

**Summary of Consolidated Financial Results**  
for the Six-month Period Ended September 30, 2004

November 16, 2004

**Sojitz Holdings Corporation**

(URL <http://www.sojitz-holdings.com>)

Listed stock exchange : The first sections of Tokyo and Osaka

Headquarters : Tokyo

Securities Code : 2768

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1. Consolidated Financial Results for the Six-month Period ended September 30, 2004

(1) Consolidated Operating Results (Rounded to millions of Japanese Yen)

	Net Sales		Operating Income		Recurring Profit		Net Income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
For the Six-month Period ended September 30, 2004	2,254,215	25.4	32,934	23.8	25,762	35.1	241,071	-
ended September 30, 2003	3,022,042	-	26,606	-	19,074	-	17,509	-
(Ref) FY 2003	5,861,737	-	59,948	-	48,461	-	33,609	-

	EPS	Adjusted EPS
	Yen	Yen
For the Six-month Period ended September 30, 2004	1,119.40	-
ended September 30, 2003	95.21	-
(Ref) FY 2003	172.52	-

Notes:

- Equity in Earnings of Unconsolidated subsidiaries and affiliate during the period: (Millions of Yen)  
Current interim period : 6,083      Preceding interim period : 1,866      Last fiscal year : 5,929
- Average number of outstanding shares during the period:  
Current interim period : 215,358,386      Preceding interim period : 183,906,487      Last fiscal year : 194,817,297
- Changes in accounting policies during the period: Yes
- Percentage indicate changes in net sales, operating income, recurring profit and net income compared with preceding interim period.

(2) Financial Position (Consolidated)

	Total Assets	Shareholders' Equity	Shareholders' Equity Ratio	BPS
	Millions of Yen	Millions of Yen	%	Yen
As of September 30, 2004	2,703,954	61,688	2.3	947.63
September 30, 2004	3,414,390	344,551	10.1	393.91
March 31, 2004	3,077,022	316,234	10.3	235.43

Notes:

- Number of outstanding shares at the end of the period (Common Stock):  
Current interim period : 215,602,089      Preceding interim period : 199,416,777      Last fiscal year : 213,374,473
- Number of outstanding shares at the end of the period (Preferred Stock):  
Current fiscal year : 133,000,000      Preceding fiscal year : 133,000,000      Last fiscal year : 133,000,000

(3) Consolidated Statements of Cash Flows

	Operating Activities	Investing Activities	Financing Activities	Cash & Cash Equivalents at the end of the Period
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
For the Six-month Period ended September 30, 2004	47,369	66,023	129,933	290,013
ended September 30, 2003	52,384	31,144	92,126	491,664
(Ref) FY 2003	87,160	73,030	68,602	401,240

(4) Number of consolidated subsidiaries and companies accounted for by the equity method

Consolidated subsidiaries : 322  
Unconsolidated subsidiaries (accounted for by the equity method) : 22  
Unconsolidated affiliates (accounted for by the equity method) : 196

(5) Increase/Decrease in the Number of consolidated subsidiaries

Consolidated subsidiaries : (Increase) 21 companies (Decrease) 28 companies  
Affiliated companies accounted for by the equity method : (Increase) 12 companies (Decrease) 22 companies

(6) Consolidated Earnings Forecast for the Fiscal Year Ending March 2005 (April 1, 2004-March 31, 2005)

	Net Sales	Recurring Profit	Net Income
	Millions of Yen	Millions of Yen	Millions of Yen
For the fiscal year ending March 31, 2004	5,000,000	50,000	380,000

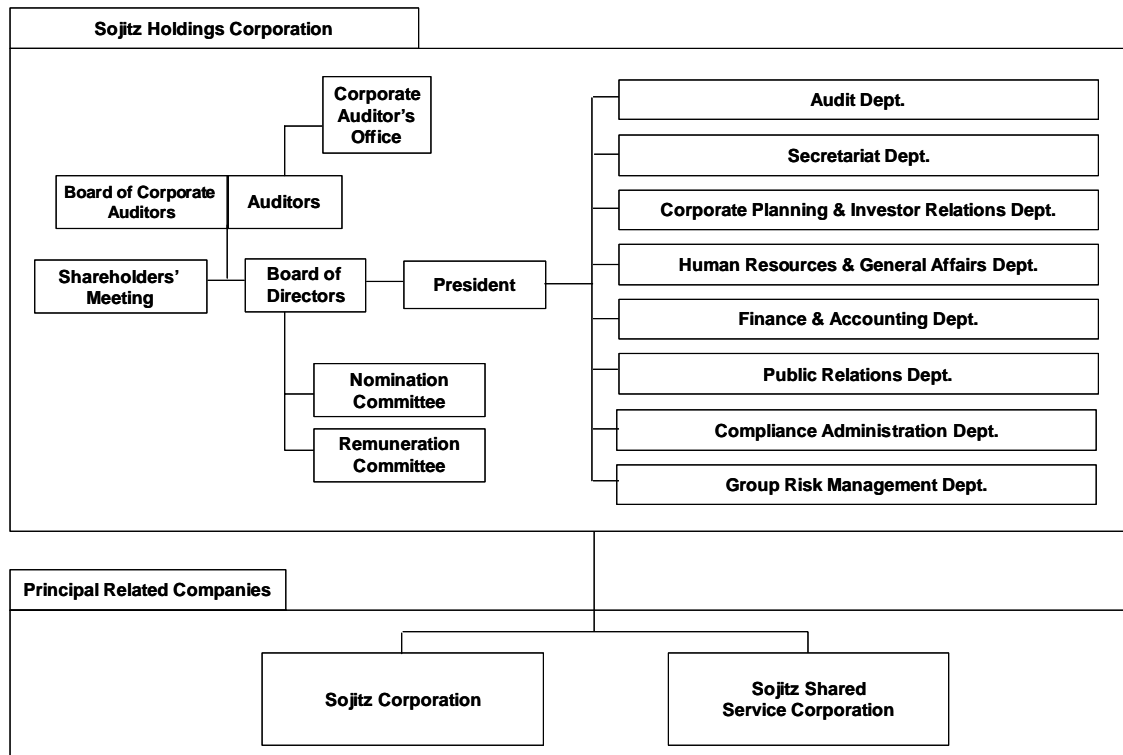
(Ref) Forecast of Net income per share for the year ending March 31, 2005 : 1,763.50 Yen

## Status of the Corporate Group

Sojitz Holdings Corporation (hereinafter referred to as "the Company" or "Sojitz Holdings"), which changed its name from Nissho Iwai - Nichimen Holdings Corporation on July 1, 2004, was established on April 1, 2003 from the former Nichimen Corporation and the former Nissho Iwai Corporation, as a holding company established through an exchange of stock under Article 364 of the Commercial Code. Sojitz Holdings manages and supervises the operations of subsidiary companies and conducts related business.

The former Nichimen Corporation and the former Nissho Iwai Corporation merged on April 1, 2004 to form the new company, Sojitz Corporation. With this company at its core, the Sojitz Group operates as a general trading company engaged in the buying and selling of goods, as well as import and export. Its business interests extend to a wide variety of concerns throughout the world, including support for the manufacture, sale and service of an array of goods in Japan and overseas, responsibility for the planning, management and coordination of diverse projects, and financial support and investment in an assortment of business fields.

The Sojitz Group is comprised of 433 subsidiaries, and 236 affiliates for a total of 669 companies (of which, 540 are included in the scope of consolidation). The management structure and principal related companies are as follows:



Note: Sojitz Holdings changed its name from Nissho Iwai - Nichimen Holdings Corporation on July 1, 2004.

On April 1, 2004, the former Nichimen Corporation and the former Nissho Iwai Corporation, wholly owned subsidiaries of Sojitz Holdings, merged to form Sojitz Corporation. Nissho Iwai – Nichimen Shared Service Corporation changed its name to Sojitz Shared Service Corporation as of April 1, 2004. Sojitz Corporation and Sojitz Shared Service Corporation are subsidiaries of Sojitz Holdings Corporation.

## **Group Management Policy**

### **1. Basic Policy**

The Sojitz Group undertook a drastic review of its Business Plan, a three-year business plan commencing fiscal 2003, the fiscal year ended March 31, 2004, and formulated its New Business Plan. Underpinned by efforts to establish a robust financial position and to evolve to a quality earnings structure, the fundamental objectives of the New Business Plan are to build a more robust management foundation, unaffected by external conditions, and to enhance corporate value by quickly restoring market confidence. The New Business Plan covers a three-year period commencing fiscal 2004, the fiscal year ending March 31, 2005. The entire Sojitz Group is committed to becoming an innovative functional trading company that delivers high-value-added functions and services that only the Sojitz Group can deliver, in those business areas where the Sojitz Group can realize its strengths, by the end of the Plan.

### **2. Basic Policy on Dividends**

The Company has placed enhancing competitiveness and improving shareholder value through the stable payment of shareholder dividends and efforts to maximize and efficiently apply retained earnings, as top management priorities. The amount of dividends to be paid is subject to shareholder equity considerations and capital requirements for growth-oriented investment.

In the fiscal year under review, the Sojitz Group is forecasting a substantial deficit in retained earnings as a result of the extraordinary loss in conjunction with the drastic review of its asset portfolio. To recover this deficit, Sojitz Holdings intends to table a resolution for approval at its annual general meeting of shareholders scheduled in June 2005 to transfer a portion of its capital surplus to retained earnings and to reduce capital. This reduction in capital will be transferred to capital surplus so as not to affect the total value of net worth. In addition, the number of shares issued and outstanding will also remain unchanged. Accordingly, this initiative will not impact on shareholders' equity per share.

Furthermore, through this procedure of recovering the deficit in retained earnings and efforts to secure retained earnings from fiscal 2005 and beyond, the Sojitz Group is working tirelessly toward providing a dividend payment from the fiscal year ending March 31, 2007.

### **3. New Business Plan Overview**

#### **(1) Basic Policy**

As previously identified, underpinned by efforts to establish a robust financial position and to evolve to a quality earnings structure, the fundamental objectives of the New Business Plan are to build a more robust management foundation and to quickly restore market confidence.

#### a. Establish a Robust Financial Position

##### <Drastic review of the Group's asset portfolio>

Adopting a completely new approach and, from the perspective of reducing operational risk and improving the quality and liquidity of assets, the Sojitz Group has adopted measures in the first year of the New Business Plan, to withdraw from low-profit businesses, including businesses, which used to be classified as continuous operations, and to dispose of real estate and other holdings. Through these efforts, Sojitz Group is working to rid itself of those assets experiencing a deterioration in value and to immediately restore asset quality.

Accordingly, the resulting extraordinary loss will total approximately ¥400 billion in the fiscal year ending March 31, 2005. A breakdown of the planned extraordinary loss amount is as follows:

- To accelerate selection and focus initiatives: ¥260 billion
- To dispose of real estate and other holdings: ¥150 billion

In the fiscal year under review, the Sojitz Group is committed to completing drastic measures, such as the sale of assets and withdrawal from low-profit businesses, with the aim of avoiding additional future losses.

##### <Reinforce shareholders' equity and reduce interest-bearing debt>

The Sojitz Group decided to issue preferred stock totaling ¥360 billion with the aim of restoring shareholders' equity following the previously mentioned extraordinary loss. Of this total, an amount of ¥350 billion was issued to the Group's principal bankers UFJ Bank Limited, Mizuho Corporate Bank, Ltd., and The Bank of Tokyo-Mitsubishi, Ltd. Through the exercise of a debt-equity swap (DES) by principal banks, in connection with their loans to Sojitz Holdings, this capital injection reduced the Sojitz Group's interest-bearing debt. In addition, the Sojitz Group issued preferred stock totaling ¥10 billion and convertible bonds in the amount of ¥10 billion with stock acquisition rights to the UBS Group. The Group's equity financing of ¥370 billion has enabled it to reinforce shareholders' equity and reduce interest-bearing debt.

#### b. Evolution to a Quality Earnings Structure

##### <Accelerate selection and focus initiatives and enhance SCVA (the Sojitz Group's risk/return indicator)>

From an SCVA (Sojitz Corporation Value Added) perspective, the Sojitz Group will dramatically accelerate selection and focus initiatives. The Sojitz Group is disposing of non-value creation businesses, which are categorized as Businesses for Reorganization, while at the same time rationalizing business units that currently generate profits, but lack future potential. In an effort to enhance value in growth areas, the Group will also actively undertake capital investment with the aim of expanding existing businesses, procure investment funds and finance, and pursue M&A.

The Sojitz Group will adopt the following three measures and continuously review its

business portfolios in an effort to enhance SCVA and to evolve to a quality earnings structure.

1. Withdraw from select and low-profit businesses
2. Allocate management resources to growth areas
3. Continuously enhance and strengthen business portfolios and risk management with the aim of improving SCVA

## **(2) New Business Plan Financial Targets**

The Sojitz Group has identified the following consolidated financial targets in its New Business Plan, to be achieved by the fiscal year ending March 31, 2007:

- Recurring profit: ¥75 billion
- Net DER: Approx. 3 times  
(Net interest-bearing debt of ¥1 trillion)
- Ratings: BBB or above

## **4. Pressing Issues**

The principal issue confronting the Sojitz Group is the timely implementation of the measures outlined in its New Business Plan, namely to dramatically establish a robust financial position; to evolve to a quality earnings structure; to build a more robust management foundation, unaffected by external conditions; and to enhance corporate value by quickly restoring market confidence.

In the first half of fiscal 2004, the six-month period ended September 30, 2004, the Sojitz Group recorded an extraordinary loss in line with the acceleration of selection and focus initiatives. At the same time, the Group appointed certain trust banks as advisors in the area of real estate disposal, and has steadfastly worked toward full and final disposal by the end of the fiscal year under review. In an effort to restore shareholders' equity following the drastic review of assets and the extraordinary loss of approximately ¥400 billion, and to reduce interest-bearing debt, Sojitz Holdings implemented equity financing totaling ¥370 billion on October 29, 2004. This equity financing has resulted in substantially reinforcing financial structure.

On the earnings front, the Sojitz Group will take specific measures to evolve toward a quality earnings structure. At the same time in the context of its selection and focus initiatives the Group will apply SCVA, analyze the specific capital costs of each business unit, evaluate risks and returns, and selectively redistribute management resources according to business characteristics. Accordingly, the distribution of management resources will not be universally implemented with the view to appeasing business units across the board. Resource allocation will be dictated by efficiency concerns and directed toward growth areas in the Group clearly exhibiting competitive advantages and strengths. The SCVA-based review of business portfolios is not a one-off, and will be implemented on a continuous basis. The Sojitz Group is committed to constantly optimizing its business portfolios and enhancing SCVA.

## **5. Basic Stance on Corporate Governance and Measures Implemented**

### **(1) Basic Stance**

The Sojitz Group considers clarification of its management responsibilities and accountability to stakeholders, including shareholders, to be an important issue. In order to strengthen its corporate governance, the Company has implemented a variety of measures aimed at improving the profitability of the entire Group and maximizing corporate value, based on the recognition that as the holding company for the Group, it is of the utmost importance for it to manage and oversee the business activities of the subsidiaries under its umbrella, and to establish a highly transparent management framework.

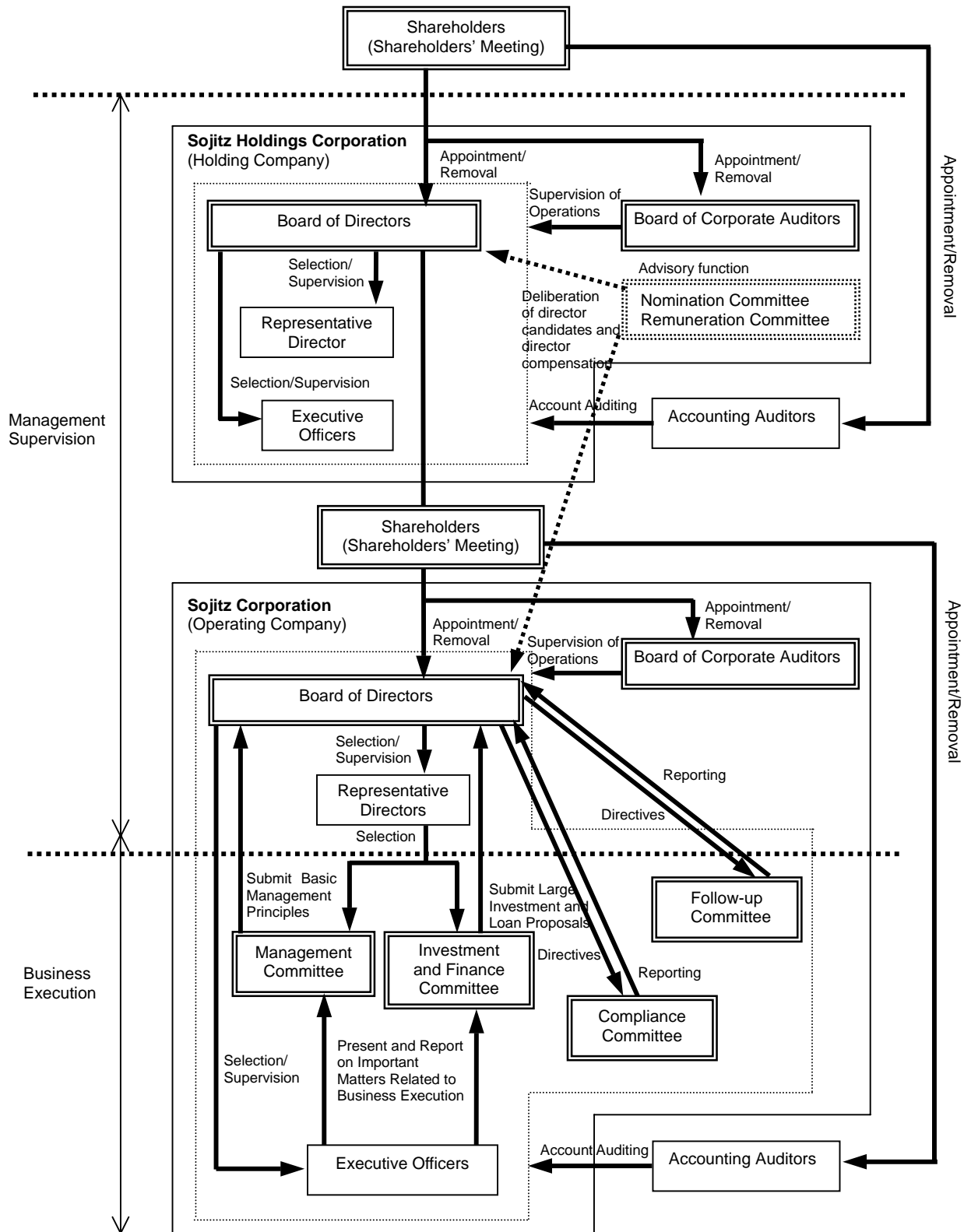
### **(2) Measures Implemented**

a. Status of the management structure relating to decision-making, implementation and overseeing, and other corporate governance structures:

- The Company has adopted the auditing system, with an auditing committee comprised of four auditors, of which two are outside auditors.
- Since its establishment in April 2003, the Company has introduced and employed the executive officer system as a means to clarify rights and responsibilities through the separation of managerial decision-making and business executions functions, and increase the speed of decision-making and implementation. Also, in order to respond quickly and appropriately to the sudden changes in the business environment, and to clarify management responsibilities, the tenure for directors has been set at one year.
- The Company's Board of Directors is comprised of five directors, of which one is an outside director and three are directors of Sojitz Corporation concurrently. The Board of Directors is the principal decision-making body within the Group, where the most important matters pertaining to Group management are considered and decided. In order to avoid duplication in the decision-making process and operation, as well as to improve efficiency and increase the speed of operations, far-reaching authority was transferred to Sojitz Corporation.
- The Company consistently recognizes the basics of investor relations, disclosing fair and reliable information voluntarily and in a timely manner. (In April 2004, the Group's IR organization and personnel were merged with the Company's Corporate Planning & Investor Relations Department.)
- The Company acting as a holding company, and in order to strengthen the supervising and auditing functions toward its subsidiaries integrated the auditing

offices of the former Nichimen Corporation and the former Nissho Iwai Corporation, and established an auditing office within the Company in October 2003. (It was renamed the Audit Department in April 2004.)

- The Compliance Administration Department was established within the Company, and a compliance program formulated with the aim of ensuring that executives and employees of the Sojitz Group abide by all laws and company regulations, and conduct themselves in an honorable way and in accordance with social norms. A compliance committee was also established within Sojitz Corporation, with the primary objective of ensuring the compliance with laws and regulations, as well as crisis management, within the Sojitz Group. In addition, the Group works to disseminate information through its compliance committee home page posted on its intranet and will continue to strengthen compliance throughout the entire Group through education and other measures.
- An organization chart depicting the Group's business execution and supervisory functions is provided as follows:





b. Personal, financial and trading relationships, as well as other interests between the Company and the respective companies of outside directors and auditors:

- There are no interests between the Company and the respective companies of outside director Shigeo Muraoka, outside auditors Masaji Shinagawa and Yoshiaki Ishida.

c. Measures to enhance corporate governance implemented within the last year

- Acting to provide advisory functions to the Board of Directors, a Nomination Committee was established to deliberate on candidates for director and executive officer for the Company and candidates for director for Sojitz Corporation, and a Remuneration Committee to deliberate on compensation for directors and executive officers for the Company and directors for Sojitz Corporation in August 2004. Each committee is chaired by an outside director and strives to enhance transparency in management.
- On October 1, 2004, a Risk Management Planning Office was newly established at Sojitz Corporation with the aim of further reinforcing the integration process and strengthening risk management. In order to better address the wide variety of business risks, efforts are in place to closely incorporate SCVA and to further bolster the Group's cross-sectional risk management structure. In the context of independent management, a specialist director has been appointed to oversee risk.
- A Follow-Up Committee was established within Sojitz Corporation on October 1, 2004 to ensure strict adherence and monitor progress of those measures identified in the New Business Plan in September 2004. The President of Sojitz Corporation acts as chairman of the committee, while specialists from outside the Group act as advisors, and progress is managed based on third-party advice.

## **Business Results and Financial Position**

### **1. Business Results**

#### **(1) Overview of the First Half of the Fiscal Year Ending March 31, 2005**

In the six-month period ended September 30, 2004, the overall economic environment was favorable. Global trade on a year-on-year basis exhibited double-digit growth, while the International Monetary Fund (IMF) projects growth of 5.0% in the global economy—the highest rate of growth in the past 30 years. The U.S. economy was strong, buoyed by the effect of major tax reductions, and more jobs were created. The Fed raised interest rates in June 2004 for the first time in three years. Although the European Union added 10 more Central and Eastern European countries on May 1, 2004 to become a 25-member union, the European economy remained sluggish due to weak consumer spending. In Asia, the robust Chinese economy continued to grow around 9% despite the government tightening fiscal policies. In Japan, the economy has been favorable, supported by strong overseas demand including exports to Asia in addition to revitalized capital investment in mainly digital equipment. In the fiscal year ending March 31, 2005, economic growth of around 3% is expected, with an overall improvement in business conditions in the non-manufacturing sector and for small and medium-size enterprises, as well as a slowing in the decline of commodity prices.

Amid this economic environment, Sojitz Corporation was established on April 1, 2004 in a merger between the former Nichimen Corporation and the former Nissho Iwai Corporation. As its parent company, the Company changed its name to Sojitz Holdings Corporation on July 1, 2004. The following is a breakdown of consolidated performance during the six-month period ended September 30, 2004.

As a result of reviewing low-profit transactions during the six-month period ended September 30, 2004, consolidated net sales declined 25.4% to ¥2,254.2 billion compared with the same period of the previous fiscal year. A year-on-year comparison of net sales by type of trade reveals a decrease of 21.7% in export transactions in mainly the machinery & aerospace segment, a decline of 25.8% in import transactions in mainly the energy & mineral resources segment, a fall of 25.0% in domestic transactions due to a drop in transactions related to low-profit petroleum products and other products, and a decrease of 29.0% in offshore transactions at overseas subsidiaries and the machinery & aerospace segment.

By industry segment, net sales increased 7.9% for forest products & building materials owing to an increase in import transactions, 0.7% for the general commodities & consumer business due to firm demand for woodchips, and 0.3% in textiles owing to the addition of newly consolidated subsidiaries. Net sales of the energy & mineral resources business declined 49.8% due to a review of low-profit transactions, which primarily involves intermediary trading. Net sales also decreased 18.9% in the machinery & aerospace business owing to a drop in aircraft-related transactions, and 11.1% in the foods business due to declines in import transactions of items such as grain. In the construction & urban development business, sales fell 22.1% impacted by a fall off in condominium sales in domestic transactions. Sales declined 5.2% in the chemicals & plastics business due to the review of low-profit transactions.

On a consolidated basis, gross trading profit decreased 2.1% to ¥119.7 billion compared with the same period of the previous fiscal year, reflecting a decline in condominium sales in the construction & urban development segment and the disposition and liquidation of consolidated subsidiaries in line with restructuring in the machinery & aerospace segment. Operating income climbed 23.8% year-on-year to ¥32.9 billion on the back of improvements of ¥8.9 billion in selling, general and administrative expenses to ¥86.8 billion from rationalization effects, as well as

improvements at overseas subsidiaries, which were weak in the corresponding period of the previous fiscal year despite the decline of gross trading profit in business segments. Recurring profit advanced 35.1% to ¥25.8 billion due to improvements in equity in earnings of unconsolidated subsidiaries and affiliates such as Metal One Corporation. Sojitz Holdings recorded extraordinary gains of ¥5.0 billion, including a ¥3.3 billion gain on sale of investment securities. However, Sojitz Holdings also posted extraordinary losses totaling ¥250.3 billion, including a restructuring loss of ¥181.4 billion in accordance with a review of low-profit businesses including overseas investments and loans under the New Business Plan announced on September 8, 2004, as well as a ¥46.2 billion loss due to reorganization of subsidiaries and affiliates, ¥13.0 billion evaluation loss on investment securities & investments other than securities, and ¥8.9 billion loss on the sale of investment securities. Overall, extraordinary losses outweighed extraordinary gains by ¥245.3 billion. As a result, consolidated loss before income taxes was ¥219.5 billion. After income taxes—current of ¥5.6 billion, income taxes—deferred of ¥13.9 billion due to a decline in deferred tax assets—current, and minority interests in consolidated subsidiaries of ¥2.1 billion, the consolidated net loss amounted to ¥241.1 billion.

## **(2) Consolidated Results by Industry Segment**

### *Machinery & Aerospace*

Sales in this segment totaled ¥454.1 billion, a decline of 18.9% from the same period of the previous fiscal year due to a decrease in aircraft-related transactions and the sale and rationalization of subsidiaries. However, operating income advanced 19.9% year-on-year to ¥5.8 billion as a result of lower selling, general and administrative expenses from rationalization.

### *Energy & Mineral Resources*

Sales in this segment fell 49.8% to ¥500.2 billion as a consequence of a review of low-profit transactions in the energy business. Operating income, however, rose 23.3% to ¥5.1 billion due to improved profit margins.

### *Chemicals & Plastics*

Sales in this segment decreased 5.2% to ¥293.7 billion from a review of low-profit transactions. Operating income, however, soared 40.7% to ¥8.8 billion due to lower selling, general and administrative expenses such as personnel costs owing to rationalization.

### *Construction & Urban Development*

Sales in this segment dropped 22.1% to ¥68.2 billion due to a fall in condominium sales, and operating income fell 56.5% to ¥1.3 billion.

### *Forest Products & Building Materials*

In this segment, sales totaled ¥157.2 billion, an increase of 7.9% from the same period of the previous fiscal year. Operating income grew 65.7% to ¥2.1 billion.

### *Foods*

Continuing a downturn from the previous fiscal year, sales in this segment decreased 11.1% to ¥191.7 billion due to a reduction in transactions with low profit margins such as grains. Operating income climbed 210.7% to ¥2.2 billion as a result of reductions of selling, general and administrative expenses and improvements of profit margins.

### *General Commodities & Consumer Business*

Favorable performance in the woodchip business contributed to a 0.7% increase in

sales to ¥128.3 billion. Operating income totaled ¥0.7 billion, an increase of 84.8% from the same period of the previous fiscal year.

#### *Textiles*

Sales in this segment amounted to ¥68.0 billion, an increase of 0.3% owing to the addition of consolidated subsidiaries despite poor sales of winter clothing due to the intense heat. Operating income advanced 61.6% to ¥2.5 billion.

#### *Overseas Subsidiaries*

Sales in this segment declined 21.6% year-on-year to ¥329.3 billion due to a review of low-profit transactions. Earnings power is gradually recovering with a reduction in selling, general and administrative expenses stemming from integration, as well as profitability improvements at subsidiaries in Europe and the United States, which performed poorly in the same period of the previous fiscal year. Accordingly, operating income totaled ¥1.7 billion, a marked improvement from operating income of ¥3 million recorded in the same period of the previous fiscal year.

#### *Other*

In this segment, sales fell 31.0% to ¥63.5 billion, owing to the withdrawal from low-profit transactions at overseas branch offices. Operating income dropped 37.8% to ¥2.9 billion.

## **2. Outlook for the Fiscal year Ending March 31, 2005**

Consolidated estimates for the fiscal year ending March 31, 2005 are as follows:

Net sales            ¥5,000 billion

Recurring profit   ¥    50 billion

Net loss            ¥   380 billion

The above estimates are based on assumptions of a foreign currency exchange rate of ¥105 per U.S. dollar and an average crude oil price of US\$25-\$27/bbl (Dubai).

### **\* Forward-Looking Statements**

The information on future performance (forward-looking statements) is based on information available to management at the time of its disclosure. Accordingly, readers are advised that actual results may differ from forward-looking statements due to a wide variety of factors including but not limited to conditions in the Company's principal overseas and domestic markets, economic conditions, and changes in foreign currency exchange markets. Sojitz Holdings will release a notification of any changes to its estimates in the event of a major change in the operating environment.

## **3. Financial Position as of September 30, 2004**

### **(1) Consolidated Balance Sheet**

Guided by its New Business Plan, the Sojitz Group worked to accelerate selection and focus initiatives, reduce operational risk, and from the perspective of improving the quality and liquidity of assets, to review low-profit business including overseas investment and loans. The goal of the Group is to accurately identify withdrawal costs and recoveries. As a result, assets classified as current in the traditional operating business cycle were transferred to fixed assets as non-performing receivables and a

substantial provision made to allowance for doubtful debts. In addition, in line with the decision to issue preferred stock by way of allocation to third parties and convertible bonds with stock acquisition rights, ratified at a Board of Directors meeting of Sojitz Holdings held on September 29, 2004, Sojitz Group undertook the payment of a portion of long-term borrowings prior to maturity and transferred a portion of its debt to short-term debts. Accordingly, Sojitz Holdings experienced a deterioration in its long- to short-term debt ratio as of the end of the period under review. On October 29, 2004, Sojitz Holdings issued the aforementioned preferred stock and convertible bonds with stock acquisition rights, raising an amount totaling ¥370 billion. Following receipt of issue proceeds, Sojitz Holdings repaid a portion of its short-term debt. As a result, the current ratio improved from approximately 64% to 75%.

## **(2) Consolidated Cash Flows**

For the six-months ended September 30, 2004, net cash used in operating activities totaled ¥47.4 billion, net cash provided by investing activities was ¥66.0 billion, and net cash used in financing activities was ¥129.9 billion. After accounting for the effect of exchange rate changes on cash and cash equivalents and changes to the scope of consolidation, total cash and cash equivalents as of the end of the period amounted to ¥290.0 billion.

### **a. Cash Flows from Operating Activities**

Net cash used in operating activities totaled ¥47.4 billion, a turnaround of ¥99.8 billion compared with the corresponding period of the previous fiscal year. Principal outflows were attributed to the decrease in trade payable and others.

### **b. Cash Flows from Investing Activities**

Net cash provided by investing activities increased ¥34.9 billion year on year to ¥66.0



billion. Principal components were proceeds from sale of investment securities and collection of loans receivables.

c. Cash Flows from Financing Activities

Net cash used in financing activities amounted to ¥129.9 billion, down ¥222.1 billion from the corresponding period of the previous fiscal year. This was mainly attributed to the continued reduction of interest-bearing debt.

**Consolidated Statements of Income**  
for the six-month period ended September 30, 2004

Millions of yen

	Six-month Period ended September 30, 2004	Percentage of Net sales (%)	Six-month Period ended September 30, 2003	Percentage of Net sales (%)	Difference	
					Amount	Percentage
<b>Net sales</b>	2,254,215	100.00	3,022,042	100.00	(767,827)	(25.41)
Cost of sales	(2,134,498)	( 94.69 )	(2,899,718)	( 95.95 )	765,220	(26.39)
<b>Gross trading profit</b>	119,717	5.31	122,323	4.05	(2,606)	(2.13)
Selling, general and administrative expenses	(86,783)	( 3.85 )	(95,717)	( 3.17 )	8,934	(9.33)
<b>Operating income</b>	32,934	1.46	26,606	0.88	6,328	23.78
Interest income	9,181	0.40	12,852	0.42	(3,671)	(28.56)
Dividend income	1,479	0.07	2,047	0.07	(568)	(27.75)
Equity in gains of unconsolidated subsidiaries and affiliates-net	6,083	0.27	1,866	0.06	4,217	225.99
Other income	6,935	0.31	11,379	0.38	(4,444)	(39.05)
<b>Non-operating income</b>	23,679	1.05	28,145	0.93	4,466	(15.87)
Interest expense	(23,890)	( 1.06 )	(27,956)	( 0.92 )	4,066	(14.54)
Interest expense on commercial papers	(1,261)	( 0.06 )	(773)	( 0.03 )	(488)	63.13
Other expense	(5,699)	( 0.25 )	(6,946)	( 0.23 )	1,247	(17.95)
<b>Non-operating expense</b>	(30,851)	( 1.37 )	(35,677)	( 1.18 )	4,826	(13.53)
<b>Recurring profit</b>	25,762	1.14	19,074	0.63	6,688	35.06
Extraordinary loss-net	(245,327)	( 10.88 )	(33,050)	( 1.09 )	(212,277)	642.29
<b>Income before income taxes</b>	(219,564)	( 9.74 )	(13,975)	( 0.46 )	(205,589)	-
Income taxes;      Current	(5,553)	( 0.25 )	(5,487)	( 0.18 )	(66)	1.20
Deferred	(13,858)	( 0.61 )	2,875	0.09	(16,733)	-
Minority interests in consolidated subsidiaries	(2,094)	( 0.09 )	(922)	( 0.03 )	(1,172)	127.11
<b>Net Income (Loss)</b>	(241,071)	( 10.69 )	(17,509)	( 0.58 )	(223,562)	-

**Extraordinary Income and Loss**  
for the Six-month Period ended September 30, 2004

Millions of yen

	Six-month Period ended September 30, 2004	Six-month Period ended September 30, 2004	Increase/ Decrease
<b>Extraordinary Income;</b>			
Gain on property & equipment	635	145	490
Gain on sale of investment securities	3,296	6,050	(2,754)
Gain on change holding ratio of subsidiaries	1,026	-	1,026
<b>Total extraordinary income</b>	<b>4,958</b>	<b>6,195</b>	<b>(1,237)</b>
<b>Extraordinary Loss;</b>			
Loss on property & equipment	(778)	(2,157)	1,379
Loss on sale of investment securities	(8,894)	(6,017)	(2,877)
Evaluation loss on investment securities & investments other than securities	(13,087)	(1,130)	(11,957)
Loss due to reorganization of subsidiaries and affiliates	(46,193)	(5,844)	(40,349)
Provision for overseas doubtful receivables	-	(2,612)	(2,612)
Restructuring loss	(181,332)	(1,962)	(179,370)
Special early retirement benefits	-	(4,043)	(4,043)
Expenses loss on changes in retirement benefits plans	-	(15,271)	(15,271)
Dilution gains from change in equity interest	-	(206)	(206)
<b>Total extraordinary loss</b>	<b>(250,286)</b>	<b>(39,245)</b>	<b>(211,041)</b>
<b>Extraordinary income/loss, net</b>	<b>(245,327)</b>	<b>(33,050)</b>	<b>(212,277)</b>

Reference: the following accounts are not included in the above extraordinary items.

Provision for doubtful receivables	(346)	(384)	38
(Included in Selling, general & administrative expenses)			

## Consolidated Balance Sheets

As of September 30, 2004

<b>Assets</b>	September 30, 2004	March 31, 2004	Millions of yen Increase/ Decrease
<b>Current assets;</b>			
Cash and deposits	325,501	435,671	(110,170)
Trade notes and trade accounts receivables	622,695	708,982	(86,287)
Securities	14,887	17,705	(2,818)
Inventories	240,369	239,499	870
Short-term loans receivables	95,435	188,002	(92,567)
Deferred tax assets-current	6,028	13,346	(7,318)
Other current assets	176,629	171,637	4,992
Allowance for doubtful receivables	(27,965)	(39,926)	11,961
<b>Total current assets</b>	<b>1,453,582</b>	<b>1,734,918</b>	<b>(281,336)</b>
<b>Fixed assets;</b>			
Tangible assets	452,279	493,163	(40,884)
Intangible assets;	112,619	66,228	46,391
Goodwill	82,129	41,375	40,754
Other intangible assets	30,489	24,852	5,637
Investments and other fixed assets;	684,328	781,335	(97,007)
Investments securities	389,790	410,531	(20,741)
Long-term loans	93,266	182,093	(88,827)
Non-performing receivables	346,661	152,614	194,047
Deferred tax assets-non-current	70,367	95,685	(25,318)
Deferred tax assets-revaluation	1,670	1,822	(152)
Others	80,808	82,373	(1,565)
Allowance for doubtful receivables	(298,237)	(143,786)	(154,451)
<b>Total fixed assets</b>	<b>1,249,227</b>	<b>1,340,726</b>	<b>(91,499)</b>
<b>Deferred assets</b>	<b>1,144</b>	<b>1,377</b>	<b>(233)</b>
<b>Total assets</b>	<b>2,703,954</b>	<b>3,077,022</b>	<b>(373,068)</b>

## Consolidated Balance Sheets

As of September 30, 2004

Liabilities and shareholders' equity	Millions of yen		
	September 30, 2004	March 31, 2004	Increase/ Decrease
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade notes and trade accounts payables	477,884	479,264	(1,380)
Short-term debts	1,347,445	996,605	350,840
Commercial paper	79,100	141,200	(62,100)
Current Portion of Long-term debt	204,307	363,114	(158,807)
Income taxes payable	5,874	7,788	(1,914)
Deferred tax liabilities-current	255	257	(2)
Allowance for restructuring loss	-	500	(500)
Other current liabilities	163,578	223,588	(60,010)
<b>Total current liabilities</b>	<b>2,278,446</b>	<b>2,212,318</b>	<b>66,128</b>
<b>Non-current liabilities;</b>			
Bonds, less current portion	48,664	61,167	(12,503)
Long-term borrowings	211,143	430,640	(219,497)
Deferred tax liabilities -non-current	5,403	10,463	(5,060)
Allowance for retirement benefits	33,510	7,928	25,582
Other non-current liabilities	31,465	26,259	5,206
<b>Total non-current liabilities</b>	<b>330,187</b>	<b>536,459</b>	<b>(206,272)</b>
<b>Total liabilities</b>	<b>2,608,633</b>	<b>2,748,778</b>	<b>(140,145)</b>
<b>Minority Interest in consolidated subsidiaries</b>	<b>33,632</b>	<b>12,009</b>	<b>21,623</b>
<b>Shareholders' equity</b>			
Preferred stock and Common stock	151,106	150,606	500
Additional paid-in capital	302,703	346,619	(43,916)
Accumulated deficit	(319,821)	(104,802)	(215,019)
Loss on land revaluation	(5,214)	(5,469)	255
Unrealized losses on available-for-sale securities	16,482	16,692	(210)
Foreign currency translation adjustments	(83,523)	(87,379)	3,856
Treasury stock	(44)	(32)	(12)
<b>Total shareholders' equity</b>	<b>61,688</b>	<b>316,234</b>	<b>(254,546)</b>
<b>Total liabilities and shareholders' equity</b>	<b>2,703,954</b>	<b>3,077,022</b>	<b>(373,068)</b>

**Consolidated Statements of Cash Flows**  
for the Six-month Period ended September 30, 2004

	Six-month Period ended September 30, 2004	Six-month Period ended September 30, 2003	Millions of yen Increase/ Decrease
<b>Operating activities;</b>			
Loss before income taxes and minority interests	(219,564)	(13,975)	(205,589)
Depreciation and amortization	11,431	14,194	(2,763)
Loss on revaluation of securities	13,087	1,130	11,957
Increase in allowance for doubtful receivables	141,424	4,572	136,852
Interest and dividend income	(10,661)	(14,899)	4,238
Interest expense	25,151	28,730	(3,579)
Equity in earnings of unconsolidated subsidiaries and affiliates	(6,083)	(1,866)	(4,217)
Gain on sale of securities	4,480	(3,215)	7,695
Losses on sale and disposal of property & equipment	143	2,012	(1,869)
Decrease in trade receivables	9,723	65,826	(56,103)
Decrease in inventories	516	15,175	(14,659)
Decrease in trade payables	(11,769)	(5,166)	(6,603)
Other, net	(5,250)	(40,132)	34,882
<b>Net cash provided by operating activities</b>	<b>(47,369)</b>	<b>52,384</b>	<b>(99,753)</b>
<b>Investing Activities</b>			
Increase in time deposit, net	(7,773)	(2,865)	(4,908)
Decrease in marketable securities, net	5,986	5,790	196
Payments for property & equipment	(3,815)	(6,311)	2,496
Proceeds from sale of property & equipment	4,271	767	3,504
Payments for purchase of investment securities	(6,078)	(8,779)	2,701
Proceeds from sale of investment securities	27,091	37,113	(10,022)
Decrease in short - term loans receivable, net	30,489	(6,518)	37,007
Increase of long - term loans receivable	(3,910)	(7,856)	3,946
Collection of long-term loans receivable	17,744	12,847	4,897
Other, net	2,018	6,959	(4,941)
<b>Net cash provided by investing activities</b>	<b>66,023</b>	<b>31,144</b>	<b>34,879</b>
<b>Financing activities</b>			
Increase in short-term debt, net	324,996	(49,570)	374,566
Decrease in commercial paper, net	(62,100)	57,970	(120,070)
Proceeds from long-term debt	12,423	52,405	(39,982)
Repayments of long-term debt	(387,917)	(198,653)	(189,264)
Proceeds from issuance of bonds	-	16,863	(16,863)
Redemption of bonds	(16,775)	(59,284)	42,509
Proceeds from issuance of common stock/preferred stock	-	272,248	(272,248)
Other, net	(560)	147	(707)
<b>Net cash used in financing activities</b>	<b>(129,933)</b>	<b>92,126</b>	<b>(222,059)</b>
<b>Effect of Exchange Rate Changes on Cash &amp; Cash Equivalents</b>	<b>872</b>	<b>917</b>	<b>(45)</b>
<b>Net Decrease in Cash &amp; Cash Equivalents</b>	<b>(110,406)</b>	<b>176,573</b>	<b>(286,979)</b>
Cash & cash Equivalents at the Beginning of the Period	401,240	310,441	90,799
Effect of Change in Scope of Consolidation	(820)	4,649	(5,469)
<b>Cash &amp; Cash Equivalents at the End of the Period</b>	<b>290,013</b>	<b>491,664</b>	<b>(201,651)</b>

## Segment Information

for the Six-month Period ended September 30, 2004

### Industry Segments

The business segment information for the six-month period ended September 30, 2004 and preceding interim period are as follows:

**Six-month period ended September 30, 2004**

Millions of yen

	Machinery & Aerospace	Energy & Mineral Resources	Chemicals & Plastics	Construction & Urban Development	Forest Products & Building Materials	Foods
Net sales						
Outside customers	454,122	500,160	293,698	68,247	157,212	191,704
Inter-segment	7,056	25,915	14,417	691	8,774	6,796
Total	461,178	526,076	308,116	68,939	165,986	198,501
Operating expense	455,354	521,000	299,268	67,666	163,936	196,257
Operating income (loss)	5,824	5,076	8,847	1,272	2,050	2,243
Total assets	324,726	346,812	367,458	245,987	119,450	117,196

	General Commodities & Consumer Business	Textiles	Overseas Subsidiaries	Other	Total	Elimination	Consolidated
Net sales							
Outside customers	128,274	67,971	329,321	63,501	2,254,215	-	2,254,215
Inter-segment	811	1,505	138,940	5,184	210,093	( 210,093 )	-
Total	129,085	69,477	468,262	68,685	2,464,309	( 210,093 )	2,254,125
Operating expense	128,345	66,959	466,596	6,748	2,431,133	( 209,852 )	2,221,281
Operating income (loss)	739	2,518	1,666	2,937	33,175	( 241 )	32,934
Total assets	66,209	106,282	681,189	450,055	2,825,368	( 121,413 )	2,703,954

Notes:

1. Unallocated costs and expenses included in "Elimination and Unallocated" totaled 3,020 million yen and comprised mainly administrative group expenses applicable to Sojitz Corporation.
2. Company assets included in "Elimination and Unallocated" comprised mainly managed surplus (cash and deposits and bonds, and investment securities)
3. Comments relating to changes in the classification of and principal products of industry segments are provided as follows.

Following the merger between the former Nichimen Corporation and the former Nissho Iwai Corporation in April 2004, and in the period under review, business units were reclassified with the aim of better reflecting the operations of the Sojitz Group and to enhance efficiency. Information for the corresponding period of the previous fiscal year has been recalculated in accordance with the reclassification for comparative purposes. Business segment reclassification is presented as follows.

Individual business segments for Construction & Urban Development, Forest Products & Building Materials, Foods, General Commodities & Consumer Business, and Textiles have been established. Data for each industry segment was previously included in Housing & Consumer Products.

The Machinery segment has been renamed the Machinery & Aerospace segment.

The Energy-Related Plant business, historically included in the Machinery & Metals segment has been integrated into the Energy & Mineral Resources segment.

The principal products of each industry segment are identified in this report under those sections titled "Status of the Corporate Group" and "Industry Segment Information."

## Segment Information

for the Six-month Period ended September 30, 2004

### Industry Segments (Continued)

(Ref.) Six-month Period ended September 30, 2003

Millions of yen

	Machinery & Aerospace	Energy & Mineral Resources	Chemicals & Plastics	Construction & Urban Development	Forest Products & Building Materials	Foods
Net sales						
Outside customers	559,691	996,384	309,812	87,647	145,752	215,680
Inter-segment	9,427	37,801	5,235	444	176	8,012
Total	569,119	1,034,186	315,048	88,091	145,928	223,692
Operating expense	564,263	1,030,069	308,760	85,170	144,691	222,970
Operating income (loss)	4,856	4,116	6,287	2,921	1,237	722
Total assets	382,525	344,796	375,678	305,061	142,405	117,274

	General Commodities & Consumer Business	Textiles	Overseas Subsidiaries	Other	Total	Elimination	Consolidated
Net sales							
Outside customers	127,419	67,738	419,908	92,008	3,022,042	-	3,022,042
Inter-segment	472	1,530	172,866	12,658	248,627	( 248,627 )	-
Total	127,891	69,268	592,775	104,666	3,270,669	( 248,627 )	3,022,042
Operating expense	127,491	67,709	592,771	99,946	3,243,845	( 248,409 )	2,995,435
Operating income (loss)	400	1,558	3	4,720	26,824	( 217 )	26,606
Total assets	63,653	96,626	701,575	394,705	2,924,303	( 152,718 )	3,077,022

Notes:

1. Unallocated costs and expenses included in "Elimination and Unallocated" totaled 4,951 million yen and comprised mainly administrative group expenses applicable to Sojitz Corporation
2. Company assets included in "Elimination and Unallocated" comprised mainly managed surplus (cash and deposits and bonds, and investment securities).



## Segment Information

for the Six-month Period ended September 30, 2004

### Geographic Segments

The geographic segment information for the six-month period ended September 30, 2004 and preceding interim period are as follows:

**Six-month Period ended September 30, 2004**

Millions of yen

	Japan	North America	Europe	Asia & Oseania	Other	Total	Elimination	Consolidated
Net sales								
Outside customers	1,755,416	144,172	63,864	265,984	24,777	2,254,215	-	2,254,215
Inter-area	99,168	59,663	18,931	103,463	2,502	283,729	( 283,729 )	-
Total	1,854,584	203,835	82,796	369,448	27,280	2,537,945	( 283,729 )	2,254,215
Operating expense	1,834,776	201,872	81,822	362,350	23,076	2,503,898	( 282,617 )	2,221,281
Operating income (loss)	19,808	1,963	974	7,097	4,204	34,047	( 1,112 )	32,934
Total assets	2,220,738	266,648	306,685	327,727	34,500	3,156,300	( 452,802 )	2,703,954

Notes:

- Countries and regions are categorized by geographical classification.
- The principal regions and countries included in each geographic segments are as follows:

North America: United States and Canada  
 Europe: UK and Germany  
 Asia & Oseania: Singapore and China  
 Other: Africa and South America

3. Unallocated costs and expenses included in "Elimination and Unallocated" totaled 3,020 million yen and comprised mainly administrative group expenses applicable to Sojitz Corporation.

4. Company assets included in "Elimination and Unallocated" comprised mainly managed surplus (cash and deposits and bonds, and investment securities).

**(Ref.) Six-month Period ended September 30, 2003**

Millions of yen

	Japan	North America	Europe	Asia & Oseania	Other	Total	Elimination	Cosolidated
Net sales								
Outside customers	2,405,894	184,432	86,339	334,748	10,627	3,022,042	( - )	3,022,042
Inter-area	102,340	329,299	23,918	298,295	82	753,935	( 753,935 )	-
Total	2,508,234	513,732	110,257	633,043	10,709	3,775,978	( 753,935 )	3,022,042
Operating expense	2,438,139	514,185	109,218	628,473	10,228	3,745,245	( 749,809 )	2,995,435
Operating income (loss)	25,094	(452)	1,039	4,570	480	30,732	( 4,126 )	26,606
Total assets	2,225,734	268,573	326,665	329,178	68,997	3,219,147	( 1,424,124 )	3,077,022

Notes:

- Countries and regions are categorized by geographical classification.
- The principal regions and countries included in each geographic segments are as follows:

North America: United States and Canada  
 Europe: UK and Germany  
 Asia & Oseania: Singapore, China and Thailand  
 Other: South America and Africa

3. Unallocated costs and expenses included in "Elimination and Unallocated" totaled 4,951 million yen and comprised mainly administrative group expenses applicable to Sojitz Corporation.

4. Company assets included in "Elimination and Unallocated" comprised mainly managed surplus (cash and deposits and bonds, and investment securities).