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To whom it may concern

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To Prevent the Future Recurrence of Incident Arising from Commodities Transactions

As has been announced, in March 2005 Sojitz Corporation, a consolidated subsidiary of Sojitz Holdings Corporation ("Sojitz Holdings") incurred a loss of ¥17.987 billion on copper ore and aluminum ore futures transactions as a result of serious rule infractions. Sojitz Group recorded the entire amount as an extraordinary loss in the results for the fiscal year ended March 31, 2005, and fully completed all actions pertaining to this incident.

To further reinforce and enhance Sojitz Group's risk management, which constitutes an essential component of the New Business Plan, Sojitz Group applies its full corporate strength to reverify and reestablish its risk management system. In response to the incident, Sojitz Group has also formulated and implemented the following additional policies, which are aimed at preventing the recurrence.

- 1) Based on a report prepared by the Incident Investigation Committee, top management will take the lead in promoting compliance awareness on a continuous basis, and will rebuild the internal control system. Specifically, Sojitz Group will establish a Committee for Avoiding Recurrence of Incident to be chaired by the president of Sojitz Corporation and implement various measures aimed at preventing the recurrence of such incident. Additionally, Sojitz Group has begun revising group-wide rules and manuals, using external consultants to develop a well-balanced internal control system. Sojitz Group will establish a risk management methodology that overlays new policies pertaining to operational risks on top of its existing risk management policies, which focus mainly on credit risk and market risk. Sojitz Group also plan to further refine its risk management system, which is an integral part of its internal control system, to ensure that incident such as that arising from dishonest transactions does not occur.

This document is prepared in order to announce facts relating to Sojitz Group's commodities trades and does not constitute a solicitation of investments or any similar act, in or outside Japan

Committee for Avoiding Recurrence of Incident

Chairman:	Akio Dobayashi (President & CEO)
Vice Chairman:	Masaki Hashikawa (Executive Vice-President)
Secretariat:	Teruyasu Yoneda (General Manager of Risk Management Planning Office)
Committee Members:	Risk Management Planning Office, Corporate Planning Department, IT Planning Department, Corporate Accounting Department, Human Resources & General Affairs Department, Compliance Department, Risk Management Department, Sojitz Holdings' Audit Department, Sojitz Shared Service Corporation, Sales units relating execution of commodities trades

- 2) With a view to preventing the recurrence of this type of incident, Sojitz Corporation has revised its rules for speculation limits to be more effective through such means as making rules for “ordinary position-taking transactions with spot trading”, which include futures transactions, as strict as those for “extraordinary position-taking transactions without spot trading”.
- 3) Sojitz Corporation has granted authority and responsibility for checks pertaining to futures transactions to the Planning & Administration Office in order to support intra-department control inside each business division, and has fortified the check-and-balance mechanism for its actual operations by shifting from the existing vertical control system to a horizontal system that incorporates the opinions of division managers. Also, Sojitz Corporation has given instructions pertaining to division-specific management procedures regarding position-taking transactions and has clarified the role of the Planning & Administration Office.
- 4) Sojitz Corporation has initiated meetings of General Managers Committee for Corporate Related Departments. One goal of these meetings is to detect problems at the germination stage by promoting communication across corporate related departments of Sojitz Corporation.
- 5) Among its key group auditing operations, Sojitz Holdings' Audit Department will especially stress compliance (including rule observance and on-the-job awareness levels) and risk management (including awareness and precautionary measures and credit-limit controls) and has finalized the auditing schedule for this fiscal year. Sojitz Group has strengthened the auditing of its futures-trading related business units by switching to audits once a year from once every two years and have striven to boost the effectiveness of those audits by adopting more varied procedures based on the nature of transactions, such as lengthening audit periods or increasing the number of auditing staff.

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- 6) To beef up compliance throughout the group, Sojitz Group set up a new Compliance Department at Sojitz Corporation in addition to that currently at Sojitz Holdings. To strengthen compliance awareness group-wide and better reflect compliance in its organizational performance, Sojitz Corporation has incorporated the following four points into its organizational performance evaluations.
 - a. Administrative issues pertaining to internal controls
 - b. Compliance-related issues
 - c. Risk management related issues
 - d. Other significant issues related to internal rules

Sojitz Corporation will implement the following measures in order to reverify and reestablish its risk management system.

- 1) It will set the maximum tenure for employees engaged in futures trading at two years and establish a system of periodic staff rotations within and outside of relevant divisions. Moreover, during the tenure, Sojitz Corporation will redouble efforts to enforce a compulsory policy of temporarily removing staff from their professional duties each year through holidays and training courses.
- 2) In a measure aimed at further mobilizing the internal reporting system associated with current risk management efforts, Sojitz Corporation will revise its internal reporting system to include such incentives as lightening the punishments meted to individuals who report incident in cases where the individuals are involved.
- 3) Sojitz Corporation's internal control system has established a hotline that enables employees to directly communicate with officials in charge of compliance and external lawyers. To further fortify its efforts in this regard, Sojitz Holdings will distribute hotline cards to all employees, thereby facilitating the ability to take early action when crises arise or illegal behavior is discovered.

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Sequence of events

2005: Month and date	Details
March 8	<ul style="list-style-type: none"> • We discovered losses arising from commodities transactions.
March 9	<ul style="list-style-type: none"> • We announced the discovery of losses arising from those commodities transactions. • We uncovered all the facts pertaining to the incident and simultaneously launched a group-wide campaign to reexamine and rebuild our risk management system. • We started – and within 24 hours – completed the final handling of all relevant positions.
March 10	<ul style="list-style-type: none"> • We announced confirmation of the losses at ¥17.987 billion. • We established an Incident Investigation Committee to study the incident and investigate its causes. The committee is headed by Yasuyuki Kuroda, a third-party external lawyer who has no interests in the Sojitz group (the committee's eight members comprise three external lawyers, two representatives from the Legal Department, and three representatives from Audit Department of Sojitz holdings).
March 25	<ul style="list-style-type: none"> • The Incident Investigation Committee submitted a report regarding its investigation of the Incident.
March 30	<ul style="list-style-type: none"> • We announced the conclusions of the Incident Investigation Committee's report concerning the incident in question. Although this incident did not involve organizational participation and the transaction itself did not violate any laws, effective March 30, in accordance with internal disciplinary rules, we dismissed three employees at managerial position who were directly involved in the incident. Simultaneously, Audit Department of Sojitz Holdings, in cooperation with external specialists, performed an internal audit of all similar domestic and offshore transactions, including the balance of real-demand-based contracts, inventory balances, and futures transaction details. As a result, we confirmed the absence of other trading activity that deviated from our internal rules and regulations. • We announced forthcoming measures aimed at preventing recurrence of this type of incident. • We required all domestic and overseas business units involved in futures transactions to hand out pledges promising that employees would conduct transactions in accordance with internal regulations. Distribution of those pledges has already been completed.
March 31	<ul style="list-style-type: none"> • We implemented internal disciplinary measures affecting officers in charge and employees involved in the incident, including non-payment of directors' compensation payable to the presidents of Sojitz Holdings and Sojitz Corporation.
April 18	<ul style="list-style-type: none"> • We convened the first meeting of the General Managers Committee for Corporate Related Departments.
April 26	<ul style="list-style-type: none"> • We launched the Committee for Avoiding Recurrence of Incident. (We have developed the committee's structure and implemented individual recurrence-prevention measures starting in early April).

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Unless otherwise noted, all managerial-position and business-unit names pertain to Sojitz Corporation.

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