on business lines and business models. It is the precursor to qualitative evaluation and measures to gauge market growth potential and competitive advantage. For those fields identified as possessing growth potential, we will actively pursue new investment, and through initiatives such as M&A, work to expand our earning platform.

At the same time we will withdraw from low profit operations. SCVA is not just a measure of return. It serves as a tool to ensure risk management, and provides a measure to balance risk and return. In addition, SCVA is a management indicator applicable both to the organization and the individual employee. When applied in this fashion, SCVA helps to establish a structure capable of securing value creation. Furthermore, applicable to each business segment, department, and individual, SCVA will help restore asset quality, maximize management resource efficiency, dramatically strengthen profitability and enhance stability.

2. Implementing a Growth Strategy

The Company is implementing four measures as part of its growth strategy in an effort to differentiate itself from competitors. First, we will focus on growth markets with the aim of enjoying the growth benefits from increased business scale. One example is China, a market in which we are expanding investment. China is a strategic market and we are stepping up investments in manufacturing and distribution across a broad cross-section of activities including automobile-related, bearing-related, textiles, plastics and other operations.

Second, we will target niche markets and those areas in which we maintain competitive advantage. One example is our environmentally conscious afforestation wood chip businesses in Vietnam and Australia. We enjoy the top ranking

in terms of business scale in both countries and are acknowledged as the number one player in Asia in terms of trading volume. In the future, we will reinforce efforts to construct a comprehensive business, from afforestation through product manufacture and sale, through strategic alliance and selective investment.

Third, we will build value chains with the aim of generating high value added. A prime target is our energy resource business. One of the Company's strengths is its complete energy and mineral resources business, extending from investment in upstream mining and excavation rights through product trading, and retail sales. By focusing on prime investment proposals in fields such as oil, gas and coal, we will secure dividend profits as well as expand distribution operations and other lucrative derivative businesses.

Finally, we will endeavor to secure market share and to attain a more leading role in the business. Our goal is to secure a leading market share in those industries in which we operate. A case in point is our relationship with Boeing, for whom we act as a sales consultant in the import of Boeing aircraft into Japan and boast an overwhelming market share. Based on our relationship and track record to date, we were the first to successfully negotiate marketing rights for Boeing's next-generation B7E7. We also boast a leading market share in timber and related materials. We have established a forest products and building materials group and are leading the market in the trade of logs, housing materials and timber-related manufactured products.

Sojitz is committed to reinforcing profitability through a combination of the four initiatives outlined and the strength of our proprietary business models.

A great deal of thought was given to the new company's name, Sojitz. Representing dynamic energy and a source of great power, Sojitz will endeavor to grow in partnership with customers and society and to realize a bright and prosperous future. I would like to thank our stakeholders for their continued support and understanding.

July 1, 2004



AKIO DOBASHI
President and CEO

MACHINERY & AEROSPACE DIVISION

- Planning & Administration Office
- Business Support Office
- Automotive Dept. 1
- Automotive Dept. 2
- Automotive Industry Project Dept.
- Industrial Systems & Bearing Dept.
- Plant & Infrastructure Dept.
- Electronics & Telecommunication Systems Dept.
- Commercial Airplanes Dept.
- Military Aircraft & Defense Electronics Dept.



KAZUNORI TERAOKA
President, Machinery & Aerospace Division

BUSINESS DEVELOPMENT THROUGH ACTIVE INVESTMENT FOCUSING ON CHINA

The Machinery & Aerospace Division is comprised of eight departments and two offices, and is the Company's largest operating division. Approximately 250 employees form professional groups in a variety of business domains, working actively to combine the collective strengths of offices in Japan and overseas, and to secure profitable, efficient operations focused on growth.

A priority for the Division, in the current fiscal year, is to strategically expand business in China through active investment in the automotive and related industries. Based on the motto "BE POSITIVE," and an underlying spirit of "professionalism toward work, understanding toward people," we are endeavoring to expand earnings through increased business growth.

BUSINESS STRATEGY

Traditionally, the Machinery & Aerospace Division has been engaged in the trade of machinery and equipment across a broad cross-section of industries. Recently, however, recognizing the sudden and rapid growth in strategic regions such as China, we have leveraged the benefits derived from integration focusing on the automotive and related businesses. In adopting a strategic approach to our activities in China, we aim to develop business through sophisticated functions and high value added.

We are actively undertaking business investment and pro-

motion in the automotive and related industries in an effort to establish a comprehensive value chain that encompasses every business facet from development through manufacturing, sales and after-sales market service. Working to increase earnings in the field of general industrial machinery, we are implementing a multi-faceted development program in our industrial systems and bearing business in China, targeting plant machinery and infrastructure in diverse fields including steel, cement, paper and pulp, textiles, and promoting better efficiency in ODA proposals. In the electronics and telecommunication systems business, we are aggressively pursuing opportunities in India, China and new business markets through strategic collaboration with competitive overseas manufacturers and venture businesses. In the aerospace industry field, we boast an unassailable position in Japan for the import and sale of Boeing and Bombardier Aerospace aircraft. Leveraging our expertise and overwhelming market share, we are expanding business in peripheral fields including chartering, the secondary market and security equipment. In the defense-related field, we are also making significant strides in our efforts to expand businesses.

The Machinery & Aerospace Division continues to benefit from business integration. Through a variety of related companies and subsidiaries, we are actively engaged in activities that leverage synergy benefits across diverse fields such as ships, for which the market is favorable, and general-purpose machinery.

AUTOMOTIVE BUSINESS DEVELOPMENT IN CHINA



Paladin SUV manufactured by Zhengzhou Nissan Automobile Co., Ltd.

In China, through our investment in Chang'an-Suzuki Automobile Co., Ltd. and Hunan Changfeng Motor Co., Ltd., we supply components for passenger vehicles. In addition, we supply Complete Knock Down (CKD) for commercial-use pickup trucks and the Paladin SUV to Zhengzhou Nissan Automobile Co., Ltd. and are developing new business fields such as automobile design houses and component production. Sales of automobiles in China reached four million units. As the pace of motorization has picked up in China, we are developing an after-sales market for services such as luxury dress-up vehicle sales and car accessory shops beginning in Shanghai and expanding throughout China.

GLOBAL BEARING BUSINESS DEVELOPMENT



The Kunshan plant, a joint-venture operation with NSK Co., Ltd., and NSK's flagship production base in China.

We are pursuing global development of our bearing business, a key component of the machine industry. We are pursuing worldwide sales of high-precision bearings manufactured in Japan and China, and have established joint-venture companies with Japanese components manufacturers, and are supplying bearing components to all parts of the globe. Focusing further on the components sector, we are strengthening collaboration with local Chinese manufacturers.

AIRCRAFT FIELD



Boeing 777 and Bombardier Aerospace's CRJ200 and Q400

In the Aerospace industry field, we have long been an exclusive consultant for the import and sales of Boeing aircraft. In total, the Company has expedited delivery of 450 aircraft to domestic operators, right up to the state-of-the-art Boeing 777. For a number of years, we have also steadily increased sales of regional commuter aircraft, acting as an agent for Canada-based Bombardier Aerospace, a major global manufacturer of small passenger aircraft, in line with the increase in demand.

ELECTRONICS & TELECOMMUNICATION SYSTEMS



Mobile 3-D engine-content sales commenced in China.

In the electronics field, we are enhancing our inventory management functions and continuing to supply electronic component materials. Sojitz trades in telecommunication systems, network equipment, mobile communication terminals and related products for sale in Asia and the Middle East. We also handle mobile phone components and software for sale in China, Korea and Europe. In China, we have established a mobile phone software sales company dealing in 3-D engines and contents for mobile phones. By raising our profile in the software business, we enhance our presence in the telecommunication business sector.

ENERGY & MINERAL RESOURCES DIVISION

- Planning & Administration Office
- Energy & Power Business Dept.
- Energy Business Dept.
- Nuclear Fuel Cycle Dept.
- Coal Dept.
- Iron Ore & Ferroalloys Dept.
- Non-Ferrous Metals Dept.
- Precious Metals Marketing Dept.



HIROYUKI TANABE
President, Energy & Mineral Resources Division

TOWARD A VERTICALLY INTEGRATED STRUCTURE FROM RESOURCE DEVELOPMENT TO DOMESTIC SALES

The Energy & Mineral Resources Division is committed to establishing a vertically integrated structure. The objective is to take full advantage of every opportunity and to maximize synergies across upstream through downstream activities of the energy and mineral resources field. Based on a reputation for reliability and excellence cultivated over many years, the Sojitz Group will work to expand business and maximize profits. Through the efficient application of its knowledge and asset base, we will create new and innovative business models, promote investment in prime resource development projects and pursue priority businesses through M&A and other initiatives.

BUSINESS STRATEGY

As an industry pioneer, the Energy & Mineral Resources Division is breaking new ground as a total energy solutions provider. We engage in and promote a fully integrated business model that encompasses resource development, import

and export, domestic sales, the nuclear fuel cycle, energy-related plant businesses and power generation. The division is aggressively promoting investment in petroleum and natural gas resource equities, energy-based plant businesses including floating, production, storage and offloading (FPSO) facilities, import and domestic sales in the fields of petroleum and natural gas in conjunction with affiliates at home and abroad, and domestic and overseas power generation. In addition, we are engaged in activities relating to new business development in the fields of the environment and new energy.

In the mineral resources segment, we are engaged in efficient resource investment, based on unique strategies, as well as the trade of coal, iron ore, ferroalloys, non-ferrous materials and precious metals. Here, we focus on the import of resources from countries in which Sojitz maintains a strong presence including Australia, China, Russia, Brazil and South Africa. In targeting specific products that offer enormous potential, we strive to maximize the synergy effects of each activity, to expand our metal resource business, and become the leading supplier in the industry.

NATURAL GAS AND PETROLEUM DEVELOPMENT



Floating, production, storage and offloading (FPSO) facility operating in East Timor

In the natural gas and petroleum development business, we promote investment activities including the acquisition of interests in upstream areas such as the UK North Sea Oil Fields and the gas fields of the Gulf of Mexico and investment in FPSO facilities. In addition, we are bolstering our activities and presence in the international LNG business, with a particular focus on Indonesia. Through LNG Japan Corporation, a joint-venture company established with Sumitomo Corporation, we have acquired additional equity in the Muturi PSC of the Tangguh LNG project in Indonesia.

ENERGY AND POWER GENERATION BUSINESS



Phumy III power plant in Vietnam

We continue to maintain a strong track record in the field of energy and power generation. We have successfully acquired contracts for three hydroelectric power and transformer facilities in Vietnam, a thermal power plant in the Philippines, an electric power plant, transformer facilities and rectifier in Bahrain, and transformer and electric transmission facilities in Saudi Arabia and the UAE. In addition, commercial operations of the Phumy III power plant, a joint undertaking with Kyushu Electric Power Co., Inc. in Vietnam, have started and are expected to contribute to earnings in the near future.

NON-FERROUS MATERIALS BUSINESS



The Worsley Alumina Project in Australia

In the field of non-ferrous materials, we have increased our stake in the Worsley Alumina Joint Venture, Australia's largest bauxite mining and alumina smelting project, to 9% and are constantly on the watch for prime investment opportunities. We are also engaged in the trade of base metals such as aluminum in collaboration with major aluminum smelting companies including Aluminium Bahrain B.S.C. (ALBA) in the Middle East, and are redoubling sales efforts for copper products throughout Asia.

CHEMICALS & PLASTICS DIVISION

- Planning & Administration Office



KATSUYUKI SUMIDA
President, Chemicals & Plastics Division

NN CHEMICAL CORPORATION AND PLA-NET CORPORATION

The Chemicals & Plastics Division has been consolidated under two core operating companies, NN Chemical Corporation and Pla-Net Corporation, respectively. As a result of this business integration, each company boasts an expanded business domain, stronger operating platform, a significant increase in business scale, and reduced administrative overlap.

We will actively work to maximize the effects of rationalization and synergy benefits derived from integration. Our goal is to become the industry leader, recognized for our sophisticated functions, high value added and competitive advantage.

BUSINESS STRATEGY

In the chemical products segment, NN Chemical Corp., which was established in October 2003, is comprised of the following business segments: organic chemical products; specialty chemical and electronic materials that support society's core advanced industries; inorganic chemical products and minerals, such as industrial salt, natural resources, and products that are friendly for people and the environment;

and, fine chemicals and cosmetics, in which we pursue the eternal theme of beauty and health. Focusing on customer service and environmental issues, we are working to create a new value chain based on proactive strategies and swift decision-making. Our goal is to become No. 1 in the industry in terms of earning power and customer service.

In January 2004, the Company launched its plastics business under a newly incorporated company, Pla-Net Corporation, the successor of a company of the same name, previously spun off from Nichimen. The newly incorporated Pla-Net Corporation is comprised of the operations of Nissho Iwai Plastic Corporation and Chori Pla- Techno Co., Ltd. The new company will pursue the fundamental policies of its predecessors, namely global business development, customer-oriented business development, and the development of new business models using supply chain management (SCM) and electronics manufacturing service (EMS) operations. As a result of integration, the company will work to deliver high value added and allocate management resources to the four specific fields of resins, packaging materials, highly functional electronic materials, and industrial materials.

COMPOUND RESIN BUSINESS



A plastics compound plant in Hyogo Prefecture, owned and operated by the Pla-Net Group

In the plastics field, Pla-Net Corporation produces plastic compounds (pre-mold materials) at 14 manufacturing bases in Japan and overseas. Leveraging our sales subsidiaries, SCM and EMS operations, we are engaged in activities that extend beyond those of a sales agent and work to establish supply systems based on the manufacturer's perspective with the aim of expanding sales particularly in the rolling stock, electric home appliance and OA fields.

PACKAGING MATERIALS BUSINESS



Plastic bags manufactured by the Pla-Net Group in Shenzhen, China

Through joint-venture businesses, the packaging materials business within Pla-Net Corporation produces a variety of products from the highly functional to the general purpose. This segment maintains a manufacturing presence in ten locations in Japan and overseas, and is particularly strong in highly functional packaging materials in Europe and the United States, and the domestic market for importing plastic shopping bags manufactured in China and Asia. We are also pursuing plans for the manufacture and sale of high-value-added packaging in China.

LARGE MOLDED PLASTIC BUSINESS



Exterior components using Metton

NN Chemical invested in Metton America Inc., a manufacturing company of impact-resistant liquid resin (trading name: Metton) located in Texas, U.S.A. Through Metton America, NN Chemical supplies Metton for the manufacture of large trucks, agricultural machinery and components for construction machinery. Recognized for its light-weight and impact-resistant qualities, global demand for Metton has increased rapidly in recent years for use in large and sophisticated molding components.

PLASTIC BUSINESSES IN THAILAND



Thai GCI Resitop Co., Ltd.

Thai GCI Resitop Co., Ltd. is a joint-venture company formed between NN Chemical and Gun Ei Chemical Co., Ltd. in 1991. The company is engaged in the manufacture and sale of industrial-use phenol resin, a base material used particularly in the automobile industry, as well as in the fields of electric equipment, iron and steel, housing, machinery and electronics. The company supplies the products in excess of 10,000 tons per year to South East Asia.

CONSTRUCTION & URBAN DEVELOPMENT DIVISION

- Planning & Administration Office
- Urban Development Dept.
- Construction & Development Dept.



TOSHIMASA DOHI
President, Construction & Urban Development Division

LEVERAGING OUR NETWORK AS A GENERAL TRADING COMPANY TO BECOME A COMPREHENSIVE DEVELOPER

Backed by its extensive global network as a general trading company and unrivalled information gathering capabilities, the Construction & Urban Development Division is engaged in construction and general property development. The division is comprised of three core businesses: condominium development, retail property development and urban redevelopment, and contracting and consulting. In a rapidly changing environment, we are developing our business through innovative and relevant ideas.

BUSINESS STRATEGY

Condominium development is a fundamental business of this division and our product planning skill is highly recognized throughout the market. We focus on the major metropolitan areas of Tokyo, Nagoya and Osaka and supply small- to medium-scale projects in urban areas and medium- to large-scale projects in the suburbs. As a comprehensive general developer, we maintain a network that supports our business in areas such as planning, sales, marketing and property

management. This network comprises the real estate developer Nissho Iwai Real Estate Corp., the sales/marketing company Sojitz Realnet Corp., and the property management company NICOM Property Management Corp.

In our retail property development and urban redevelopment business, we focus on the development of shopping centers and outlet malls, primarily located in suburban areas. In March 2003, we opened Mallage Saga, the first large-scale shopping center to operate in Saga Prefecture following the enactment of the Large-Scale Retail Stores Location Law. We currently operate four outlet malls in Gotemba, Rinku in Osaka, Sano in Tochigi and Tosu in Saga. Examples of successful urban redevelopments include the Kajoh Central Building next to the JR Yamagata Station, a government-private sector joint project that opened in 2002, as well as a similar joint project near the JR Akita Station, which opened in 2004.

In the contracting and consulting business, we make the most use of our general trading company network. Utilizing land to its full potential, we provide the best-fit plan available, incorporating both local and global considerations.

AKITA KYOTEN CENTER PROJECT—AL☆VE



External view of AL☆VE

AL☆VE (pronounced “AL-ve”), which opened in July 2004, is a joint public-private sector redevelopment project located in front of JR Akita Station east exit. The complex successfully incorporates public facilities, which include the Akita Citizen’s Plaza and private facilities such as office buildings, retail outlets and a hotel, to create a communal hub for residents and visitors. Akita New Urban-Center Building Co., Ltd., a joint venture by Sojitz and Taisei Corporation, is in charge of the leasing and management of this project.

MALLAGE KASHIWA



External view of Mallage Kashiwa

Following the remarkable success of Mallage Saga, opened in March 2003, Sojitz launched a second large-scale shopping center, Mallage Kashiwa, Kashiwa City Chiba Prefecture, in July 2004. With a supermarket, home center and sporting goods outlet at its core, Mallage Kashiwa boasts approximately 80 specialty outlets, fashion boutiques and restaurants. One of Japan’s most vibrant metropolitan areas, Mallage Kashiwa is a hub of daily activity.

AIR RESIDENCE SHIN-URAYASU PREMIUM TOWERS



External view of AIR RESIDENCE Shin-Urayasu Premium Towers

AIR RESIDENCE Shin-Urayasu Premium Towers, a 430-unit high-rise condominium, was completed in December 2003. The complex consists of two towers, each of 32 stories, rising to a height of 117 meters. Ideally located, the complex is two minutes on foot from JR Shin-Urayasu Station, connected by a walkway with a roof.

The saloon located between the two towers was designed by Hirsch Bedner Associates, the world’s foremost company in hotel interior design. AIR RESIDENCE Shin-Urayasu Premium Towers is distinguished by its spacious California-taste ambiance and boasts a fountain, canal, cascade and gazebo.

GRAZIOSO SERIES—A NEW CONCEPT IN URBAN LIVING



External view of Grazioso Nishi-Ogikubo

Grazioso Nishi-Ogikubo, the first of the new-style urban living “Grazioso condominium series,” started its sales in the Spring of 2004. The complex, which comprises 79 units and is located a convenient one-minute walk from Nishi-Ogikubo station, is scheduled for completion in August 2005. The common areas have been designed by the highly acclaimed architectural firm of AN ARCHI.CREATIVE CO., LTD. while the complex boasts a variety of sophisticated features including corner units that occupy more than 70% of the entire complex, a utility terrace for more convenient living and a state-of-the-art security system.

FOREST PRODUCTS & BUILDING MATERIALS DIVISION

- Planning & Administration Office
- Log Marketing Dept.
- Lumber & Panel Marketing Dept.



MAMORU SATO
President, Forest Products & Building Materials Division

LEADING JAPAN'S BUILDING MATERIALS INDUSTRY

For many years, both Nichimen and Nissho Iwai maintained a strong presence in Japan's timber and timber products markets. Following the merger of the two companies, the new entity, Sojitz Corporation, is the undisputed leader in the industry.

The Forest Products & Building Materials Division imports timber and timber products from a variety of overseas locations, engages in offshore transactions and invests in diverse timber product manufacturing businesses. Through three subsidiaries in Japan: Sun Building Materials Corporation, Nissho Iwai Housing Materials Corporation and Sojitz Lumber Corporation, the company is active in the import and sale of timber and timber products and the distribution of construction materials throughout Japan.

BUSINESS STRATEGY

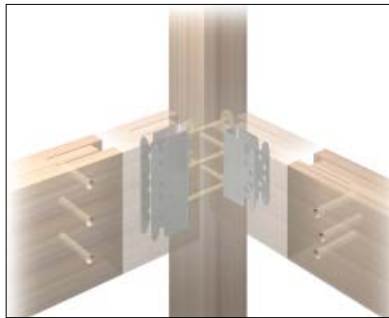
The Sojitz Group is No.1 in trading volume of timber and timber products in Japan, accounting for more than 20% of Japan's raw log imports and approximately 10% of other timber products. While prospects for the domestic market remain stagnant, the company is actively pursuing offshore

transaction opportunities in China, Korea and Vietnam, and striving to address the needs of emerging markets.

The Building Materials Department is led by Sun Building Materials Corporation. With net sales of ¥170 billion, Sun Building is one of the leading trading companies in the construction material industry. Other major group companies include Nissho Iwai Housing Materials Corporation and Sojitz Lumber Corporation. Group companies provide distribution and other detailed downstream services to housing construction companies, pre-cut factories and home centers. We are working to strengthen the activities of affiliated companies.

With the aim of cultivating new business, Sojitz, in collaboration with the Khabarovsk provincial government, is planning to establish a veneer factory in the Far East region of Russia during fiscal 2004. The Seihoku Group, Japan's largest manufacturer of plywood will provide technical guidance and ultimately support this project through the purchase of the products. In addition, Sojitz will establish a lumber factory in Shanghai, China in a joint venture with Tachikawa Forest products Co., Ltd. We are stepping up efforts to enter the expanding Chinese timber building materials market.

SUN BUILDING MATERIALS CORPORATION



Sun Building Materials is engaged in the supply of plywood, plasterboard and other materials used in the construction of system kitchens. Sunkuretek covers a variety of new construction methods.

Sun Building Materials Corporation was established in July 2000 as a construction materials trading company through a merger between the construction material subsidiaries of Nichimen and Nissho Iwai. The company boasts the industry's leading trading volume of plywood and is active in the trade of a variety of construction materials in Japan and overseas. Through group company Sunkuretek Co., Ltd., the company also offers new building methods for timber housing construction and is dedicated to promoting a better lifestyle through housing. Conscious of the environment and concerns for safety, Sun Building Materials strives to deliver essential materials that help build an optimal living environment.

TACHIKAWA FOREST PRODUCTS



Shipments of products made by Tachikawa Forest Products

In 1989, Tachikawa Forest Products (N.Z.) Ltd., a joint-venture company with Tachikawa Forest Products Co., Ltd. was established in Rotorua, New Zealand. In 1997, annual production capacity had exceeded 200,000 cubic meters, a jump of 40% over previous levels, making it New Zealand's largest lumber production base. New Zealand timber is used throughout the world in wide-ranging fields such as train carriages, packaging materials for electric home appliances and furniture. Products are exported not only to Japan, but also to China, Thailand and other Southeast Asian and Middle Eastern countries.

VENEER FACTORY PROJECT IN RUSSIA



Signing ceremony for the veneer manufacturing business project

In March 2004, in collaboration with Dallesprom JSC, a major forest products company in Russia, we initiated plans to establish a veneer manufacturing facility in Russia. The project is backed by the technical expertise of Seihoku Co., Ltd., Japan's largest manufacturer of plywood. The Khabarovsk provincial government has pledged its full cooperation and support. The factory is scheduled to come on-line in Autumn 2005.

FOODS DIVISION

- Planning & Administration Office
- Grains & Foods Dept.
- Foodstuffs Dept.
- Marine Products Marketing Dept.
- Provisions Dept.



JUN MATSUMOTO
President, Foods Division

COMBINING UPSTREAM AND DOWNSTREAM OPERATING STRENGTHS

In the foodstuffs segment, we have combined the respective upstream and downstream strengths of Nichimen and Nissho Iwai to create an optimal business workflow. Our goals are to pursue business opportunities, maximize synergy benefits, enhance business functions and deliver to customers high-value-added services.

In addition, we are reinforcing efforts to establish and foster an optimal organization both in Japan and overseas and redoubling our expectations of staff in pursuit of our goals.

BUSINESS STRATEGY

Securing food resources from a global perspective while complying with diverse consumer requirements are the basic policies we follow. Guided by the keywords “safety” and “reliability,” we are promoting strategic initiatives, in collaboration with our broad network of plants and joint-venture companies, to enhance operations that encompass upstream and downstream activities, from procurement through processing, distribution and sales.

In upstream businesses for example, we engage in offshore wheat grain transactions with Indonesia and other

countries as an agent for the Canadian Wheat Board, are involved in the tuna farming business in Turkey and Mexico, and are the No. 1 trader of mackerel from northern Europe.

In midstream business activities, the Company operates a three-pillar structure comprising Head Office with its resource development and M&A functions, Sojitz Foods Corp., as a food wholesaler with development and import functions, and Nissho Iwai Meat and Agri-Products Corp. specializing in livestock trading. In conjunction with these three areas, we will expand Unitec Foods Co., Ltd., which imports, processes and markets food additives.

In downstream business activities, we are strengthening alliances with convenience stores, restaurants and mass merchandising stores. As part of these efforts, we are supporting am/pm Japan Co., Ltd. in its expansion of Automatic Super Delice stores, a fully automated unattended convenience store developed by am/pm. We are also promoting alliance with regional supermarkets.

In leveraging our scale and network as a trading company, we are bringing to market a wide variety of foods and foodstuffs. As we provide feedback and information, gathered at the point of sale, to manufacturing bases, we are both enhancing the planning and development of new products and addressing consumer needs.

WHEAT BUSINESS



Canadian wheat crop prior to harvest

In this field, we have engaged in the export of wheat from traditional trading partners including the United States, Canada and Australia. Our activities have continued to expand, however, and now includes business with India and Europe. The Company engages in offshore transactions of wheat grain, renowned throughout the world for its high quality, as an agent for the Canadian Wheat Board. In addition, we are developing bread making businesses in Indonesia and Singapore, and building a wheat value chain in response to increasing consumer demand in South East Asia, driven by overall economic growth.

TUNA BUSINESS



Joint-venture tuna business with TRY Inc.

We have contracted with TRY Inc., a wholesaler of tuna in Shimizu City, Shizuoka Prefecture, to process and market raw frozen tuna. In an effort to ensure stable supply of high-quality tuna, we import from a diverse number of countries including Turkey, Australia and Mexico. Moreover, we have established a company in Dalian China, engaged in the storage, processing and sales of deep-frozen sashimi tuna, to address robust overseas demand.

UNITEC FOODS CO., LTD.



Pectin application

Unitec Foods Co., Ltd. engages in the procurement of attractive foods from around the world, focusing primarily on Europe and the United States for import to Japan. Based on the keywords "safety, reliability and quality," we trade a number of products including natural food additives, such as pectin, fruits for processed foods, raw materials for confectioneries and other functional ingredients. Boasting a team of professional technicians and sales engineers, we develop new food applications, engage in quality inspection and deliver a variety of technical and other services. We offer high-quality expertise and a unique identity.

GENERAL COMMODITIES & CONSUMER BUSINESS DIVISION

- Planning & Administration Office
- Consumer Business Dept.
- General Commodities Dept.



YOSHIMI OTA
President, General Commodities & Consumer Business Division

PURSuing NEW BUSInESSES THROUgH InHERENT STREngTHS

As a functional trading company, Sojitz Corporation, through its General Commodities & Consumer Business Division, delivers products that satisfy the most demanding of customers.

The division works tirelessly to expand its principal businesses including infant goods, tobacco, afforestation and woodchips. Efforts are made to strengthen existing businesses through vertical value chain development, as well as to create new high-value-added opportunities driven by business investment and financing.

BUSInESS STRATegy

In the mainstay field of infant-related products, we act as exclusive sales agent in Japan for Aprica products, the top brand name in infant goods. Products are distributed nationwide through major specialty store chains and general merchandising stores. In recent years, we have promoted

private brand products in cooperation with major retailers such as Akachanhonpo. In the tobacco business, we maintain exclusive distribution rights for the import and wholesale of Philip Morris cigarettes in Western Japan. Our market share in the tobacco market continues to experience strong growth, and we aim to expand our partnership with Philip Morris and the sales of their full range of products. The afforestation and woodchip businesses have also provided the division with significant opportunities for growth. We are expanding operations through environmentally aware proposals for woodchip production, including the raw materials used for paper manufacturing, and afforestation in Vietnam and Australia.

Through Sojitz General Merchandise Corporation, a core operating company, we are expanding distribution of shoes, tires and our mail-order activities. At the same time, we are enhancing the function of the division through close collaboration with overseas bases in the United States, Europe and Asia.

INFANT GOODS BUSINESS



Aprica infant goods

The supply of Aprica products forms the core business of our infant goods operation. Sojitz Corporation is the exclusive sales agent in Japan for this top infant goods brand. We are overhauling our distribution systems in an effort to address rapid changes within the industry and are building a comprehensive supply channel for distribution. In recent years, we have also worked to deliver sophisticated proposals to the retail sector, focusing on the design, development, manufacture and sale of private brand products across wide-ranging areas such as infant bedding products, apparel, general merchandise and maternity goods. In the future we will strive to establish proprietary brands in high-value-added fields.

SHOES AND RELATED PRODUCTS BUSINESS



Payless ShoeSource store in the United States

Through strategic tie-ups with South East Asian and overseas manufacturers, we are engaged in the design, import and sale of men and women's shoes. We have established Payless ShoeSource Japan Co., Ltd., a joint venture with the U.S.-based Payless ShoeSource Inc. Leveraging Payless ShoeSource's sophisticated SCM know-how, we are promoting retail trade in footwear within Japan. In addition, we will make full use of Payless ShoeSource's strong brand image in the United States and through Japanese and U.S. collaboration, propose innovative fashion business models and build a high-value-added value chain in the footwear market.

TOBACCO BUSINESS



Philip Morris cigarettes imported into Japan.

We maintain exclusive distribution rights in Western Japan for the wholesale of Philip Morris' leading brand cigarettes including, Lark, Philip Morris, Parliament and Virginia Slims. We continue to expand our market share of imported cigarettes, which currently stands at approximately 60%. As a business partner, we will pursue every opportunity to support and increase sales of Philip Morris products in Japan.

AFFORESTATION AND WOODCHIP BUSINESS



Plantation

We have three plantation companies in Australia and Vietnam that include the Green Triangle Plantation Forest Company of Australia Pty. Ltd., and Vietnam Japan Chip Corporation (VIJACHIP Da Nang), which operate plantations with a total area of 20,000 hectares. In March 2004, we established VIJACHIP Cai Lan, a third subsidiary of VIJACHIP Da Nang, with the aim of increasing earnings in this field. In addition, we concluded a long-term agreement for the purchase and sale of woodchips with the leading Australian business conglomerate, Futuris Corporation Ltd. and Australia's largest plantation investment management company, Great Southern Plantations. Through these measures, we have significantly increased our trading volume in woodchip materials for paper manufacturing.

TEXTILES DIVISION

- Planning & Administration Office
- Apparel Dept.
- Paltex Dept.



TAICHI YONEMURA
President, Textiles Division

CREATING COMPREHENSIVE SCM FROM RAW MATERIALS TO RETAIL BUSINESS

The Textiles Division is a well established division, consisting of the Apparel Dept., which handles various apparel products, and the Paltex Dept., which handles a broad range of non-apparel & textile-related products, and is comprised of 26 domestic and overseas companies.

In this division, we have launched into a period of “challenge and chance,” a year in which we will implement three initiatives to ensure sustainable growth. First, we will establish a sales network encompassing the United States, South East Asia, China and Japan. Second, we will implement supply chain management (SCM) from raw materials to retail operations. Third, we will secure an earning platform comprised of 50% original equipment manufacture (OEM) business, 25% wholesale business, and 25% retail operations.

BUSINESS STRATEGY

In the Apparel Dept., in collaboration with manufacturing and quality control subsidiary factories, we are building a manufacturing system capable of offering high-quality and competitive products through the efficient use of joint-ventures and collaborating factories. With our above

mentioned strengths, we are marketing to a broad cross-section of customers, including major general merchandising stores, specialty store retailers of private label apparel (SPA) - type specialty outlets, and leading department stores. Through these efforts, we maintain a top market share in the field of casual clothing. In addition, in collaboration with subsidiary companies, or through M&A, we are actively working to expand our operating network across a broad area from wholesale businesses to a point close to retail, and to create a comprehensive SCM structure from manufacture through retail operations.

The Paltex Dept. handles a broad range of non-apparel, textile-related products including textile raw materials, yarn, fabrics, industrial textile products, down feather materials, bed linens and various home textile products. Our overseas manufacturing network continues to expand in China, Indonesia and Thailand, where we have established many joint-venture factories. Fully utilizing a solid manufacturing platform, we are promoting sales in Japan, Europe and the United States. In addition, we boast the top market share for imports of cotton fabrics and down feather materials into Japan. Based on these strengths, we are actively promoting offshore business.

NICHIMEN INFINITY INC.—PROMOTING THE MCGREGOR BRAND



The McGregor brand of American-style casual clothing

Nichimen Infinity Inc., as a comprehensive apparel company, is engaged in the sale of men's, women's and children's American-style casual clothing, primarily under the McGregor brand. The company also handles the VESVIO brand of men's wear, the Miss Brolly and Aqua Floral brands of women's wear, and the import of a range of women's luxury lingerie. The company is endeavoring to promote a variety of other apparel brands in Japan and overseas with the aim of securing sustainable growth as an innovative and industry-leading apparel company.

DAIICHIHO CO., LTD.—A WEALTH OF DEVELOPMENT EXPERTISE AND KNOW-HOW



Daiichibo Co., Ltd. Arao Factory

Daiichibo is a highly acclaimed company within the textile industry, recognized for its comprehensive manufacturing structure, from cotton spinning through clothing manufacture, and the development of proprietary and innovative goods. The company is unique in a number of areas. It is distinguished for its use of chitin-chitosan, a component that is extracted from shells of crabs and lobsters, used in producing crabyon thread, for its circular knitting, and sophisticated processing techniques. In addition, we are leveraging the management expertise and know-how accumulated through our textile operations across a variety of related businesses such as shopping centers, distribution and information technology.

IMPORTING MATERIALS FROM LENZING AG, AUSTRIA



Lenzing AG

We are importing a variety of materials from Lenzing AG in Austria, the world's largest manufacturer of cellulosic fibers, and through these efforts, are building a comprehensive production and SCM system in Japan and China, while marketing applications of Lenzing's viscose rayon, fire-resistant rayon, fluoroc fiber and Lyocell.

DEVELOPING THE BED LINEN AND BEDDING PRODUCTS BUSINESS THROUGH POSAND SOJITZ HOME TEXTILE LTD. (PSHT)

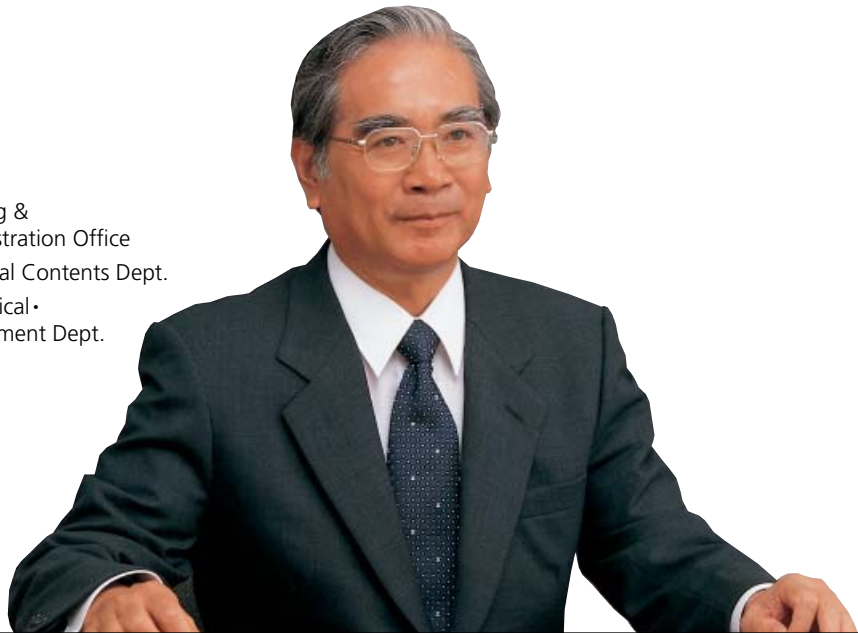


Bed linen and bedding products store in Northern China

Sojitz Corporation, in conjunction with A-FONTANE Co., Ltd., a leading manufacturing and sales company of bed linen and bedding products in Hong Kong, established Posand Sojitz Home Textile Ltd. (PSHT) in 2003. In addition, we established a full production line factory in China and market bed linen, bedding products and print material in Japan, Europe, the United States, and South East Asia. To further supplement business activities, we opened bed linen and bedding products stores in Northern China. Serving as an initial stepping stone, we plan to develop sales in all other parts of the country.

NEW BUSINESS DEVELOPMENT GROUP

- Planning & Administration Office
- IT・Digital Contents Dept.
- BioMedical・Environment Dept.



YASUYUKI FUJISHIMA
Senior Managing Executive Officer, New Business Development Group

FOCUS ON "INFORMATION TECHNOLOGY・BROADBAND CONTENT," "ENVIRONMENTAL TECHNOLOGY" AND "BIOTECHNOLOGY"

Society in the 21st century continues to experience dramatic transformation, as evidenced by technological advances such as genome analysis in the field of biotechnology, the rapid penetration of broadband content and services, and rising environmental consciousness, which has spurred drastic changes in the legal framework, such as the introduction of waste legislation reflecting the growing trend toward a recycling society.

In order to exploit the business opportunities emanating from these changes, the New Business Development Group focuses on developing three new businesses in the field of "Information Technology・Broadband Content," "Environmental Technology" and "Biotechnology." The group endeavors to maximize profitability by not only developing new businesses in these fields, but also through aggressive investments and management support for promising venture businesses, thus ensuring enhanced return through multiple revenue streams generated from related business transactions.

BUSINESS STRATEGY

The New Business Development Group is comprised of the IT・Digital Contents Dept. and the BioMedical・Environment Dept.

In the IT and broadband contents field, our endeavors are focused on the development of businesses centering on broadband content and services, where explosive growth has been seen in recent years. We have also made strategic investments in content production, focusing on animation and other related domains. In the near future, we aim to reorganize the Group's IT-related business with our IT-related subsidiaries Nissho Electronics Corporation and Fusion Communication Corporation at its core.

The BioMedical・Environment Dept. is comprised of two units, the BioMedical Business Unit and the Environment Business Unit. The Biomedical Business Unit pursues opportunities in the field of medical support based on growing demand driven by declining birthrates and an aging population. The Environment Business Unit works to develop pioneer businesses by taking advantage of impending changes in environment-related legislation, and is focusing its efforts on automobile and industrial waste recycling. The goal of the BioMedical・Environment Dept. is to successfully address the needs of 21st century Japan and contribute to the development of an environmentally sustainable society.

CONTENTS BUSINESS



Shin Angyo Onshi

©YOUN IN-WAN, YANG KYUNG-IL/SHIN AN GYO PROJECT 2004

With the continued rise in new media and broadband-related demand, we will step up contents investment and our distribution activities. Focusing on animation, we will increase investment in production, overseas exports and distribution in Japan. In the broadband field, we will develop new businesses such as “Shaberunet,” an interactive e-Learning business.

IT SERVICE BUSINESS



Electronic “inkan” supporting a paperless society

In the IT service business, we are endeavoring to create new business models based on the latest advances in information technology. At the same time, we are proactively developing a variety of businesses in collaboration with leading business partners. As the trend toward a paperless society gathers pace, we are also developing new businesses such as document management solutions using electronic “inkan” (Japanese name seals). We are also focusing our efforts on developing businesses that leverage the full potential of the broadband network, such as the outsourcing of back-office operations to cost competitive overseas locations.

BIOMEDICAL BUSINESS



PET examination, useful in the early detection of minute traces of cancer.

You can now see the significant innovations in the Biotechnology field, especially in the area of genomic analysis. The medical field is one of the biggest application areas for biotechnology and has new business opportunities driven by deregulation and globalization. We are focusing on providing management support to venture businesses in medical fields, through financing and marketing assistance, to accelerate the development of new drugs, promote new medical treatments and to improve the hospital environment. Our goal is to contribute to improved Quality of Life for consumers of medical services as well.

AUTOMOBILE RECYCLING BUSINESS



Meeting the challenge of low-cost high recycling efficiency waste disposal.

We have been actively operating in the field of scrap and waste recycling and disposal. A case in point is automobile recycling, where the Automobile Recycling Law is slated to come into force from January 2005. In today’s society, it is becoming increasingly necessary to not only provide proper and timely waste disposal services, but to do it more efficiently and cost-effectively. In an effort to meet these new demands, we have established CRS SAITAMA Co., Ltd., a company engaged in state-of-the-art automobile recycling.

OVERSEAS OPERATIONS

NORTH, CENTRAL AND SOUTH AMERICA

KAZUO SEKIKAWA
*President & CEO for
the Americas*



EUROPE & AFRICA

YASUSHI HOSHIKA
*President & CEO for
Europe & Africa*



MARKET OVERVIEW

In the fiscal year under review, North, Central and South America experienced mixed conditions. In Canada, the economy was temporarily impacted by concerns over severe acute respiratory syndrome (SARS) and bovine spongiform encephalopathy (BSE). The Mexican economy suffered a slump in capital investment and stagnant export activity, as the shift toward Asia continued unabated. In Central and South America, despite concerns over public budgets and finances, the region overall is on a recovery footing. Although conditions in certain areas remain weak, the region in general enjoyed significant increases in capital investment and personal consumption, buoyed by fiscal and monetary initiatives designed to boost the U.S. economy.

REGIONAL STRATEGIES AND STRENGTHS

Transactions within the American region and with Asia, focusing on China, are integral to the ongoing welfare of business in North, Central and South America. In global terms, the United States and China represent the world's two largest trading markets and also each country's largest trading partner with transactions between the two countries exceeding U.S.\$180 billion. Amid a tight global iron and steel market, exports of iron and steel materials from Central and South America to China remain strong, while exports of coke and computer-related products from China to the United States increase substantially. These trade flows are serving as a mainstay earning source for the Sojitz Group. In addition, we are expanding trade of automobiles, processed foods, plastic resins, apparel, lumber, plywood, and other goods from Asia, South America and other countries for sale in the United States.

BUSINESS STATUS AND DEVELOPMENT

In April 2004, Sojitz Corporation of America was established, a merger between Nichimen America Inc. and Nissho Iwai American Corp. The new entity has combined the strengths of each company, particularly Nichimen's know-how in chemicals, plastics, textiles and timber, and Nissho Iwai's expertise in aerospace, machinery, energy, mineral resources and foods. As a result of the merger, the new company enjoys exclusive licensing arrangements in a number of fields including aerospace, timber and wheat, and with some of the world's leading companies such as Nike, Inc. Sojitz is also committed to pursuing new business opportunities in promising fields including energy, communications, automobiles and consumer business. Underpinned by the theme of "selection and focus" in the development of our regional businesses, we will work to reinforce the Group's risk management structure and promote SCVA, a new management indicator to evaluate risk, in the assessment of trading and licensing agreements.

MARKET OVERVIEW

In May 2004, ten countries joined the European Union (EU), bringing the total membership to 25 nations. Despite few signs of rapid economic growth, future expectations remain high as borders become increasingly blurred among former eastern European countries and the CIS region. Sojitz views the African region with conservatism, and as a region that requires more time to secure political stability and public safety.

REGIONAL STRATEGIES AND STRENGTHS

In Europe, Sojitz will continue to strengthen relations with local and external suppliers and customers in traditional fields such as automobiles and marine equipment. At the same time, we will promote Group synergies through collaboration in industrial projects with the chemical and plastics businesses, and secure a leading position in Europe through the strategic acquisition of trading rights and licenses. Through these efforts, we will achieve our objective of further expanding business in the region. In Africa, we will leverage our expertise as a supplier of energy resources to pursue opportunities in energy-related projects.

BUSINESS STATUS AND DEVELOPMENT

Sojitz is engaged in diverse activities across a variety of regions. In Africa and the Middle East, our principal business is in the field of communications. In Western Europe, our sales activities are wide ranging, from sales of electric home appliances including DVDs, to marine components and machine tools, and electronic components. Sojitz is also active in areas related to nuclear power generation, solvent tank operations, manufacture of special resins and a variety of businesses related to synthetic resin compounds. Furthermore, we have acquired oil-mining concessions in the North Sea oil fields. In Nigeria and Algeria, Sojitz engages in energy related projects and pursues fishing businesses primarily in mackerel and tuna.

CHINA

KEISUKE ISHIHARA
*President & CEO for
China*



MARKET OVERVIEW

Buoyed by efforts to attract foreign capital and the economic policy to “let some people get rich first,” China has experienced dynamic economic growth since 1992, creating a new social stratum of affluent consumers numbering in the millions. Looking to the future, the Beijing Olympics is expected to further accelerate growth, cementing China’s position as one of the world’s leading markets.

REGIONAL STRATEGIES AND STRENGTHS

In order to secure increased earnings, Sojitz recognizes the need to shift from traditional commodity trading to investment-based activities. Sojitz will of course continue to leverage synergy benefits in automobiles and electronic communications derived from the merger between Nichimen and Nissho Iwai, as well as allocate management resources to areas where each premerger company held competitive advantage including the areas of chemicals, plastics, energy, foodstuffs and machine plants. While working to create new business opportunities, Sojitz will also focus on expanding its business within the Chinese market.

BUSINESS STATUS AND DEVELOPMENT

Over the next two years, our businesses in China will work closely with Headquarters to formulate and implement a variety of initiatives aimed at doubling profits. For example, as personal incomes in China continue to rise, demands for passenger vehicles are expected to climb. In 2003, production and sale of automobiles in China grew to exceed four million units. Recognizing the vast potential afforded by China, overseas subsidiaries and branch offices are working in unison with Headquarters to swiftly establish a comprehensive automobile value chain that encompasses upstream and downstream activities from development through production, sales and after-care service. Driven by this momentum, we will also promote sales of components, used and luxury cars; enter into partnerships with local car dealers; and commence operations for automobile-related products.

ASIA

HIROSHI KANEMATSU
President & CEO for Asia



MARKET OVERVIEW

The Asian region is currently undergoing dramatic transformation. Sustained high economic growth rates and improved standards of living have prompted a fundamental shift. The world today views Asia as not only a production base, but also a market of enormous consumer potential. Quick to grasp this trend and the challenges it offers, Sojitz is working to capitalize on business opportunities in every facet of its operations.

REGIONAL STRATEGIES AND STRENGTHS

Countries in South East and South West Asia, currently experiencing significant economic growth, offer Sojitz a host of opportunities. Each country offers its own distinctive attraction, from automobiles and electric home appliances in Thailand, through IT and telecommunications in Malaysia, and energy resources in Indonesia. Rivaling China in its pace of economic growth, is India, which itself is being outstripped by growth in Vietnam. Sojitz Asia is well placed to quickly recognize shifts in the Asian market, and through its extensive network, to relay each country’s needs on a real time basis, thereby better realizing business opportunities as they arise.

BUSINESS STATUS AND DEVELOPMENT

Beginning with its chemicals, plastics and food-related businesses, Sojitz is leveraging Group synergies to better combine products, functions, services and business opportunities with the aim of securing high earning growth. For example, we have combined distribution and storage functions with sales of chemical products such as methanol, fertilizer and basic materials for synthetic fiber and resin in an effort to establish an optimal marketing model. In our plastics business, we are promoting business from the materials development stage with the aim of creating a comprehensive materials supply network. We are endeavoring to expand local operations in lifestyle industries such as commodities, timber and textiles through partnerships with prime local companies and in the energy, automobile and telecommunications fields we are adopting long-term investment strategies.

REGIONS UNDER THE DIRECT CONTROL OF HEADQUARTERS



OVERVIEW

Excluding North, Central and South America, Europe and Africa, China, and Asia, Headquarters maintains direct control over all other regions, which include Oceania, the Middle East, the CIS region, Taiwan and Korea. Furthermore, in an effort to ensure that detailed and accurate strategies are formulated for specific regions, Headquarters has appointed representatives to oversee the Oceania, Middle East and CIS regions.

YUTAKA KASE
Executive Vice President, Overseas Operations

OCEANIA

In the Oceania region, Sojitz is engaged in business investment and the development of energy and mineral resources such as coal and alumina. We are also active in afforestation businesses including the export of woodchips. In processed foods, our investment in Hakubaku Australia Pty. Ltd. (20%) is beginning to bear fruit. This company is engaged in the manufacture and sale of dehydrated noodles made from organically grown wheat.

THE MIDDLE EAST

We are working to expand trading businesses, such as the automobile business in the Middle East, aluminum business in Bahrain and white shrimp exports from Saudi Arabia. Sojitz also participates in crude oil, LNG, aluminum refining and other projects. We proactively pursue collaboration with leading industrial and financial groups within the region as well as promote offshore trade and locally initiated projects. At the same time, Sojitz works to ensure that information is commonly shared among its branches within the region and to formulate and implement initiatives that serve to strengthen our operating platform.

CIS REGION

Sojitz is working to retain its top position as the world's leading exporter of coal and timber to Japan. We are also among Japan's leading suppliers of large-scale facilities and

equipment to Gazprom, the world's largest gas production company. In the expanding automobile industry, Sojitz is supporting Subaru, the automotive division of Fuji Heavy Industries Ltd., to expand its distribution network throughout the CIS region. We are seeing rapid results from our efforts. Sojitz is selectively promoting investment in a number of areas that best reflect the needs of the region. We are promoting the modernization of the CIS region's iron and steel industry, and entering into retail sales of pharmaceuticals and health-related foods.

TAIWAN

In an effort to strengthen earning power and expand business, the entire Company is focused on establishing new trade channels in electronics and IT, fields that have continued to drive economic growth in Taiwan. We are aggressively pursuing principal contract proposals and promoting export of Taiwanese commodities.

KOREA

Based on our experience in sales of machinery to general-purpose plants, Sojitz is reinforcing tie-ups with Korean manufacturers in an effort to expand business overseas. In addition, we are focusing on IT/CT development, an area characterized for its significant potential, and pursuing new proposals in semiconductors, a strong growth field, and electronic components for LCDs.

NETWORK As of March 31, 2004 (However, company names are as of July 1.)

JAPAN (DOMESTIC)

Company	Group Ownership	Area of Business
MACHINERY & AEROSPACE DIVISION		
Firsthands Corporation	77.10%	Semiconductor and electronic component sales over the Internet
Japan Steel Leasing Co., Ltd.	83.06%	Lease and sale of steel construction materials
NI Welding Corporation	49.00%	Sale of welding materials and equipment (including robots)
NIASCO Corporation	100.00%	Import/export and Japanese sales of aerospace-related equipment, components and materials
Nissan Gas Engineering Ltd.	30.00%	Sale of LPG/LNG refrigeration and liquefaction equipment, sale of all types of gas for marine and industrial use
Sendimir Japan, Ltd.	45.00%	Design and technical guidance for all types of rolling machine and auxiliary equipment
Sojitz Automobile Co., Ltd.	100.00%	Automotive component trading, and automotive engineering service
Sojitz Avisys Corporation	100.00%	Sale of aircraft and security equipment
Sojitz Machinery Corporation	100.00%	Machinery general trading company
Sojitz Marine & Engineering Corporation	100.00%	Sale, purchase and charter brokerage of new and used vessels, ship operation management, Japanese sales and import/export of marine-related equipment and materials
Sojitz Systems Corporation	100.00%	SI, ASP, network security, overseas IT project
Rent Corporation	28.91%	Rental, sale and repair of construction equipment
ENERGY & MINERAL RESOURCES DIVISION		
Coalinq Corporation	33.33%	Management of coal trading portal site
Creative Diecast Corporation	100.00%	Manufacture and machining of aluminum diecast products
Dai-Nihon Foil Co., Ltd.	48.40%	Aluminum foil, all types of film printing, sale of all types of wrapping material
e-Energy Corporation	100.00%	Sale of nuclear fuel and equipment
Erimo Wind Power Co., Ltd.	95.00%	Generation and sale of wind-generated electric power
Ject Corporation	100.00%	Sale of carbon material, petroleum products and LPG
LNG Japan Corporation	50.00%	LNG business and related investments
Nissho Iwai Alconix Corporation	35.03%	Manufacture of nonferrous metal (including aluminum, copper) products, construction materials
Nissho Iwai Futures, Inc.	100.00%	Futures trading of crude oil, financial and foreign currency exchange dealing
Nissho Koyu Co., Ltd.	57.33%	Sale of petroleum products, automobile maintenance and repair
Nissho Petroleum Gas Corporation	30.00%	Import and sale of LPG and petroleum products
Sojitz Energy Corporation	94.33%	Sale of petroleum products, nonlife insurance agency
Sojitz Jewelry Co., Ltd.	83.33%	Manufacture and sale of jewelry and accessories
Sojitz Metals Co., Ltd.	99.91%	Sale of nonferrous metals, reinforced and bar steel, lease of construction materials
Sojitz Sawada Power Co., Ltd.	96.43%	Generation and sale of diesel engine-generated electrical power
Sun Techno Inc.	70.00%	Automobile maintenance, sheet metal coatings, sales of products for chemical use
Tokyoyuso Co., Ltd.	100.00%	Oil storage facility management, warehousing and transportation
Toyo Oil Development Co., Ltd.	29.00%	Petroleum resource development
Uruma Resources Exploration Co., Ltd.	21.77%	Petroleum resource development
CHEMICALS & PLASTICS DIVISION		
CN Holdings, Inc.	50.00%	Holding company: manufacture, processing and sale of synthetic plastic film, sheeting and containers
Cosmic Farm Co., Ltd.	30.00%	Cultivation and sale of enoki mushrooms
Custom Serve Corporation	100.00%	Wholesale of plastic products
Daiwa Kenzai Co., Ltd.	18.18%	Processing and sale of decorative marble, sale of interior decor materials
Filteren Co., Ltd.	81.25%	Manufacture, sale, import/export of all kinds of sintered plastic filters, etc.
Fujikako Co., Ltd.	39.18%	Manufacture and sale of plastic products
Fujimatsu Company Co., Ltd.	100.00%	Wholesale of general plastic materials and related products
Global Chemical Holdings, Inc.	100.00%	Holding company: chemical products business
High-Tech Chem Inc.	100.00%	Manufacture and sale of plastic compounds
Hokko Chemical Co., Ltd.	90.00%	Manufacture, processing and sale of paint and ink thinners
Ichikou International Inc.	30.00%	Manufacture and sale of plastics and resins
Kyushu-Yasui Chemical Inc.	100.00%	Manufacture, processing and sales of polythene film
Mitsumoto Chemicals Co., Ltd.	98.82%	Plastic coloring agent and compound processing
N&L Marble Co., Ltd.	63.60%*	Manufacture and sale of decorative marble
NI Chemical Corporation	100.00%	Lease of chemical products/oil storage facilities, import/export shipping business
Nichipac Co., Ltd.	98.00%	Manufacture and sale of processed paper products, such as paper bags and wrapping paper, as well as plastic bags and other plastic products
Nissho Iwai Cement Co., Ltd.	54.13%	All types of secondary cement/concrete products, concrete aggregate and general construction materials
Nissho Iwai Material Corporation	50.00%	All types of secondary cement/concrete products, concrete aggregate and general construction materials
NN Chemical Corporation	100.00%	Trading of chemical products and inorganic mineral products
Pla Matels Corporation	46.55%	Sale of plastic raw materials, products, and processing equipment
Pla-Net Corporation	100.00%	Domestic and international trading of plastics and related products
Pla-Net Holdings, Inc.	100.00%	Holding company: plastics business
Sojitz Technoplas Corporation	100.00%	Processing of synthetic resins and coloring agents
Taiyo Chemical Industry Co., Ltd.	80.07%	Manufacture and sale of vinyl chloride film
Tokuyama Tsusho Corporation	30.00%	Sale of cement, ready-mixed concrete and other building materials

*As of July 31

Company	Group Ownership	Area of Business
Vermitech Corporation	100.00%	Sale of vermiculite firings
Yahata Concrete Co., Ltd.	100.00%	Manufacture and sale of ready-mixed concrete, processing of interior floor covering
Yasui Chemical Industrial Inc.	73.80%	Sale and manufacture of polyethylene film
Yawata Ready Mixed Concrete Co., Ltd.	100.00%	Manufacture and sale of ready-mixed concrete
CONSTRUCTION & URBAN DEVELOPMENT DIVISION		
Akita New Urban-Center Building Co., Ltd.	51.00%	Real estate development and sales
Chelsea Japan Co., Ltd.	30.00%	Development and operation of outlet centers
Kyusyu Urban-Development Co., Ltd.	17.32%	Hotel management (Nikko Hotels International, Oita Toyo Hotel)
New Real Creation Corporation	100.00%	Real estate business
Nicom Property Management Corporation	100.00%	Property management
Nissho Iwai Real Estate Corporation	100.00%	Real estate development, sales and brokerage
NM Life Corporation	50.00%	Management and operation of nursing homes
Sojitz Commerce Development Corporation	100.00%	Development, construction, operation and lease of retail property
Sojitz Home Corporation	100.00%	Housing development
Sojitz Realnet Corporation	100.00%	Retailer and sales of property
Takarazuka Kaihatsu Co., Ltd.	50.00%	Condominium development and sales
Yamagata Newcity Development Co., Ltd.	100.00%	Building development and management
FOREST PRODUCTS & BUILDING MATERIALS DIVISION		
Okamura Sanko Co., Ltd.	33.48%	Sale of lumber and building materials, real estate leasing business
House Solution Co., Ltd.	100.00%	Guarantees for ready-built housing
Nissho Iwai Housing Materials Corporation	100.00%	Sale of imported lumber (general pulpwood for construction use as well as lumber products and all types of construction materials)
Sun Building Materials Corporation	100.00%	Trading company specializing in sale of construction materials, interior finish works, sale of wooden fiber plates
Sojitz Lumber Corporation	100.00%	Sales of building materials and household equipment, intermediary for freight space
Takehara Kogyo Co., Ltd.	50.00%	Manufacture and sales of particleboard
Yoshimoto Ringyo Co., Ltd.	100.00%	Sale of building materials and household equipment
FOODS DIVISION		
Fuji Nihon Seito Corporation	28.82%	Manufacture, refining, processing and sale of sugar
Hanshin Silo Co., Ltd.	45.00%	Grain warehousing
Masudaya Foods Corporation	30.00%	Wholesale of wheat flour, rice and other foodstuffs
N.I.F. Co., Ltd.	20.00%	Sale of food specifically made for vending machines
Nissho Iwai Meat and Agri-Products Corporation	84.45%	Import/export of meat, gardening products and feed for sale in Japan
Real Madrid Marketing Japan Inc.	30.00%	Content production company
Sakai Tank Terminal Co., Ltd.	20.00%	Warehousing
Shikisima Starch MFG. Co., Ltd.	15.00%	Manufacture and sale of starch and sweetener
Shinshuham Co., Ltd.	37.14%	Production and sale of ham, sausage, bacon and general meats and vegetables
Sojitz Foods Corporation	100.00%	Sale of sugar, farmed marine products, raw ingredients for feed, wheat flour and other foodstuffs
Takatsu Shoji Co., Ltd.	100.00%	Wholesale sugar and foodstuffs
Unitec Foods Co., Ltd.	100.00%	Import, processing and marketing of natural food additives such as pectin
Yamaaki Co., Ltd.	50.00%	Processing and sale of clams
Yamazaki-Nabisco Co., Ltd.	20.00%	Manufacture, sale and import/export of biscuits, snacks, candy and chocolate products
GENERAL COMMODITIES & CONSUMER BUSINESS DIVISION		
Japan Vinegar Bottlers Co., Ltd.	50.00%	Planning and wholesale of health-related products
Nakau Co., Ltd.	51.41%	Management and operation of a Japanese fast food chain
Nissho Iwai Paper & Pulp Corporation	33.56%	Buying and selling of wrapping and packaging materials, containers and machinery
Payless Shoesource Japan Co., Ltd.	40.00%	Shoe retailer
Sojitz General Merchandise Corporation	100.00%	Import and wholesale of various types of firearm and ammunition
TEXTILES DIVISION		
Daiichibo Co., Ltd.	100.00%	Manufacture and sale of textiles, real estate leasing, storage distribution, shopping center management
Ichibo Apparel Co., Ltd.	100.00%	Sale of clothing, clothing accessories and sundry articles, contract distribution work and other related business activities
Ichibo Techno Systems Co., Ltd.	100.00%	Technical diagnostics related to textile industry, technical guidance, consulting and facility maintenance, computer business-related consulting
Mclord Co., Ltd.	100.00%	Distribution and warehousing of apparel
Misawa Co., Ltd.	15.00%	Manufacture and sale/wholesale of women's wear
Nichimen Fashion Co., Ltd.	100.00%	Processing and sale of fabrics
Nichimen Infinity Inc.	100.00%	Manufacture and sale of apparel
Nihon Sportswear Co., Ltd.	100.00%	Manufacture of apparel
Ootoriwings Co., Ltd.	100.00%	Operation and management of shopping centers
Prime Gate Ent. Ltd.	29.40%	Planning and sale of manufactured textile products and sundry articles
Singapore Co., Ltd.	97.60%*	Planning, manufacture and sales of women's clothing
Sojitz Logitech Co., Ltd.	99.67%	Cargo-handling contract work, product storage and management operations
Takahata Co., Ltd.	100.00%	Manufacture of sewn products

*As of July 31

Company	Group Ownership	Area of Business
NEW BUSINESS DEVELOPMENT GROUP		
Chip One Stop Inc.	39.90%	Online marketplace for semiconductors and electronic components
CRS Saitama Co., Ltd.	49.00%	Automobile dismantling and scrap processing services
Ebistrade Inc.	59.61%	Strategic IT business organizer (commercial transactions, account handling)
JBP Corporation	30.00%	Complete business invigoration services through member access e-business portals
Nissho Electronics Corporation	40.20%*	Providing solutions and services related to information and telecommunications, data processing, electronics and audio visual fields
Riskmonster. Com	67.69%	Credit exposure management, IT-based company rating information services and related consultancy services
OTHERS		
Funabashi Reizo Center Co., Ltd.	24.74%	Warehousing
Heisei Medical Club Corporation	90.83%	Member-system checkup clinic providing healthcare and early medical diagnosis
ITX Corporation	32.93%	Investment and business incubation, equipment sales and service provision in the IT field
Metal One Corporation	40.00%	General metals trading company
Nakatsu Estate Co., Ltd.	100.00%	Buying/selling of real estate, letting and leasing, mediation and management
Nikkyo Transportation & Warehousing Co., Ltd.	100.00%	Transportation and warehousing, real estate leasing, sale/lease of loading/unloading equipment
NTT DATA 3C Corporation	30.00%	Operating support centers covering technical matters and back office functions
Sojitz Insurance Agency Corporation	100.00%	Personal injury and life insurance agency services
Sojitz Logistics Corporation	100.00%	Logistics service business: land, sea and air cargo handling, international nonvessel operating common carrier (NVOCC) transportation
Sojitz Private Equity, Inc.	55.10%	Investment management/advisory service
Sojitz Research Institute, Ltd.	100.00%	All forms of research and consulting
Sojitz Tourist Corporation	100.00%	Travel agency
Synergy Capital Ltd.	27.00%	Management and operation of corporate rejuvenation fund
The Chuo Woollen Mills, Ltd.	27.41%	Real estate leasing, textile wholesaler

*As of July 31

OVERSEAS

Country	Company	Group Ownership	Area of Business
MACHINERY & AEROSPACE DIVISION			
Brazil	Fuji do Brasil Maquinas Industriais Ltda.	60.00%	Sale and service of Fuji Machinery surface-mounted technology (SMT) equipment
China	Kunshan NSK Co., Ltd.	15.00%	Manufacture and sale of bearings
	Shaoxing Asahi Bearing Co., Ltd.	20.00%	Manufacture of lathing rings used in the production of bearings
	Zhejiang Asahi Bearing Co., Ltd.	60.00%	Manufacture of lathing rings used in the production of bearings
Germany	ORC Manufacturing Vertriebs GmbH.	40.00%	Import/export and sale of electronics-related capital equipment and machinery
India	NMTronics India Pvt. Ltd.	100.00%	Sale and service of Fuji Machinery surface-mounted technology (SMT) equipment
Indonesia	P.T. Arthacakra Multifinance	20.00%*	Leasing and financing of automobiles
Ireland	Sunrock Aircraft Corporation Ltd.	100.00%	Aircraft leasing
Malaysia	IRIICHI (Malaysia) Sdn. Bhd.	33.23%	Electrical equipment manufacturer
	Kawasaki Motors Holding (Malaysia) Sdn. Bhd.	20.00%	Holding company of KSSB; import, sale and assembly of motorcycles
Philippines	Aichi Forging Company of Asia, Inc.	23.25%	Manufacture and sale of steel forging parts
	Asian Transmission Corporation	84.71%	Assembly and sale of automobile transmission engines
	Autrans Philippines Corporation	80.00%	Agency transport operations for automobile parts
	Fuji Machine Philippines Inc.	60.00%	Sale and service of Fuji Machinery surface-mounted technology (SMT) equipment
	Mitsubishi Motors Philippines Corporation	49.00%	Import, assembly and sale of Mitsubishi automobiles
Russia	Subaru Motor LLC.	51.00%	Import and exclusive sales agent of Subaru automobiles in Russia
Singapore	Fuji Machine Mfg. (Singapore) Pte. Ltd.	86.00%	Sale and service of Fuji Machinery surface-mounted technology (SMT) equipment
	Howa Machinery Singapore Pte. Ltd.	39.00%	Import and sale of industrial machinery and after-sales service
Thailand	Autrans (Thailand) Co., Ltd.	65.00%	Agency transport operations for automobile parts
U.S.A.	Mazak Laser Corporation	90.00%	Import, sale and aftercare of laser cutting machinery
	Metal Processing Systems, Inc.	100.00%	Import, sale and aftercare of metal processing machines
	NM Products Corporation	90.00%	Wholesale of gasoline engines and related manufactured products
	OAC Inc.	40.00%	Sale of OAC-manufactured automatic exposure equipment, lamps and supplies
Venezuela	MMC Automotriz, S.A.	92.31%	Import and assembly of Mitsubishi and Hyundai automobiles
Vietnam	Vietnam Suzuki Corporation	35.00%	Manufacture and sale of Suzuki automobiles and motorcycles
ENERGY & MINERAL RESOURCES DIVISION			
Australia	Catherine Hill Resources Pty. Ltd.	100.00%	Holding company for concessions held in the carbon mining area of Australia (Jellinbah East, Wallarah, Wyong)
	Japan Alumina Associates (Australia) Pty. Ltd.	50.00%	Participation in an aluminium manufacturing project with Worsley Alumina
	Sojitz Resources (Australia) Pty. Ltd.	100.00%	Investment in Sojitz Alumina Pty. Limited
Brazil	Albacora Japao Petroleo Limitada	50.00%	Oil and gas development
Canada	Sojitz Coal Development (Canada) Ltd.	100.00%	Operates and holds a 30% stake in a coal mine with Compliance Energy Corporation
	Sojitz Moly Resources, Inc.	100.00%	Holds rights to 25% of the Endako molybdenum mine in Canada
Czech Republic	NIKOM, a.s.	50.00%	Production and sale of ferromanganese
France	Nisshin France S.A.	20.00%	Stock holding and management of Le Nickel-SLN

*As of July 31

Country	Company	Group Ownership	Area of Business	
Grand Cayman	NM Merida Management Services Inc.	100.00%	Investment in power generation operations and management (O&M) businesses	
Mexico	NM Power Mexico, S.A. de C.V.	100.00%	Investment in power generation businesses	
Russia	LLC Sojitz Compressor Service	100.00%	Sale of compressors and components to Russian customers	
Singapore	Asia Cable Engineering Co., Pte. Ltd.	25.92%	Manages the laying of electric cable and related operations	
	Sojitz Offshore Project Pte. Ltd.	100.00%	Investment in FPSO/FSOs, distribution of petroleum facility-related equipment	
U.K.	Sojitz Petroleum Co. (Singapore) Pte. Ltd.	100.00%	Trading of crude oil and petroleum products	
	Sojitz Energy Project Ltd.	100.00%	Oil and gas development	
U.S.A.	Sojitz Etame Ltd.	100.00%	Carries out operations in connection with drilling rights held in the Etame oilfield area (Gabon)	
	NCG International Inc.	100.00%	Investment in and loans for the power generation industry	
	Sojitz Energy Venture, Inc.	100.00%	Oil and gas development	
	Sojitz Noble Alloys Corporation	100.00%	Investment in Strategic Minerals Corporation (Stratcor), a U.S. vanadium producer	
Vietnam	Strategic Minerals Corporation	22.31%	Production and sale of vanadium	
	Vietnam Japan Aluminium Co., Ltd.	42.00%	Manufacture and sale of aluminum extrusion products	
CHEMICALS & PLASTICS DIVISION				
Australia	Bemax Resources NL	20.30%*	Development, manufacture and sale of mineral sand	
Belgium	Planesa S.A.	100.00%	Umbrella company for plastics in Europe, marketing and investment	
Brazil	Konica Da Amazonia Ltda.	20.00%	Processing and sale of color film, developing slit paper and packaging	
Canada	American Bixis Inc.	29.00%*	Manufacture of biaxially-oriented polyamide (BOPA) film	
China	Asahi Kasei (Suzhou) Plastics Compound Co., Ltd.	49.00%	Coloring of molding materials and sale of compounds and molded products	
	Dalian Tateho Chemical Co., Ltd.	15.00%	Manufacture and sale of magnesia powder for heater insulation	
	Fangcheng Gang Yunyan Phosphate Co., Ltd.	39.00%	Crushing and export of mineral phosphate	
	Pla Matels (Shanghai) Co., Ltd.	100.00%	International, transit and bonded area trading, trading agent and consultancy	
	Richao Engineering Plastics (Beijing) Co., Ltd.	49.00%	Manufacture and sale of plastic compounds	
	Sojitz Engineering Plastics (Dalian) Co., Ltd.	100.00%	Development, manufacture and sale of plastic compounds	
	Super Engineering Plastics (Shenzhen) Co., Ltd.	49.00%	Manufacture of plastic compounds	
	Suzhou Maruai Semiconductor Package Co., Ltd.	30.00%	Development, manufacture and sale of products with plastic sheeting conductive coatings	
	Tianjin Binhai Chemical Storage & Transport Co., Ltd.	25.00%	Lease of facilities for chemical products and oil storage, import/export shipping business	
	Yantai Sandie Plastic Products Co., Ltd.	71.43%	Manufacture of household garbage bags, various types of polyethylene	
	Yingkou Qunxing Silicon Carbide Co., Ltd.	25.00%	Pulverization of silicon carbide ceramics	
	Finland	Bixis Oy, Ltd.	49.00%	Manufacture of biaxially-oriented polyamide (BOPA) film
	Hong Kong	Furukawa Circuit Foil (Hong Kong) Co., Ltd.	25.00%*	Manufacture and sale of copper foil
Pla Matels (Hong Kong) Co., Ltd.		99.60%	Trading of plastic resin, products and related machinery	
Sojitz Plastics (China) Ltd.		100.00%	Sale of synthetic resin materials and chemical industry equipment	
Topla International (Hong Kong) Ltd.		28.60%*	Sale of plastic products	
India	India Gelatine & Chemicals Ltd.	24.72%	Sale and manufacture of polyethylene film	
Indonesia	P.T. Kaltim Methanol Industri	85.00%	Manufacture and sale of methanol	
	P.T. Randugarut Plastic Indonesia	55.00%	Manufacture of various types of polyethylene, grocery sacks and garbage bags	
Korea	Han Kang Chemical Co., Ltd.	59.45%	Sale of substitute freon gas	
	N.I. Agrosience Corporation	100.00%	Technical development of agrochemicals	
Philippines	AFC Fertilizer and Chemicals Inc.	100.00%	Manufacture and sale of fertilizers, sale of imported fertilizer products	
	Aritao Realty Corporation	40.00%	AFCI land owning company	
	Hinigaran Realty Development Corporation	100.00%	AFCI land owning company	
Portugal	Nemoto Portugal Quimica Fina Lda.	27.20%	Manufacture and sale of nonorganic fluorescent pigment	
Singapore	Pla Matels (Singapore) Pte. Ltd.	100.00%	Trading of plastic resin	
Taiwan	Furukawa Circuit Foil Taiwan Corporation	15.15%	Manufacture of copper foil	
Thailand	Aspac Co., Ltd.	31.00%	Trading, sale and brokering operations	
	Central Pacific (Thailand) Co., Ltd.	100.00%	Sale and import of fertilizer	
	Dechalarp Co., Ltd.	99.00%	Company owning Group company land	
	Kemira Thai Co., Ltd.	35.98%	Sales agent for KEMIRA fertilizers	
	MC Agro-Chemical Co., Ltd.	100.00%	Sales of chemicals, agricultural bottling operations	
	MC Industrial Chemical Co., Ltd.	88.00%	Import and domestic sale of chemicals	
	MC Plastics Co., Ltd.	52.00%	Plastic processing and domestic sales	
	MC Solvents Co., Ltd.	52.00%	Commercial rights for licensed fertilizer production	
	MC Textile Co., Ltd.	52.00%	Import and domestic sales of clothing material	
	N.I.M. Co., Ltd.	51.00%	Warehousing (chemical tanks)	
	Nakashima Rubber (Thailand) Co., Ltd.	41.00%	Manufacture and sale of rubber automobile parts	
	Thai Central Chemical Public Co., Ltd.	83.46%	Production and sale of fertilizer (including imported products)	
	Thai Central Research & Development Co., Ltd.	99.99%	Research and development into chemical fertilizers for agricultural experiments	
	Thai GCI Resitop Co., Ltd.	37.12%	Manufacture and sale of all kinds of industrial phenol resin	
	U.K.	AK & N (UK) Ltd.	35.00%	Holding company
	U.S.A.	Bixis Packaging Sales, Inc.	100.00%	Sale of nylon film and plastic resins
		Metton America, Inc.	56.13%	Manufacture and sale of metton
Sanyo Plastics Compound America Inc.		78.10%	Manufacture and sale of plastic compounds	
Trans World Prospect Corporation		28.57%	Investment in Black Hillas Bentonite LLC	

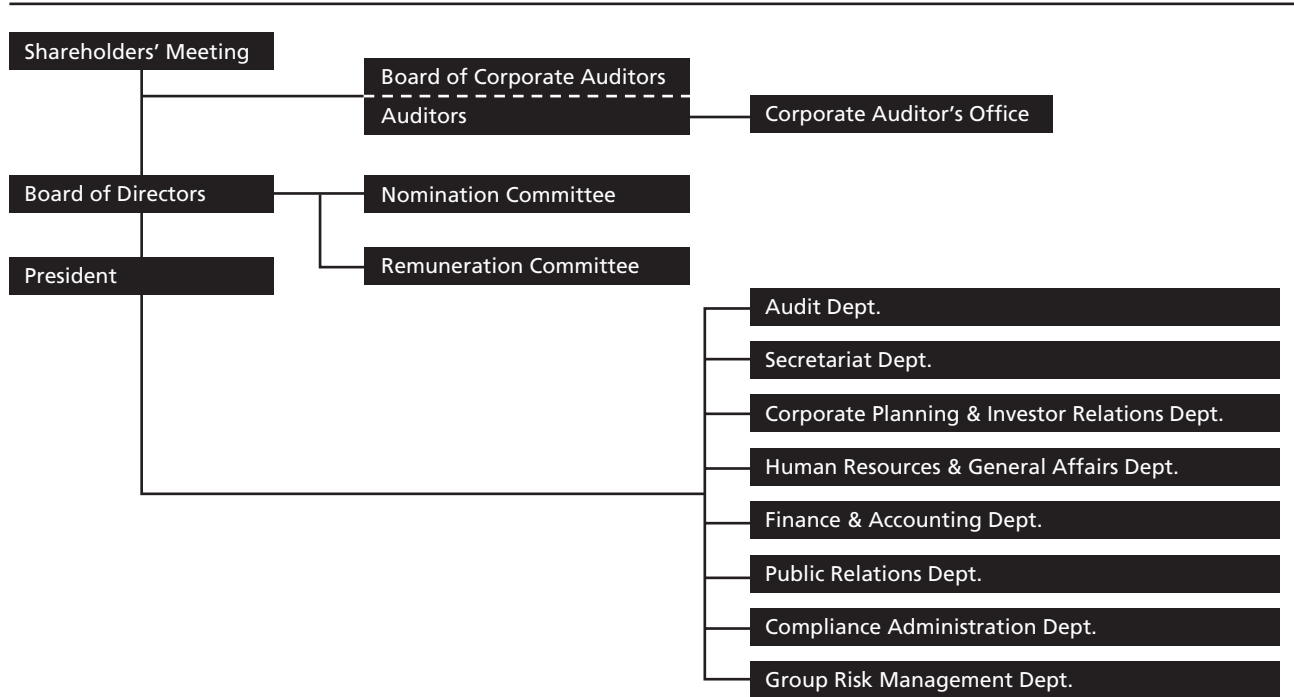
*As of July 31

Country	Company	Group Ownership	Area of Business	
Vietnam	Japan Vietnam Fertilizer Company	60.36%	Production and sale of compound fertilizer	
	Nichimen Chemical Tank Service Co., Ltd.	100.00%	Storage and sale of liquid bulk chemicals	
	PTN Chemicals Co., Ltd.	20.00%	Manufacture and sale of raw material for detergent alkylbenzene sulphonic acid	
CONSTRUCTION & URBAN DEVELOPMENT DIVISION				
U.S.A.	MCE Associates, LLC	100.00%	Real estate investment	
	Suncrown Development Inc.	100.00%	Real estate investment	
FOREST PRODUCTS & BUILDING MATERIALS DIVISION				
Indonesia	P.T. Mitra Mutiara Woodtech	65.00%	Production and sale of finished manufactured wood products	
Malaysia	Sojitz Forest Products (EM) Sdn. Bhd.	100.00%	Sales of forest product	
New Zealand	Tachikawa Forest Products (NZ) Ltd.	40.00%	Sawmilling	
FOODS DIVISION				
Australia	Hycube Pty. Ltd.	34.03%	Sale and import/export of grains, fats and oils	
China	Baoding Rongri Spice Co., Ltd.	30.00%	Process, manufacture and sale of spices (cayenne pepper)	
	Da Chan Showa Foods (Tianjin) Co., Ltd.	22.50%	Manufacture of premixed foods	
	Dalian Global Food Corporation	51.00%	Tuna processing	
	Dalian Shuang Ri Food Co., Ltd.	49.00%	Grading of soybeans	
	Heilongjiang Longqi Organic Food Development Co., Ltd.	40.00%	Cultivation and sale of organic foodstuffs	
	Heilongjiang Xin Mian Rice Milling Co., Ltd.	55.00%	Milling and sale of rice	
	Liaoning Northern Foods Co., Ltd.	40.00%	Sorting and processing of wild and cultivated vegetables	
	Sichuan Food Co., Ltd.	50.00%	Sale of everyday food items	
	Yingkou Shuiyuan Food Co., Ltd.	35.00%	Meat processing/packing	
Indonesia	P.T. Dwi Bina Utama	24.50%	Fishing industry, processing of marine products	
	P.T. Mitra Kartika Sejati	30.00%	Shellfish processing	
Philippines	All Asian Countertrade, Inc.	20.16%	Sale of sugar in Japan, import/export of raw cane sugar	
Singapore	Four Leaves Pte. Ltd.	20.00%	Manufacture of bread and confectionery	
Thailand	SNB Agriproducts Ltd.	29.00%	Extraction of rice bran oil, sale of pure and defatted rice bran oil	
Vietnam	D&N Foods Processing Co., Ltd.	49.00%	Manufacture and sales of processed marine products	
	Dalat Japan Foods Co., Ltd.	50.00%	Manufacture of frozen vegetables	
GENERAL COMMODITIES & CONSUMER BUSINESS DIVISION				
Australia	East Victoria Plantation Forest Company of Australia Ltd.	29.00%	Afforestation; manufacture and sale of wood chip	
	Green Triangle Plantation Forest Company of Australia Pty. Ltd.	29.00%	Afforestation; manufacture and sale of wood chip	
Vietnam	VJACHIP Vung Ang	60.00%	Afforestation; manufacture and sale of wood chip	
	VJACHIP Cai Lan	51.00%	Afforestation; manufacture and sale of wood chip	
	VJACHIP Da Nang	60.00%	Afforestation; manufacture and sale of wood chip	
TEXTILES DIVISION				
China	Da Longmian Textile (Suzhou) Co., Ltd.	25.00%	Cotton mill, cotton and quilt processing, production and sale of sleepwear, inspection of all types of textile products	
	Jiang Yin Chengbang Worsted Spinning Co., Ltd.	17.40%	Production and sale of acrylic worsted spun yarn	
	Nanjing Sumian Garment Co., Ltd.	25.00%	Manufacture and sale of apparel	
	Nichimen Fashion (Shanghai) Trading Co., Ltd.	100.00%	Processing and sale of fabrics	
	Ningbo Yongmian Fashion Garment Co., Ltd.	25.00%	Manufacture and sale of apparel	
	Qingdao Zhongmian Knitting Co., Ltd.	50.00%	Manufacture and sale of knitwear	
	Shandong Honglimian Knit Products Co., Ltd.	41.25%	Development, production and sale of socks, apparel and other knitwear	
	Shanghai Fujilife Co., Ltd.	40.00%	Manufacture and sale of sleepwear	
	Sojitz Textile Co., Ltd.	100.00%	Manufacture and sale of sewn products	
	Zibo Huamian Garment Co., Ltd.	50.00%	Manufacture and sale of apparel	
	Hong Kong	Now Apparel Ltd.	100.00%	Garment agent and trader
		Posand Sojitz Home Textile Ltd.	15.00%	Provision of dyeing and printing services
	Indonesia	P.T. Moriuchi Indonesia	20.00%	Fabric manufacturing
Thailand	Thai Nylon Co., Ltd.	28.62%	Manufacture of fishing nets	
OTHERS				
China	TNS Logistics International Corporation	20.00%	Warehousing and logistics operations	
Hong Kong	Sojitz Insurance Brokers (HK) Ltd.	100.00%	Insurance broker	
Singapore	Unimax Insurance Pte. Ltd.	100.00%	Reinsurance underwriting	
Thailand	United Thai Logistics Company Ltd.	31.43%	Operates logistics business within Thailand	
U.K.	Autrans Europe Ltd.	29.30%	Supply, import/export and international forwarding of automotive components	
Vietnam	Vinanic Steel Processing Co.	36.67%	Sheet steel cutting and processing	

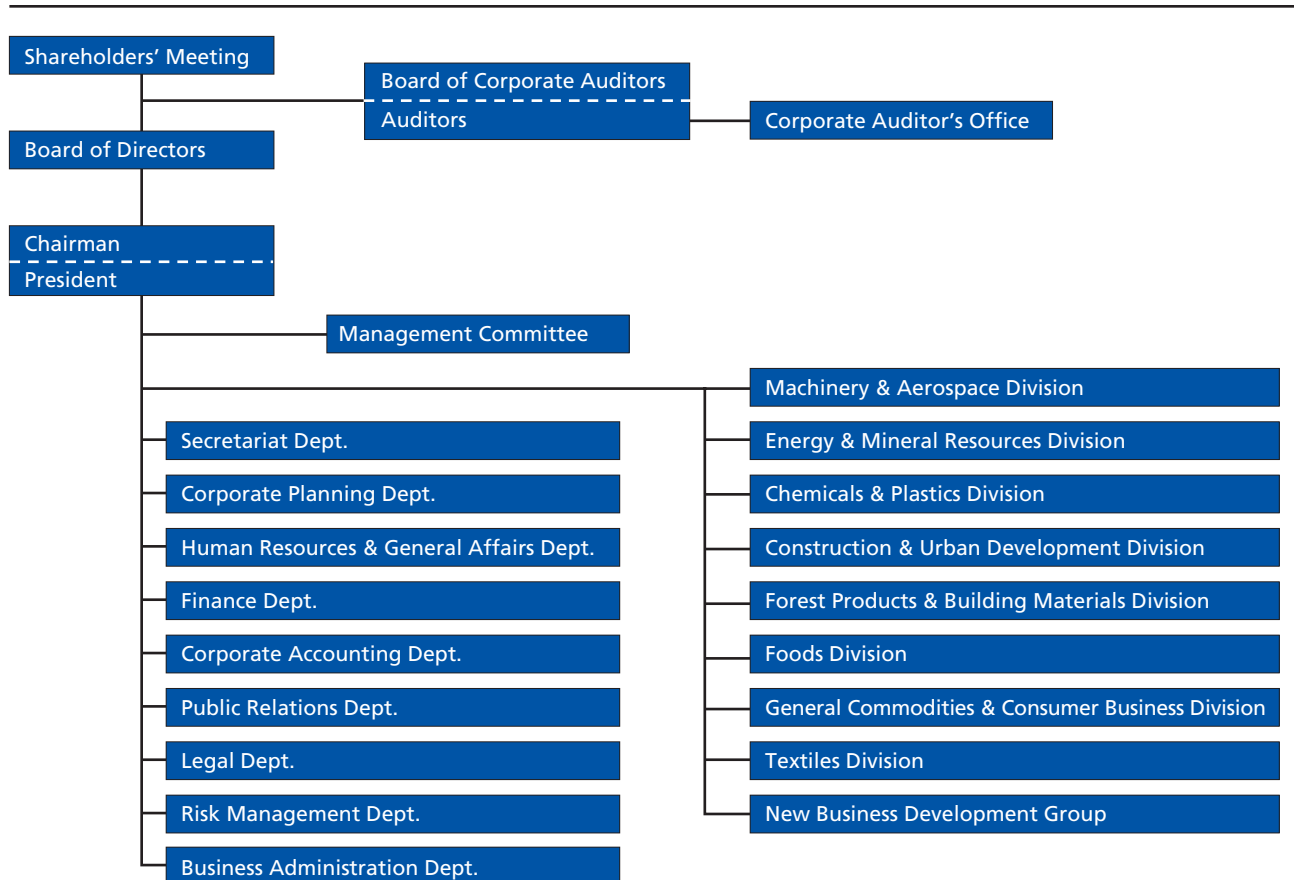
OVERSEAS AND DOMESTIC OFFICES

For Sojitz's overseas and domestic offices, please refer to the Company's Web site: <http://www.sojitz.com/eng/network/area/>

SOJITZ HOLDINGS CORPORATION



SOJITZ CORPORATION





Akio Dobashi

Masaki Hashikawa

Hidetoshi Nishimura

Katsuhiko Kobayashi

Shigeo Muraoka

DIRECTORS

President and CEO

Hidetoshi Nishimura

Executive Vice President

Masaki Hashikawa

*Director and Senior Managing
Executive Officer*

Katsuhiko Kobayashi

Director

Akio Dobashi

Director

Shigeo Muraoka

EXECUTIVE OFFICER

Managing Executive Officer

Shinichi Taniguchi

CORPORATE AUDITORS

Standing Auditor

Masaru Nakatani

Standing Auditor

Joji Wada

Auditor

Masaji Shinagawa

Auditor

Yoshiaki Ishida



Yasuyuki Fujishima

Kenji Okazaki

Akio Dobashi

Masaki Hashikawa

Yutaka Kase

Katsuyuki Sumida

Katsuhiko Kobayashi

DIRECTORS

Chairman

Masaki Hashikawa *

President & CEO

Akio Dobashi *

Executive Vice President

Yutaka Kase *

CIO, Secretariat Dept., Corporate Planning Dept., Human Resources & General Affairs Dept., Business Administration Dept., Overseas Operations

Senior Managing Executive Officer

Kenji Okazaki *

CFO, Finance Dept., Corporate Accounting Dept., Legal Dept., Risk Management Dept.

Senior Managing Executive Officer

Yasuyuki Fujishima

New Business Development Group

Senior Managing Executive Officer

Katsuyuki Sumida

President, Chemicals & Plastics Division

Senior Managing Executive Officer

Katsuhiko Kobayashi

Risk Management Dept., and assigned for Special Mission (M&A)

** Representative Director*

CORPORATE AUDITORS

Standing Auditor

Masaru Nakatani

Standing Auditor

Joji Wada

Standing Auditor

Kenichi Minami

Auditor

Masaji Shinagawa

Auditor

Yoshiaki Ishida

EXECUTIVE OFFICERS

Senior Managing Executive Officer

Kazuo Sekikawa

President & CEO for the Americas

Senior Managing Executive Officer

Hiroyuki Tanabe

President, Energy & Mineral Resources Division

Senior Managing Executive Officer

Yasushi Hoshika

President & CEO for Europe & Africa

Senior Managing Executive Officer

Mitsuo Muto

Legal Dept., Risk Management Dept.

Managing Executive Officer

Hiroshi Kanematsu

President & CEO for Asia

Managing Executive Officer

Keisuke Ishihara

President & CEO for China

Managing Executive Officer

Kazunori Teraoka

President, Machinery & Aerospace Division

Managing Executive Officer

Mamoru Sato

President, Forest Products & Building Materials Division

Managing Executive Officer

Toshimasa Dohi

President, Construction & Urban Development Division

Managing Executive Officer

Jun Matsumoto

President, Foods Division

Managing Executive Officer

Yoji Sato

Finance Dept., Corporate Accounting Dept.

Managing Executive Officer

Shinichi Taniguchi

Corporate Planning Dept., Human Resources & General Affairs Dept., Public Relations Dept.

Managing Executive Officer

Joji Suzuki

Corporate Planning Dept., Human Resources & General Affairs Dept.

Managing Executive Officer

Yoshimi Ota

President, General Commodities & Consumer Business Division

Managing Executive Officer

Yukio Miyajima

Business Administration Dept., Overseas Operations

Executive Officer

Eiji Okawa

CFO for China (based in Hong Kong)

Executive Officer

Shuhei Inoue

Senior Vice President, Energy & Mineral Resources Division

Executive Officer

Taichi Yonemura

President, Textiles Division

Executive Officer

Masao Ichishi

Senior Vice President, Construction & Urban Development Division

Executive Officer

Michiharu Katsura

Senior Vice President, Machinery & Aerospace Division

Executive Officer

Takashi Tsukada

CFO for the Americas (based in New York)

Executive Officer

Tetsuya Konoda

General Manager, Finance Dept.

Executive Officer

Junichi Hamatsuka

General Manager, Corporate Accounting Dept.

(1) BASIC STANCE

The Sojitz Group considers clarification of its management responsibilities and accountability to stakeholders, including shareholders, to be an important issue. In order to strengthen its corporate governance, the Company has implemented a variety of measures aimed at improving the profitability of the entire Group and maximizing corporate value. As the holding company for the Group, Sojitz Holdings recognizes that it is of the utmost importance to manage and oversee the business activities of the subsidiaries under its umbrella, and to establish a highly transparent management framework.

(2) MEASURES IMPLEMENTED

1. In order to further reinforce management transparency and corporate governance, the Company has appointed an outside director to its Board of Directors. Sojitz Holdings also established the Nomination and Remuneration Committees, and installed the outside director as chairperson of each committee.
2. The Company has adopted the auditing system, with an auditing committee comprised of four auditors, of which two are outside auditors. Auditors shall supervise directors in the performance of their duties and fulfill an accounting audit function.
3. The Company has introduced the executive officer system, clarifying the authority and responsibilities of senior executive and management. The executive officer system serves to separate the managerial decision-making and business executive functions, and to increase the speed of decision-making and implementation. In addition, in order to respond quickly and appropriately to sudden changes in the business environment, and to clarify management responsibilities, the tenure of directors has been set at one year.

(1) MEASURES IMPLEMENTED BY SOJITZ HOLDINGS CORPORATION

In April 2004, the internal Compliance Administration Department was established, and a compliance program formulated with the aim of ensuring Group executives and employees abide by all laws and Company regulations, and conduct themselves in an ethical manner in accordance with social norms.

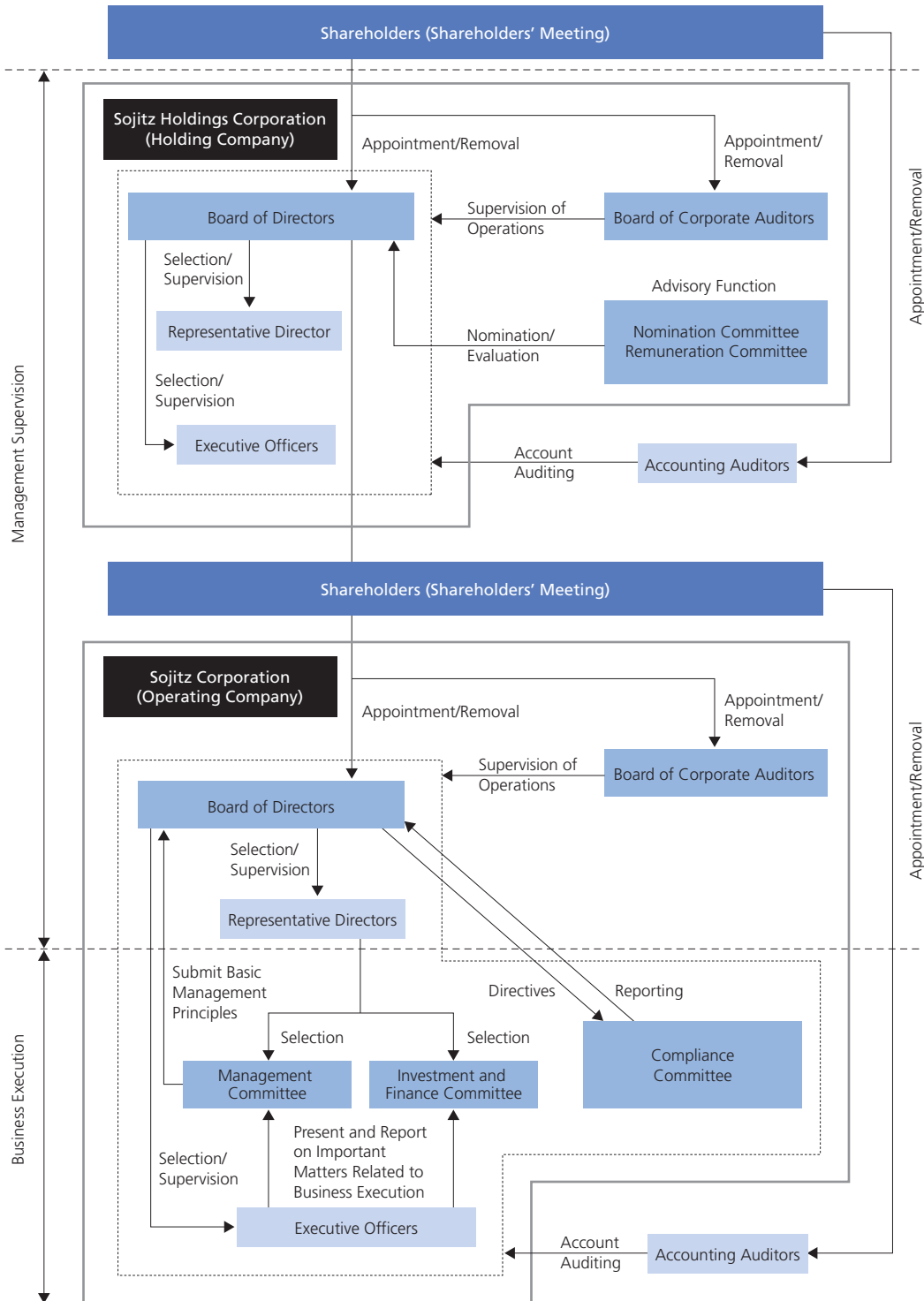
(2) MEASURES IMPLEMENTED BY SOJITZ CORPORATION

In order to ensure the Sojitz Group adheres strictly to compliance and risk management principles, and to statutory and regulatory requirements, a Compliance Committee has been established and a Chief Compliance Officer (CCO) appointed as its chair.

In addition, a structure has been established to allow employees direct access to the CCO and legal counsel in an effort to prevent noncompliance of statutory and regulatory requirements by members of the Sojitz Group and its early detection.

The Company will continue to strengthen compliance throughout the entire Group through education and other measures.

STRUCTURE OF OPERATING AND SUPERVISION



ENVIRONMENTAL ACTIVITIES AND SOCIAL CONTRIBUTION

Recognizing their social responsibility as members of the international community, Sojitz Holdings Corporation and its principal operating company, Sojitz Corporation, are committed to addressing environmental issues and to fulfill their corporate social responsibility. The entire Sojitz Group is working diligently to enhance the environmental activities of Nichimen and Nissho Iwai and to further contribute to society at large.

ENVIRONMENTAL PHILOSOPHY

Environmental issues are increasingly becoming matters of global concern both for current and future generations, as their impact is felt throughout the world. Recognizing environmental conservation as one of the most important challenges of management, the Sojitz Group works diligently to reduce environmental load in every facet of its operations. We are seeking a sustainable society, in which both economic development and environmental preservation can coexist.

ENVIRONMENTAL MANAGEMENT SYSTEM

Sojitz Corporation published its environmental management manual, based on ISO 14001 guidelines, the international standard for environmental management on April 1, 2004, and established an environmental management system for the Group. The system is comprised of the Global Environment Committee and environment management units for each corporate division and company with the Group. The chairperson of the Global Environment Committee is the highest authority on environmental management and is supported by designated managers, whose role is to

implement and manage environmental management systems throughout the Group's activities.

ENVIRONMENTAL CONSIDERATIONS

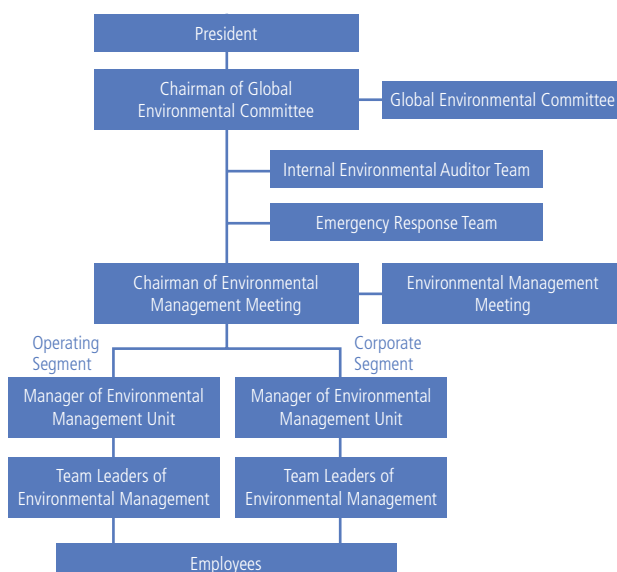
The Sojitz Group contributes to the realization of a recycling and sustainable society by promoting environmental preservation businesses through sales of environmentally friendly products and services as well as environment-related equipment, and the development of recycling and new-energy businesses. In our daily activities, we also strive to reduce environmental burden through aggressive efforts to conserve energy and resources, reduce waste, increase recycling and encourage green procurement.

Furthermore, we will continuously increase awareness and ensure compliance of environmental management systems among all directors and employees. At the same time, we will promote environmentally conscious educational and training activities.

SOCIAL CONTRIBUTION

Once a year for more than ten years, employees of the Nichimen Group donated used clothing to refugees in foreign countries through the Japan Relief Clothing Center, an international non-government organization. In 1988, the Nissho Iwai Group established the Nissho Iwai Foundation, the aim of which is to promote better understanding between nations through student and personnel exchange. The foundation works to foster personnel development and provides support through university research and student exchange programs. In 1993, Nissho Iwai Tradepia Club was launched to raise funds for underprivileged children. Twice a year, the Nissho Iwai Group matched the amount of funds collected from employees. These funds were then donated to a variety of organizations, including Japan UNICEF and Nihon Foster Plan Kyokai, to support the medical and educational needs of children in developing countries.

The Sojitz Group is committed to carrying on the spirit of corporate social responsibility demonstrated by the Nichimen and Nissho Iwai Groups. We are currently considering a number of initiatives to fulfill our responsibility as a good corporate citizen.



SOJITZ HOLDINGS CORPORATION
(The former NISSHO IWAI – NICHIMEN
HOLDINGS CORPORATION)

FINANCIAL SUMMARY

For the year ended March 31:

	2004
	(Millions of yen)
Net sales (Total trading transactions)	5,861,737
Gross trading profit	249,023
Operating income	59,949
Net loss	(33,609)

As of March 31:

Total assets	3,077,022
Total shareholders' equity	316,235
Interest-bearing debt	1,992,726

(Yen)

Per share amounts:

Net loss	(172.52)
Shareholders' equity	235.43
Dividends	—

ROA	(1.0) %
ROE	(18.3) %
Equity ratio	10.3 %
Net DER	4.9 times

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATIONS

Notes:

1. In this document, unless otherwise stated or inferred by context, the Sojitz Group (the "Group") refers to Sojitz Holdings Corporation and its consolidated subsidiaries and affiliates, while Sojitz Group companies refers only to its consolidated subsidiaries and affiliates.
2. Nissho Iwai - Nichimen Holdings Corporation changed its name to Sojitz Holdings Corporation on July 1, 2004. In this document, Sojitz Holdings Corporation is referred to as "Sojitz Holdings" or "the Company."

1. OVERVIEW

On April 1, 2003, Sojitz Holdings Corporation was established as a holding company of the former Nichimen Corporation (hereinafter referred to as "Nichimen") and the former Nissho Iwai Corporation (hereinafter referred to as "Nissho Iwai"), through a transfer of shares, in accordance with Article 364 of the Commercial Code of Japan. The Company was established to oversee business integration between Nichimen and Nissho Iwai with the aim of reinforcing operating and financial strength. In order to achieve this goal the Company has adopted two broad initiatives. First, to improve profitability by maximizing/pursuing business synergies, and second, to promote rationalization and management efficiency through the process of business integration.

During the fiscal year under review—the first year of its Three-Year Business Plan—the Company worked tirelessly to pursue the goals laid out therein, with the aim of reinforcing its financial structure by enhancing shareholders' equity and reducing interest-bearing debt. Also, in accordance with its Plan, the Company made decisive progress in merging subsidiaries, streamlining personnel, and compiling a comprehensive review of Group-wide operating expenses. Moreover, due to improvements in its financial strength, the Company accounted for losses through the reorganization of subsidiaries and affiliates, and overseas doubtful receivables.

On April 1, 2004, the Sojitz Group's principal operating companies Nichimen and Nissho Iwai merged with the resulting company renamed Sojitz Corporation.

In the fiscal year ended March 31, 2004, consolidated net sales (total trading transactions) amounted to ¥5,861.7 billion, impacted by the reorganization of business portfolios particularly in steel-

related businesses and the conversion of an information industry subsidiary to an equity-method affiliate. By type of trade, export sales totaled ¥873.8 billion and import sales were ¥1,407.3 billion. Domestic sales amounted to ¥2,402.0 billion, and offshore transactions totaled ¥1,178.6 billion.

Gross trading profit was ¥249.0 billion, while selling, general and administrative (SG&A) expenses amounted to ¥189.0 billion, reflecting successful efforts to streamline operations and reduce personnel and other costs. As a result, operating income totaled ¥59.9 billion.

The Company incurred net other expenses of ¥11.5 billion. Principal components were interest income of ¥24.6 billion, interest expense of ¥55.7 billion and other, net of ¥19.7 billion, resulting in recurring profit of ¥48.4 billion. Net special gains and losses was ¥90.5 billion, which mainly comprised loss, and provision for loss, on the liquidation of subsidiaries and affiliates of ¥34.6 billion, as well as provision for overseas doubtful receivables of ¥28.3 billion.

As a result, consolidated loss before income taxes and minority interests was ¥42.1 billion. After accounting for minority interests in consolidated subsidiaries and income taxes, the consolidated net loss amounted to ¥33.6 billion.

2. INDUSTRY SEGMENT INFORMATION

For comparative purposes, industry segment information for the previous fiscal year is the simple addition* of financial data for Nichimen and Nissho Iwai.

* The Sojitz Group was launched in April 2003. Accordingly, the consolidated financial results for Nichimen and Nissho Iwai inclusive of consolidated adjustments for each companies' joint subsidiaries have been used for comparative purposes as a matter of convenience.

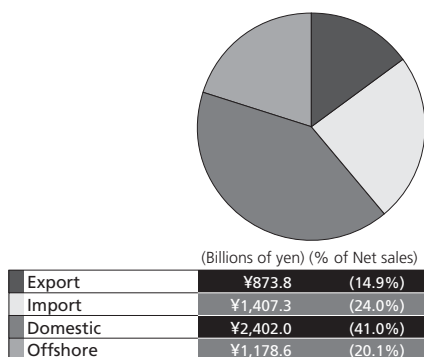
Machinery

Sales in this segment totaled ¥1,098.7 billion, an increase of ¥63.4 billion compared with the previous fiscal year, mainly reflecting a large-scale order in connection with an electric power plant in Spain, and an increase in the Company's Boeing airplane related transactions. Gross trading profit fell slightly reflecting a decline relating to the conversion of a welding-materials sales subsidiary to an equity-method affiliate. Operating income was ¥14.0 billion, up ¥7.5 billion year on year, due to the positive impact of cost-cutting measures to reduce SG&A expenses and the disposal and sale of unprofitable subsidiaries.

Energy & Mineral Resources

Sales in this segment were ¥1,666.3 billion, an increase of ¥149.4 billion, reflecting rising crude oil prices and an increase in the volume of transactions. Gross trading profit edged up, buoyed by contributions to earnings from petroleum-related transactions and petroleum and carbon businesses. As a result of solid contributions from energy subsidiaries and reductions in SG&A expenses,

Net Sales by Type of Trade



operating income totaled ¥8.4 billion, an improvement of ¥2.3 billion compared with the previous fiscal year.

Chemicals & Plastics

In light of the drop in domestic transactions in plastics, sales in this segment were ¥626.6 billion, down ¥25.4 billion. Gross trading profit declined slightly. On the earnings front, operating income was ¥14.6 billion, an increase of ¥4.1 billion, benefiting from strong market conditions for methanol production and contributions from a sales company in Indonesia, and cutbacks in SG&A expenses.

Housing & Consumer Products

This segment is comprised of textiles, foodstuffs, construction, forest products, and general merchandise and retail businesses.

Textiles:

Conditions in the textiles business were characterized by mixed results. Results were boosted by the inclusion of a spinning company in the Company's scope of consolidation and strong sales by a textile subsidiary. A cool summer on the other hand resulted in a weak market. Sales in the segment totaled ¥150.3 billion, edging down ¥1.0 billion, while gross trading profit also decreased slightly. Operating income on the other hand was ¥6.2 billion, up ¥1.3 billion, reflecting positive contribution from a textile subsidiary and reductions in SG&A expenses.

Foodstuffs:

Sales in the foodstuffs business were ¥437.4 billion, a decline of ¥21.0 billion, as the Company curtailed offshore transactions with low profit margins. Gross trading profit also decreased, impacted by the reduced trade in livestock products due to factors such as the influence of BSE and a drop due to the sale of a wholesale rice subsidiary. As a result of reductions in SG&A expenses, however, operating income was ¥4.2 billion, a slight increase of ¥0.5 billion year on year.

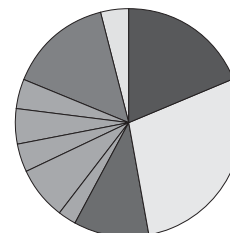
Construction:

In the construction business, the absence of one-time high-profit transactions present in the previous fiscal year impacted results. Sales were ¥236.1 billion, down ¥52.4 billion, gross trading profit fell, and operating income was ¥11.2 billion, a drop of ¥3.4 billion.

Forest Products:

Despite sluggish market conditions in the first half of the fiscal year under review, full-year results were buoyed by a recovery during the second half. Despite this however, net sales fell ¥12.8 billion to ¥295.5 billion, while gross trading profit decreased slightly. Operating income amounted to ¥4.5 billion, a significant

Net Sales by Industry Segment



(Billions of yen) (% of Net sales)

Machinery	¥1,098.7	(18.7%)
Energy & Mineral Resources	¥1,666.3	(28.5%)
Chemicals & Plastics	¥626.6	(10.7%)
Housing & Consumer Products	¥1,368.2	(23.3%)
Textiles	¥150.3	(2.6%)
Foodstuffs	¥437.4	(7.5%)
Construction	¥236.1	(4.0%)
Forest Products	¥295.5	(5.0%)
General Merchandise & Retail	¥248.9	(4.2%)
Overseas Subsidiaries	¥865.3	(14.8%)
Others	¥236.6	(4.0%)

increase of ¥2.0 billion due to an increase in profits generated by a construction materials sales subsidiary and efforts to cut SG&A expenses.

General Merchandise & Retail:

In the general merchandise and retail businesses, Nakau Co., Ltd. was included in the Company's scope of consolidation in October 2002. Benefiting from a full year's contribution in the fiscal year under review, sales in this business were ¥248.9 billion, up ¥9.7 billion; gross trading profit also rose; and operating income climbed ¥0.4 billion to ¥1.2 billion.

Accounting for individual business results and earnings, sales in the Housing and Consumer Products segment totaled ¥1,368.2 billion, a drop of ¥77.5 billion. Gross trading profit was up slightly, while operating income was ¥27.3 billion, an increase of ¥0.8 billion compared with the previous fiscal year.

Overseas Subsidiaries

Efforts to eliminate duplication within the respective overseas networks of Nichimen and Nissho Iwai during the fiscal year under review will contribute to the Company's consolidated results in the current fiscal year.

Sales recorded by overseas subsidiaries totaled ¥865.3 billion, an increase of ¥28.4 billion, buoyed by contributions from China and Asia. Gross trading profit was down, however, attributed to the transfer of a steel-related business domiciled in the United States to Metal One Corporation, an equity-method affiliate. Due to a recovery experienced by our principal U.S.-based subsidiary, operating income was ¥1.2 billion, up ¥1.0 billion year on year.

Other Businesses

As part of the business portfolio reorganization, Nissho Iwai transferred a steel-related business to Metal One Corporation, an equity-method affiliate, in January 2003. In August 2003, Nichimen transferred its steel products business to Sumitomo Corporation. Furthermore, in the information industry business, a portion of consolidated subsidiary ITX Corporation's shares, was transferred to Olympus Corporation in January 2003. ITX was reclassified as an affiliated company accounted for under the equity method. As a result of these factors, sales, gross trading profit, and operating income fell substantially. Sales totaled ¥236.6 billion, down ¥946.2 billion and operating income was ¥5.3 billion, a drop of ¥11.3 billion, reflecting the Company's business portfolio reorganization measures.

3. SCOPE OF CONSOLIDATION

As of March 31, 2004 the Sojitz Group comprised 557 companies,

a decline of 115 companies compared with April 1, 2003. Of this number, 329 companies (130 in Japan, 199 overseas) were consolidated subsidiary companies, and 228 companies (69 in Japan, 159 overseas) were affiliated companies accounted for under the equity method.

In the fiscal year under review, each company included in the scope of consolidation implemented a number of initiatives including: business portfolio management based on a policy of selection and focus; and efforts to improve asset quality and fortify its operating and financial structure.

Of all companies included in the scope of consolidation, 74.9% of consolidated subsidiary companies and 73.7% of equity-method affiliates reported net income in the fiscal year ended March 31, 2004. A total of 74.4% of companies comprising the Sojitz Group recorded positive income.

The operating performance of companies included in the scope of consolidation is presented as follows.

Earnings of Group Companies

	Profitable		Unprofitable		Total	
	Number of company	Net income [Billions of yen]	Number of company	Net loss [Billions of yen]	Number of company	Net income (loss) [Billions of yen]
Consolidated subsidiaries	245 (74.9%)	35.1	82 (25.1%)	(37.2)	327 (100.0%)	(2.1)
Companies accounted for by the equity method	168 (73.7%)	12.3	60 (26.3%)	(3.1)	228 (100.0%)	9.2
Total	413 (74.4%)	47.4	142 (25.6%)	(40.3)	555 (100.0%)	7.1

Notes:

1. Figures for consolidated subsidiaries exclude Nichimen and Nissho Iwai data.

2. Figures of net income and net loss for companies accounted for by the equity method represent equity in earnings of subsidiaries and affiliated companies.

4. FINANCIAL POSITION

(1) Assets, Liabilities and Shareholders' Equity

Assets

Total assets as of March 31, 2004, stood at ¥3,077.0 billion, a 7.7% decrease from the beginning of the period.

Current assets were ¥1,734.9 billion, down 6.6% compared with April 1, 2003. Major contributing factors were an increase in cash and time deposits due to proceeds from equity financing, as well as a decrease resulting from a reduction in low-profitability assets and a drop in the number of consolidated subsidiaries.

Non-current assets totaled ¥1,342.1 billion, a 9.1% decrease from the beginning of the period. This is attributed to a reduction in the number of consolidated subsidiaries and the shift from long-term loans receivable to short-term loans receivable.

Liabilities and Shareholders' Equity

Total liabilities as of March 31, 2004 stood at ¥2,748.8 billion, a decrease of 16.0% from the beginning of the period, due to repayments in connection with the reduction in assets. The reduction in assets including trade accounts receivable and inventories, was in part offset by a drop in trade notes and trade accounts

payable, and the repayment of interest-bearing debt. Interest-bearing debt stood at ¥1,992.7 billion as of March 31, 2004. After deducting cash and time deposits, net interest-bearing debt totaled ¥1,557.1 billion.

Shareholders' equity as of March 31, 2004 stood at ¥316.2 billion, boosted by proceeds from the issue of preferred and common stock of ¥266.0 billion and ¥7.2 billion, respectively, in May 2003.

In May 2003, the Company also established a ¥50.0 billion capital-raising commitment facility (commitment by Lehman Brothers to purchase convertible bonds up to a total of ¥50.0 billion). As of March 31, 2004, the Company had issued convertible bonds with warrants totaling ¥10.0 billion, of which ¥8.0 billion had been converted to common stock.

(For details regarding the facility refer to page 52 - 7. Pressing Issues, Management Policies and Initiatives (1) Progress of the Three-Year Business Plan 2. Reinforcement of Financial Strength b. Capital increase program with Lehman Brothers.)

As a result of these initiatives, net debt-to-equity ratio (DER), set as a numerical target in the Three-Year Business Plan, was 4.9 times at the fiscal year-end.

(2) Cash Flows

Net cash provided by operating activities was ¥87.2 billion and net cash provided by investing activities was ¥73.0 billion. Despite an increase in funds from the Company's equity financing, net cash used in financing activities was ¥68.6 billion reflecting the repayment of interest-bearing debt. After accounting for the effect of exchange rate changes on cash and cash equivalents and the effect of change in the scope of consolidation, cash and cash equivalents at the end of the year stood at ¥401.2 billion.

In cash flows from operating activities, adjusted cash flow from operating income (net loss before income taxes adjusted non-cash items such as depreciation and amortization and net increase of allowance for doubtful receivables, and items of investing activities such as interest income and expense, dividend income) resulted in income of ¥27.0 billion. In addition, resulting from collection of trade receivables and decrease in inventories, working capital decreased ¥60.2 billion. As a result, net cash provided by operating activities amounted to ¥87.2 billion.

In cash flows from investing activities, net cash inflows from the purchase and sale of marketable and investment securities totaled ¥69.3 billion, in line with the Company's efforts to streamline assets. Including the collection of loans receivable and net payments from the purchase and sales of property and equipment, net cash provided by investing activities totaled ¥73.0 billion.

As a result, free cash flow was ¥160.2 billion.

In cash flows from financing activities, the Company undertook an issuance of common/preferred stock, raising ¥272.2 billion. On the other hand, as a result of its efforts to reduce interest-bearing debt and to reinforce financial strength, cash flows from financial procurement including bank loans was an outflow of ¥302.9 billion. In addition, accounting for the issue and redemption of bonds, the Company recorded a cash outflow of ¥38.6 billion. Accordingly, net cash used in financing activities for the fiscal year under review was ¥68.6 billion.

(3) Liquidity and Funds Procurement

As of March 31, 2004, the balance of cash and cash equivalents and time deposits stood at ¥437.8 billion. The balance of cash on hand is considered adequate. The Company maintains more than sufficient liquidity.

In the fiscal year under review, the Company emphasized equity financing to fund new investments, and disposal of low-profit assets as a means to reduce interest-bearing debt. As a source of indirect funding however, the Company maintains stable relationships with its primary financial institutions including main banks.

As a direct source of funding, the Company issued straight bonds through a public offering totaling ¥25.0 billion in March 2004. The Sojitz Group intends to raise direct funds in the future after duly considering market conditions and trends.

As identified on page 51, (7. Pressing Issues, Management Policies and Initiatives) the Company has procured long-term bor-

rowings in an effort to improve its current ratio and the balance between short-term debt and long-term borrowings.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of Sojitz Holdings and its consolidated subsidiaries are prepared in conformity with accounting principles generally accepted in Japan. The reported amounts relating to assets and liabilities, disclosure of contingent liabilities, and the reported amounts relating to revenues and expenses for the reporting period used in the preparation of the consolidated financial statements are based on estimates and assumptions as determined by the Company's management. The Company constantly reviews and verifies estimates and assumptions relating to the valuation of receivables, investments and inventories, fixed assets, recognition of revenue, income taxes, deferred tax assets, Group business reorganization, and structural reform costs including those for affiliated companies, retirement and severance benefits, contingent liabilities, and other items. Estimates, assumptions and decisions made by the Company are based on historic performance and other factors that are deemed most relevant to the situation. In the event that insufficient facts exist to enable the Company to make an objective decision regarding the accounting for assets and liabilities and income and expenses, the Company bases its decisions on estimates and assumptions. Accordingly, differing assumptions and changes in conditions may cause estimates and actual results to differ.

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

(1) Evaluation of Receivables

To provide for potential losses arising from uncollectible notes and accounts receivable and loans receivable, the Company maintains an allowance for doubtful accounts based on historical loss ratios over the preceding three years. For doubtful receivables, the Company records an allowance after evaluating the probability of recovery considering the estimated realizable value of collateral and amounts to be recovered by guarantees. In order to assess the amounts of allowance for doubtful receivables accurately, the Company reviews its customers' financial position, credit rating, condition for collection of receivables, changes of payment terms and conditions, economical trends in the industry, conditions in the region in which the customer operates, and all other relevant information. The Company's management believes that the Company maintains sufficient and adequate allowances for doubtful receivables.

(2) Evaluation of Investment Securities

The Company maintains a significant level of investments that are classified according to the purpose for which they are held, with valuation subject to a variety of assumptions. Available-for-sale securities with available market values are stated at fair value

based on market prices at the balance sheet date with unrealized valuation gains and losses, net of tax, included in shareholders' equity in the consolidated balance sheet. The Company recognizes impairment losses on investment securities whose values have declined at least 50% of the book value. In case the values have declined 30% to 50%, the Company's management evaluates the probability of recovery, and recognizes impairment losses except when the value is deemed to be recoverable.

Available-for-sale securities without available market value are valued at cost using the moving-average method. The Company assesses these securities by comparing its equity in the net worth of the issuer with the book value of the investment. In the event that the Company's equity in the net worth of the issuer has declined at least 50% of book value, the Company's management assesses the probability of recovery considering each situation, such as temporary declines due to initial losses in the start-up companies, and recognizes impairment losses except when the value is deemed to be recoverable.

In recognizing the impairment losses on investment securities, the Company considers the financial position, industrial trends and specific factors pertaining to the industry, location and region of the issuer.

(3) Evaluation of Inventories

Inventories are stated at cost using the specific identification or moving-average methods. In the event that market value has declined at least 50%, inventories shall be recorded at market value unless a recovery is deemed possible. Real estate for sale is valued at market value on an individual property basis taking into consideration various conditions at the time of appraisal, such as sales price, appraisal amount, official announced value, and value for inheritance tax purposes. In the event that conditions are unchanged, market price is carried forward to the following fiscal year.

Recovery in market prices is subject to a number of factors including economic conditions, trends in land prices, feasibility for property development, developments in close proximity, and changes in general real estate conditions.

(4) Depreciation and Valuation of Property and Equipment

The Company and its domestic consolidated subsidiaries principally depreciate property and equipment by the declining-balance method and intangible fixed assets by the straight-line method based on the estimated useful lives of the respective assets. However, the Tokyo Head Office Building of Nichimen and the Nissho Iwai Shin-Yokohama Center of Nissho Iwai as well as buildings acquired by the Company and its consolidated subsidiaries after March 31, 1998, are depreciated by the straight-line method. In addition, the property and equipment of overseas, consolidated subsidiaries are depreciated in accordance with generally accepted accounting practices in the country of domicile.

Certain domestic consolidated subsidiaries revalue commercial-use land pursuant to Law No. 34 published on March 31, 1998. The related unrealized gains or losses are recorded as land revaluation difference in shareholders' equity in the consolidated balance sheets. This revaluation method is applied using the appraisal value as prescribed in Article 2-5 of the Guidelines for Enforcement Regulations No. 119 (March 31, 1998).

(5) Deferred Tax Assets and Liabilities

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

The Company evaluates the probability of realization of the benefits of those deferred tax assets based on future taxable income estimates and tax planning. A valuation allowance is established to reduce certain deferred tax assets relating to deductible temporary differences and net operating loss carry forwards where it is more likely to be unable to realize the benefits of those deferred tax assets as a result of rigorous assessment by the Company's management. As for tax losses carried forward, although the Company can utilize them as benefits in seven subsequent years under Japanese Corporate Tax Law, the Company records the deferred tax assets to the extent that they can be utilized in the subsequent five years.

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

(6) Employees' Retirement and Severance Benefits

Employees' retirement and severance benefits are accrued based on the estimates of retirement and severance benefit obligations and plan assets at the end of the accounting period.

In line with the enactment of the "Defined Contribution Pension Law," Nissho Iwai changed its pension plan from a "Defined Benefits Pension Plan" to a "Defined Contribution Pension Plan" and "Prepaid Retirement Allowance Plan" in April 2002. In September 2003, Nichimen changed its pension plan from a "Defined Benefits Pension Plan" to a "Defined Contribution Pension Plan" and "Prepaid Retirement Allowance Plan." The Company applied "Accounting Treatment concerning Transfer, etc. between Retirement Benefit Plans (Financial Accounting Standards Implementation Guidance No. 1) issued by the Accounting Standards Board of Japan. In connection with the transfer between retirement benefit plans, Nichimen recorded a special loss of ¥15.3 billion for the fiscal year ended March 31, 2004.

Certain domestic consolidated subsidiaries maintain employees' welfare pension fund plans, tax qualified pension plans and lump-

sum payment plans as defined benefit plans. Some consolidated subsidiaries have established a retirement allowance trust. Some foreign consolidated subsidiaries also have defined benefit plans.

6. RISK

The Sojitz Group is engaged in a wide and diverse range of activities including general trading; the purchase, sale and trade of goods and commodities; and the manufacture and sale of a wide variety of products in Japan and overseas. The Sojitz Group also provides comprehensive services to a variety of industries on a global scale. In addition, it is engaged in planning and arranging projects, and investing in a variety of business fields and financial activities.

In light of its activities, the Sojitz Group is confronted by numerous risks. These risks include: market risk relating to movements in foreign exchange rates, interest rates, commodity market conditions, and stock prices; credit risk relating to non-payment and collection; investment risk; country risk; and other risks. These risks are to a certain degree unpredictable, and as they cannot be confirmed, can impact the performance and results of the Group. In order to adequately monitor and manage risk, the Sojitz Group has formulated comprehensive risk management guidelines, which form the basis for its risk management systems and procedures.

(1) Market Risk

The Sojitz Group is engaged in global business development and trade and is accordingly subject to a variety of market risks. Certain transactions are denominated in foreign currencies and as such are subject to exchange rate risks. The Group is also susceptible to movements in interest rates in connection with funds procurement and its investment activities. In its daily operating activities, the Group enters into purchase agreements, maintains inventories, and is exposed to commodity price risk. In addition, the Group is exposed to stock price risk due to its holdings of marketable and other securities. As a result, the Group is subject to a variety of market risks. (Transactions susceptible to market risk are not limited to those identified above.)

In a number of cases market risk can be transferred or shared with customers. The Sojitz Group, however, works to avoid market risk-related losses by maintaining limits on the position (short/long) a business unit may assume while strictly adhering to the loss-cut rule. In order to offset market risks related to its general marketing and finance activities, the Group matches buying and selling transactions for commodities, adopts a matching principle for its assets and liabilities, and applies derivative financial instruments including forward foreign currency contracts and interest rate swaps.

The Sojitz Group engages in certain speculative transactions. In these cases transactions are subject to strict control and the loss-cut rule. Front and back office functions are clearly defined and separated so as to prevent operational risks. Risk is assessed and

quantified using the Value at Risk (VaR) method, and positions are governed by quantified risk amounts and realized losses within a preset maximum amount.

Risk measured under VaR is calculated, taking into account the holding term, confidence interval and standard deviation, to determine a maximum loss amount.

(2) Credit Risk

In the course of its business, the Sojitz Group extends to a large number of customers in Japan and overseas credit facilities. In each instance the Group objectively determines the credit rating of each customer and based on this rating, it sets individual transaction limits and the level of credit to be provided.

In addition, the Group undertakes periodic assessment of deferred payment, finance and guarantee procedures related to credit risk based on risk/return considerations. When the risk/return is considered insufficient, steps shall be taken to improve returns and to reduce risks.

(3) Investment Risk

One of the major business activities of the Sojitz Group is investing in a variety of business fields, which are subject to changes in investment values and other risks. The Company has established a screening system to deliberate the merits and risks of each investment proposal, and a management system to follow-up investments, particularly with a view to comparing the original projections with actual results. Clearly defined standards have also been formulated with regard to withdrawal from an investment. Through these initiatives, the Group is working to prevent and reduce loss.

The Company has established a system to adequately screen and select new business investment opportunities. On evaluating each proposal, the relevant business plan, including cash flow projections, are comprehensively examined. Also, profitability is strictly assessed by setting a hurdle rate based on the internal rate of return (IRR).

Proposals that have been approved and implemented are subject to periodic review to ensure the early detection of issues and problems. In the event an issue or problem arises, steps are taken to ensure minimum loss. In addition, in order to ensure early detection and in an effort to avoid issues and problems, guidelines are established at the early stages to define acceptable risk and return, and to identify conditions for withdrawal and loss write off.

(4) Country Risk

The Company is subject to country risk in its trading operations and activities. In order to minimize country risk, the Company avoids excessive investment in any one country or region. To this end, the Company evaluates each country and region and assigns a risk rating for each. For countries and regions with high country

risk rating and those with a relatively large net exposure, the Company has identified upper exposure limits within which the Company operates. For countries allocated a high country risk rating, risk avoidance measures are implemented for each proposal.

7. PRESSING ISSUES, MANAGEMENT POLICIES AND INITIATIVES

The Sojitz Group is pursuing its basic policies of "Improvement in Profitability" and "Reinforcement of Financial Strength" through proactive implementation of the measures outlined in its Three-Year Business Plan (April 1, 2003 through March 31, 2006). The Group also recognizes the need to achieve recurring profit of over ¥100 billion, and net DER of five times or less—the two key financial targets for the final year of the Three-Year Business Plan.

Notes:

1. The Company adopts accounting principles generally accepted in Japan.
2. Recurring profit is in conformity with accounting line items generally accepted in Japan and represents the fundamental earning power of the Company.

(1) Progress of the Three-Year Business Plan

Numerical targets for the fiscal year ended March 31, 2004, and actual performance:

	Target	Actual	Rate of Achievement
Recurring profit	¥48.0 billion	¥48.5 billion	101%
Net DER	8.5 times	4.9 times	

Principal measures to achieve targets implemented during the period under review:

1. Improvement in Profitability

During the fiscal year ended March 31, 2004, the first year of the Business Plan, the Company completed its restructuring plan as quickly as possible, a plan that included integration or dissolution of duplicate functions and domestic and overseas operating bases, restructuring and rationalization of administrative functions, and the integration of subsidiary companies. The reduction goals for the three-year rationalization plan were achieved within this first year.

In the fiscal year under review, the Company has achieved reduction benefits in SG&A expenses of approximately ¥32.0 billion as a result of rationalization efforts.

2. Reinforcement of Financial Strength

a. Equity financing

At the meeting of the Board of Directors held on April 25, 2003, the Company resolved to issue preferred and common stock by allocation to third parties. In May 2003, the Company increased its capital through the issuance of ¥266.0 billion in preferred stock and ¥7.2 billion in common stock.

b. Capital increase program with Lehman Brothers

A 10-year framework utilizing a capital-raising commitment facility has been established with Lehman Brothers (commitment by Lehman Brothers to purchase convertible bonds up to a total of ¥50.0 billion). Using this capital acquisition framework, during the fiscal year under review the Company issued ¥5.0 billion in convertible bonds initially in May 2003 and an additional ¥5.0 billion in November 2003. Of the total ¥10.0 billion, ¥8.0 billion was converted to ordinary shares. The Company's capital policy is to flexibly implement appropriate measures to increase equity and to raise capital by utilizing this facility. The decision to issue convertible bonds is made with due consideration of dilution factors, such as prevailing share prices.

c. Public offering of straight bonds

Through the two measures detailed in a. and b. above, the Company was able to vastly improve its financial structure. In addition, as part of a financial strategy to improve its financing structure, it was decided at the Board of Directors meeting held on February 27, 2004 to issue straight bonds totaling ¥20.0 billion. Taking the market's positive reaction and demand into consideration, it was further decided at the Board of Directors meeting held on March 10, 2004 to increase the offering to ¥25.0 billion. On March 25, 2004, the Company made its first unsecured bond offering (guaranteed by Nichimen and Nissho Iwai) totaling ¥25.0 billion with a term of two years.

These measures, along with continued cuts in net interest-bearing debt, greatly improved the financial position, producing net DER of 4.9 times as of March 31, 2004, as compared to 41.4 times as of April 1, 2003.

	As of September 30, 2002	Targets for March 31, 2006	Actual as of March 31, 2004	Rate of achievement
Employees (consolidated)*1	21,800	-6,200	-7,200	116%
Consolidated subsidiaries*1	430	-160	-172	108%
Domestic branches	8	-4	-4	100%
Overseas operating bases*2	187	-120	-125	104%

Notes:

1. Indicates progress toward achieving the original rationalization plan (excluding steel-related operations)
2. Actual figures for reductions (as of March 31, 2004) include integrations effective April 1, 2004.

(2) Future Policies and Initiatives

1. Improvement in Profitability

As already mentioned, the Sojitz Group achieved the rationalization targets of the Three-Year Business Plan in the first year. The effects have already started contributing to results, such as the early realization of cutbacks in SG&A expenses for the fiscal year under review. From the fiscal year ending March 31, 2005, the Group will shift its focus to strengthening profitability and expanding earning growth potential.

a. Business portfolio strategies

Under the management principle of selection and focus in the business portfolio, and in consideration of analysis on such factors as returns, risks, and capital costs in each business, the Company will seek to increase profitability through appropriate redistribution of management resources in accordance with the characteristics of each business. To achieve this goal, the Company has introduced a new management indicator to evaluate risk/return, the SCVA (Sojitz Corporation Value Added). The adoption of this indicator as a permanent means of evaluation for the Group's businesses will allow the Group to control its overall risk and maximize returns. Also, while utilizing SCVA as a management indicator at each operational level (including portfolio management measures, department and division), the Company will employ the SCVA-based KPI (Key Performance Index) as a management indicator to evaluate performance of personnel. This will establish a structure in which SCVA management is a foundation for corporate management.

b. Pursuit of business synergies

The Company will fully utilize the complementary relationships in sales channels and business fields within Sojitz Corporation, the newly merged subsidiary and the Group's core operating company, and realize business synergies, by creating new sales channels and businesses. Before the merger, the Company already realized synergies from the mutual sharing of customers of Nichimen and Nissho Iwai that have resulted in new business contracts and cost reductions, such as those from joint chartering of ships. Moving forward, the Company will strive to anticipate market and customer needs, achieve more operational synergies and build a high-value-added business through the creation of a proactive business value chain.

2. Reinforcement of Financial Strength

Along with investments in its core businesses, the Company will continue to enhance shareholders' equity and reduce net interest-bearing debt. The Company aims to improve financial indicators, such as its current and long-term debt ratios, through long-term funding.

8. OUTLOOK

As identified, the Company achieved its Three-Year Business Plan rationalization targets in the plan's first year.

Rationalization benefits are accordingly expected to flow through to consolidated results for the fiscal year ending March 31, 2005. In addition, the Company acquired Nissho Electronics Corporation, a company active in the information-related business sector in April 2004 which was not an affiliated company in the previous year. Realizing benefits of rationalization and acquisition, recurring profit is expected to increase by ¥36.5 billion to ¥85.0 billion in the fiscal year ending March 31, 2005.

In the fiscal year under review, the Company posted significant special losses, mainly comprising losses, due to the reorganization of subsidiaries and affiliates, and provision for overseas doubtful receivables. Buoyed by these efforts and an anticipated increase in recurring profit, net income is forecast at ¥50.0 billion, a turnaround of ¥83.6 billion from the previous fiscal year.

In the fiscal year ending March 31, 2005, the Company will continue efforts to reduce interest-bearing debt. On a year-on-year basis, however, net interest-bearing debt is expected to rise slightly due to investment demands for core businesses. Net DER on the other hand is forecast to improve due to an increase in shareholders' equity reflecting improved retained earnings.

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

9. BASIC POLICY ON DIVIDENDS

The Company has put the return of profits to shareholders as a top management priority. In addition, the Company aims to increase shareholder value and provide dividends stably in the medium-term while accumulating sufficient retained earnings to improve its financial structure and strengthen the management foundation of the Group.

Specifically, the Company intends to accumulate the retained earnings it believes are necessary to reinforce its financial structure and to improve shareholder value during the Three-Year Business Plan.

CONSOLIDATED BALANCE SHEET

Nissho Iwai – Nichimen Holdings Corporation and Consolidated Subsidiaries
March 31, 2004

	Millions of yen	Thousands of U.S. dollars (Note 1)
ASSETS	2004	2004
Current Assets:		
Cash and cash equivalents (Notes 2 and 4).....	¥ 401,240	\$ 3,785,283
Time deposits (Note 4)	36,594	345,226
Short-term investments (Notes 2, 3 and 4)	15,543	146,632
Receivables:		
Trade notes and trade accounts (Note 4)	677,134	6,388,057
Loans (Note 4)	90,393	852,764
Unconsolidated subsidiaries and affiliates	129,457	1,221,292
Allowance for doubtful receivables	(39,926)	(376,660)
Inventories (Note 4).....	239,499	2,259,425
Advance payments to suppliers	33,241	313,594
Deferred tax assets—current (Note 7).....	13,347	125,915
Other current assets	138,397	1,305,632
Total current assets	1,734,919	16,367,160
Investments and Long-Term Receivables:		
Investment securities (Notes 3 and 4)	304,126	2,869,113
Investments in and advances to unconsolidated subsidiaries and affiliates	177,057	1,670,349
Long-term loans, receivables and other (Note 4).....	346,431	3,268,217
Allowance for doubtful receivables.....	(143,787)	(1,356,481)
Total investments and long-term receivables	683,827	6,451,198
Property and Equipment, at Cost (Note 4):		
Land	184,233	1,738,047
Buildings and structures	165,846	1,564,585
Property leased to others.....	50,446	475,906
Equipment, fixtures and others.....	229,219	2,162,443
Construction in progress	14,705	138,726
Accumulated depreciation.....	(151,286)	(1,427,226)
Net property and equipment	493,163	4,652,481
Other Assets:		
Deferred tax assets—non-current (Note 7).....	97,508	919,887
Intangible assets and deferred charges	67,605	637,783
Total other assets	165,113	1,557,670
Total	¥3,077,022	\$29,028,509

See accompanying notes to consolidated financial statements.

	Millions of yen	Thousands of U.S. dollars (Note 1)
LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY	2004	2004
Current Liabilities:		
Short-term debt, principally unsecured (Notes 4 and 5)	¥ 996,605	\$ 9,401,934
Commercial paper.....	141,200	1,332,075
Current portion of long-term debt (Notes 4 and 5).....	363,114	3,425,604
Payables:		
Trade notes and trade accounts (Note 4)	466,535	4,401,274
Unconsolidated subsidiaries and affiliates	12,729	120,085
Accrued liabilities	12,673	119,557
Income taxes payable	7,788	73,472
Advances received from customers.....	28,587	269,689
Deferred tax liabilities—current (Note 7).....	258	2,434
Other current liabilities	182,829	1,724,801
Total current liabilities	2,212,318	20,870,925
Non-Current Liabilities:		
Long-term debt, less current portion (Notes 4 and 5).....	491,808	4,639,698
Employees' retirement and severance benefits (Notes 2 and 6)	7,929	74,802
Deferred tax liabilities—non-current (Note 7).....	10,464	98,717
Other non-current liabilities (Note 4)	26,259	247,726
Total non-current liabilities	536,460	5,060,943
Contingent liabilities (Note 12)		
Minority interests.....	12,009	113,292
Shareholders' Equity:		
Common stock (Note 8)		
Authorized—463,432,600 shares		
Issued—213,462,191 shares		
Preferred stock		
Class I		
Authorized—110,000,000 shares		
Issued—105,200,000 shares		
Class II		
Authorized—33,000,000 shares		
Issued—26,300,000 shares		
Class III		
Authorized—11,000,000 shares		
Issued—1,500,000 shares.....	150,606	1,420,811
Capital surplus (Note 8).....	346,620	3,270,000
Land revaluation difference (Note 17).....	(5,469)	(51,594)
Accumulated deficit	(104,802)	(988,698)
Net unrealized gains on available-for-sale securities.....	16,692	157,472
Foreign currency translation adjustments.....	(87,380)	(824,340)
Treasury stock: 87,718 shares	(32)	(302)
Total shareholders' equity	316,235	2,983,349
Total	¥3,077,022	\$29,028,509

CONSOLIDATED STATEMENT OF OPERATIONS

Nissho Iwai – Nichimen Holdings Corporation and Consolidated Subsidiaries
For the year ended March 31, 2004

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2004	2004
Net Sales (Total Trading Transactions)	¥5,861,737	\$55,299,406
Cost of sales	5,612,714	52,950,132
Gross Trading Profit	249,023	2,349,274
Selling, General and Administrative Expenses (Note 9)	189,074	1,783,717
Operating Income	59,949	565,557
Other Income (Expenses):		
Interest income	24,573	231,821
Interest expense	(55,676)	(525,245)
Dividends	4,544	42,868
Equity in earnings of unconsolidated subsidiaries and affiliates	5,930	55,943
Gain on sale of securities	6,231	58,783
Other, net	2,910	27,452
Total	(11,488)	(108,378)
Recurring Profit	48,461	457,179
Special Gains (Losses) (Note 10)	(90,562)	(854,358)
Loss Before Income Taxes and Minority Interests	(42,101)	(397,179)
Income Taxes (Note 7):		
Current	(12,283)	(115,877)
Deferred	23,058	217,528
Total	10,775	101,651
Minority interests	(2,283)	(21,538)
Net Loss	¥ (33,609)	\$ (317,066)
	Yen	U.S. dollars
Net loss per share—basic	¥ (172.52)	\$ (1.63)
Cash dividends per share	—	—

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

Nissho Iwai – Nichimen Holdings Corporation and Consolidated Subsidiaries
For the year ended March 31, 2004

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2004	2004
Common Stock (Note 8):		
Beginning balance.....	¥ 10,000	\$ 94,340
Issuance of capital stock.....	140,606	1,326,471
Ending balance	¥ 150,606	\$ 1,420,811
Capital Surplus (Note 8):		
Beginning balance.....	¥ 293,335	\$ 2,767,312
Increase:		
Issuance of capital stock and conversion of bonds with warrants.....	140,575	1,326,179
Other, net.....	29	274
Decrease:		
Transfer to accumulated deficit, net	(87,319)	(823,765)
Ending balance	¥ 346,620	\$ 3,270,000
Accumulated Deficit (Note 8):		
Beginning balance.....	¥(134,913)	\$(1,272,764)
Increase:		
Transfer from capital surplus	87,319	823,765
Minimum pension liability adjustment (Note 14).....	24	226
Decrease:		
Net loss.....	(33,609)	(317,066)
Bonuses to directors.....	(10)	(94)
Reversal of land revaluation difference	(645)	(6,085)
Net unrealized losses on derivatives.....	(346)	(3,264)
Effect from mergers within the consolidation group	(9,857)	(92,991)
Loss on sale of treasury stock	(416)	(3,925)
Effect from changes of consolidated subsidiaries and affiliates accounted for under the equity method and others.....	(5,973)	(56,349)
Transfer to unrealized gains on available-for-sale securities	(6,376)	(60,151)
Ending balance	¥(104,802)	\$ (988,698)
Land Revaluation Difference (Note 17):		
Beginning balance.....	¥ (6,091)	\$ (57,462)
Decrease in land revaluation difference	622	5,868
Ending balance	¥ (5,469)	\$ (51,594)
Net Unrealized Gains on Available-for-Sale Securities:		
Beginning balance.....	¥ (33,938)	\$ (320,170)
Unrealized gain on available-for-sale securities	44,254	417,491
Transfer from accumulated deficit on available-for-sale securities	6,376	60,151
Ending balance	¥ 16,692	\$ 157,472
Foreign Currency Translation Adjustments:		
Beginning balance.....	¥ (76,856)	\$ (725,057)
Increase in foreign currency translation adjustments.....	(10,524)	(99,283)
Ending balance	¥ (87,380)	\$ (824,340)
Treasury Stock:		
Beginning balance.....	¥ (1,066)	\$ (10,057)
Sale of treasury stock	1,034	9,755
Ending balance	¥ (32)	\$ (302)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Nissho Iwai – Nichimen Holdings Corporation and Consolidated Subsidiaries
For the year ended March 31, 2004

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2004	2004
Cash Flows from Operating Activities:		
Loss before income taxes and minority interests	¥ (42,102)	\$ (397,189)
Adjustments to reconcile loss before income taxes and minority interests to net cash provided by operating activities:		
Depreciation and amortization	33,557	316,575
Loss on revaluation of securities	8,998	84,887
Amortization of goodwill	2,841	26,802
Increase in allowance for doubtful receivables	23,571	222,368
Decrease in employees' retirement and severance benefits	(12,025)	(113,443)
Interest and dividend income	(29,116)	(274,679)
Interest expense	55,676	525,245
Foreign exchange loss-net	3,228	30,453
Equity in earnings of unconsolidated subsidiaries and affiliates	(5,930)	(55,943)
Gain on sale of securities	(21,945)	(207,028)
Losses on sale and disposal of property and equipment	4,318	40,736
Decrease in trade receivables	101,743	959,839
Decrease in inventories	52,938	499,415
Decrease in trade payables	(49,161)	(463,783)
Bonuses to directors	(15)	(142)
Other, net	(7,678)	(72,434)
	118,898	1,121,679
Interest and dividends received	39,429	371,972
Interest paid	(58,914)	(555,792)
Income taxes paid	(12,252)	(115,585)
Net cash provided by operating activities	87,161	822,274
Cash Flows from Investing Activities:		
Increase in time deposits, net	(15,091)	(142,368)
Decrease in marketable securities, net	6,687	63,085
Payments for property and equipment	(10,848)	(102,340)
Proceeds from sale of property and equipment	3,795	35,802
Payments for purchase of investment securities	(11,591)	(109,349)
Proceeds from sale/redemption of investment securities	79,692	751,811
Payments for acquisition of newly consolidated subsidiaries (Note 16)	(2,756)	(26,000)
Proceeds from sale of consolidated subsidiaries	(2,736)	(25,811)
Decrease in short-term loans receivable, net	30,626	288,925
Increase of long-term loans receivable	(35,560)	(335,472)
Collection of long-term loans receivable	24,411	230,292
Proceeds from spin-off	5,894	55,604
Other, net	507	4,783
Net cash provided by investing activities	73,030	688,962
Cash Flows from Financing Activities:		
Decrease in short-term debt, net	(189,313)	(1,785,972)
Increase in commercial paper, net	119,600	1,128,302
Proceeds from long-term debt	176,442	1,664,547
Repayment of long-term debt	(409,663)	(3,864,745)
Proceeds from issuance of bonds	47,225	445,519
Redemption of bonds	(85,795)	(809,387)
Proceeds from issuance of common/preferred stock	272,224	2,568,151
Proceeds from issuance of common stock to minority shareholders	511	4,821
Dividends paid to minority shareholders	(359)	(3,387)
Purchase of treasury stock	(46)	(434)
Sale of treasury stock	572	5,396
Net cash used in financing activities	(68,602)	(647,189)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(5,631)	(53,123)
Net Increase in Cash and Cash Equivalents	85,958	810,924
Effect of Change in Scope of Consolidation	4,841	45,670
Cash and Cash Equivalents at the Beginning of the Year	310,441	2,928,689
Cash and Cash Equivalents at the End of the Year	¥401,240	\$3,785,283

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Nissho Iwai – Nichimen Holdings Corporation and Consolidated Subsidiaries

1. BASIS OF PRESENTING FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Nissho Iwai - Nichimen Holdings Corporation (the "Company") and consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of Japan.

The accounts of overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. The accompanying consolidated financial statements have been restructured and translated into English (with some expanded descriptions and the inclusion of consolidated statements of shareholders' equity) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate

Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law of Japan. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

Certain reclassifications and modifications have been made to present the accompanying consolidated financial statements in a format which is familiar to readers outside Japan.

For the convenience of readers outside Japan, the accompanying consolidated financial statements are also presented in United States dollars by translating Japanese yen amounts at the exchange rate of ¥106 to U.S.\$1 prevailing at the end of March 31, 2004.

The translation should not be construed as a representation that the Japanese yen amounts could be converted into United States dollars at the above or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

■ Business combination

On April 1, 2003, the Pooling of Interest Method was applied for the business combination of Nissho Iwai Corporation and Nichimen Corporation, both of whose shares were transferred to establish the Company.

■ Principles of consolidation

The consolidated financial statements include the accounts of the Company and its 329 significant majority-owned domestic and foreign subsidiaries. All significant intercompany transactions and accounts have been eliminated.

Investments in 228 unconsolidated subsidiaries and affiliates, with minor exceptions, are accounted for by use of the equity method.

The excess of the cost of the Company's investment in the consolidated subsidiaries and in the above unconsolidated subsidiaries and affiliates over its equity in net assets is being amortized over a period of 5 to 20 years using the straight-line method.

■ Cash equivalents

The Company considers time deposits and highly liquid investments that are readily convertible to cash with a maturity of three months or less at the time of acquisition to be cash equivalents.

■ Foreign currency translation

Current and non-current receivables and payables in foreign currencies are translated at current rates prevailing at the balance sheet date and the resulting exchange gains or losses are recognized in earnings.

Translations of foreign consolidated subsidiaries' financial statements are made at the year-end rate for balance sheet items, except for shareholders' equity, which is translated at historical rates, and at the annual average rate for revenues and expenses. Resulting translation adjustments are reflected in the consolidated financial statements as foreign currency translation adjustments. The foreign currency translation adjustments are presented in shareholders' equity and minority interests.

■ Allowance for doubtful receivables

The allowance for doubtful receivables is provided in an amount sufficient to cover credit losses, based on the collectibility of individual receivables and the allowance for other receivables, based on past credit loss experience.

■ Inventories

Inventories are stated at cost on the specific-identification or moving average basis.

■ Capitalization of interest costs

Interest costs on certain real estate under construction are capitalized until sales realization to achieve a better measure of acquisition costs of real estate for sale and to result in a better matching of revenue and costs.

■ Short-term investments and investment securities

Short-term investments and investment securities are classified as either (a) securities held for trading purposes (hereinafter referred to as "Trading Securities") (b) debt securities intended to be held to maturity (hereinafter referred to as "Held-to-Maturity Debt Securities") or (c) securities other than the above (hereinafter referred to as "Available-for-Sale Securities").

Trading securities, held-to-maturity debt securities and the available-for-sale securities are stated in the following manner:

- (1) Trading securities are stated at fair value. Gains and losses realized on disposal and unrealized gains and losses from market value fluctuations are recognized as gains or losses in the period of the change.
- (2) Held-to-maturity debt securities are stated at amortized cost.
- (3) Available-for-sale securities with available fair market values are stated at fair value.

"Net unrealized gains on available-for-sale securities" are stated, net of tax, in shareholders' equity on the balance sheet.

Available-for-sale securities with no readily available fair market value are stated at cost using the moving-average method.

- (4) Certain write-downs of securities are recognized in earnings when the securities have substantial losses and are not expected to recover such losses in the near future.

MMFs and commercial paper are included in cash and cash equivalents. The amount as of March 31, 2004 was ¥2,163 million (U.S.\$20,406 thousand).

■ Deferred charges

Pre-operating and start-up costs of domestic consolidated subsidiaries are amortized by the period determined by the Japanese Commercial Code of Japan. Pre-operating and start-up costs of foreign consolidated subsidiaries are amortized in accordance with local accounting standards. All costs incurred in connection with the issuance of new shares are amortized over three years using the straight-line method. Bond issue expenses are amortized on the straight-line method over whichever is shortest, the period through redemption or three years. Bond issue discounts are deferred and amortized on the straight-line method over the period through redemption.

■ Property and equipment

Property and equipment are principally depreciated by the declining-balance method, except that the Tokyo Head Office Building of Nichimen Corporation, Nissho Iwai Shin-Yokohama Center of Nissho Iwai Corporation and buildings acquired after March 31, 1998 are depreciated by the straight-line method.

■ Software cost

The Company and its consolidated subsidiaries include internal use software in intangible assets and amortize it on the straight-line method over the estimated useful life of five years.

■ Impairment of fixed assets

In the year ended March 31, 2004, the Company and consolidated domestic subsidiaries did not adopt early the new accounting standard for impairment of fixed assets ("Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets" issued by the Business Accounting Deliberation Council on August 9, 2002) and the implementation guidance for accounting standard for impairment of fixed assets (the Financial Accounting Standard Implementation Guidance No. 6 issued by the Accounting Standards Board of Japan on October 31, 2003). The new accounting standard is required to be adopted by years beginning April 1, 2005 or earlier.

■ Finance lease transactions without transfer of ownership

Finance lease transactions, other than those where ownership of the lease property is regarded as being transferred to the lessee, are accounted for in the same way as operating lease transactions. Certain foreign subsidiaries accounts for such leases as sale and purchase transactions.

■ Employees' retirement and severance benefits

Certain consolidated subsidiaries have unfunded severance payment plans and funded non-contributory pension plans covering all eligible employees.

Certain consolidated subsidiaries provide for retirement benefits based on the present value of projected benefit obligations attributable to employee services rendered by the end of the year and the fair value of the pension plan assets.

The unrecognized net retirement benefit obligation at adoption of a new accounting standard on April 1, 2000 is being amortized mainly over 10 years by the straight-line method.

Prior service cost is being amortized by the straight-line method mainly over a period of eight years which is shorter than the average remaining number of years of service of the employees.

Actuarial gains and losses arising in the year will be amortized primarily by the straight-line method mainly over 10 years, which is shorter than the average remaining years of service of the employees from the following fiscal year.

■ Amendments to the severance and pension plans

On September 2004, Nichimen Corporation changed its retirement benefit plan from the "Defined Benefit Pension Plan" to the "Defined Contribution Pension Plan," as well as adopting a "Prepaid Retirement Allowance Plan." The new plan generally covers all employees other than directors and corporate auditors. As a result of the introduction of the new retirement benefit plan, in the year ended March 31, 2004, the Company (Nichimen Corporation) recorded special loss on amendments in retirement benefit plans, consisting of unrecognized net retirement benefit obligation at transition amounting to ¥15,272 million (U.S.\$144,075 thousand).

■ Net sales (total trading transactions) and gross trading profit

As general trading companies, the Company and certain of its consolidated subsidiaries act either as principal or agent in trading transactions. Net sales represents the sales volume of all those transactions in which the companies participate, whether as principal or agent. Gross trading profit consists of gross margin (sales less cost of sales) on transactions in which the companies act as principal and commissions on transactions in which the companies serve as agent.

■ Income taxes

Deferred tax assets and liabilities are recognized for the estimated future tax effects attributable to temporary differences between the carrying amounts and the tax bases of assets and liabilities, and tax losses which can be carried forward, and are measured using the enacted tax rate which will be in effect when the differences are expected to be recovered or settled. The Company and certain subsidiaries have adopted the consolidated tax return reporting system.

■ Net loss per share

The computation of net loss per share is based on the weighted average number of shares of common stock outstanding in each period. Diluted net income per share is not disclosed because there was a net loss in the year ended March 31, 2004.

■ Derivative financial instruments

The Company and certain of its consolidated subsidiaries state derivative financial instruments at fair value and recognize changes in fair value as gains or losses unless derivative financial instruments are used for hedging purposes.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Company and its consolidated subsidiaries defer recognition of gains or losses resulting from changes in fair value of derivative financial instruments until the related losses or gains on the hedged items are recognized.

If interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

3. SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

Information regarding each category of securities classified as trading, available-for-sale, and held-to-maturity at March 31, 2004 is as follows:

	Cost	Unrealized gains	Unrealized losses	Millions of yen Fair value
Securities classified as:				
Available-for-sale with available fair market values:				
Equity securities	¥112,456	¥37,173	¥(7,598)	¥142,031
Debt securities				
Government bonds	73	0	—	73
Corporate bonds	6,902	321	(839)	6,384
Foreign bonds	1,928	—	(181)	1,747
Other	4,284	470	(83)	4,671
Held-to-maturity securities with available fair market values	12,962	517	(349)	13,130
Total	¥138,605	¥38,481	¥(9,050)	¥168,036

Thousands of U.S. dollars

	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale with available fair market values:				
Equity securities	\$1,060,906	\$350,689	\$(71,679)	\$1,339,915
Debt securities				
Government bonds	689	0	—	689
Corporate bonds	65,113	3,028	(7,915)	60,226
Foreign bonds	18,189	—	(1,708)	16,481
Other	40,414	4,434	(783)	44,066
Held-to-maturity securities with available fair market values	122,283	4,877	(3,292)	123,868
Total	\$1,307,594	\$363,028	\$85,377	\$1,585,245

In addition to the securities listed above, the Company and consolidated subsidiaries held trading securities of ¥6,530 million (U.S.\$61,604 thousand) which are equal to their fair value, as of March 31, 2004. The net unrealized holding gains on trading securities included in earnings for the year ended March 31, 2004 amounted to ¥227 million (U.S.\$2,142 thousand).

Total proceeds from the sale of available-for-sale securities in the year ended March 31, 2004 amounted to ¥97,913 million (U.S.\$923,708 thousand) and the related gains and losses amounted to ¥24,218 million (U.S.\$228,472 thousand) and ¥6,050 million (U.S.\$57,075 thousand), respectively.

Non-traded investment and investment securities at March 31, 2004 are as follows:

	Millions of yen	Thousands of U.S. dollars
Hold-to-maturity securities:		
Foreign bonds	¥ 3,247	\$ 30,632
Securities:		
Equity securities	78,289	738,575
Foreign bonds	15,962	150,585
Other	¥ 2,730	\$ 25,755

Debt securities classified as available-for-sale (those which have maturities) and held-to-maturity securities at March 31, 2004 mature as follows:

	Millions of yen	Thousands of U.S. dollars
Due in one year or less	¥ 5,681	\$ 53,594
Due after one year through five years	18,888	178,189
Due after five years through ten years	4,118	38,849
Due after ten years	¥10,421	\$ 98,311

4. PLEDGED ASSETS

At March 31, 2004, the following assets are pledged as collateral for short-term debt and trade notes and accounts payable of ¥45,337 million (U.S.\$427,708 thousand), long-term debt and other liabilities of ¥66,103 million (U.S.\$623,613 thousand) and transaction and other guarantees:

	Millions of yen	Thousands of U.S. dollars
Cash equivalents and time deposits	¥ 15,675	\$ 147,877
Trade notes and trade accounts receivable	12,172	114,829
Short-term investments and investment securities	122,957	1,159,972
Inventories	18,208	171,776
Loans receivable	4,728	44,604
Property and equipment, less accumulated depreciation	142,032	1,339,923
Guaranty deposits	480	4,528
Total	¥316,252	\$2,983,509

There are other pledged assets of the shares of consolidated subsidiaries of ¥12,998 million (U.S.\$122,623 thousand) and loans receivable from consolidated subsidiaries of ¥25,896 million (U.S.\$244,302 thousand) that are eliminated in consolidation.

A Japanese bank holds a security interest in Nissho Iwai American Corporation's trade accounts receivable, inventories and other personal properties.

5. SHORT-TERM DEBT AND LONG-TERM DEBT

Short-term debt is represented by short-term notes, generally for 90 days, bearing interest at an annual average rate of 2.24% at March 31, 2004.

As is customary in Japan, long-term and short-term bank borrowings are made under general agreements which provide that additional security and guarantees for present and future indebtedness will be

given upon the request of the bank, and that any collateral so provided will be applicable to all indebtedness due to such bank. In addition, the agreements provide that the bank has the right to off-set cash deposited against long-term borrowings that become due, and in case of default and certain other specified events, against all other debts payable to the bank.

A summary of long-term debt at March 31, 2004 is as follows:

	Millions of yen	Thousands of U.S. dollars
	2004	2004
Bonds with warrants due 2005 payable in Japanese yen ^(*1)	¥ 2,000	\$ 18,868
3.00% bonds due 2006 payable in Japanese yen	25,000	235,849
3.21% bonds due 2004 payable in Japanese yen	4,500	42,453
2.03% bonds due 2004 payable in Japanese yen	8,000	75,472
2.70% bonds due 2005 payable in Japanese yen	8,200	77,359
2.10% bonds due 2004 payable in Japanese yen	20,000	188,679
2.00% bonds with early redemption clause due 2005 payable in Japanese yen ^(*2)	100	943
3.00% bonds with early redemption clause due 2006 payable in Japanese yen	5,000	47,170
Notes under medium-term note programmes maturing serially through 2007 at interest rates of 0.17% to 8.00% ^(*3)	22,452	211,811
Bonds maturing through 2015 at interest rates of 0.71% to 5.36% ^(*4)	4,773	45,029
Long-term loans, principally from commercial and trust banks and insurance companies, maturing through 2025 at the average interest rate of 2.42%	633,616	5,977,509
Long-term loans, from governmental financial institutions, principally Japan Bank for International Cooperation, maturing through 2024 at an average interest rate of 1.84%	62,222	587,000
Other long-term indebtedness, maturing through 2028 at an average interest rate of 2.89%	59,059	557,160
Total	854,922	8,065,302
Less current portion	363,114	3,425,604
Total	¥491,808	\$4,639,698

The aggregate annual amounts of long-term debt maturing in the years ending March 31, 2005 to 2010 and thereafter, are as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2005	¥363,114	\$3,425,604
2006	294,913	2,782,198
2007	107,077	1,010,160
2008	51,702	487,755
2009	13,033	122,953
2010 and thereafter	25,083	236,632
Total	¥854,922	\$8,065,302

(*1) The issuance was ¥5,000 million (U.S.\$47,170 thousand). However, ¥3,000 million (U.S.\$28,302 thousand) were converted into common stock during the period.

In addition the Company issued bonds with warrants due 2005 payable in Japanese yen on May 29, 2003, however all of the bonds were converted into common stock.

(*2) The issuance was ¥2,600 million (U.S.\$24,528 thousand). However ¥2,500 million (U.S.\$23,585 thousand) were redeemed during the period.

(*3) The amount includes notes issued by Sojitz Europe, Nissho Iwai International Finance (Cayman) Ltd. and Nissho Iwai HK (Cayman) Ltd.

(*4) The amount includes notes issued by the Company, NITEC Corporation and Thai Central Chemical Public Co., Ltd.

6. EMPLOYEES' RETIREMENT AND SEVERANCE BENEFITS

In line with the enactment of the the "Defined Contribution Pension Law," Nissho Iwai Corporation and Nichimen Corporation changed their pension plans from "Defined Benefits Pension Plans" to "Defined Contribution Pension Plans" in April 2002 and September 2003 respectively. Certain domestic consolidated subsidiaries have defined benefit plans, i.e., tax-qualified pension plans and lump-sum payment plans, covering substantially all employees who are entitled to lump-sum or annuity payments, the amounts of which are determined by

reference to their basic rate of pay, length of service and the conditions under which termination occurs.

Some foreign consolidated subsidiaries also have defined benefit plans. Some consolidated subsidiaries have established a retirement allowance trust.

The liability of employees' retirement benefits at March 31, 2004 consists of the following:

	Millions of yen	Thousands of U.S. dollars
	2004	2004
Retirement benefit obligation	¥(41,040)	\$(387,170)
Plan assets at fair value	6,032	56,906
Unfunded retirement benefit obligation	(35,008)	(330,264)
Unamortized net retirement benefit obligation at transition	30,815	290,708
Unrecognized actuarial loss	1,648	15,547
Unrecognized prior service cost	(5,325)	(50,236)
Net retirement benefit obligation	(7,870)	(74,245)
Prepaid pension cost	58	547
Employees' retirement and severance benefits.....	¥ (7,929)	\$ (74,802)

The components of retirement benefit expenses for the year ended March 31, 2004 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2004	2004
Service cost	¥2,688	\$25,358
Interest cost	332	3,132
Other costs	804	7,585
Expected return on plan assets	(79)	(745)
Amortization of net retirement benefit obligation at transition	5,433	51,255
Amortization of actuarial losses	280	2,642
Amortization of prior service cost	(846)	(7,981)
Total	¥8,612	\$81,246

The assumed discounted rates are 2.0–2.5% for the year ended March 31, 2004.

The expected return on assets is 1.0–3.5% for the year ended March 31, 2004.

In addition to the retirement benefit expenses stated above, the Company paid special early retirement benefits of ¥7,051 million

(\$66,518 thousand) in 2004 as extraordinary loss. As explained in Note 2, the Company also recorded a loss of ¥15,272 million (\$144,075 thousand) due to amendments in retirement plans by the Nichimen Corporation in 2004. Other costs are contributions to the "Defined Contribution Pension Plans."

7. INCOME TAXES

As of March 31, 2004 the major components of deferred tax assets and deferred tax liabilities are as follows:

	Millions of yen	Thousands of U.S. dollars
	2004	2004
Deferred tax assets:		
Allowance for doubtful receivables	¥ 68,674	\$ 647,868
Employees' retirement and severance benefits	2,927	27,613
Net operating loss carryforwards	70,181	662,085
Losses on revaluation of securities	30,768	290,264
Land revaluation difference (Note 17)	1,823	17,198
Other	26,664	251,547
Total deferred tax assets	201,037	1,896,575
Valuation allowance	(71,410)	(673,679)
Offset to deferred tax liabilities	(18,772)	(177,094)
Total deferred tax assets, net	110,855	1,045,802
Deferred tax liabilities:		
Depreciation	13,501	127,368
Unrealized gains on available-for-sale securities	9,706	91,566
Other	6,287	59,311
Offset to deferred tax assets	(18,772)	(177,094)
Total deferred tax liabilities	10,722	101,151
Net deferred tax assets	¥100,133	\$ 944,651

As of March 31, 2004, the amounts of the net deferred tax assets are shown in the following accounts in the consolidated balance sheet.

	Millions of yen	Thousands of U.S. dollars
	2004	2004
Deferred tax assets—current	¥13,347	\$125,915
Deferred tax assets—non-current	97,508	919,887
Deferred tax liabilities—current	258	2,434
Deferred tax liabilities—non-current	¥10,464	\$ 98,717

The net operating loss will expire from February 28, 2006 to March 31, 2007.

8. SHAREHOLDERS' EQUITY

The Commercial Code of Japan provides that:

- (a) The entire issue price of shares may be credited to the stated capital, with the provision that, by resolution of the Board of Directors, up to one-half of such issue price may be credited to additional paid-in capital, which is included in capital surplus, and
- (b) An amount equal to at least 10% of cash appropriations of retained earnings shall be set aside as legal reserve until the total of such reserve and additional paid-in capital equals 25% of the stated capital. Additional paid-in capital and legal reserve may be used to

eliminate or reduce a deficit, if any, by resolution of the shareholders, or it may be capitalized by resolution of the Board of Directors. On condition that the total amount of legal reserve and additional paid-in capital remains being equal to or exceeding 25% of common stock, they are available for dividends by the resolution of shareholder's meeting. Legal reserves of the Company and domestic consolidated subsidiaries are reflected in the consolidated financial statements as a reduction in the accumulated deficit.

9. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Details of "Selling, general and administrative expenses" in the consolidated statement of operations for the year ended March 31, 2004 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2004	2004
Director's fees and salaries for employees	¥ 61,806	\$ 583,075
Employees' retirement and severance benefits	8,411	79,349
Welfare	8,180	77,170
Travelling expenses	8,775	82,783
Rent	19,990	188,585
Legal and professional fees	15,549	146,689
Depreciation	13,725	129,481
Provision for doubtful receivables	2,630	24,811
Amortization of goodwill	2,841	26,802
Other	47,167	444,972
Total	¥189,074	\$1,783,717

10. SPECIAL GAINS (LOSSES)

Classification of special gains (losses) are in accordance with Japanese GAAP. Following are the components of special gains (losses):

	Millions of yen	Thousands of U.S. dollars
	2004	2004
Gain on sale of securities	¥ 14,890	\$ 140,472
Loss on revaluation of securities	(8,998)	(84,887)
Loss on sale and disposal of properties	(4,318)	(40,736)
Loss, and provision for loss, on dissolution of subsidiaries and affiliates	(34,635)	(326,745)
Loss on amendment in retirement benefit plans	(15,272)	(144,075)
Provision for overseas doubtful receivables	(28,339)	(267,349)
Cost of integration	(206)	(1,944)
Restructuring loss	(6,634)	(62,585)
Special early retirement benefits	(7,050)	(66,509)
Special gains (losses), net	¥(90,562)	\$(854,358)

11. DERIVATIVE TRANSACTIONS

To avoid adverse effects of fluctuations of the market risk associated with financial activities and commodity trading activities, the Company and its consolidated subsidiaries enter into foreign exchange contracts, currency options, swaps and various types of interest rate, bonds, equity and commodity related forwards, futures and options. The Company and its consolidated subsidiaries utilize these derivative transactions to reduce the risk inherent in their assets and liabilities and hedge effectively so that these transactions are not likely to have a major impact on the performance of the Company and its consolidated subsidiaries.

In accordance with the Company's internal regulations on derivative transactions, the Finance Division of the Company is responsible for managing market and credit risks of these transactions, and this division manages position limits, credit limits and status of derivative transactions. The Companies select highly-ranked financial institutions, exchanges and brokers as counter parties to minimize credit risk exposure. The Company and each consolidated subsidiary's accounting sections also confirm the outstanding positions and fair values with counter parties. The results of these procedures are reported to the Company's audit section. The Companies evaluate hedge effectiveness semi-annually by comparing the cumulative changes in cash flows or the changes in fair value of hedged items and the corre-

sponding changes in the derivative instruments.

The following summarizes hedging derivative financial instruments used by the Companies and items hedged:

Hedging instruments:

Currency-related contracts:	Foreign exchange contracts and currency swap contracts
Interest-related contracts:	Interest rate swap contracts and option (cap) contracts
Commodity-related contracts:	Future contracts and forward contracts

Hedged items:

Currency-related contracts:	Foreign currency receivables and debts and foreign currency forecasted contracts
Interest-related contracts:	Interest on financial assets and liabilities
Commodity-related contracts:	Commodity trading contracts

The following tables summarize market value information as of March 31, 2004 of derivative transactions for which hedge accounting has not been applied.

Currency related

	Millions of yen			Thousands of U.S. dollars		
	Contract value	Fair value	Unrealized gains (losses)	Contract value	Fair value	Unrealized gains (losses)
Forward exchange contracts:						
Selling:						
U.S. dollars	¥13,527	¥13,271	¥ 256	\$127,613	\$125,198	\$ 2,415
Euro	2,574	2,544	30	24,283	24,000	283
Other	1,344	1,326	18	12,679	12,510	169
Total	¥17,445	¥17,141	¥ 304	\$164,575	\$161,708	\$ 2,867
Buying:						
U.S. dollars	¥60,300	¥59,779	¥(521)	\$568,868	\$563,953	\$(4,915)
Euro	4,545	4,369	(176)	42,877	41,217	(1,660)
Other	1,051	1,036	(15)	9,915	9,773	(142)
Total	¥65,896	¥65,184	¥(712)	\$621,660	\$614,943	\$(6,717)
Currency swap agreements:						
Buying:						
Euro	¥ 5,000	¥ (48)	¥ (48)	\$ 47,170	\$ (453)	\$ (453)
Total	¥ 5,000	¥ (48)	¥ (48)	\$ 47,170	\$ (453)	\$ (453)

Interest rate related

	Millions of yen			Thousands of U.S. dollars		
	Contract value	Fair value	Unrealized gains (losses)	Contract value	Fair value	Unrealized gains (losses)
Interest rate swap agreements:						
Receipt—Fixed rate/payment—Variable rate received	¥24,071	¥ 888	¥ 888	\$227,085	\$ 8,377	\$ 8,377
Receipt—Variable rate/payment—Fixed rate received	50,399	(693)	(693)	475,462	(6,538)	(6,538)
Receipt—Variable rate/payment—Variable rate received	20,881	108	108	196,991	1,019	1,019
Total	¥95,351	¥ 303	¥ 303	\$899,538	\$ 2,858	\$ 2,858

Commodity related	Millions of yen			Thousands of U.S. dollars		
	Contract value	Fair value	Unrealized gains (losses)	Contract value	Fair value	Unrealized gains (losses)
Futures trading:						
Metals:						
Selling	¥13,211	¥13,703	¥(492)	\$124,632	\$129,273	\$(4,641)
Buying.....	10,016	10,170	154	94,490	95,944	1,454
Foods:						
Selling	1,131	1,156	(25)	10,670	10,906	(236)
Buying.....	511	505	(6)	4,821	4,764	(57)
Total:						
Selling	14,342	14,859	(517)	135,302	140,179	(4,877)
Buying.....	¥10,527	¥10,675	¥ 148	\$ 99,311	\$100,708	\$ 1,397
Forwards trading:						
Metals:						
Selling	¥ 2,215	¥ 2,405	¥(190)	\$ 20,896	\$ 22,689	\$(1,793)
Buying.....	¥ 5,277	¥ 5,817	¥ 540	\$ 49,783	\$ 54,877	\$ 5,094

12. CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2004, are as follows:

	Millions of yen	Thousands of U.S. dollars
For notes discounted and endorsed	¥29,899	\$282,070
For guarantees of indebtedness to:		
Unconsolidated subsidiaries and affiliates.....	18,571	175,198
Others	71,042	670,208
Total.....	¥89,613	\$845,406

Contingent liabilities for guarantees of indebtedness consist of obligations under letters of guarantee letters of awareness, and other standby agreements.

13. LEASES

Information on finance leases of the Companies at March 31, 2004 is as follows:

Non-capitalized finance leases, as lessee:	Millions of yen				Thousands of U.S. dollars
	Buildings and Structures	Equipment and Fixtures	Other	Total	Total
Original lease obligation, including finance charges.....	¥16	¥2,623	¥6,685	¥9,324	\$87,962
Future minimum lease payments	3	1,229	3,036	4,268	40,264
Portion due within one year				¥1,748	\$16,491

Finance leases, as lessor:	Millions of yen			Thousands of U.S. dollars
	Equipment and Fixtures	Other	Total	Total
Lease properties, at cost.....	¥720	¥254	¥974	\$9,189
Lease properties, less accumulated depreciation.....	¥350	¥152	¥502	\$4,736

Future minimum lease payments to be received after March 31, 2004 are ¥680 million (U.S.\$6,415 thousand) of which ¥271 million (U.S.\$2,557 thousand) is due within one year.

Lease payments received for the year ended March 31, 2004 were ¥330 million (U.S.\$3,113 thousand).

At March 31, 2004 as lessee under noncancelable operating leases, future minimum lease payments are ¥1,471 million (U.S.\$13,877 thousand) of which ¥201 million (U.S.\$1,896 thousand) is due within one year. And as lessor, future minimum lease payments to be received under operating leases are ¥1,145 million (U.S.\$10,802 thousand) of which ¥98 million (U.S.\$925 thousand) is due within one year.

14. MINIMUM PENSION LIABILITY ADJUSTMENT

In the event the balance of pension assets is less than the pension liabilities for companies adopting generally accepted accounting principles in the United States (US-GAAP) included in the scope of consolidation, an adjustment was made to stockholders' equity in

accordance with US-GAAP [Statement of Financial Accounting Standards No.87]. The amount of the adjustment is ¥24 million (U.S.\$226 thousand).

15. SEGMENT INFORMATION

The activities of the Company and consolidated subsidiaries include worldwide trading in various commodities, financing for customers and suppliers relating to such trading activities, and organizing and

coordinating industrial projects on an international basis in conjunction with trading activities.

■ Industry segments

Industry segment information for the year ended March 31, 2004 is as follows:

Millions of yen									
	Machinery	Energy & Mineral Resources	Chemicals & Plastics	Housing & Consumer Products	Overseas Subsidiaries	Other	Total	Elimination & Unallocated	Consolidated
Net sales:									
Outside customers....	¥1,098,681	¥1,666,335	¥626,654	¥1,368,200	¥ 865,300	¥236,567	¥5,861,737	¥ —	¥5,861,737
Inter-segment.....	9,817	57,855	27,254	24,927	287,782	55,054	462,689	(462,689)	—
Total.....	¥1,108,498	¥1,724,190	¥653,908	¥1,393,127	¥1,153,082	¥291,621	¥6,324,426	¥(462,689)	¥5,861,737
Cost of sales and selling, general and administrative expenses.....									
	¥1,094,458	¥1,715,833	¥639,308	¥1,365,836	¥1,151,931	¥286,297	¥6,253,663	¥(451,875)	¥5,801,788
Operating income	14,040	8,357	14,600	27,291	1,151	5,324	70,763	(10,814)	59,949
Total assets	414,189	313,585	417,437	833,348	701,576	355,812	3,035,947	41,075	3,077,022
Depreciation and amortization	7,522	1,548	13,268	4,056	1,101	6,045	33,540	17	33,557
Capital expenditures	¥ 2,490	¥ 570	¥ 4,107	¥ 1,173	¥ 314	¥ 3,271	¥ 11,925	¥ 202	¥ 12,127

Thousands of U.S. dollars									
	Machinery	Energy & Mineral Resources	Chemicals & Plastics	Housing & Consumer Products	Overseas Subsidiaries	Other	Total	Elimination & Unallocated	Consolidated
Net sales:									
Outside customers....	\$10,364,915	\$15,720,142	\$5,911,830	\$12,907,547	\$ 8,163,208	\$2,231,764	\$55,299,406	\$ —	\$55,299,406
Inter-segment.....	92,613	545,802	257,113	235,160	2,714,925	519,377	4,364,991	(4,364,991)	—
Total.....	\$10,457,528	\$16,265,943	\$6,168,943	\$13,142,708	\$10,878,132	\$2,751,142	\$59,664,396	\$(4,364,991)	\$55,299,406
Cost of sales and selling, general and administrative expenses.....									
	\$10,325,075	\$16,187,104	\$6,031,208	\$12,885,245	\$10,867,274	\$2,700,915	\$58,996,821	\$(4,262,972)	\$54,733,849
Operating income	132,453	78,840	137,736	257,462	10,858	50,226	667,575	(102,019)	565,557
Total assets	3,907,443	2,958,349	3,938,085	7,861,774	6,618,642	3,356,717	28,641,009	387,500	29,028,509
Depreciation and amortization	70,962	14,604	125,170	38,264	10,387	57,028	316,415	160	316,575
Capital expenditures	\$ 23,492	\$ 5,377	\$ 38,745	\$ 11,066	\$ 2,962	\$ 30,858	\$ 112,500	\$ 1,906	\$ 114,406

■ Geographic segments

Trading transactions that are attributed to areas based on the locations of the assets producing revenues and long-lived assets for the year ended March 31, 2004 are as follows:

	Millions of yen								
	Japan	North America	Europe	Asia & Oceania	Other	Total	Elimination or Unallocated	Consolidated	
Net sales:									
Outside customers	¥4,658,268	¥284,442	¥208,370	¥ 691,650	¥19,007	¥5,861,737	¥ —	¥5,861,737	
Inter-area	298,832	582,704	22,861	488,313	123	1,392,833	(1,392,833)	—	
Total	¥4,957,100	¥867,146	¥231,231	¥1,179,963	¥19,130	¥7,254,570	¥(1,392,833)	¥5,861,737	
Cost of sales and selling, general and administrative expenses									
	¥4,910,276	¥867,151	¥229,214	¥1,172,425	¥17,331	¥7,196,397	¥(1,394,609)	¥5,801,788	
Operating income	46,824	(5)	2,017	7,538	1,799	58,173	1,776	59,949	
Total assets	¥2,606,909	¥268,573	¥326,665	¥ 329,178	¥68,997	¥3,600,322	¥ (523,300)	¥3,077,022	

	Thousands of U.S. dollars								
	Japan	North America	Europe	Asia & Oceania	Other	Total	Elimination	Consolidated	
Net sales:									
Outside customers	\$43,945,925	\$2,683,415	\$1,965,755	\$ 6,525,000	\$179,311	\$55,299,406	\$ —	\$55,299,406	
Inter-area	2,819,170	5,497,208	215,670	4,606,726	1,160	13,139,934	(13,139,934)	—	
Total	\$46,765,094	\$8,180,623	\$2,181,425	\$11,131,726	\$180,472	\$68,439,340	\$(13,139,934)	\$55,299,406	
Cost of sales and selling, general and administrative expenses									
	\$46,323,358	\$8,180,670	\$2,162,396	\$11,060,613	\$163,500	\$67,890,538	\$(13,156,689)	\$54,733,849	
Operating income	441,736	(47)	19,028	71,113	16,972	548,802	16,755	565,557	
Total assets	\$24,593,481	\$2,533,708	\$3,081,745	\$ 3,105,453	\$650,915	\$33,965,302	\$ (4,936,792)	\$29,028,509	

■ Overseas trading transactions

Overseas trading transactions for the year ended March 31, 2004 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2004	2004
North America	¥ 336,219	\$ 3,171,877
Europe	361,156	3,407,132
Asia & Oceania	999,890	9,432,925
Other areas	355,211	3,351,047
Total	¥2,052,476	\$19,362,981

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

- North AmericaU.S.A. and Canada
- EuropeU.K., Germany and Spain
- Asia & Oceania.....China, Thailand and Singapore
- Other areaSouth America and Africa

Overseas trading transactions are defined as trading transactions of the Company and consolidated subsidiaries completed outside of Japan.

16. CASH FLOW FROM ACQUISITION AND SALE OF CONSOLIDATED SUBSIDIARIES

Following are the amounts of assets and liabilities of newly consolidated subsidiaries at the time of acquisition for the year ended March 31, 2004, the acquisition cost of those companies and the amounts of net expenditure for acquisition.

	Millions of yen	Thousands of U.S. dollars
	2004	2004
Current assets	¥ 8,547	\$ 80,632
Non-current assets	18,394	173,528
Goodwill recognized on consolidation	(5,939)	(56,028)
Current liabilities	(7,800)	(73,585)
Long-term liabilities	(6,201)	(58,500)
Minority interests	(1)	(9)
Acquisition cost	7,000	66,038
Cash and cash equivalents of acquired companies	(4,244)	(40,038)
Net expenditure	¥ 2,756	\$ 26,000

Following are the amounts of assets and liabilities of subsidiaries excluded from the consolidation scope at the time the Companies sold investment securities in consolidated subsidiaries, for the year ended March 31, 2004.

	Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars	
	2004	2004	2004	2004	
Current assets	¥27,250	\$257,075	Current liabilities	¥17,155	\$161,840
Non-current assets	18,374	173,340	Non-current liabilities	23,373	220,500
Total	¥45,624	\$430,415	Total	¥40,528	\$382,340

Following are the amounts of assets and liabilities for the businesses that were spun off.

	Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars	
	2004	2004	2004	2004	
Current assets	¥20,785	\$196,085	Current liabilities	¥15,642	\$147,566
Non-current assets	5,745	54,198	Non-current liabilities	1,343	12,670
Total	¥26,530	\$250,283	Total	¥16,985	\$160,236

17. LAND REVALUATION DIFFERENCE

For some of the subsidiaries, revaluation of land for business was carried out in accordance with the Law Concerning Revaluation of Land and on the basis of the amendment to the Law on March 31, 2002.

With respect to the evaluation difference, amounts equivalent to taxes related to the evaluation difference were included in "Deferred tax assets on land revaluation." The difference between the previous book value and the revalued amount net of the deferred tax assets was presented as "Land revaluation difference" in shareholders' equity.

- Method of revaluation: Calculations were made in accordance with the Law Concerning Revaluation of Land.
- Date of revaluation: March 31, 2002
- The difference between the market value as of March 31, 2004 and book value of land after revaluation: ¥787 million (U.S.\$7,424 thousand).

Report of Independent Auditors

The Board of Directors
Nissho Iwai – Nichimen Holdings Corporation

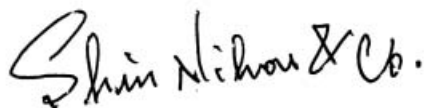
We have audited the accompanying consolidated balance sheet of Nissho Iwai – Nichimen Holdings Corporation and consolidated subsidiaries as of March 31, 2004, and the related consolidated statements of operations, shareholders' equity, and cash flows for the year then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

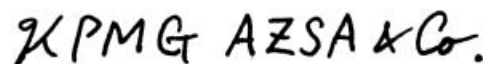
In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nissho Iwai – Nichimen Holdings Corporation and consolidated subsidiaries at March 31, 2004, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2004 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1.

June 25, 2004



Shin Nihon & Co.



KPMG AZSA & Co.

CORPORATE DATA

SOJITZ HOLDINGS CORPORATION

Company Name: Sojitz Holdings Corporation
Head Office: 1-20, Akasaka 6-chome, Minato-ku, Tokyo
107-8655, Japan
Date Established: April 1, 2003
President & CEO: Hidetoshi Nishimura
Capital Stock: ¥151,106 million (As of June 30, 2004)
Stock Exchange Listings: Tokyo, Osaka
Main Subsidiaries: Sojitz Corporation, Sojitz Shared Service
Corporation
URL: <http://www.sojitz-holdings.com>

SOJITZ CORPORATION

Company Name: Sojitz Corporation
Head Office: 1-20, Akasaka 6-chome, Minato-ku, Tokyo
107-8655, Japan
Date Established: November 10, 1892
President & CEO: Akio Dobashi
Capital Stock: ¥107,184 million
Number of Business Offices: 4 domestic offices, 62 overseas offices
(As of April 1, 2004)
**Number of Employees
(Non consolidated):** 2,155 (As of April 1, 2004)
Shareholder: Sojitz Holdings Corporation (100%)
URL: <http://www.sojitz.com>

FORWARD-LOOKING STATEMENTS

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

Additional copies of this annual report and other information may be obtained from:

Sojitz Holdings Corporation
Public Relations Dept.

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