

December 12, 2005

Sojitz Cororation  
Sojitz Foods Corporation

## **Sojitz Acquires Chinese Juice Manufacturing Company**

- With an aim to actively develop fruit beverage business with a focus on Japan, China and Asian countries**
- Making forays overseas where market expansion is expected**

Sojitz Foods Corporation (Head office: Akasaka, Minato-ku, Tokyo; President: Yoshikazu Funakoshi), a wholly-owned subsidiary of Sojitz Corporation, has acquired 70 percent equity share capital in Qingdao Nannan Beverage Co., Ltd. (Head office: Laixi, Qingdao, Shandong, China), a Chinese manufacturer of concentrated juices for beverages. The amount paid for the acquisition is approximately 330 million yen, and Sojitz will buy equity share capital in Qingdao Nannan Beverage's parent company Qingdao Nannan Co., Ltd., and will subscribe to a capital increase that is to be executed shortly by Qingdao Nannan Beverage Co., Ltd. The Sojitz Group, through this equity participation, plans to establish a great beverage supply chain system, covering everything from the fruit juice ingredient business (upstream business), including the supply of ingredients to Japanese beverage manufacturers, to the sales of end products to be carried out mainly in China and other Asian region with high potential for demand expansion (downstream).

Qingdao Nannan Beverage Co., Ltd., which was established in 1997, is an apple-dominated fruit juice manufacturing and sales company. Since the start up of the company, Sojitz Foods Corporation has been giving technical assistance to the company by dispatching Japanese engineers from juice manufacturers. The products available from Qingdao Nannan Beverage are highly esteemed in terms of quality, not only by the Japanese market for which Sojitz Foods has the sole distributorship, but also by leading beverage manufacturers in the Western markets. The placing of Qingdao Nannan Beverage under its umbrella will enable the Sojitz Group to strengthen its relationships with existing domestic bluechip customers, and

also to acquire overseas bluechip customers that are steady customers of the quality Nannan brand. Furthermore, Qingdao Nannan Beverage is capable of production and shipments in small lots. Holding shares in such a manufacturer, which enables the provision of a diverse quality of fruit juices according to customer needs, will serve as part of manufacturer functionality realization that is one of the business strategies of the Sojitz Group, and will allow the value of the business to be enhanced.

Chinese apple juice production accounts for over 40 percent of global production, and significant market share growth is being observed in global markets owing to the high quality and cost competitiveness of the products. The Sojitz Group, with the import and sales of concentrated juice as a basis, will shift its business to manufacturer functionality type, which business has quality/production control and product development functionalities unique to the group, and will also establish a sales structure for overseas markets focusing on China and other Asian countries, where demand increase is expected for the fruit juice beverages that are associated with the westernization of eating habits. The Sojitz Group aims to achieve sales of 1 billion yen in the first fiscal year 2006, and sales of 1.2 billion yen in the second fiscal year 2007.

### **Outline of the Qingdao Nannan Beverage Co., Ltd.**

Business Description: Manufacturing and sales of frozen concentrated juice  
(mainly apple juice)

Capital: US\$1 million

No. of employees: 143 (as of July 2005)

Others: ISO9002: 2000-, HACCP-certified  
SGF-, UKAS- and FDA-certified



Factory Facility