

December 13, 2006

Sojitz Corporation

Sojitz to Establish Wholesale Food Distribution Company in China

New establishment of General Distribution Center with Three Temperature Zones

Sojitz Corporation has signed a joint venture agreement with Beijing San Yuan Group Company (Head office: Beijing, China) to establish a wholesale food distribution company with a general distribution center with three temperature zones; frozen, chilled and ambient. This will be the first time for a Japanese company to enter the general food wholesale distribution business in China. The joint venture, which is scheduled to be established in Beijing in February 2007, will be capitalized at 60 million yuan (approximately 870 million yen), 49 percent of which will be provided by Sojitz and 51 percent by San Yuan Group Company.

Beijing San Yuan Group Company, a large-scale state-owned enterprise with 13 state-owned farms, 59 domestic group companies, and 5 overseas corporations under its umbrella, undertakes the manufacture and sale of food products such as dairy products, ice cream, ham, sausages and mayonnaise.

Based on a sales network spread across over 2,000 locations, including mass merchandisers, hotels and restaurants owned by Beijing San Yuan Group Company, and through the introduction of Japanese methods such as a transportation management system (GPS-based), a warehouse management system (WMS), and finance and credit systems, the subject joint venture will undertake extensive sales of processed foods, in which business Sojitz is engaged in China, and of products manufactured by Japanese companies for which products sales expansion is aimed at in China, as well as sales of products manufactured by the Beijing San Yuan Group Company.

Further, in terms of logistics, the joint venture will, in a step-by-step manner, take over transportation and facilities with three temperature zones such as trucks, distribution centers, distribution warehouses that are currently owned by Beijing San Yuan Group

Company.

In addition, within the year 2007, a new three temperature zone, 10,000-square-meter general distribution center will be established along Beijing's 5th ring road. Such consolidation of scattered distribution bases will enable efficient distribution. By expanding its line of business and enhancing distribution functions, the new company aims to achieve sales of 2,500 million yen in 2010 and 4,000 million yen in 2015.

In recent years, open markets and outdoor markets in the central part of Beijing have nearly become a thing of the past. Mass merchandisers such as supermarkets and convenience stores have entered the mainstream of food stuff and household goods sales. Mass merchandisers are looking for a wide variety of products in small quantities and attractive assortments of products for consumers, and it is hoped that general food wholesale distributors with storage and distribution functions will come to the fore. With such a background, Sojitz aims to increase profits in the field of food wholesaling in China, where further growth is expected, by bringing into play its know-how of distribution, finance and credit, in which areas trading companies excel.

[Beijing San Yuan Group Company (Joint Venture partner)]

Head office: Xicheng Qu, Beijing, China

Representative: Mr. Bao Zhongye

Capital: approximately ¥12,800 million

Sales: approximately ¥51,600 million

Business description: Production, manufacture, and sale of agricultural products and food stuff, real estate business, etc.

Major group companies: Beijing San Yuan Food Company (manufacture and sale of dairy products)

Beijing Allied Faxi Food Co. Ltd. (manufacture and sale of ice cream)

BEIJING QP FOODS CO., LTD. (manufacture and sale of mayonnaise)

Beijing McDonald's Food Co., Ltd. (McDonald's Beijing)

Beijing Meida Company Limited (Starbucks Beijing)

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