

Financial Results for the First Half Ended September 30, 2005

— Summary of the First Half of FY2005 and the Progress of the New Business Plan —

Sojitz Corporation

October 27, 2005

Sojitz Group Statement / Slogan / Management Vision

Sojitz Group Statement

The Sojitz Group produces new sources of wealth by connecting the world's economies, cultures and people in a spirit of integrity.

Sojitz Group Slogan

New way, New value

Group Management Vision

- ◆ To establish a multi-faceted business, which has both top-tier competitiveness and strong earning power in specific industries and markets, by continuously pursuing profitability and growth in core business areas
- ◆ To nurture an innovative trading company, by actively responding to environmental changes and market globalization, and continuously developing new business fields through entrepreneurship
- ◆ To build a function-oriented trading company, by fully grasping and anticipating various client needs and providing sophisticated, tailor-made services as a client's business partner
- ◆ To become a flexible company, open to new ideas, where each employee can pursue challenges and explore opportunities to realize his or her own personal goals and ambitions

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Disclaimer

This document includes statements of forward-looking descriptions regarding the intent, belief or current expectations of Sojitz Corporation (the “Company”) or its officers in terms of its operation and financial condition.

Accordingly, such statements contain risks and uncertainties since they are neither historical facts nor guarantees of future performance. Actual results may be varied and influenced by various factors. The Company does not undertake to revise such forward-looking descriptions to reflect those factors.

I. Summary of Financial Results for the First Half of FY2005

Summary of Financial Results for the First Half of FY2005 – Profit / Loss Highlights

Major Profit / Loss Items

(Billions of yen)	<u>First Half FY2004 Actual</u>	<u>First Half FY2005 Actual</u>	<u>Increase / (Decrease)</u>	<u>FY2005 Forecast</u>	<u>Percentage Achieved</u>
Net Sales	2,254.2	2,354.0	+99.8	4,900.0	48.0%
Gross Trading Profit <i>Gross Trading Profit Ratio</i>	119.7 5.31%	118.7 5.04%	(1.0) (0.27%)	251.0 5.12%	47.3%
Operating Income	32.9	37.9	+5.0	78.0	48.6%
Recurring Profit <i>Recurring Profit Ratio</i>	25.8 1.14%	42.6 1.81%	+16.8 + 0.67%	74.0 1.51%	57.6%
Net Income (Loss)	(241.1)	25.9	+267.0	38.0	68.2%

Significant increase in recurring profit buoyed by increases in operating profit, strong performance by equity-method affiliates, improvement in the balance between interest expense and income, and other factors.
Steady increase in current period earnings.

Summary of Financial Results for the First Half of FY2005 – Balance Sheet Highlights

Major Balance Sheet Items

(Billions of yen)	<u>Results as of March 31, 2005</u>	<u>Results as of September 30, 2005</u>	<u>Increase/ (Decrease)</u>	<u>FY2005 Forecast</u>
Total Assets	2,448.5	2,505.2	+56.7	2,505.0
Shareholders' Equity	280.2	396.6	+116.4	355.0
Net Interest-Bearing Debt	1,002.3	918.9	(83.4)	1,020.0
Net DER (Times)	3.6	2.3	(1.3)	2.9

Shareholders' equity increased due to growth in current period earnings as well as the conversion of convertible bonds, leading to significant improvement in Net DER, which declined to 2.3 times*.

We expect Net DER will remain under 3 times at March 31, 2006.

*Due to the conversion of convertible bonds totaling ¥60.0 billion, Net DER improved significantly on a temporary basis as of September 30, 2005. Cash and deposits and total shareholders' equity will decrease ¥44.0 billion each due to the repurchase and cancellation of preferred stock with planned completion in January 2006.

II. The Progress of the New Business Plan

New Business Plan: Second Year Efforts

The second year is crucial to ensuring achievement of the New Business Plan, so we implement the following measures during FY2005

Evolution to a Quality Earnings Structure

◆ Strategy to Reinforce the Business Portfolio

- Improve SCVA (risk/return indicator) by selection and focus initiatives
- Reallocate resources to growth business areas

◆ Strengthen and Enhance Risk Management

- Reinforce and improve integrated risk management

Establish a Robust Financial Position

◆ Improve Equity Structure

- Repurchase and cancellation of 1st Series Class I Preferred Stock

◆ Improve Debt Structure

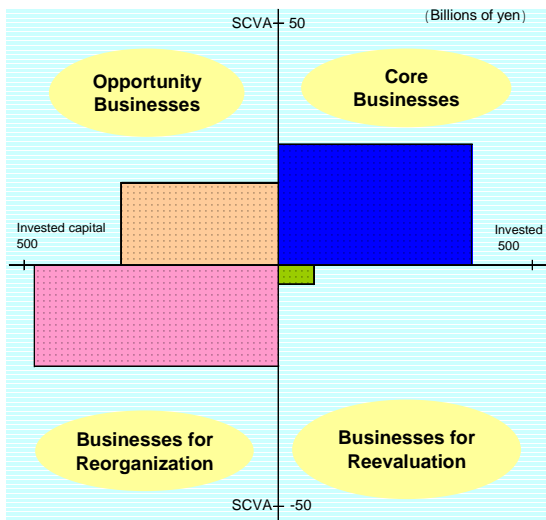
- Improve long/short term and direct/indirect ratios by promoting direct fund procurement

Strengthening the Business Portfolio – Improvement of SCVA

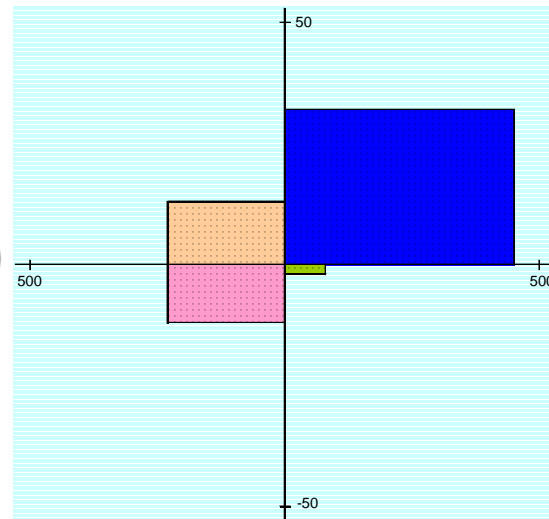
Improve SCVA through constant business portfolio review and selective management resource allocation

Selection and focus initiatives to concentrate investment capital on core business, enhance use of SCVA, significantly reduce investment capital on businesses for reorganization, and improve overall SCVA

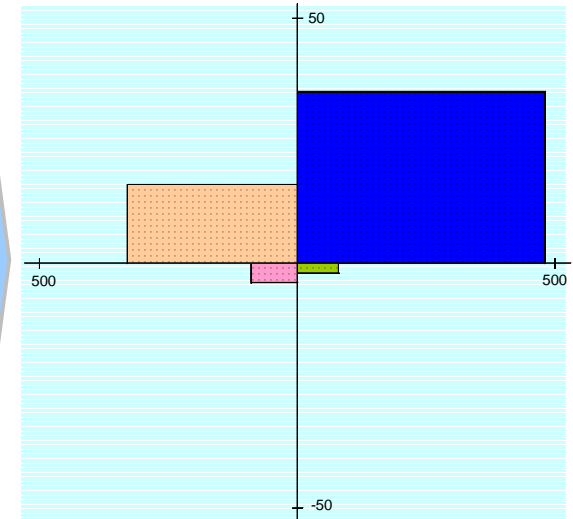
As of the start of the New Business Plan



FY2005 Results



FY2006 Plan
(Final year of the New Business Plan)



The Progress of SCVA (4 business areas)

¥17 billion → **¥30 billion** → **¥45 billion**

As of the start of the New Business Plan

FY2005 Results

FY2006 Plan
(Final year of the New Business Plan)

Core Businesses

Automobile / Aircraft / Shipping / Oil and Gas / Coal / Iron Ore and Ferroalloys /
Aluminum-Related / Electric Project / Automobile Plastic Components / Metton-Resin /
IT Electrical Materials / Logs / Lumber Products / Apparel / Textiles /
Marine Products / Afforestation and Woodchip, etc

Strengthening the Business Portfolio – New Investment and Loans

**Invest management resources in growth areas
to strengthen and enhance the earnings platform**

¥150 billion in new investment and loans planned for fiscal years 2005-2006

¥70-80 billion slated for new investment and loans in FY2005

Approx. 50% for acquiring additional resource interests in areas with existing business and customer bases

Basic strategy on investment and loans

- **To acquire additional resource interests**
- **To strengthen the function of existing businesses and enhance added value**
- **To expand business and commercial rights through collaboration with partners**
- **To expand business areas**
(from midstream to upstream or midstream to downstream)

Progress of new investment and loans

- Results of the first half of FY2005
(Approx. ¥30 billion, contract base)
 - Oil and gas interest, approx. ¥10 billion
 - Automobile-part business, such as AAPICO (Thai), approx. ¥5 billion
- Forecast of second half of FY2005 (¥40-50 billion)
 - Oil and gas interest
 - Automobile parts business
 - Establish plastics sales company
 - Food-related business
 - Animation contents distribution business
- Plan of FY2006 (¥70-80 billion)
 - Oil and gas interest
 - Automobile related business
 - Retail property development

Progress of Strengthening and Enhancing Risk Management

Strengthen and enhance comprehensive risk management to improve the portfolio structure

	April 2004	Measures implemented (as of Oct. 2005)	Measures in the future
Risk management systems	<ul style="list-style-type: none"> Risk Management Dept. is in charge of initiating investigations, proactive management and planning function Number of risk management personnel: 22 Credit rating systems, primarily for domestic customers 	<p><u>Reinforcement of organization structure</u></p> <ul style="list-style-type: none"> Established Risk Management Planning Office (Independent planning function) Established dedicated department for proactive management Number of risk management personnel: 39 <p><u>Restructure of credit rating systems</u></p> <ul style="list-style-type: none"> Integrated credit rating systems for domestic and overseas customers 	<ul style="list-style-type: none"> Strengthen risk management structure in main domestic and overseas subsidiaries Further increase of personnel: approx. 60 Expand credit rating systems for domestic and overseas main subsidiaries
Supervisory systems	<ul style="list-style-type: none"> Supervisory process incorporates opinions from corporate divisions 	<p><u>Reinforcement of supervisory systems</u></p> <ul style="list-style-type: none"> Introduced preliminary investigation system Strengthened quantitative risk analysis 	<ul style="list-style-type: none"> Formulate segment based standards for conducting business with investment targets
Proactive management	<ul style="list-style-type: none"> Follow-up management system based on exit rules 	<p><u>Reinforcement of proactive follow-up structure</u></p> <ul style="list-style-type: none"> Reinforcement of follow-up system through dedicated department Formulation of rule and regulation management systems 	<ul style="list-style-type: none"> Enhance predictive management systems
Portfolio management	<ul style="list-style-type: none"> Implementation of asset risk measurement on a non-consolidated FY2004 basis Implementation of country risk exposure management with country specific risk ratings 	<p><u>Enhancement of integrated risk management</u></p> <ul style="list-style-type: none"> Implementation of asset risk measurement on a consolidated basis for 1H/FY2005 and FY2005 <p><u>Enhancement of country risk management</u></p> <ul style="list-style-type: none"> Revision of country rating systems Introduction of country exposure limit control based on country credit assessment and size 	<ul style="list-style-type: none"> Develop asset risk control measurement Formulate systems for accelerating and advancing the sophistication of measurement (completion planned for Apr. 2006) Upgrade country exposure control measurement
Internal control systems	<ul style="list-style-type: none"> Integration of risk management rules and manuals 	<p><u>Enhancement of internal control systems</u></p> <ul style="list-style-type: none"> Establish the Committee for Avoiding Recurrence of Incident => integrated with Internal Control Committee Newly established Internal Control Administration Office 	<ul style="list-style-type: none"> Establish internal control systems on a consolidated group basis

Improvement of Capital Structure

Aim toward further improvement of the capital structure

Enhance shareholders' value while mitigating dilution

Measures implemented in FY2005

Issued convertible bonds totaling ¥60 billion in June 2005 with the intent to repurchase and cancel the 1st Series Class I Preferred Stock in line with the conversion of bonds.

- ◆ Entered into an agreement on August 5 to repurchase ¥40.0 billion (issue price) of convertible bonds at ¥44.0 billion (issue price x 110%) from UFJ Bank, the Bank of Tokyo-Mitsubishi, Mitsubishi UFJ Trust and Banking, and the Norinchukin Bank.
- ◆ Full conversion of these bonds was completed on September 7, 2005.

	As of March 31, 2005	As of September 30, 2005	Difference (%)
Issued shares (common stock)	240,246,254	401,399,900	167%
Closing share price (yen)	528	647	123%
Total market value (yen)	126.9 billion	259.7 billion	205%

With the implementation of these measures, in connection with previously issued preferred stock with conversion periods commencing May 2008, the Company will be able to repurchase and cancel as well as accumulate retained earnings after dividend payments, thereby increasing our options.

Measures for future implementation

Our basic policy will continue to be to repurchase and cancel previously issued preferred stock. Specific measures to be adopted will depend on prevailing conditions, such as the market environment, and identification of the best option.

Improvement of Debt Structure

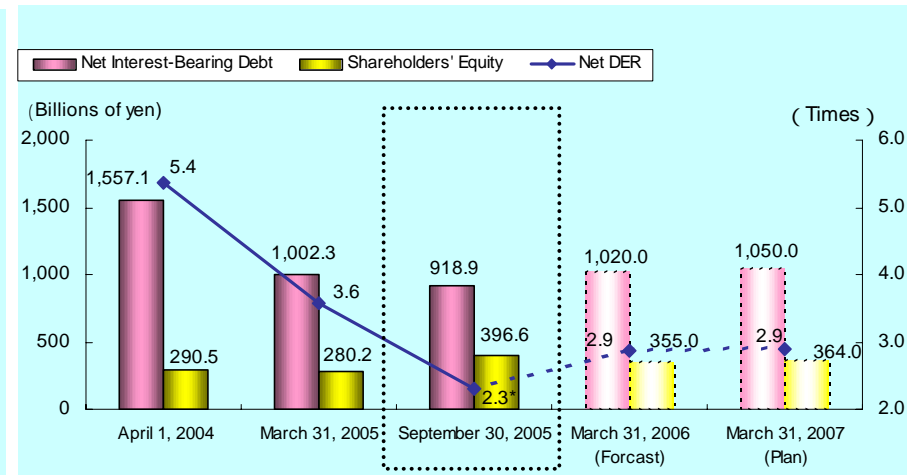
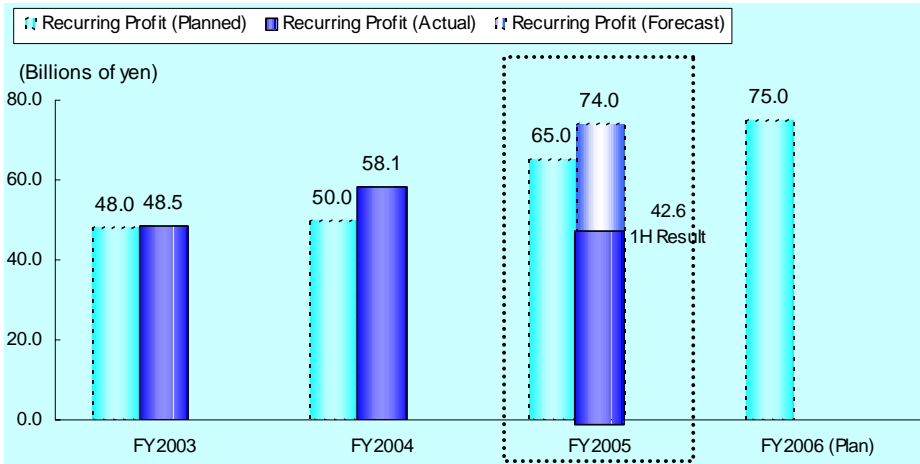
Improve stability of procurement structure through varied procurement, including fund procurement of long-term debt and issuance of straight bonds

	Measures	Results of 1H of FY2005
➤ Improve direct/indirect ratio	Issued straight bonds	¥65 billion
➤ Improve long/short ratio	Initiated long-term debt	¥240 billion
	(Long-term refinancing	¥90 billion
	New borrowing	¥150 billion

		As of March 31,		As of	(Billions of yen)
		2004	2005	September 30 2005	
◆ Progress of debt structure					
Interest-bearing debt		1,992.8	1,428.4	1,412.5	
Indirect financing	Short-term debt	1,320.9	933.1	860.2	}
	Long-term debt	430.6	296.9	355.0	
	Sub total	1,751.5	1,230.0	1,215.2	
Direct financing	CP	141.2	139.2	83.8	}
	Straight bonds	100.1	59.2	113.5	
	Sub total	241.3	198.4	197.3	
Cash and deposit		435.7	426.1	493.6	
Net interest-bearing debt		1,557.1	1,002.3	918.9	
◆ Progress of financial ratios					
Current ratio		78%	81%	93%	➔ Plan for FY2006 110% or above Approx. 60% Approx. 25%
Long-term procurement ratio		25%	22%	30%	
Direct procurement ratio		12%	14%	14%	

Financial Targets

Attainment of forecasts for the fiscal year ending March 31, 2006 to achieve objectives of the fiscal year ending March 31, 2007 (final year)



*Due to the conversion of convertible bonds totaling ¥60.0 billion, Net DER improved significantly on a temporary basis as of September 30, 2005. Cash and deposits and total shareholders' equity will decrease ¥44.0 billion each due to the repurchase and cancellation of preferred stock with planned completion in January 2006.

Toward achieving financial targets for the fiscal year ending March 31, 2007, the final year of the New Business Plan

Recurring Profit: ¥75 billion

Net DER: Approx. 3 times
(Net interest-bearing debt: ¥1 trillion)

Ratings: BBB or above (Investment grade)

(Reference)

(Reference) Overview of Preferred Stock Issued

(As of September 30, 2005)

(Issued in May 2003)	Outstanding Amount Issued	Shareholders (Financial Institutions)	Current Conversion Price (Range of upper and lower limits)	Current Latent Number of Shares	Starting Date of Conversion Period
1 st Series Class I	¥52.6 billion*1	(Each series / class: Same portion)	¥262 (Upper limit ¥262 Lower limit ¥209.6)	200.8 million shares	5/14/2006
2 nd Series Class I	¥52.6 billion	UFJ Bank: ¥30.0 billion	¥262 (Upper limit ¥262 Lower limit ¥209.6)	200.8 million shares	5/14/2008
3 rd Series Class I	¥52.6 billion	Mizuho Corporate Bank: ¥9.0 billion	¥262 (Upper limit ¥262 Lower limit ¥209.6)	200.8 million shares	5/14/2010
4 th Series Class I	¥52.6 billion	Bank of Tokyo-Mitsubishi: ¥7.0 billion	¥262 (Upper limit ¥262 Lower limit ¥209.6)	200.8 million shares	5/14/2012
1 st Series Class II	¥52.6 billion	Resona Bank: ¥3.6 billion	¥262 (Upper limit ¥262 Lower limit ¥209.6)	200.8 million shares	5/14/2014
1 st Series Class III	¥3.0 billion	Mitsubishi Trust & Banking Corporation: ¥2.0 billion	¥262 (Upper limit ¥262 Lower limit ¥209.6)	200.8 million shares	5/14/2012
		Norinchukin Bank: ¥1.0 billion	¥262 (Upper limit ¥262 Lower limit ¥209.6)	200.8 million shares	5/14/2014
		Lehman Brothers ¥3.0 billion	¥503 (No upward correction Lower limit ¥170.4)	6.0 million shares	5/14/2004
<hr/>					
(Issued in Oct 2004)					
1 st Series Class IV	¥199.5 billion	UFJ Bank: ¥199.5 billion	TBD 10/2024 (No upper limit Lower limit 80%)*2	TBD	10/29/2024
1 st Series Class V	¥130.5 billion	UFJ Bank: ¥130.5 billion	TBD 10/2019 (Upper limit 500% Lower limit 30%)*2	TBD	10/29/2019
2 nd Series Class V	¥20.0 billion	Mizuho Corporate Bank: ¥10.0 billion Bank of Tokyo-Mitsubishi: ¥10.0 billion	TBD 10/2015 (Upper limit 200% Lower limit 30%)*2	TBD	10/29/2015
1 st Series Class VI	—	UBS: 0 billion	Full Converted	—	—

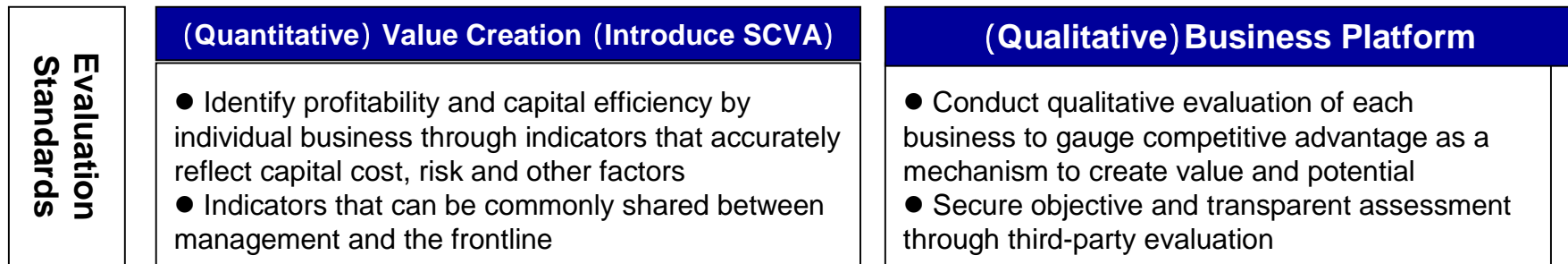
*1 The Company entered into an agreement to repurchase ¥40.0 billion (issue price) by paying ¥44.0 billion (110%), plan to repurchase for cancellation in January 2006.

*2 Figures represent ratios vis-à-vis initial conversion prices.

(Reference) Business Portfolio Strategies – Fundamental SCVA Framework

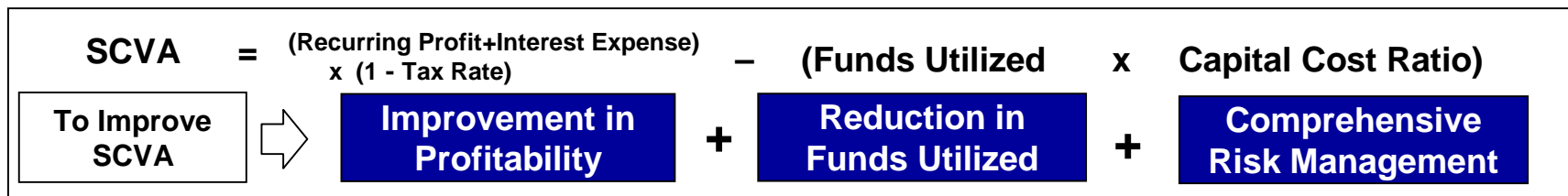
◆ Business Evaluation

- Quantitative evaluation (SCVA) and qualitative evaluation (market growth potential and competitive advantage)
- More detailed measurements based on business lines and business models (BU: Business Unit)



◆ Fundamental SCVA Framework

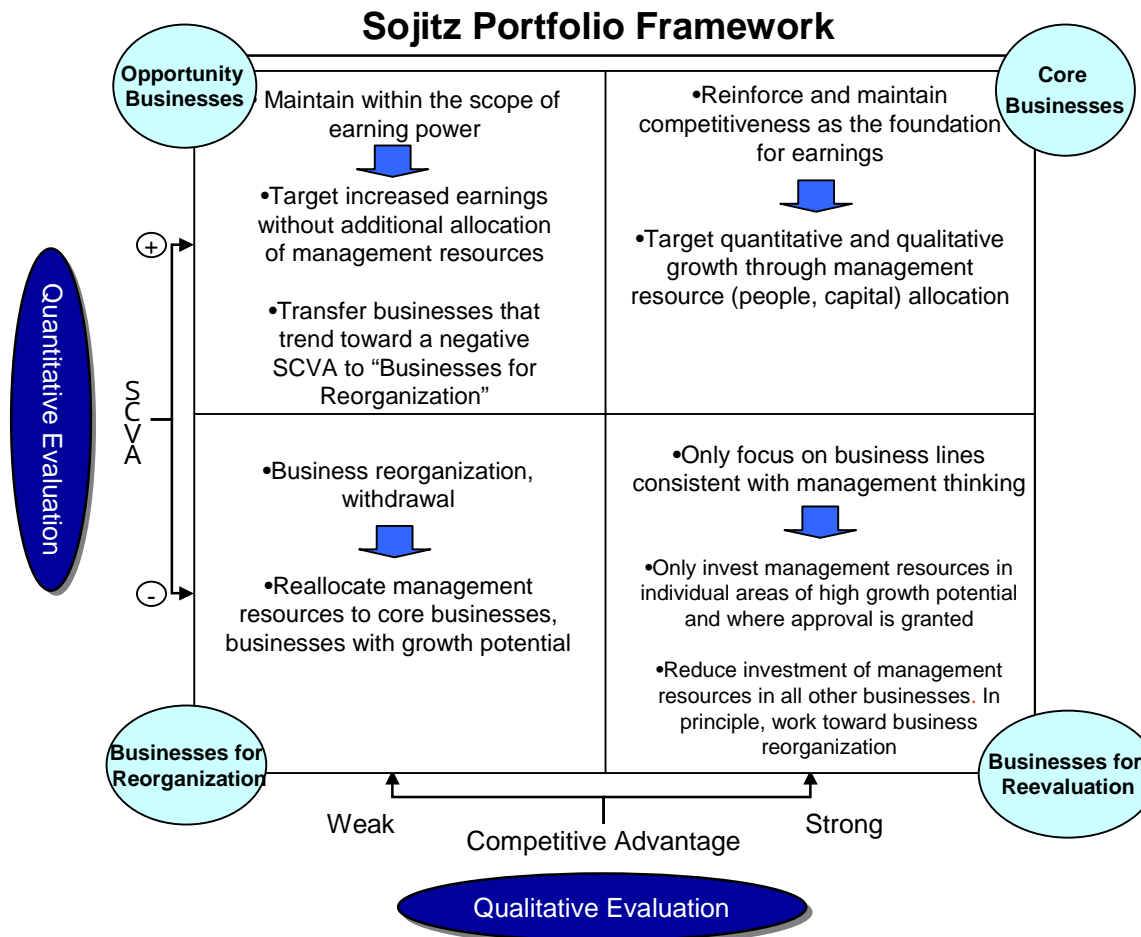
- Introduce an indicator that accurately reflects capital cost, risk and other factors shared between management and the frontline with the aim of creating value



(Reference) Business Portfolio Strategies – Matrix Evaluation

◆ Matrix Evaluation

- Implement audit of each individual business line and business model based on SCVA management, focus on the business strengths of the Sojitz Group, look beyond conventional product lines with the aim of evolving to a quality earnings structure



Sojitz Group Symbol Incorporates Sojitz Group Slogan



New way, New value