

September 29, 2004

**To whom it may concern**

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**Allotment of Preferred Stock to Third Parties  
and Issuance of Convertible Bonds**

Sojitz Holdings Corporation (“Sojitz Holdings”) has resolved to issue preferred stock by allocation to third parties and convertible bonds at the meeting of its Board of Directors held on September 29, 2004.

The Sojitz Group has been requesting UFJ Bank and its other principal banks, and UBS Group to accept new equity in the Sojitz Group based on the “New Business Plan” for the Sojitz Group announced on September 8, 2004. The New Business Plan gained the understanding and confidence of UFJ Bank, Mizuho Corporate Bank, Bank of Tokyo-Mitsubishi and UBS Group, and as a result, Sojitz Holdings is able to issue preferred stock in the amount of 360 billion yen. By way of the principal banks exercising debt equity swap (DES) on their loans to Sojitz Holdings in exchange for equity, this capital injection by the principal banks will reduce their portion of the Sojitz Group’s interest-bearing debt. On the other hand, of the total amount of preferred stock to be issued, 10 billion yen of preferred stock will be allocated to UBS Group. In addition to this, convertible bonds in the amount of 10 billion yen will be issued to UBS Group. The Sojitz Group’s equity financing of 370 billion yen in total will result in reinforced shareholders’ equity and reduction in interest-bearing debt.

As a result of this capital reinforcement, the Sojitz Group has made a leap towards realizing one of the fundamental policies of the New Business Plan, the “Establish a Robust Financial Position”. The Sojitz Group will pursue the goal to realize the “Evolution to a Quality Earnings Structure”

This document entitled “Allotment of Preferred Stock to Third Parties and Issuance of Convertible Bonds” is prepared in order to announce facts relating to Sojitz Holdings Corporation’s equity financing by allotting shares to third parties and issuing convertible bonds and does not constitute a solicitation of investments or any similar act, in or outside Japan

## I. Issue of Preferred Stock by Way of Third Party Allotment

Series and Class of Preferred Stock	1 <sup>st</sup> series Class IV	1 <sup>st</sup> series Class V	2 <sup>nd</sup> series Class V	1 <sup>st</sup> series Class VI
<b>Issue Amount</b>	¥199.5 billion	¥130.5 billion	¥20.0 billion	¥10.0 billion
<b>Issue Price</b>	¥10,000	¥12,000	¥10,000	¥10,000
<b># of Shares to be Issued</b>	19,950,000	10,875,000	2,000,000	1,000,000
<b>Purchaser</b>	UFJ Bank 19,950,000	UFJ Bank 10,875,000	Mizuho Corporate Bank 1,000,000 Bank of Tokyo-Mitsubishi 1,000,000	UBS AG London Branch 1,000,000
<b>Payment Date</b>	October 29, 2004			
<b>Dividends</b>	Dividend is paid, only when ¥50 or more dividend per share is paid to common stockholder. (Common stock dividend per share)/(30-day average of closing prices of Sojitz Holdings Corporation common stock beginning on the 45 <sup>th</sup> trading day prior to record date) x 120% x issue price	Preferred Dividends		¥0
		-2008 1yr Tibor+75bps	-2008 1yr Tibor+175bps	
		2009-2013 1yr Tibor+100bps	2009-2013 1yr Tibor+200bps	
		2014-2018 1yr Tibor+125bps	2014-2018 1yr Tibor+225bps	
		2019-2023 1yr Tibor+150bps	2019-2023 1yr Tibor+250bps	
2024- 1yr Tibor+175bps	2024- 1yr Tibor+275bps			
<b>Cap</b>	¥2,000	¥1,200	¥1,000	-
<b>Dividend feature</b>	-	Non-participating/ Non-cumulative		-
<b>Conversion Feature</b>	Convertible into Sojitz Holdings Corporation common stock			
<b>Conversion Period</b>	October 29, 2024-	October 29, 2019-	October 29, 2015-	May 2, 2005-October 29, 2009
<b>Initial Conversion Price</b>	30-day average of closing prices of Sojitz Holdings Corporation common stock beginning on the 45 <sup>th</sup> trading day prior to the first day of the conversion period			The higher of (A) 30-day average of closing prices of Sojitz Holdings Corporation common stock beginning on the 44 <sup>th</sup> trading day prior to payment date, or (B) ¥425.4
<b>Cap</b>	None	30-day average of closing prices of Sojitz Holdings Corporation common stock beginning on the 44 <sup>th</sup> trading day prior to payment date x 500%	30-day average of closing prices of Sojitz Holdings Corporation common stock beginning on the 44 <sup>th</sup> trading day prior to payment date x 200%	None
<b>Floor</b>	¥200	¥200	¥200	None

NOTE: "Closing price" are closing prices on Tokyo Stock Exchange

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<b>Series and Class of Preferred Stock</b>	<b>1<sup>st</sup> series Class IV</b>	<b>1<sup>st</sup> series Class V</b>	<b>2<sup>nd</sup> series Class V</b>	<b>1<sup>st</sup> series Class VI</b>	
<b>Conversion Price Reset</b>	Conversion price will be revised annually on October 29 of every year after October 29, 2024. 30-day average of closing prices of Sojitz Holdings Corporation common stock beginning on the 45 <sup>th</sup> trading day prior to the day of conversion price reset	Conversion price will be revised annually on October 29 of every year after October 29, 2019. 30-day average of closing prices of Sojitz Holdings Corporation common stock beginning on the 45 <sup>th</sup> trading day prior to the day of conversion price reset	Conversion price will be revised annually on October 29 of every year after October 29, 2015. 30-day average of closing prices of Sojitz Holdings Corporation common stock beginning on the 45 <sup>th</sup> trading day prior to the day of conversion price reset	Conversion price will be revised on a monthly basis, from May 12, 2005 to October 12, 2009. 5-day average of VWAP of Sojitz Holdings Corporation common stock ending on and including the 12 <sup>th</sup> of each month x 90%	
	<b>Cap</b>	None	Initial conversion price x 500%	Initial conversion price x 200%	5-day average of VWAP of Sojitz Holdings Corporation common stock ending on and including May 12, 2005 x 120%
	<b>Floor</b>	Initial conversion price x 80%	Initial conversion price x 30%	Initial conversion price x 30%	5-day average of VWAP of Sojitz Holdings Corporation common stock ending on and including May 12, 2005 x 40%
<b>Mandatory Conversion Date</b>	None			October 30, 2009	
<b>Mandatory Conversion Price</b>	None			30-day average of closing prices of Sojitz Holdings Corporation common stock beginning on the 45 <sup>th</sup> trading day prior to October 30, 2009.	
	<b>Cap</b>	None			None
	<b>Floor</b>	None			5-day average of VWAP of Sojitz Holdings Corporation common stock ending on and including May 12, 2005 x 40%
<b>Distribution of Residual Properties</b>	Issue price amount prior to common stock holders (subordinated to Class I II III V VI)	Issue price amount prior to common stock holders			
<b>Soft Call</b>	None			130% soft call at par after October 29, 2007, 20 trading day trigger	
<b>Purchaser's Put Option</b>	None				

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## II. Issue of Convertible Bonds

	Convertible Bonds with Stock Acquisition Rights
<b>Issue Amount</b>	¥10 billion
<b>Purchaser</b>	UBS AG London Branch
<b>Maturity</b>	2 years
<b>Payment Date</b>	October 29, 2004
<b>Coupon</b>	0%
<b>Conversion Feature</b>	Convertible into the Sojitz Holdings Corporation common stock
<b>Conversion Period</b>	November 1, 2004 - October 26, 2006
<b>Initial Conversion Price</b>	(The higher of (A) or (B)) x 105% (A) 30-day average of closing prices of Sojitz Holdings Corporation common stock beginning on the 44 <sup>th</sup> trading day prior to payment date (B) ¥425.4
<b>Conversion Price Reset</b>	Conversion price will be revised on a monthly basis from November 4, 2004 to October 4, 2006 93% of average 5-day VWAP of Sojitz Holdings Corporation common stock ending on and including 4 <sup>th</sup> day of each month.
<b>Cap</b>	5-day average of VWAP ending on and including November 4, 2004 x 200%
<b>Floor</b>	5-day average of VWAP ending on and including November 4, 2004 x 50%
<b>Call Option</b>	100.5% at par on the 4 <sup>th</sup> day of each month after the issuance
<b>Purchaser's Put Option</b>	99% at par on the 4 <sup>th</sup> day of each month after May 2, 2005

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(For your reference)

1. Change in Total Number of Issued Shares Due to the Proposed Capital Increase:

Total Number of Shares Currently Issued:	348,694,333 shares
Number of Shares to be Increased by the Capital Increase:	33,825,000 shares
Of which: Class IV Preferred Stock:	19,950,000 shares
Class V Preferred Stock:	12,875,000 shares
Class VI Preferred Stock:	1,000,000 shares
Total Number of Issued Shares After the Capital Increase:	382,519,333 shares
Of which: Common Stock:	215,694,333 shares
Class I Preferred Stock:	105,200,000 shares
Class II Preferred Stock:	26,300,000 shares
Class III Preferred Stock:	1,500,000 shares
Class IV Preferred Stock:	19,950,000 shares
Class V Preferred Stock:	12,875,000 shares
Class VI Preferred Stock:	1,000,000 shares

2. Reason for Capital Increase and Use of Proceeds:

(1) Reason for Capital Increase:

To reinforce shareholders' equity

(2) Use of Proceeds:

Of the preferred stocks issued by way of third party allocation, 1<sup>st</sup> series Class IV preferred stock, 1<sup>st</sup> series Class V preferred stock and 2<sup>nd</sup> series Class V preferred stock issued to Bank of Tokyo-Mitsubishi, will be issued in exchange for debt. Therefore, there will be no proceeds.

Proceeds from issuance of 2<sup>nd</sup> series Class V preferred stock issued to Mizuho Corporate Bank, 1<sup>st</sup> series Class VI preferred stock and convertible bonds, will be injected into its subsidiary Sojitz Corporation via the purchase of common stock newly issued by Sojitz Corporation. The full amount of proceeds will be used for this purpose.

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### 3. Profit distribution to shareholders

#### (1) Policy on profit distribution

As a top management priority, Sojitz Holdings aims to provide stable dividends to its shareholders, along with the increase of competitive strength and shareholder value through accumulation and effective use of retained earnings. Dividend payment of the company will be determined at appropriate levels reflecting the capital structure, shareholders equity level of the company and the financing needs to support investments for profit growth.

#### (2) Policy toward dividend determination

The basic policy toward dividend determination is stated above under (1).

After considering the losses that would incur from the drastic review of its asset portfolio during this fiscal year, Sojitz Holdings estimates that it will result in substantial deficit. To eliminate this deficit, Sojitz Holdings intends to propose withdrawal of additional paid-in capital and capital reduction at the general meeting of shareholders scheduled in June 2005. In addition, by the accumulation of retained earnings from operational profits in FY2005 (FYE March 2006) and thereafter, Sojitz Holdings aims to pay dividends for FY2006 (FYE March 2007).

#### (3) Use of retained earnings

Retained earnings will be used for investments in profit growth.

#### (4) Others

N/A

#### (5) Dividend payment in the past three fiscal years

	FYE March 2004
Net income per share	¥0.43
Dividend p.a. per share	-
Real payout ratio	-
Net income to equity ratio	0.0%
Dividend to equity ratio	-

#### Notes:

1. Data is only available for past one fiscal year as Sojitz Holdings was established on April 1, 2003
2. No statement on Dividend p.a. per share, Real payout ratio, Dividend to equity ratio as Sojitz Holdings have not paid dividend for the past one fiscal year

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#### 4. Equity financing over the past three fiscal years

##### (1) Equity financing

The date	Capital increase	Capital after the new issue	Additional paid-in capital after the new issue
May14, 2003	¥266,000 million	¥143,000 million	¥314,181 million
May16, 2003	¥7,181 million	¥146,606 million	¥317,755 million

In addition to above equity financing, Sojitz Holdings issued yen denominated convertible bonds in the amount of 5 billion yen due 2005 on May 29, 2003 and yen denominated convertible bonds in the amount of 5 billion yen due November 2005 on November 5, 2003.

The 5 billion yen convertible bonds due 2005 issued on May 29, 2003 has been fully converted to common stock. Of the 5 billion yen denominated convertible bonds due November 2005 issued on November 5, 2003, 4 billion yen has been converted to common stock as of August 31, 2004.

##### (2) Stock price information for the past three fiscal years and immediately before the new issue:

	FYE March, 2004	FYE March, 2005
Opening Price	¥339	¥725
High	¥794	¥777
Low	¥205	¥325
Closing Price	¥718	¥413
Price-Earnings Ratio	1,676 times	-

##### Notes:

1. Data is only available for past one fiscal year as Sojitz Holdings was established on April 1, 2003
2. The stock price information for FYE March, 2005 is the information as of September 28, 2004
3. Price-Earnings Ratio is obtained from the stock price (closing price) as of the end of the applicable fiscal year divided by the current net income per share of the applicable fiscal year
4. High and Low are closing prices of Sojitz Holdings Corporation common stock listed on the Tokyo Stock Exchange

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# Reinforcement of Shareholders' Equity Based on the New Business Plan

**Sojitz Holdings Corporation**

September 29, 2004





# Fundamental Policies of the New Business Plan

## ◆ Objective : Enhance Corporate Value by Quickly Restoring Market Confidence

## ◆ Fundamental Policies :

### Establish a Robust Financial Position

- Drastic review of the Group's asset portfolio (reducing operational risk and improving the quality and liquidity of assets)
- Reinforce shareholders' equity through capital increase in an effort to offset capital reduction triggered by drastic review of the Group's asset portfolio, and reduce interest-bearing debt

### Evolution to a Quality Earnings Structure

- Accelerate selection and focus initiatives
  - Selection: withdraw from low-profit businesses, allocate management resources focusing on businesses with competitive advantage
- Improve SCVA (risk/return management indicator), optimization of business portfolio
  - Continuously enhance and strengthen business portfolio and risk management

### Revision of Financial Targets in Year 3 (March 2007)

- Recurring Profit: ¥75 billion
- Net DER: approx. 3 times
  - Net interest-bearing debt: ¥1 trillion
- Ratings: BBB or above

⇒ Today we finalized the details on concrete measures for reinforcement of shareholders' equity

# Reinforce Shareholders' Equity

## ◆ Details of Equity Financing

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**Amount:** ¥370 billion

**Method:** Issue of preferred stock by way of third-party allocation (¥360 billion)  
Issue of convertible bonds by way of third-party allocation (¥10 billion)

**Investors:** **Preferred stocks** — UFJ Bank, Mizuho Corporate Bank,  
Bank of Tokyo-Mitsubishi, UBS Group  
**Convertible bonds** — UBS Group

**Dates:** September 29 Resolution on issuance  
October 29 Payment date  
October 30 Increase in shareholders' equity

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# Details of Equity Financing

Type		Investors	Amount	Significance
<b>Preferred stocks</b>	1st series Class IV	UFJ Bank	¥199.5 billion	<p>Significant amount of capital raising by our principal banks, aimed at the establishment a robust financial position</p> <p>* As part of this capital injection, the principal banks will exercise debt equity swap on their loans to Sojitz Holdings Corporation in exchange for equity. This will not change the financial position or the New Business Plan in anyway</p>
	1st series Class V	UFJ Bank	¥130.5 billion	
	2nd series Class V	Mizuho Corporate Bank Bank of Tokyo-Mitsubishi	¥10.0 billion ¥10.0 billion	
	1st series Class VI	UBS Group	¥10.0 billion	
<b>Convertible bonds</b>		UBS Group	¥10.0 billion	After assessing the New Business Plan, UBS reached the decision to finance the preferred stock and convertible bonds. As a result, we are able to reinforce equity and realize a more flexible financial structure
		<b>Total</b>	<b>¥370 billion</b>	

# Concept of Our Future Capital Policy

## ◆ Increase Shareholder Value

- We will aim to increase shareholder value by achieving the goals of the New Business Plan including development of a strong business platform and improvement in profitability

## ◆ Capital Improvement

- We will continue to pursue a capital policy that is focused on financial strength and stability (net DER: approx. 3 times)
- Flexible approach to capital policy will include equity finance and/or cancellation of stocks, depending on financial and capital condition
- Capital policy management will be based on careful consideration of the impact on stock price and equity dilution

## ◆ Dividend Policy

- As our fundamental policy of profit distribution, we aim to provide stable dividends to shareholders along with the increase of competitive strength and shareholder value through accumulation and effective use of retained earnings
- Dividend payment of the company will be determined at appropriate levels reflecting the capital structure, shareholder equity level of the company and financing needs to support investments for profit growth
- We intend to continue to focus on accumulating retained earnings and therefore would like your understanding to forgo paying dividends until the end of FY2005 (FYE March 2006). We aim to pay dividends for FY2006 (FYE March 2007)