

# Highlights of Consolidated Financial Results for the First Half Ended September 30, 2005

October 27, 2005  
**Sojitz Corporation**  
 (Former Sojitz Holdings Corporation)

## Highlights of First Half FY2005 Results

**Steady progress in recurring profit**  
**Interim results exceed forecasts by a significant margin.**

Recurring profit for the 1H FY2005 totaled 42.6 billion yen.

1H FY2005 recurring profit increased 16.8 billion yen from the corresponding period of the previous fiscal year (25.8 billion yen) and represented 112% of the first-half target, which was revised upward to 38.0 billion yen in July 2005 (Overview)

Net sales progressed steadily resulting in an increase in revenues compared with the corresponding period of the previous fiscal year. This positive performance reflected sound activities in the Energy & Mineral Resources and Overseas Subsidiaries segments.

While the Company experienced an actual increase in earnings, gross trading profit declined slightly year on year due to the sale of Nakau Co., Ltd. and its exclusion from the Company's scope of consolidation.

Operating income increased on a year-on-year basis buoyed by a decline in depreciation expense reflecting substantial reduction in fixed assets in the previous fiscal year, and the drop in selling, general and administrative expenses following the sale of Nakau and other factors.

Recurring profit jumped significantly compared with the corresponding period of the previous fiscal year due to improvement in the balance between interest expense and income reflecting the reduction of interest-bearing debt, and contributions from equity-method affiliates.

### Concrete progress in efforts to restructure shareholders' equity and restore its asset portfolio

The Company undertook a restructure of shareholders' equity clearing the accumulated deficit incurred during the previous fiscal year following efforts to restore the asset portfolio quality by offsetting with a reversal of capital reserve and a reduction in capital.

In preparation of the repurchase and cancellation of preferred stock, the Company issued convertible bonds totaling 60.0 billion yen. The full amount was converted as of September 30, 2005. The Company has contracted with holders of preferred stock to acquire previously issued preferred stock at a repurchase amount totaling 44.0 billion yen. The Company plans to complete this repurchase in January 2006.

Note: As a result, cash and deposits and total shareholders' equity saw a significant temporary increase as of September 30, 2005.

The Company has looked to improve stability in its funds procurement by implementing a variety of procurement methods including the issue of corporate bonds and focusing on long-term funding.

- Straight bonds issued: 65.0 billion yen  
 - Shift to long-term borrowings: 240.0 billion yen

### Forecasts for FY2005, the fiscal year ending March 31, 2006

Net sales: 4,900.0 billion yen  
 Recurring profit: 74.0 billion yen  
 Net income: 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 half FY2005 results a	1st half FY2004 results b	Increase/Decrease a-b	Rationale of increase/decrease	FY2005 forecast c	Percentage Achieved a/c
Net sales	2,354.0	2,254.2	99.8	Net Sales Energy & Mineral Resources +70.8 Overseas Subsidiaries +45.0	4,900.0	48%
Gross trading profit	118.7	119.7	-1.0	Real Estate Development & Forest Products -28.8	251.0	47%
(Gross trading profit ratio)	(5.04%)	(5.31%)	(-0.27%)	Gross trading profit Decrease owing to conversion of Nakau to an equity-method affiliate -5.4	(5.12%)	
Personnel expenses	-38.2	-40.0	1.8	Increase in Energy & Mineral Resources +4.1		
Non-personnel expenses	-35.9	-38.0	2.1			
Depreciation expenses	-4.1	-6.1	2.0	SG&A expenses		
(Subtotal)	(-78.2)	(-84.1)	(5.9)	Decrease in SG&A expenses owing to conversion of Nakau to an equity-method affiliate +5.4		
Allowance for doubtful receivables	-0.4	-0.3	-0.1	Decrease in depreciation expense due to disposal of fixed assets +2.0		
Consolidated goodwill amortization (Selling, general and administrative expenses)	-2.2	-2.4	0.2			
Operating income	37.9	32.9	5.0		-173.0	47%
(Operating income ratio)	(1.61%)	(1.46%)			(1.59%)	
Interest income	6.3	9.2	-2.9			
Interest expenses	-19.8	-25.2	5.4	Reduction in interest expense reflecting decrease in interest-bearing debt		
(Interest expenses-net)	(-13.5)	(-16.0)	(2.5)			
Dividend income	4.4	1.5	2.9	Increase in dividends from resource-related companies		
(Net financial revenue)	(-9.1)	(-14.5)	(5.4)			
Equity in earnings of unconsolidated subsidiaries and affiliates	11.9	6.1	5.8	Metal One Corporation (+2.1), vanadium manufacturing company (+0.9), LNG Japan (+0.3)		
Other income	11.8	6.9	4.9	Gain on sale of certain assets of the retail property development business		
Other expenses	-9.9	-5.6	-4.3	Provision for loans receivable		
(Others-net)	(4.7)	(-7.1)	(11.8)		-4.0	-
Recurring profit	42.6	25.8	16.8		74.0	58%
Gain on sale of property and equipment	3.1					
Gain on sale of investment securities	3.9					
Reversal of allowance for doubtful accounts	5.3			Gain on sale of overseas fossil product business receivables (+3.3)		
Gain on bad debts recovered	0.1					
(Extraordinary income)	(12.4)	(5.0)	(7.4)			
Loss on sale of property & equipment	-0.9					
Impairment loss on fixed assets	-1.9			Impairment loss on fixed assets following an asset review, consistent with the Company's selection and focus initiatives related to affiliated companies		
Loss on sale of investment securities	-3.2					
Evaluation loss on investment securities	-0.4					
Loss, and provision for loss, on dissolution of subsidiaries and affiliates	-5.4			Provision for losses in connection with the withdrawal from businesses, consistent with the Company's business selection and focus initiatives		
Business restructuring loss	-2.7					
(Extraordinary loss)	(-14.5)	(-250.3)	(235.8)			
(Extraordinary profit/(loss)-net)	(-2.1)	(-245.3)	(243.2)		-10.0	21%
Income before income taxes	40.5	-219.5	260.0		64.0	63%
Income taxes: Current	-9.8	-5.6	-4.2			
Deferred	-3.1	-13.9	10.8			
Minority income (loss)	-1.7	-2.1	0.4			
Net income	25.9	-241.1	267.0		38.0	68%

Core earnings (*)	41.1	24.8	16.3
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## Consolidated Statements of Cash Flows

	1st Half FY2005	1st Half FY2004
CF from operating activities	-11.3	-47.4
CF from investing activities	48.3	66.0
(Total free CF)	(37.0)	(18.6)
CF from financing activities	25.0	-129.9
Cash and cash equivalents at the End of the Period	475.9	290.0

(\*) 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.

## Consolidated Balance Sheets and Principal Management Indices

	Sep. 30, 2005 d	March 31, 2005 e	Increase/Decrease d-e	Rationale of increase/decrease
<b>Current assets</b>	<b>1,465.9</b>	<b>1,423.2</b>	<b>42.7</b>	
Cash and deposits	493.6	426.1	67.5	Increase due to the issue of convertible bonds (+60.0) Plan to repurchase and cancel preferred stock in the second half of FY2005 (44.0)
Trade notes and trade accounts receivable	606.7	618.1	-11.4	
Securities	8.2	7.2	1.0	Increase in inventories due to an increase in resource-related sales, seasonal factors at chemical-related overseas subsidiaries, and other reasons
Inventories	213.9	194.7	19.2	
Short-term loans receivable	27.8	41.0	-13.2	Decrease reflecting recovery of loans receivable
Deferred tax assets-current	7.1	7.5	-0.4	
Other current assets	122.6	139.6	-17.0	
Allowance for doubtful receivables	-14.0	-11.0	-3.0	
<b>Fixed assets</b>	<b>1,038.0</b>	<b>1,024.4</b>	<b>13.6</b>	
Tangible assets	249.7	246.6	3.1	
Goodwill	78.4	80.0	-1.6	
Other intangible assets	25.1	23.9	1.2	
Investment securities	443.2	409.3	33.9	Increase in book values owing to an increase in stock prices
Long-term loans	92.1	102.1	-10.0	
Non-performing receivables	228.9	286.9	-58.0	Reduction due to disposal and write-off
Deferred tax assets-non-current	46.6	58.1	-11.5	
Others	55.8	54.8	1.0	
Allowance for doubtful receivables	-181.8	-237.3	55.5	Decrease attributed to disposal and write-off of non-performing receivables
<b>Deferred assets</b>	<b>1.3</b>	<b>0.9</b>	<b>0.4</b>	
<b>Total assets</b>	<b>2,505.2</b>	<b>2,448.5</b>	<b>56.7</b>	
<b>Liabilities</b>	<b>1,576.6</b>	<b>1,754.7</b>	<b>-178.1</b>	
Trade notes and trade accounts payable	446.9	472.5	-25.6	
Short-term debts	860.2	933.1	-72.9	Decline reflecting shift to long-term funding
Commercial paper	83.8	139.2	-55.4	
Bonds with redemption in one year	41.0	43.1	-2.1	
Other current liabilities	144.7	166.8	-22.1	Decline in condominium sales deposits
<b>Non-current liabilities</b>	<b>495.9</b>	<b>380.2</b>	<b>115.7</b>	
Bonds, less current portion	72.5	16.1	56.4	Issue of straight bonds (+65.0), transfer to bonds with redemption in one year
Long-term borrowings	355.0	296.9	58.1	Increase in long-term funding procurement reflecting improvement in the structure of interest-bearing debt
Allowance for retirement benefits	27.7	29.0	-1.3	
Other non-current liabilities	40.7	38.2	2.5	
<b>Total liabilities</b>	<b>2,072.5</b>	<b>2,134.9</b>	<b>-62.4</b>	
Minority interests	36.1	33.4	2.7	
Common and preferred stock	130.0	336.1	-206.1	Transfer to capital surplus (-180.3), transfer to retained earnings (-55.8), increase due to CB conversion (+30.0)
Capital surplus	210.3	487.7	-277.4	Transfer from common stock (+180.3), Transfer to retained earnings (-487.7), increase due to CB conversion (+30.0)
Retained earnings	75.2	-492.0	567.2	Transfer from common stock (+55.8), transfer from capital surplus (+487.7), net income (+25.9)
(Subtotal)	(415.5)	(331.8)	(83.7)	
Land revaluation difference	-2.7	-4.9	2.2	
Net unrealized gains on available-for-sale securities	53.2	32.6	20.6	Increase attributed to stock price increase
Foreign currency translation adjustments	-69.3	-79.2	9.9	
Treasury stock	-0.1	-0.1	0	
<b>Total shareholders' equity</b>	<b>396.6</b>	<b>280.2</b>	<b>116.4</b>	Estimated decrease due to repurchase and cancellation of preferred stock in the second half FY2005 (44.0)
<b>Total liabilities and shareholders' equity</b>	<b>2,505.2</b>	<b>2,448.5</b>	<b>56.7</b>	
<b>Gross interest-bearing debt</b>	<b>1,412.5</b>	<b>1,428.4</b>	<b>-15.9</b>	
<b>Net interest-bearing debt</b>	<b>918.9</b>	<b>1,002.3</b>	<b>-83.4</b>	
<b>Net debt/equity ratio (Times)</b>	<b>2.32</b>	<b>3.58</b>	<b>-1.26</b>	
<b>Shareholders' equity</b>	<b>15.8%</b>	<b>11.4%</b>	<b>+4.4%</b>	
<b>Guarantee liabilities</b>	<b>48.9</b>	<b>60.9</b>	<b>-12.0</b>	

Highlights of Consolidated Financial Results for the First Half Ended September 30, 2005 Supplementary Material (1)

- Gross Trading Profit and Recurring Profit (by Industry Segment) -

2005/10/27

Sojitz Corporation  
(Former Sojitz Holdings Corporation)

(Unit: Billions of yen)

	Gross Trading Profit				Recurring Profit			
	1st half FY2005 results	1st half FY2004 results	Increase/ (Decrease)	Main factors for change	1st half FY2005 results	1st half FY2004 results	Increase/ (Decrease)	Main factors for change
	Actual	Actual			Actual	Actual		
<b>Machinery &amp; Aerospace</b>	21.1	20.9	0.2	Overall profit increase: decrease (-1.2) attributed to the withdrawal from low-profit automobile sales company in Japan; increase (+1.5) due to the strong performance by automobile business companies in Central and South America and Russia; continued high profits in shipping and chartering; stable profits from aircraft-related operations	5.0	4.0	1.0	Overall: Increase in the following items despite impact on aircraft-related business from transactions with Northwest Airlines. *Operating income (+1.0) *Improvement in the balance between interest income and expenses *Gains in shipping-related equity-method affiliates underpinned by the sale of jointly owned vessels *Increase in dividend income
<b>Energy &amp; Mineral Resources</b>	20.5	16.4	4.1	Significant increase in overall profits: increase (+1.9) reflecting continued high prices in the ferroalloy-related market; increase (+1.5) owing to a jump in the volume of coal-related transactions; increase (+1.8) due to the inclusion of new upstream oil and gas rights businesses in the scope of consolidation and an increase in production volume; decline (-1.0) attributed to a drop in related transaction volumes of raw materials such as alumina reflecting to the continued high price	14.1	8.2	5.9	Overall: Significant increase in the following items. *Operating income (+3.4) *Equity in earnings in unconsolidated subsidiaries and affiliates bolstered by strong contributions from Metal One Corporation, a vanadium manufacturing company, and LNG Japan Corporation
<b>Chemicals &amp; Plastics</b>	22.1	22.4	(0.3)	Results essentially on par with the corresponding period of the previous fiscal year: strong performance (+0.7) attributed to robust chemical contribution reflecting the sharp rise in crude oil prices and excess demand for oil-related raw materials, and an increase in transaction volume underpinned by intense activity in the manufacturing industry both in Japan and overseas driven by the Chinese economy; downturn (-0.5) reflecting decreased demand for fertilizer, impacted by the rising cost of raw materials and dry weather; decrease in methanol products (-0.7) due to a jump in material prices and a market slump	4.8	3.6	1.2	Overall: Increase in the following items. *Operating income (+0.5) *Equity in earnings of unconsolidated subsidiaries and affiliates (+1.0)
<b>Real Estate Development &amp; Forest Products</b>	11.7	10.9	0.8	Overall profit increase: real estate development strong (+1.5) on the back of a robust condominium development business; Sun Building Materials Corporation (-0.6) and non-consolidated forest product profits down (-0.5) due to surplus inventories that reflect continued excess supply since the third quarter of the previous year and a market slump	6.0	1.1	4.9	Operating profit (+1.2) Real Estate Development Business: Up due to strong condominium development results Forest Products: Drop in profits due to the market slump Gain on sale of retail facility (+2.1): Sale of Kashiwa Shopping Center Net interest expense: Improvement in net interest position in line with efforts to create a robust asset portfolio Overall: Significant increase
<b>Consumer Lifestyle Business</b>	19.7	24.8	(5.1)	Textiles: Positive results due to the inclusion of Singapore Co., Ltd. in the scope of consolidation (+1.5) despite a downturn in retail store sales and material sales to wholesalers Foods: Despite steady results, drop in profit owing to weak dairy product and processed livestock sales (-0.3) General Commodities: Significant decline due to sale of Nakau Co., Ltd. (-5.4) Overall: Decline, however, essentially on par with the corresponding period of the previous fiscal year after excluding the impact from Nakau sale.	3.0	4.0	(1.0)	Foods: Increase reflecting improvement in non-operating income (+0.2) Textiles: Decrease due to the slump in retail store sales in operating income (-0.8) General Commodities: Decrease reflecting drop in operating income (-0.4) Overall: Decrease
[excluding the impact from Nakau sale]	[19.7]	[19.4]	[0.3]		[3.0]	[4.0]	[(1.0)]	
<b>Overseas Subsidiaries</b>	14.0	12.8	1.2	Overall: Segment increase Americas: Machinery and commodities sales steady, however decrease attributed to withdrawal from low-profit businesses (-0.2) Europe & Africa: Slight decrease due to the withdrawal from certain businesses (-0.1) Asia: Strong increase in chemicals & plastics profit (+0.7) China: Increase due to the transfer of operations of Beijing Office to Sojitz China (+0.3); increase in profits from chemicals & plastics (+0.3)	7.3	5.0	2.3	Operating income (+1.8) Dividend income (U.S. +0.2, Europe +0.1) Equity in earnings of unconsolidated subsidiaries and affiliates in China (+0.1) Overall: Significant increase
<b>5 Business Divisions + Overseas Subsidiaries</b>	109.1	108.2	0.9		40.2	25.9	14.3	
[excluding the impact from Nakau sale]	[109.1]	[102.8]	[6.3]		[40.2]	[25.9]	[14.3]	
<b>Others</b>	9.6	11.5	(1.9)	Increase (+0.1) reflecting contribution from Nissho Electronics Corporation Decrease (-1.0) reflecting decline in rental income in line with efforts to create a robust asset portfolio	2.4	(0.1)	2.5	Dividend income (+2.0) Capital gains in venture businesses (+1.8) Rental income (-1.0)
<b>Total</b>	118.7	119.7	(1.0)		42.6	25.8	16.8	
[excluding the impact from Nakau sale]	[118.7]	[114.3]	[4.4]		[42.6]	[25.8]	[16.8]	

# Highlights of Consolidated Financial Results for the First Half Ended September 30, 2005, Supplementary Material(2) - FY2005 Forecast -

2005/10/27

Sojitz Corporation

(Former Sojitz Holdings Corporation)

(Unit: Billions of yen)

## P/L

	1st half FY2005 results a	1st half FY2004 results b	Increase/ Decrease a-b	FY2005 Forecast c	Percentage Achieved a/c
Net sales	2,354.0	2,254.2	99.8	4,900.0	48.0%
Gross trading profit	118.7	119.7	(1.0)	251.0	47.3%
[Gross trading profit ratio]	[5.04%]	[5.31%]		[5.12%]	
Machinery & Aerospace	21.1	20.9	0.2	43.5	48.5%
Energy & Mineral Resources	20.5	16.4	4.1	41.5	49.4%
Chemicals & Plastics	22.1	22.4	(0.3)	42.5	52.0%
Real Estate Development & Forest Products	11.7	10.9	0.8	25.5	45.9%
Consumer Lifestyle Business	19.7	24.8	(5.1)	46.5	42.4%
Overseas Subsidiaries	14.0	12.8	1.2	29.0	48.3%
Others	9.6	11.5	(1.9)	22.5	42.7%
Selling, general and administrative expenses	(80.8)	(86.8)	6.0	(173.0)	46.7%
Operating income	37.9	32.9	5.0	78.0	48.6%
[Operating income ratio]	[1.61%]	[1.46%]		[1.59%]	
Non-operating income/expenses-net	4.7	(7.1)	11.8	(4.0)	-117.5%
Recurring profit	42.6	25.8	16.8	74.0	57.6%
[Recurring profit ratio]	[1.81%]	[1.14%]		[1.51%]	
Machinery & Aerospace	5.0	4.0	1.0	10.0	50.0%
Energy & Mineral Resources	14.1	8.2	5.9	20.5	68.8%
Chemicals & Plastics	4.8	3.6	1.2	6.5	73.8%
Real Estate Development & Forest Products	6.0	1.1	4.9	9.0	66.7%
Consumer Lifestyle Business	3.0	4.0	(1.0)	9.0	33.3%
Overseas Subsidiaries	7.3	5.0	2.3	14.5	50.3%
Others	2.4	(0.1)	2.5	4.5	53.3%
Extraordinary profit/(loss)-net	(2.1)	(245.3)	243.2	(10.0)	21.0%
Income/(loss) before income taxes	40.5	(219.5)	260.0	64.0	63.3%
Net income/(loss)	25.9	(241.1)	267.0	38.0	68.2%

Note: Figures for recurring profit by business segment are for reference only and used for internal management purposes

(Unit: Billions of yen)

## B/S

	September 30, 2005 d	March 31, 2005 e	Increase/ (Decrease) d-e	March 31, 2006 Forecast
Cash and deposits	493.6	426.1	67.5	400.0
Operating assets	936.3	948.9	(12.6)	1,000.0
Investments and financing	593.5	582.6	10.9	605.0
Fixed assets	481.8	490.9	(9.1)	500.0
Total assets	2,505.2	2,448.5	56.7	2,505.0
Operating liabilities	696.1	739.9	(43.8)	730.0
Interest-bearing debt	1,412.5	1,428.4	(15.9)	1,420.0
Total liabilities	2,108.6	2,168.3	(59.7)	2,150.0
Total shareholders' equity	396.6	280.2	116.4	355.0
Net interest-bearing debt	918.9	1,002.3	(83.4)	1,020.0
Net DER (Times)	2.3	3.6	(1.3)	2.9

Recurring profit: steady progress in the first half (42.6 billion yen); on line to achieve full-year forecast (74.0 billion yen)

### Machinery & Aerospace

\*Steady progress in each business especially in automobile and shipping-related businesses; aircraft-related business was impacted by transactions with U.S.-based Northwest Airlines

### Energy & Mineral Resources

\*Generally robust results mainly in resource-related businesses. Market prices of ferroalloy products, etc. for forecasts were conservatively set, however, no decline eventuated. Strong results by Metal One Corporation buoyed by healthy steel product prices in Japan and overseas

### Chemicals & Plastics

\*Overall segment achieved a high 73.8% against targets. Robust chemical results reflecting the sharp rise in crude oil prices and excess demand for oil-related raw materials, as well as an increase in transaction volume underpinned by intense activity in the manufacturing industry both in Japan and overseas driven by the Chinese economy; strong performance in methanol reflecting rising prices  
\*Earnings expected to decline due to imbalance in supply and demand of oil-related raw materials in the second half; decrease in demand for fertilizer, impacted by the rising cost of raw materials and dry weather; methanol market forecast to slump

### Real Estate Development & Forest Products

\*In Real Estate Development, performance was strong in condominium development and retail property development.  
\*Forest Products forecast to improve spurred by a recovery in demand from the third quarter. However, unlikely to cover the decline experienced in the first half

### Consumer Lifestyle Business

\*Foods business sound, underpinned by contributions from equity-method affiliates and dividend income  
\*Textiles weak due to poor apparel sales during spring and summer in retail stores and materials sales to wholesalers; profit recovery forecast due to the seasonal concentration of profits in the second half, efforts to strengthen sales platform, and the shift toward a high-earnings business  
\*Woodchip business soft reflecting the sharp rise in raw material prices; forecast expected to swing upward due to improvements in raw material procurement in the second half

### Overseas Subsidiaries

\*Overall stable performance despite concerns of a slight decrease throughout certain parts of Asia reflecting the sharp increase in crude oil prices