

# Highlights of Consolidated Financial Results for the First Quarter Ended June 30, 2005

July 28, 2005  
Sojitz Holdings Corporation

## Highlights of First Quarter FY2005 Results

### Steady progress in recurring profit in line with the New Business Plan

Recurring profit for 1Q FY2005 totaled 20.8 billion yen. 1Q results represent 72% of initial first-half target (29 billion yen). 1Q FY2005 recurring profit increased 6.9 billion yen from the corresponding period of the previous fiscal year (13.9 billion yen).

Based on results for 1Q FY2005, the Company has revised upward its forecasts for the FY2005 interim and full-year periods (Refer below for revised forecasts).

#### (Overview)

Slight year-on-year decrease in net sales due to implementation of the Group's selection and focus initiative.  
Decline in gross trading profit due to the absence of temporary construction-related transactions recorded in the corresponding period of the previous fiscal year and conversion of subsidiary Nakau Co., Ltd. to an equity-method affiliate.

Slight year-on-year increase in operating income due to decrease in depreciation expense reflecting substantial reduction in fixed assets in the previous fiscal year, and decline in selling, general and administrative expenses following the conversion of Nakau to an equity-method affiliate.

Improvement in the balance of interest expense and income owing to reduction in interest-bearing debt, and significant increase in recurring profit buoyed by strong performance by equity-method affiliates.

### Implemented measures to restructure shareholders' equity

Sojitz Holdings undertook a withdrawal of capital reserve as of June 30, as part of efforts to eliminate the accumulated deficit generated through restoration of its asset portfolio implemented during the previous fiscal year.

In addition, the Company undertook a reduction in capital to 100 billion yen to further cover the aforementioned loss and to enhance flexibility of future financial policies. The impact of these measures will be fully realized in August, at which time the Company will have completely offset the accumulated deficit and restructured shareholders' equity.

Note: The reduction in capital will be implemented through transfer within the shareholders' equity section. Accordingly, there is no change in total shareholders' equity.

### Regarding revision to performance forecasts

For the first quarter of the fiscal year under review, recurring profit exceeded initial forecasts due to reductions in selling, general and administrative expenses, the strong performance by equity-method affiliates, and other factors. As a result, the Company has decided to revise its forecasts for the interim and full-year periods.

#### Forecasts for the Six-Month Period Ending September 30, 2005

	Forecast	Revised Forecast
Net sales	2,300.0 billion yen	No change
Recurring profit	29.0 billion yen	38.0 billion yen
Net income	15.0 billion yen	25.0 billion yen

#### Forecasts for the Fiscal Year Ending March 31, 2006

	Forecast	Revised Forecast
Net sales	4,900.0 billion yen	No change
Recurring profit	65.0 billion yen	74.0 billion yen
Net income	35.0 billion yen	38.0 billion yen

#### (Assumptions)

Exchange rate (Yen/US\$): 105  
Crude oil price (US\$/BBL): 35 to 40 (Brent market crude)

## Consolidated Statements of Income

	1st quarter FY2005 results a	1st quarter FY2004 results b	Increase/ Decrease a-b	Rationale of increase/decrease	1st-half FY2005 forecast c	Percentage Achieved a/c
Net sales	1,130.7	1,214.0	(-83.3)	Net Sales	2,300.0	49%
				Energy & Mineral Resources +25.3		
				Machinery & Aerospace -25.9		
Gross trading profit	55.6	58.8	(-3.2)	Real Estate Development & Forest Products -27.4	120.0	46%
(Gross trading profit ratio)	(4.92%)	(4.84%)	(0.08%)	Gross trading profit (5.22%)		
				Energy & Mineral Resources +1.7		
				Real Estate Development & Forest Products (Decrease attributed to absence of temporary transactions recorded in the corresponding period of the previous fiscal year) -2.8		
Personnel expenses	-19.0	-20.4	1.4	Decrease owing to conversion of Nakau to an equity-method affiliate -2.5		
Non-personnel expenses	-17.8	-18.7	0.9	SG & A expenses		
Depreciation expenses	-2.1	-3.1	1.0	Decrease in depreciation expense due to disposal of fixed assets +1.0		
(Subtotal)	(-38.9)	(-42.2)	(3.3)	Decrease in SG&A expenses owing to conversion of Nakau to an equity-method affiliate +2.6		
Allowance for doubtful receivables	0	0	0			
Consolidated goodwill amortization (Selling, general and administrative expenses)	(-39.9)	(-43.5)	(3.6)		-85.0	47%
Operating income	15.7	15.3	0.4		35.0	45%
(Operating income ratio)	(1.39%)	(1.26%)	(0.18%)		(1.52%)	
Interest income	3.3	4.2	-0.9	Reduction in interest expense reflecting decrease in interest-bearing debt		
Interest expenses	-10.4	-12.6	2.2			
(Interest expenses-net)	(-7.1)	(-8.4)	(1.3)			
Dividend income	3.1	1.3	1.8			
(Net financial revenue)	(-4.0)	(-7.1)	(3.1)			
Equity in earnings of unconsolidated subsidiaries and affiliates	6.1	4.2	1.9	Metal One Corporation (+1.2), Shipping-related (+0.3)		
Other income	6.2	4.0	2.2			
Other expenses	-3.2	-2.5	-0.7			
(Others-net)	(5.1)	(-1.4)	(6.5)		3.0	-
Recurring profit	20.8	13.9	6.9		38.0	55%
Gain on sale of property and equipment	0.6					
Gain on sale of investment securities	1.1					
Gain on provision reversal	0.7					
(Extraordinary income)	(2.4)	(2.0)	(0.4)			
Loss on sale of property & equipment	-0.3					
Loss on sale of investment securities	0					
Evaluation loss on investment securities	0					
Loss, and provision for loss, on dissolution of subsidiaries and affiliates	-0.2					
(Extraordinary loss)	(-0.5)	(-2.6)	(2.1)			
(Extraordinary profit/(loss)-net)	(1.9)	(-0.6)	(2.5)		0.0	-
Income before income taxes	22.7	13.3	9.4		38.0	60%
Income taxes: Current	-3.9	-2.7	-1.2			
Deferred	-0.1	-0.5	0.4			
Minority income (loss)	-0.3	-0.3	0			
Net income	18.4	9.8	8.6		25.0	74%

Core earnings (*)	17.8	12.4	5.4
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(\*) Core earnings  
Core earnings = Operating income (before Allowance for doubtful receivables) + Interest expenses-net + Dividend income + Equity in earnings of unconsolidated subsidiaries and affiliates

(\*\*) Disclaimer concerning future performance information  
The above-mentioned information about future performance is calculated based on judgements and assumptions made from that information currently available to management at the time of writing. Accordingly, there is a possibility that actual results may greatly differ from such information due to a wide variety of factors including but not limited to economic conditions in the Company's principal overseas and domestic markets and changes in foreign currency exchange markets. In the event of significant changes, these will be notified by timely disclosure, etc.

Change in shareholders' equity due to capital reduction (August 2005 - Planned)			
	6/30/05	Increase/ Decrease	New Balance
Total shareholders' equity	311.0	-	311.0
Including common stock	339.1	-236.1	103.0
Including capital surplus and retained earnings	15.6	236.1	251.7

## Consolidated Balance Sheets and Principal Management Indices

	June 30, 2005 d	March 31, 2005 e	Increase/ Decrease d-e	Rationale of increase/decrease
<b>Current assets</b>	<b>1,363.0</b>	<b>1,423.2</b>	<b>-60.2</b>	
Cash and deposits	373.7	426.1	(-52.4)	Decrease due to new investments and loans and reduction in interest-bearing debt
Trade notes and trade accounts receivable	605.7	618.1	-12.4	
Securities	11.7	7.2	4.5	
Inventories	204.1	194.7	9.4	
Short-term loans receivable	34.4	41.0	-6.6	
Deferred tax assets-current	7.8	7.5	0.3	
Other current assets	136.1	139.6	-3.5	
Allowance for doubtful receivables	-10.5	-11.0	0.5	
<b>Fixed assets</b>	<b>1,025.3</b>	<b>1,024.4</b>	<b>0.9</b>	
Tangible assets	249.6	246.6	3.0	
Goodwill	79.2	80.0	-0.8	
Other intangible assets	24.3	23.9	0.4	
Investment securities	418.8	409.3	9.5	
Long-term loans	95.7	102.1	-6.4	
Non-performing receivables	246.7	286.9	(-40.2)	Reduction due to disposal and amortization
Deferred tax assets-non-current	58.4	58.1	0.3	
Others	53.3	54.8	-1.5	
Allowance for doubtful receivables	-200.7	-237.3	36.6	Decrease attributed to disposal and amortization of non-performing receivables
<b>Deferred assets</b>	<b>1.0</b>	<b>0.9</b>	<b>0.1</b>	
<b>Total assets</b>	<b>2,389.3</b>	<b>2,448.5</b>	<b>-59.2</b>	
<b>Liabilities</b>	<b>1,723.6</b>	<b>1,754.7</b>	<b>-31.1</b>	
Trade notes and trade accounts payable	444.0	472.5	(-28.5)	
Short-term debts	974.6	933.1	41.5	Increase due to transfer from long-term borrowings as maturity due within one year, decrease due to repayment on maturity
Commercial paper	119.0	139.2	(-20.2)	
Bonds with redemption in one year	48.1	43.1	5.0	Transfer to bonds with redemption in one year (+11.5), redemption on maturity (-6.5)
Other current liabilities	137.9	166.8	(-28.9)	Decrease in condominium sales deposits
<b>Non-current liabilities</b>	<b>321.0</b>	<b>380.2</b>	<b>-59.2</b>	
Bonds, less current portion	94.6	16.1	78.5	Issue of convertible bonds (+60.0), issue of straight bonds (+30.0), transfer to bonds with redemption in one year (-11.5)
Long-term borrowings	158.8	296.9	(-138.1)	Decrease due to transfer to short-term debt as maturity due within one year
Allowance for retirement benefits	28.0	29.0	-1.0	
Other non-current liabilities	39.6	38.2	1.4	
<b>Total liabilities</b>	<b>2,044.6</b>	<b>2,134.9</b>	<b>-90.3</b>	
Minority interests	33.7	33.4	0.3	
Preferred stock and common stock	339.1	336.1	3.0	Conversion of convertible bonds (+3.0)
Capital surplus	3.0	487.7	(-484.7)	Transfer to retained earnings (-487.7), conversion of convertible bonds (+3.0)
Retained earnings	12.6	-492.0	504.6	Transfer from capital surplus (+487.7), net income (+18.4)
(Subtotal)	(354.7)	(331.8)	(22.9)	Decrease due to reversal of land revaluation difference (-1.6)
Land revaluation difference	-3.3	-4.9	1.6	
Net unrealized gains on available-for-sale securities	34.2	32.6	1.6	
Foreign currency translation adjustments	-74.5	-79.2	4.7	
Treasury stock	-0.1	-0.1	0	
<b>Total shareholders' equity</b>	<b>311.0</b>	<b>280.2</b>	<b>30.8</b>	
<b>Total liabilities and shareholders' equity</b>	<b>2,389.3</b>	<b>2,448.5</b>	<b>-59.2</b>	
Gross interest-bearing debt	1,395.1	1,428.4	-33.3	
Net interest-bearing debt	1,021.4	1,002.3	19.1	
Net debt/equity ratio (Times)	3.28	3.58	-0.29	
Shareholders' equity	13.0%	11.4%	1.6%	