

# Supplementary Explanatory Material--(I) Assumptions Regarding Market Prices, Exchange Rate and Interest Rates & (II) Capital Strategy

2006/7/27  
Sojitz Corporation

## I. Market Prices, Exchange Rate and Interest Rates

### (1) Market Prices

	FY 2005 (actual)	FY 2006 (assumptions)	FY 2006 1st Quarter (actual)	Current market prices
Crude oil (Brent)	\$55/bbl	\$50/bbl	\$63/bbl	\$73/bbl
Coal	\$50/mt * *fuel coal	Where there is no contract fixing prices for the year, plans are based on an assumed price of around 80% of the current market price	· Prices based on contracts for the year; virtually unaffected by spot prices. · Contracts already concluded for majority of coal transactions based on equity shares in production during fiscal 2006	
Molybdenum	\$32/lb	\$16/lb	\$24/lb	\$25/lb
Vanadium	\$16/lb	\$5.5/lb	\$8/lb	\$7.6/lb

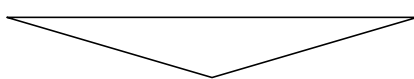
### (2) Exchange Rate

· Assumption	FY 2006 ¥110/\$
· Effect on earnings	When the exchange rate fluctuates by ¥1, net sales change by around ¥10 billion, and recurring profit changes by ¥0.1 to 0.2 billion. The effect on the balance sheet is to alter equity by around ¥1.5 billion. In all cases a stronger yen causes a decrease, while a weaker yen causes an increase.

### (3) Interest Rates

· Assumptions	FY 2006 Short-term rate 0.85% approx. Long-term rate 2.0% approx.
· Effect on earnings	When interest rates rise by 1%, annual earnings are altered by around ¥1.7 to 2.0 billion.

## II. Capital Strategy

<p>■ Decision to reconfigure the capital structure in one stroke by using equity finance to eliminate preferred shares</p> <p>Sojitz issued ¥300 billion of convertible bonds (CB) and will repurchase preferred shares in line with their conversions</p>  <p>Dispel any sense of uncertainty in the market regarding Sojitz' capital structure</p>	<p>○ The aim was to establish a balanced and robust financial position to cope with business risks by ensuring increased shareholders' equity through accumulation of annual earnings</p> <p>○ By procuring capital from external sources, Sojitz was able to negotiate repurchase of all the preferred shares at once</p> <p>○ Avoidance of the need to pay dividends to holders of preferred shares will afford more flexibility in dividend payments to holders of common stock</p> <p>○ Enables implementation of growth strategies by securing cash flow → allows Sojitz to build future earnings assets</p> <p>○ Minimizes the dilution that would result from conversion to common stock of preferred shares with established conversion rates. (The maximum conversion rate for preferred shares is ¥262)</p> <p>○ A significant discount is obtained by early repurchase of preferred shares with no conversion rate yet established</p>
<p>■ Agreement on pricing to allow repurchase of preferred shares at a partial discount</p> <p>Contract was concluded to allow ¥560.4 billion of preferred shares to be repurchased for a total of between ¥342.9 billion and ¥354.1 billion.</p>	<p>○ Secured strong position in pricing negotiations by offering to the holders of preferred shares to repurchase all the preferred shares at once based on issuing ¥300 billion of equity finance</p> <p>○ In the case of preferred shares with no conversion rate yet established, a significant discount was secured by offering early repurchase. In calculating the value of these shares, the DCF method and relative subordination compared with other preferred shares were emphasized</p>
<p>■ Current progress with conversion of the ¥300 billion of CB (at July 26, 2006)</p>	<p>○ Total amount of conversions to date : ¥34.0 billion</p> <p>○ Number of shares issued : 85,279,377 shares</p>