Three-year Medium-term Management Plan (FY2006 – FY2008)

New Stage 2008

sojitz

New way, New value

Sojitz Corporation

April 28, 2006

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.

Contents

Disclaimer

Forward-Looking Statements

This document contains forward-looking statements regarding the Company's business plans and initiatives based on information available to management at the time of disclosure. Accordingly, such statements contain inherent risks and uncertainties. Readers are advised that actual results may differ from forward-looking statements due to a wide variety of factors.

I. New Stage 2008 Highlights

Background to New Stage 2008 Medium-term Management Plan

Current Medium-term Management Plan (FY2004 – FY2006)

Financial targets for final year (FY2006, ending March 2007) achieved one year ahead of schedule (FY2005, ended March 2006)

- Recurring profit: ¥75 billion (plan) → ¥78.8 billion (result)
- Net DER: Approximately 3 times (plan) → 2 times (result)

Formulated New Stage 2008:
new three-year medium-term management plan starting FY2006

New Stage 2008 Highlights

Realization of Group Management Vision

Growth Strategies

Move to a stage of sustained growth by leveraging Company's strengths to expand functions and business investment

Capital and Financial Strategies

Speed-up reorganization of financial structure by clearing up preferred stock issue, stabilize the funding structure

Risk Management

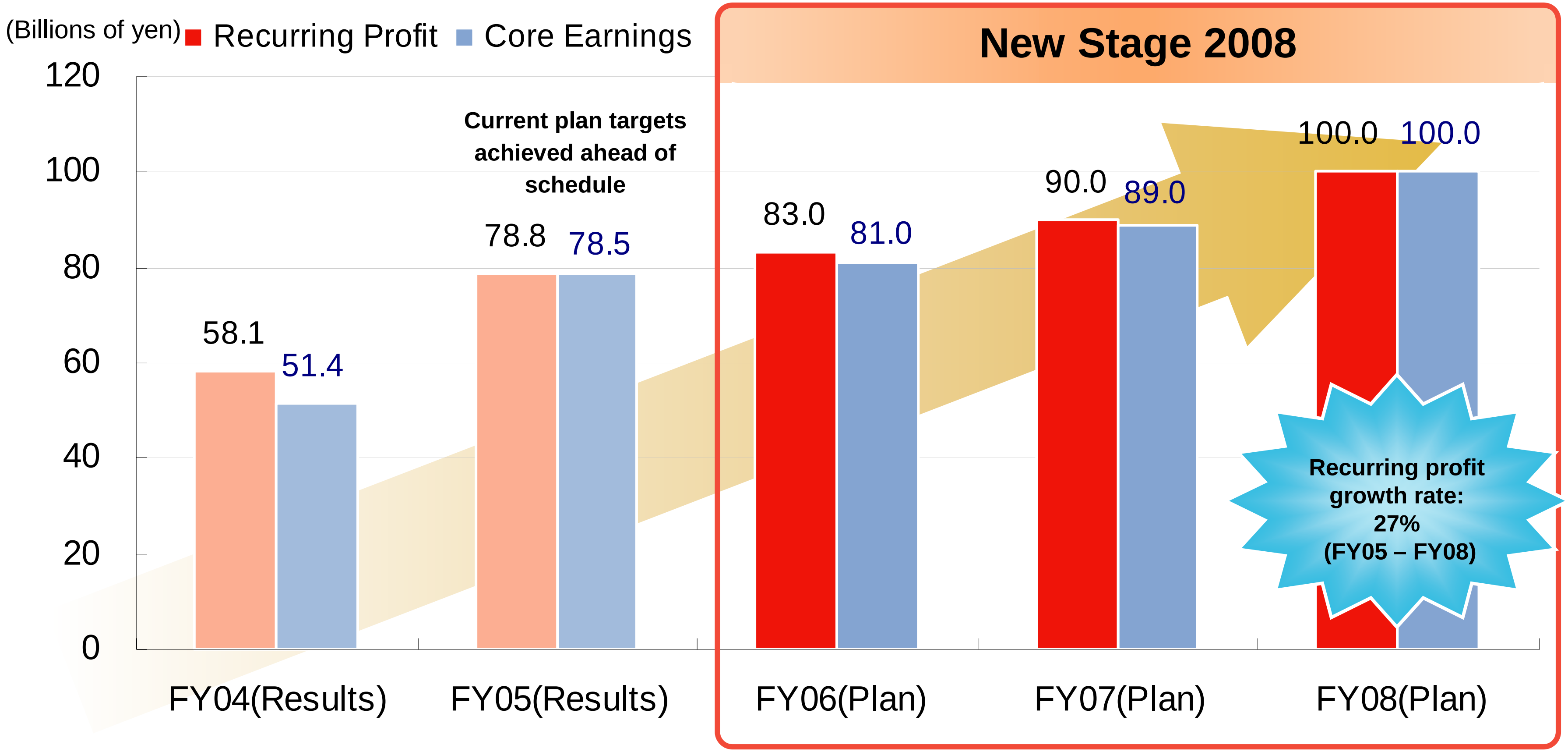
Manage risk to ensure high-quality portfolio

Financial Targets (FY2008)

- Net income: **¥60 billion** (recurring profit: ¥100 billion)
- Shareholders' equity: **¥500 billion**

Financial Targets (1)
Recurring Profit and Core Earnings

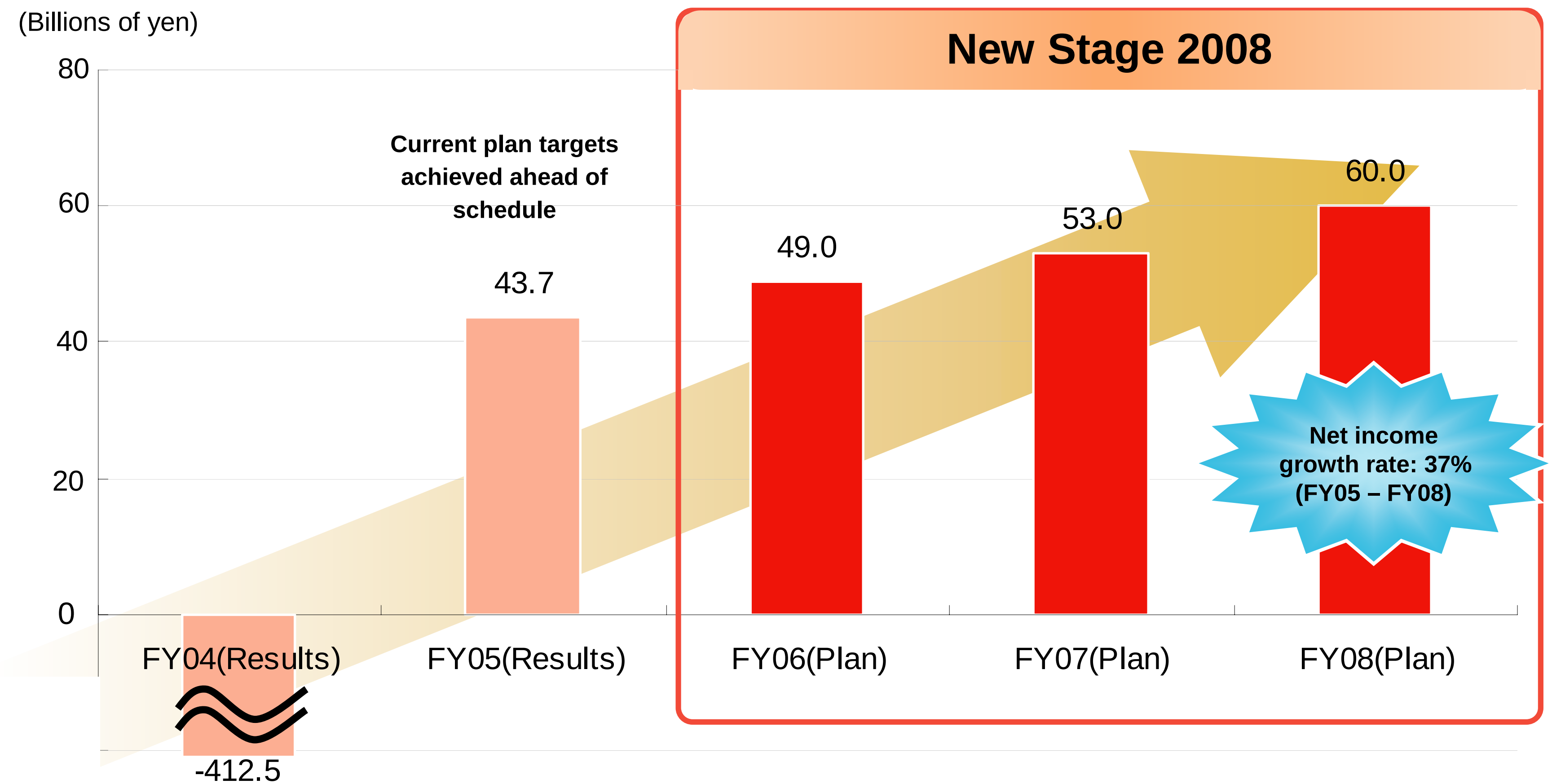
Attain goal of ¥100 billion in recurring profit by steadily strengthening ability to generate earnings



*Core earnings = Operating income (Before allowance for doubtful receivables and write offs) + Interest expenses-net + Dividends received + Equity in earnings of unconsolidated subsidiaries and affiliates

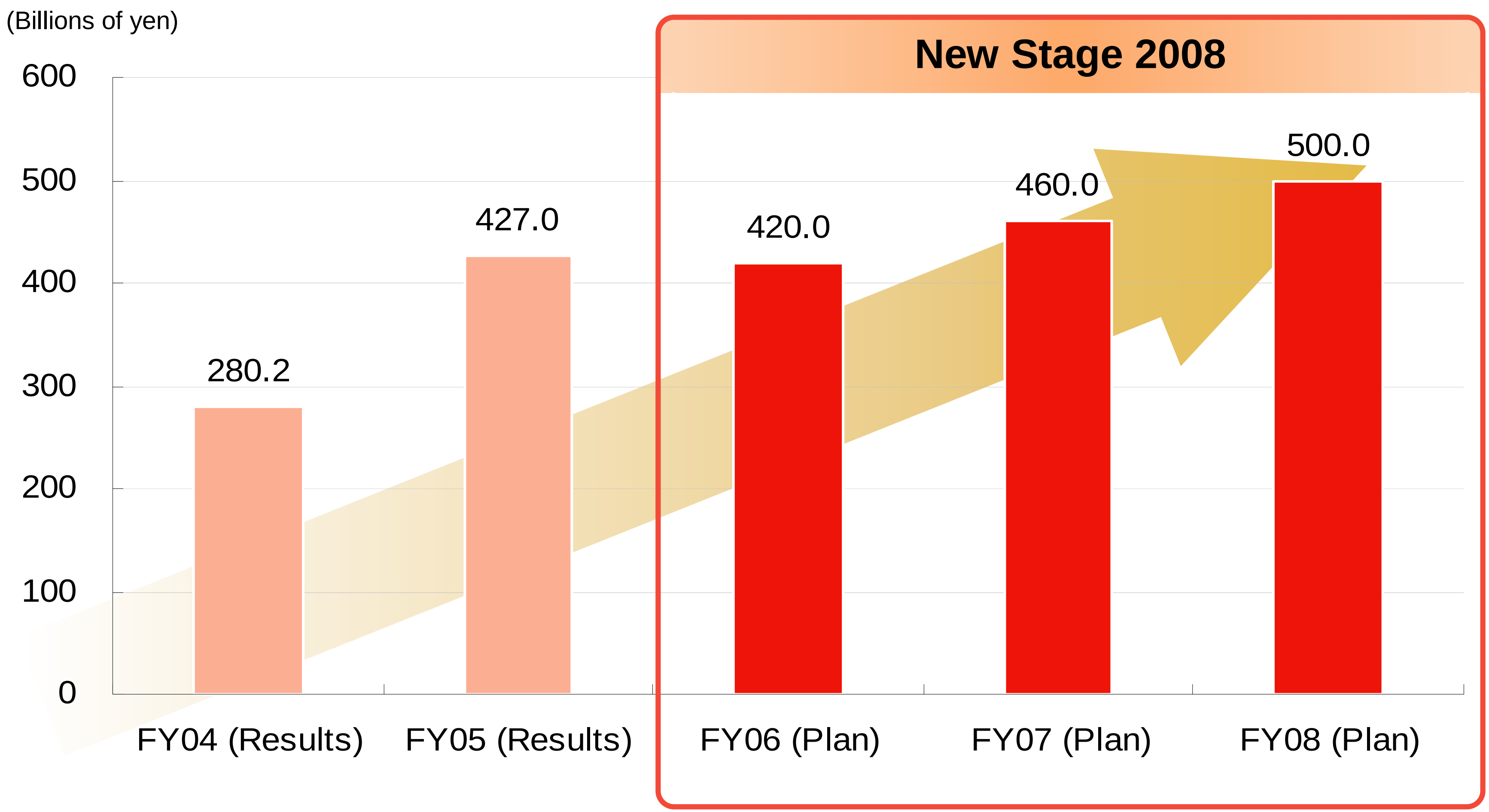
Financial Targets (2) – Net Income

Move to a stage of sustained growth



Financial Targets (3) – Shareholders' Equity

Steadily build-up net income to reinforce shareholders' equity



II. Growth Strategies

Growth Strategies (1)

Move to a stage of sustained growth by leveraging Company's strengths to expand functions and business investment

Expand Functions

Growth Strategy Categories

- Secure Resources
- Value Chain
- Core Trading

New Investment and Loans

¥300 billion

Regional Strategy

- Objective: Prioritize potential growth markets and regions where Sojitz has competitive advantages (human resources, commercial rights, know-how, etc.) in allocation of management resources.
- Target Countries: China, U.S.A, Vietnam, Thailand, and Russia

Human Resources Strategy

- Human resources portfolio: Efficiently hire and assign new graduates, mid-career personnel and specialists
- Human resources development: Training programs for executive candidate selection, special language training, specialized training for each division, etc.

Establish SCVA-based Management

- Continue with selection and focus initiatives using SCVA (Sojitz's risk/return indicator)
- Maximize shareholder value and build an efficient and sound portfolio through the pursuit of returns commensurate with risk

* SCVA (Sojitz Corporation Value Added) = Net income – (Risk assets X Capital cost ratio)

Growth Strategies (2)

Expand Functions

(Billions of yen)

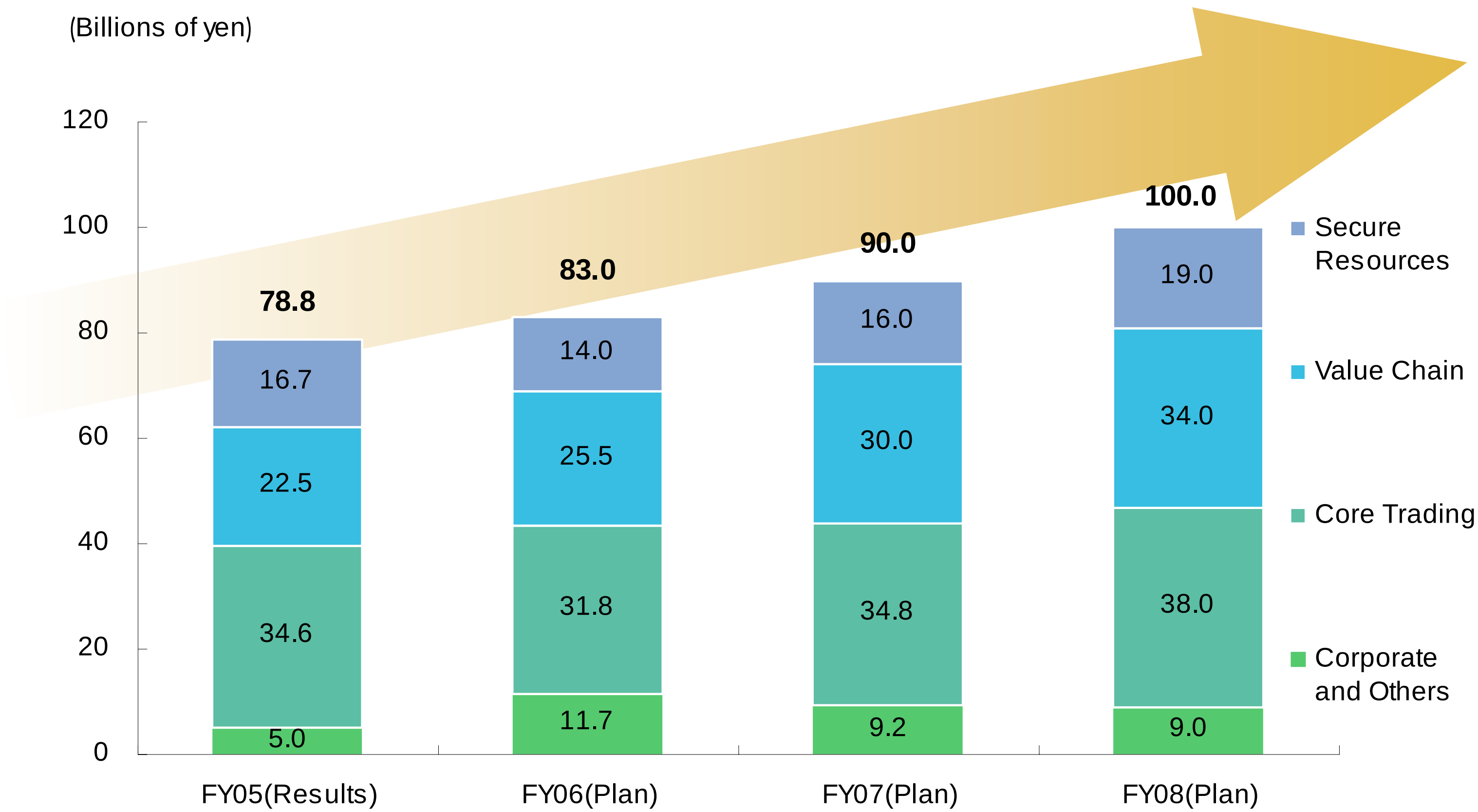
Type of Growth Strategy	Method of Growth	Main Business Activities (examples)	Recurring profit FY05 (Result)	Recurring profit FY08 (Plan)	Recurring profit Change	New investment and loans (total for three years)
Secure Resources	Raise share of production by increasing investment in commercial rights; boost distribution profit	Oil, gas, LNG coal, ferroalloys, nonferrous metals	16.7	19.0	+2.3	120.0
Value Chain	Strengthen and supplement business functions to expand business reach	Automobiles, fertilizers, chemicals, plastics, apparel, home fashions, woodchips	22.5	34.0	+11.5	50.0
Core Trading	To bolster core earnings streams, strengthen information gathering capabilities and alliances with leading business partners and expand transaction volume by leveraging competitive strengths	General machinery, aircraft, ships, nuclear fuel cycle, electric power generation and plants, steel products, condominiums, commercial property development, lumber, textile raw materials, foods, commodities, ICT, content	34.6	38.0	+3.4	130.0
Corporate and Others			5.0	9.0	+4.0	-
Total			78.8	100.0	+21.2	300.0

New Investment and Loans

Growth Strategies (3)

Move to a stage of sustained growth

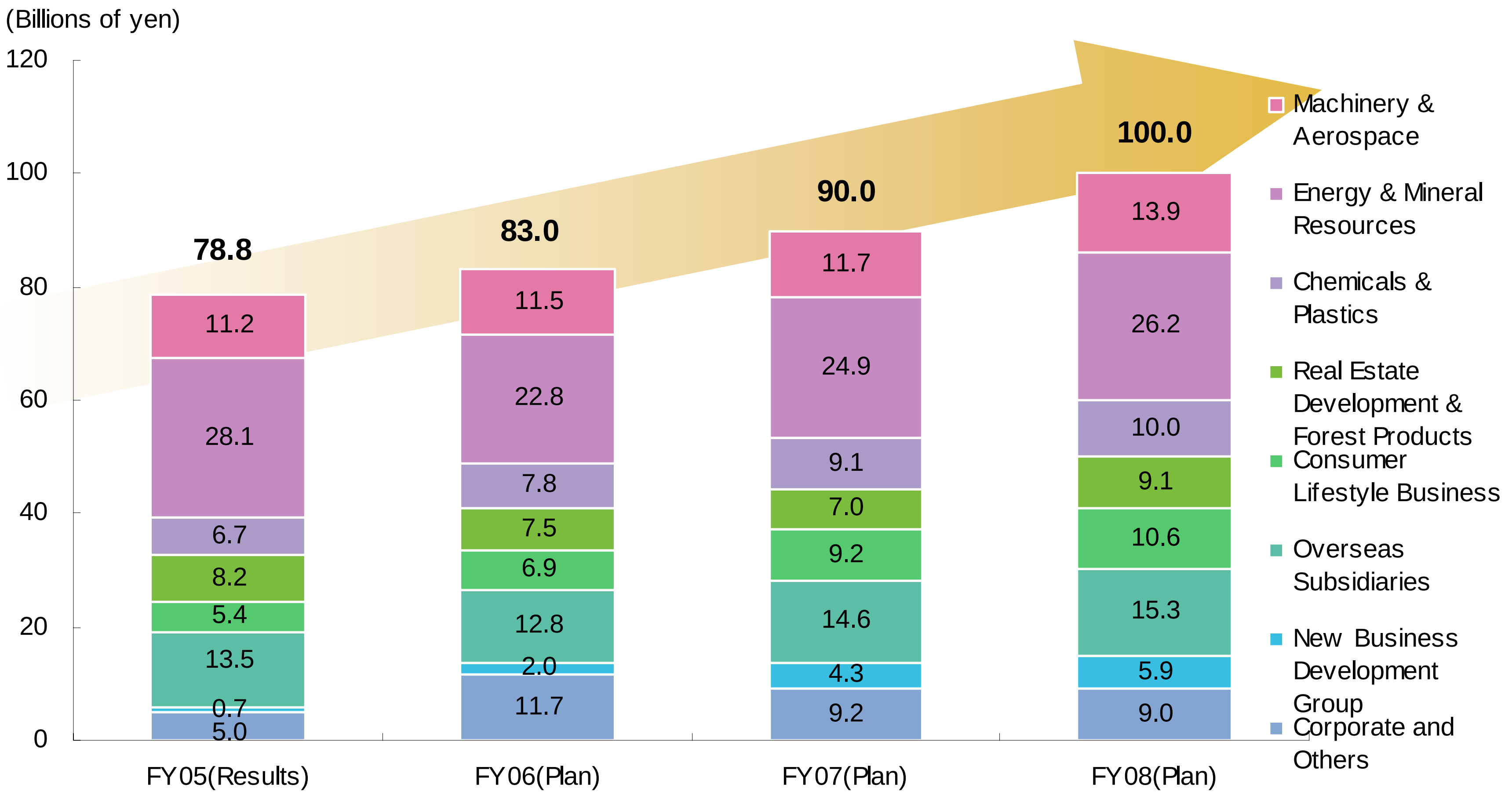
Recurring Profit Trend



Growth Strategies (4)

Move to a stage of sustained growth

Recurring Profit by Industry Segment



Securing Resources (Example 1) – Oil, Gas and LNG

Utilize Company's information network to build up lucrative upstream interests and increase share of production and earnings

Amid rising global demand for gas, examine investment in large-scale projects

Sojitz's major upstream assets

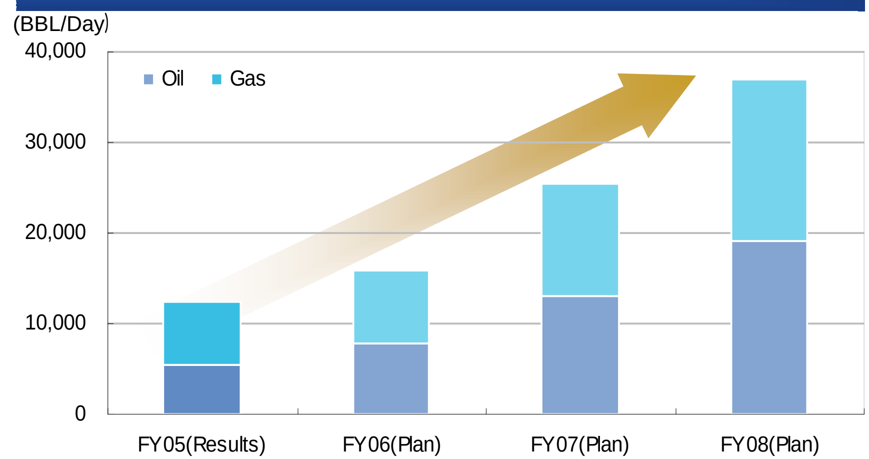
Oil fields in operation / Oil fields under development / Gas fields in operation
LNG sites in operation / LNG sites under development

Gulf of Mexico (USA) upstream pipeline gas interests in 28 concessions

- New investment and loans: ¥70 billion (planned)
- Focusing on North Africa, Central and South America and Indonesia, as well as Gulf of Mexico (USA) and the North Sea (Britain)
- Production target: 40,000 BBL/day*

* LNG and gas production: Converted into crude oil equivalent

Share of production



Note:LNG production volume includes gas production volume

Securing Resources (Example 2) – Coal, Ferroalloys and Nonferrous Metals

Expand project investment on strength of close relationships with users and ensure stable growth

Stable global demand for steel raw materials projected over the medium term

Major mining rights owned by Sojitz

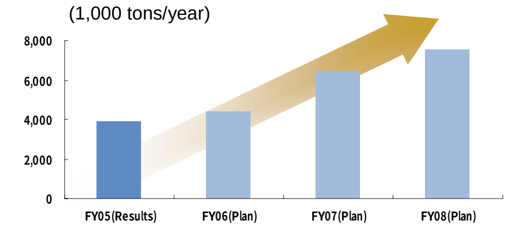
Coal mines in operation (including equity investment)
Coal mines under development
Steel raw material mines under development

- New investments and loans: ¥50 billion (planned)
- Planned Project investments

  Coal: Australia, Russia and other countries;
  Molybdenum and vanadium: North America, South America, China and other regions

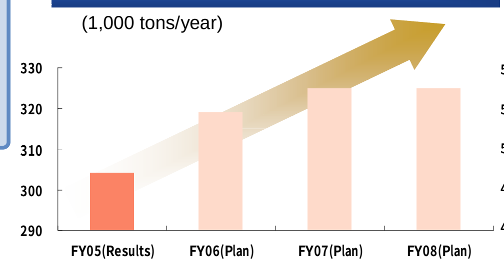
Share of production

Coal

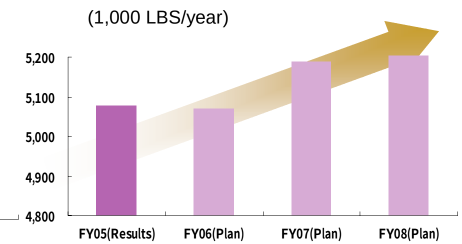


Sojitz is a partner in the Worsley Alumina joint venture

Alumina and Nickel



Molybdenum and Vanadium



Value Chain Business (Example 1) – Automobiles

Use investment and loans to strengthen functions and expand business areas to upgrade the automotive value chain

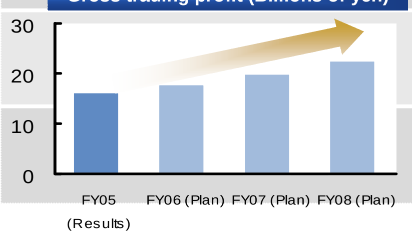
Develop automotive parts business in China and Asia and diversify into assembly and marketing of complete built-up cars in Thailand, Mexico and Ukraine

Upstream business: Design/engineering, Mold building, Material procurement, Parts manufacturing, Parts logistics
Midstream business: Export of KD and complete built-up cars, Assembly and production
Downstream business: Distributors, Dealerships, Retailing

Existing functions (blue)
New functions gained through investment and loans (next three years) (pink)

Region	Design/ engineering	Mold building	Material procurement	Parts manufacturing	Parts logistics	Export of KD and complete built-up cars	Assembly and production	Distributors	Dealerships	Retailing
Japan	Engineering Robot sales	Mold building (Miyazu)	Bearings Steel and chemicals	Sintered parts Plastic parts	Parts distribution					
China	Engineering Robot sales	Mold building	Bearings Steel and chemicals	Minth (Plastic parts maker) Engines Accelerator	Parts distribution (Autrans)	Suzuki cars: KD Mitsubishi cars: KD	Suzuki cars: Assembly and wholesaling (Changan Suzuki) Mitsubishi cars: Assembly and wholesaling (Hunan Changfeng Motor) Assembly and marketing of passenger cars and buses		Dealers	Used cars Car parts
Asia: Thailand	Engineering			AAPICO Auto parts manufacturing	Parts distribution (Autrans)	Passenger cars: KD	Assembly and marketing of passenger cars			
Asia: Vietnam				Semiconductor substrates	Parts distribution (Autrans)	Suzuki cars: KD	Suzuki motorcycles and cars: Assembly and marketing		Dealers	Used cars Auto financing
Asia: India	Robot sales	Mold design		Motherson Manufacturing plastic parts	Parts distribution (Autrans)					
Asia: Malaysia	Engine, mold design and building					Kawasaki motorcycles: KD	Assembly and marketing of motorcycles (Modenas)			Car navigation systems
Asia: The Philippines				Transmission manufacturing		Mitsubishi cars: KD	Mitsubishi cars: Assembly and marketing (MMPC)			
Asia: Indonesia				Molds and stamping						
The Americas: North and Central America	Engineering			Functional parts	Parts distribution (Autrans)	Passenger cars: KD	Passenger cars: Assembly and marketing		BMW cars	
The Americas: South America						Hyundai and Mitsubishi cars: KD and complete built-up cars	MAV (Venezuela) Hyundai and Mitsubishi cars, KD exports, Export and marketing of complete built-up cars		Dealers (Ecuador)	
Middle East and Africa						Nissan cars: KD and complete built-up cars (Iran)		Passenger cars (Iran) Passenger cars (South Africa)		
Europe CIS				Synchronizers	Parts distribution (Autrans)	Subaru cars: Complete built-up cars	Isuzu buses and trucks: Assembly and marketing (Ukraine)	Subaru (Ukraine) Unified sales company in Europe and CIS		

Gross trading profit (Billions of yen)



Value Chain Business (Example 2) –Apparel

Integrated supply chain management through to retailing

Established marketing and product planning subsidiary (Sojitz Satellite)

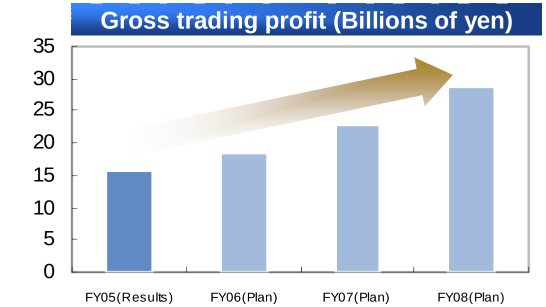
Production | Production control | Planning | Wholesaling | Retailing

	Production	Production control		Planning	Wholesaling	Retailing
Japan	Jeans manufacturing (Japan)	Production management company (China)	Japan	Marketing and product planning company	Full range of apparel	Expand presence in retailing
China	Expand manufacturing facilities in China				Women's apparel	Form alliances with retail chains
	Joint venture, alliance factories (China)				Products for SPA retailers	Create SPA jeans retailing chain
			China	Product planning company (China)	Establish marketing companies	
Southeast Asia and other areas	Establish production bases for export to US (Southeast Asia and other areas)		US	Planning and marketing company (US)	Forge tie-ups with US apparel firms	

Existing functions

New functions

*SPA: Specialty store retailers of private label apparel



Value Chain Business (Example 3) –Chemicals

Deliver sustained sales and profit growth based on solid relationships with leading local and overseas partners

Strategically channel management resources into growth markets: Thailand, Vietnam, China, and India

Use investment to enhance business functions

- Investing aggressively in all phases of operations, upstream to downstream (manufacturing, production bases, marketing networks)
- Organically linking customers, products and markets to extend the value chain

Growth

Core earnings

Products handled (roughly 1,400)

- **Organic chemicals**
  Toluene, MEK, DIB, Methanol
- **Inorganic chemicals, Industrial minerals**
  Fluorspar, Bauxite, Industrial salts, Caustic soda
- **Specialty chemicals**
  Battery materials, semiconductor chemicals, paint raw materials, FPD glass raw materials
- **Fine chemicals**
  Pharmaceutical and agricultural chemical intermediates, cosmetic raw materials, catalysts

Suppliers (2,400 companies)

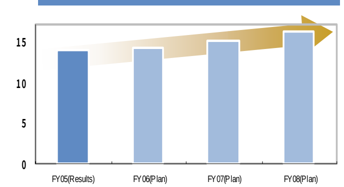
- Maruzen Petrochemical Co., Ltd.
- Kyowa Hakko Chemical Co., Ltd.
- Tokuyama Corporation
- Nippon Shokubai Co., Ltd.
- Daicel Chemical Industries Ltd.
- Mitsubishi Chemical Corporation
- Mitsubishi Gas Chemical Co., Inc.
- Tayca Corp.
- Tosoh Corp.
- Mitsubishi Rayon Co., Ltd.
- Asahi Kasei Chemicals Corp.
- Braskem SA
- FMC Corporation
- Eastman Chemical Company
- Hercules Incorporated

A specialist group capable of anticipating customer needs

sojitz

- Logistics and warehousing functions
- Financing functions
- Information gathering functions

Gross trading profit (Billions of yen)



Customers (2,200)

- Kansai Paint Co., Ltd.
- CG Ester Corporation
- Toli Co., Ltd.
- Hokuetsu Paper Mills Ltd.
- Arakawa Chemical Industries Co., Ltd.
- Dainichiseika Color and Chemicals Mfg. Co., Ltd.
- Polyplastics Co., Ltd.
- Toyo Ink Mgf. Co., Ltd.
- Tokuyama Corporation
- Asahi Denka Co., Ltd.
- UMG ABS Ltd.
- Fuji Photo Film Co., Ltd.
- Worsley Alumina Pty Ltd.

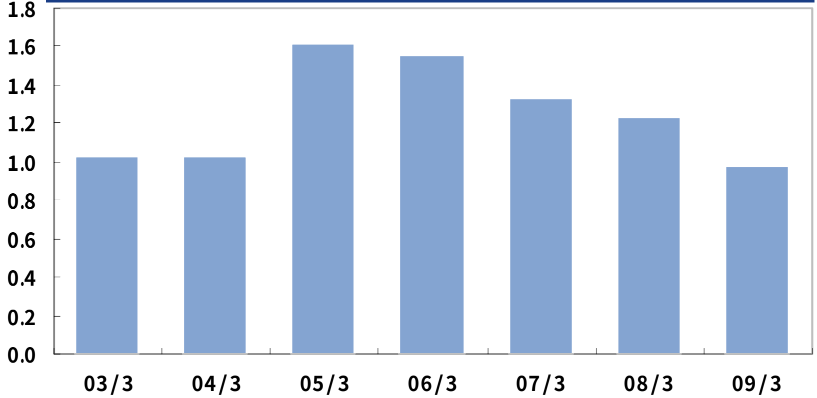
Core Trading Business (Example 1) – Commercial Aircraft Business

Backed by superior information gathering and proposal development capabilities, Sojitz Group dominates Japan's commercial aircraft market

Order backlog for Boeing aircraft sustained at ¥1 trillion level

- Sole sales consultant in Japan for Boeing commercial aircraft
- Market share in Japan currently exceeds 85%
- Introduced over 600 aircraft in Japan in last 50 years
- Order backlog of roughly 200 aircraft (¥1.6 trillion) as of March 31, 2006.

Order Backlog Trend (trillions of yen)



*Excluding new orders

Sources of Strength

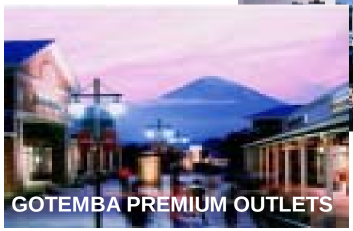
- Ability to provide added value (information gathering and proposal development) to Boeing and Japan's airlines, leveraging experience built up over years in aircraft business.
- Ability to respond flexibly to new aircraft introduction plans of Japan's airlines. (2003 – 2005 Sojitz successfully contracted for around 80 next-generation B787 mid-size jets and about 80 state-of-the-art B737NG small jets.)

Core Trading Business (Example 2)
– Retail Property Development Business

Sojitz optimally leverages its trading company functions as a leading developer in the retail property development business

Invest roughly ¥20 billion over three years in central Tokyo projects in response to expected tightening of suburban store planning regulations

PREMIUM OUTLETS® - CHELSEA JAPAN



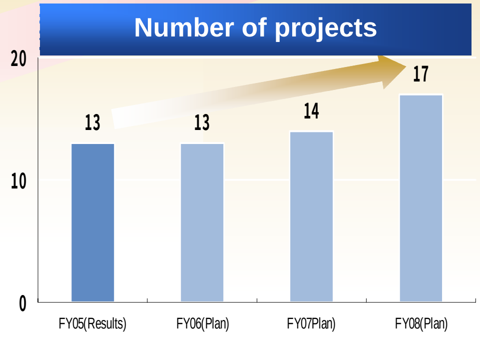
Site selection
We select project sites with care, drawing on know-how acquired in previous development projects.

Financing
We have developed a business model that employs sophisticated financing schemes and boasts extremely high investment efficiency.

Tenant selection
We are able to attract and select quality tenants by proactively responding to customer needs.

Store planning and management
We secure stable rental revenue from quality tenants.

Deliver higher returns



Future Focus

Alongside conventional large-scale suburban retail property development, we are diversifying into local SC and urban retail property development to accumulate know-how that will support expansion of our business portfolio.

III. Capital and Financial Strategies

Capital Strategy: Reorganize Capital Structure (Clear up Preferred Stock Issues)

Entered into agreement to repurchase preferred stock totaling ¥560.4 billion (issue price) for ¥342.9 billion - ¥354.1 billion (maximum)

Of outstanding balance of preferred stock (¥576.0 billion as of April 28, 2006), we will repurchase a total of ¥560.4 billion with conversion periods commencing May 2008 or after to accelerate financial restructuring.

- By bringing down the significant dilution estimated at this point, total dilution will be dampened, raising the value of Sojitz stock.
- We will accumulate shareholders' equity by reducing the burden of dividends on preferred stock eases.

Procuring funds from external sources through a ¥300 billion convertible bond issue

The expected reduction of shareholders' equity due to repurchase of preferred stock will be minimized by using funds raised through a CB issue, allowing the Company to further increase shareholders' equity during the **New Stage 2008** Medium-term Management Plan period.

Capital Strategy: Speed-up Capital Restructuring (Concrete measures)

Outstanding Preferred Stock (as of March 31, 2006)

	Outstanding amount(Billions of yen)	Conversion price#1 (yen)	Starting date of conversion period	Latent stock#2 (thousands of shares)	Ratio#3
1st Series Class I	12.6	262	2006/5/14	48,092	11.9%
2nd Series Class I	52.6	262	2008/5/14	200,763	49.7%
3rd Series Class I	52.6	262	2010/5/14	200,763	49.7%
4th Series Class I	52.6	262	2012/5/14	200,763	49.7%
1st Series Class II	52.6	262	2014/5/14	200,763	49.7%
1st Series Class IV	199.5	TBD	2024/10/29	286,638	70.9%
1st Series Class V	130.5	TBD	2019/10/29	187,500	46.4%
2nd Series Class V	20.0	TBD	2015/10/29	28,736	7.1%
Subtotal	560.4			1,305,927	323.2%
1st Series Class III	3.0	503	2004/5/14	5,964	1.5%
Total preferred stock outstanding	576.0			1,359,983	336.5%

Measures for Preferred Stock

- In FY05, we repurchased and cancelled ¥40 billion of preferred stock out of a total ¥52.6 billion (issue price)

April 28, 2006

- Sojitz enters an agreement with holders of preferred stock to repurchase preferred stock totaling ¥560.4 billion by paying ¥342.9 billion to ¥ 354.1 billion (maximum).
- Decided to submit proposal for reduction of capital and capital reserve to the Annual General Meeting of Shareholders.
- Approved resolution to issue convertible bonds (¥300 billion) through private placement

#1: Based on maximum conversion price of ¥262 for 1st Series Class I, 2nd Series Class I, 3rd Series Class I, 4th Series Class I, 1st Series Class II and a conversion price of ¥503 for 1st Series Class III preferred shares.

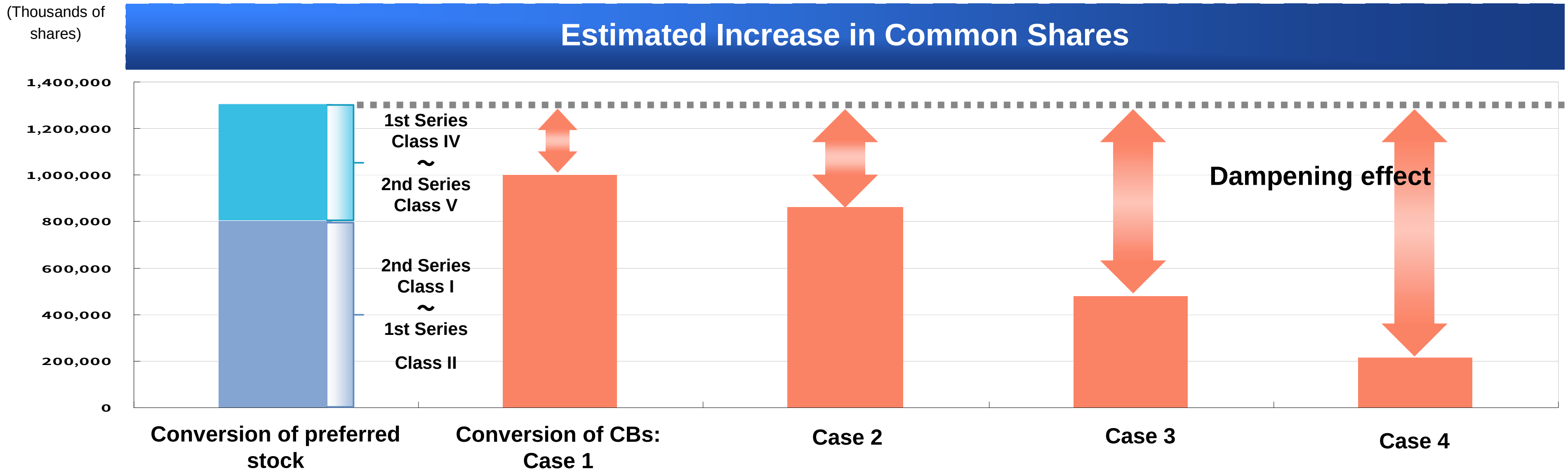
#2: Based on estimates for conversion of latent stock from 1st Series Class IV, 1st Series Class V, 2nd Series Class V at ¥696, the closing price on March 31, 2006.

#3: Latent stock as a percentage of total outstanding common shares of 404,208 thousand (as of March 31, 2006). (Latent stock/Outstanding sharesX100)

Capital Strategy: Speed-up Capital Restructuring (Dampening the effect of dilution)

- Number of Company's outstanding common shares shall increase to 1,305,927 thousand shares (323% of the common shares outstanding as of March 31, 2006) assuming that all preferred shares with conversion periods commencing May 2008 and after are converted.
- Compared with current estimates, total dilution can be held down by reducing the significant dilution resulting from conversion of CB. This can be achieved by repurchasing preferred stock with funds raised through convertible bonds.

Estimated Increase in Common Shares



- Conversion of all preferred shares:
  - Increase in the number of shares under the following conditions:
    2nd Series Class I –1st Series Class II: ¥262
    1st Series Class IV – 2nd Series Class V: ¥696 (Based on closing price on March 31, 2006)
- CB conversion
  Issue ¥300 billion of convertible bonds and repurchase and cancel preferred stock. (Assuming the following conversion prices)
  ① Increase in the number of common shares at the conversion price of ¥300 (minimum conversion price)
  ②Increase in the number of common shares at the conversion price of ¥348 (50% of the closing price of the Company's common stock on March 31, 2006: ¥696)
  ③Increase in the number of common shares at the conversion price of ¥626.4 (90% of the closing price of the Company's common stock on March 31, 2006: ¥696)
  ④Increase in the number of common shares at the conversion price of ¥1,392 (Double the closing price of the Company's common stock on March 31, 2006: ¥696)

Capital Strategy:
Summary of Agreement for Repurchase of Preferred Stock

Stock to be repurchased	Outstanding amount issued (Billions of yen)	Total repurchase amount (Billions of yen)	Repurchase price (% of outstanding amount)	Number of shares to be repurchased (Thousands of shares)	Seller and number of shares held	
					(Same coupon for all series and classes of preferred stock) (Billions of yen/per coupon)	
2nd Series Class I	52.6	56.8	108%	26,300	Bank of Tokyo-Mitsubishi UFJ Mizuho Corporate Bank Resona Bank Mitsubishi UFJ Trust and Banking Corporation Norinchukin Bank	37.0 9.0 3.6 2.0 1.0
3rd Series Class I	52.6	55.8	106%	26,300		
4th Series Class I	52.6	54.7	104%	26,300		
1st Series Class II	52.6	53.6	102%	26,300		
1st Series Class IV	199.5	45.9	23%	19,950	Bank of Tokyo-Mitsubishi UFJ	199.5
1st Series Class V	130.5	56.1	43%	10,875	Bank of Tokyo-Mitsubishi UFJ	130.5
2nd Series Class V	20.0	20.0	100%	2,000	Bank of Tokyo-Mitsubishi UFJ Mizuho Corporate Bank	10.0 10.0
Subtotal	560.4	342.9				

※The repurchase price shall be raised uniformly by 2% for all preferred shares outstanding and repurchased after October 2007, pushing up the total repurchase amount to a maximum ¥354.1 billion.

Repurchase schedule: March 31, 2007, a day to determined by the Company between April 1, 2007 and the day prior to the June 2007 Annual General Meeting of Shareholders, September 30, 2007 and March 31, 2008.

Total repurchase amount on each of the scheduled repurchase dates: To be determined by the Company based on the conversion amount of CBs in the period from the preceding repurchase date (if first repurchase, from the date of issue of convertible bonds) to the current repurchase date.

Repurchase order : 2nd Series Class I; 3rd Series Class I, 4th Series Class I; 1st Series Class II, 2nd Series Class V; 1st Series Class IV; 1st Series Class V

Method of repurchase :Class I and Class II preferred shares: Based on Annual General Meeting of Shareholders approval for acquisition of treasury stock.
Class IV and Class V preferred shares: Purchase clause added to the Articles of Incorporation.

The above agreement is subject to issue of CBs and approval of the following proposals at the Annual General Meeting of Shareholders scheduled for June 27, 2006.

- "Increase in the Company's Authorized Common Shares"
- "Addition of a Clause Regarding Terms of Repurchase for Class IV/V Preferred Stock" (The above require Amendments to the Articles of Incorporation)
- "Acquisition of Treasury Stock" and "Reduction of Capital and Capital Reserve."

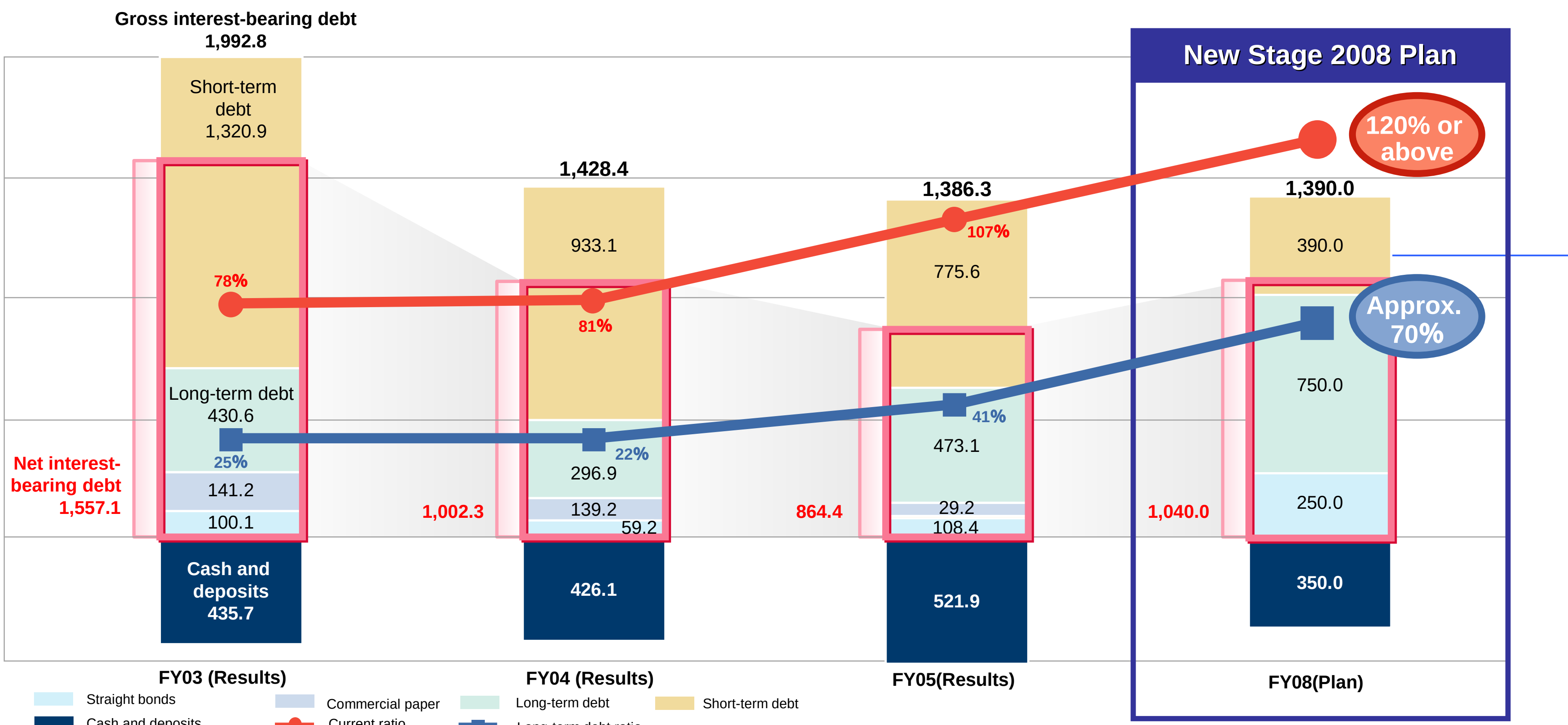
Financial Strategy: Improve Stability of Funding Structure

Measures to improve funding structure
- Diversify funding methods
- Improve long/short debt ratio

FY05 Achievements
- Straight bonds ¥95 billion
- Syndicated loan contracts (term loans) ¥148.1 billion
- Long-term debt ¥310 billion

New Stage 2008
Further improve credit rating (BBB or above) and:
- Continue to issue straight bonds
- Shift to long-term debt
- Line up additional syndicated loans

FY08 Targets
- Current ratio 120% or above
- Long-term debt ratio Approximately 70%



IV. Risk Management

Strengthen and Enhance Risk Management

Strengthen and enhance comprehensive risk management to improve the portfolio structure

Risk management ▶ Raise on-site risk management awareness

- **Credit control standards**：Use unified internal rating system for domestic and overseas business partners as central plank in Groupwide risk management
- **Country risk management standards**：Limit country exposure based on country ratings and control and manage credit
- **Business investment standards**：

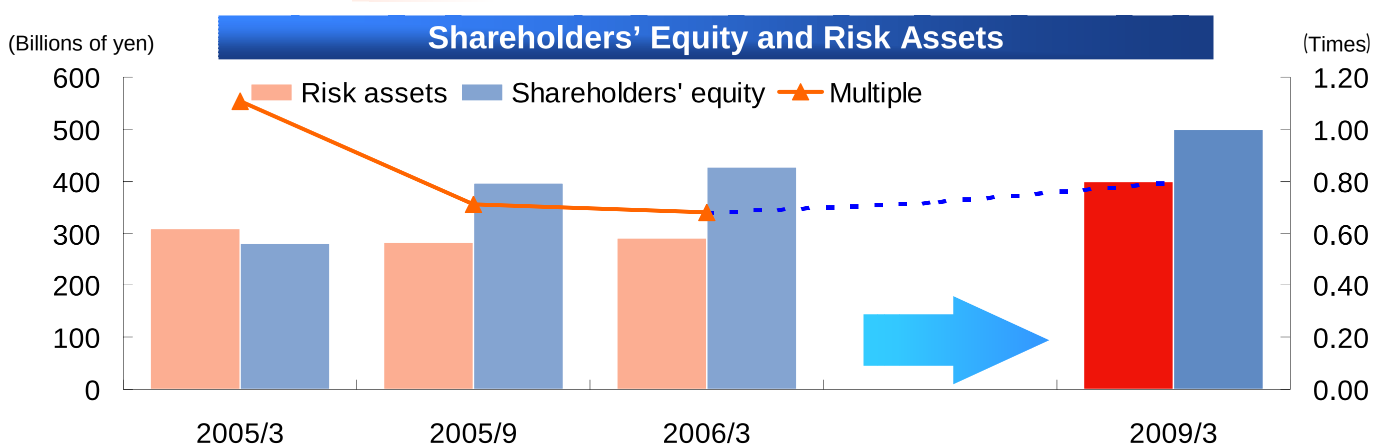
Hurdle Rate

Capital cost + **Risk premium** (Country risk, Partner risk, Risk unique to business, etc.) < **Investee IRR***

* IRR=Internal Rate of Return

- **Follow-up management**：Periodic follow up + Strict compliance and implementation of exit rules

Risk asset control ▶ Manage risk assets so they do not exceed shareholders' equity (Aim to hold to around 0.8 times shareholders' equity)



Robust Risk Management and Social Responsibility Initiatives

Bolster management control system to ensure sustained growth of Group

- **Strengthen corporate governance**
  - Clarify management responsibility and accountability for all stakeholders
  - Establish highly transparent management organization
- **Establish internal control systems**
  - Review and establish internal control systems on a consolidated Group basis (Internal Control Committee)
  - Carry out ongoing system reviews and business process control
- **Promote compliance**
  - Comply with rules and regulations and social norms (Compliance Committee)
  - Promote Group Compliance Code of Conduct across the Group
- **Approach to CSR**
  - Address issues such as environmental protection and compliance (CSR Committee)
  - Aim to become a company trusted by society

V. Numerical Targets

Consolidated Statements of Operations (Forecast)

Billions of yen

	FY05 (Results)	FY06 (Plan)	FY07 (Plan)	FY08 (Plan)
Net sales	4,972.1	5,200.0	5,680.0	6,100.0
Gross trading profit	242.2	253.0	270.0	300.0
(Gross trading profit ratio)	(4.9%)	(4.9%)	(4.8%)	(4.9%)
SG&A expenses	△ 166.0	△ 172.0	△ 182.5	△ 200.0
Operating income	76.2	81.0	87.5	100.0
(Operating income ratio)	(1.5%)	(1.6%)	(1.5%)	(1.6%)
Other income/expenses	2.6	2.0	2.5	0.0
Recurring profit	78.8	83.0	90.0	100.0
(Recurring profit ratio)	(1.6%)	(1.6%)	(1.6%)	(1.6%)
Extraordinary gains and losses	△ 9.4	△ 10.0	△ 10.0	△ 10.0
Income before income taxes and minority interests	69.4	73.0	80.0	90.0
Net income	43.7	49.0	53.0	60.0
Core earnings	78.5	81.0	89.0	100.0
ROA	1.8%	2.0%	2.1%	2.3%
ROE	12.4%	11.6%	12.0%	12.5%

Consolidated Balance Sheets

Billions of yen

	FY05 (Results)	FY06 (Plan)	FY07 (Plan)	FY08 (Plan)
Cash and deposits	521.9	350.0	350.0	350.0
Operating assets	937.8	990.0	1,050.0	1,090.0
Investment and long-term receivables	604.5	720.0	750.0	800.0
Property and equipment	457.5	440.0	450.0	430.0
Total assets	2,521.7	2,500.0	2,600.0	2,670.0
Operating liabilities	708.4	690.0	750.0	780.0
Interest-bearing debt	1,386.3	1,390.0	1,390.0	1,390.0
Total liabilities	2,094.7	2,080.0	2,140.0	2,170.0
Shareholders' equity	427.0	420.0	460.0	500.0
Net interest-bearing debt	864.4	1,040.0	1,040.0	1,040.0
Net DER (times)	2.0	2.5	2.3	2.1

Summary of Consolidated Financial Results

April 28, 2006

for the Year Ended March 31, 2006

Sojitz Corporation (Former Sojitz Holdings Corporation)

(URL http ://www.sojitz.com)
Listed stock exchange : The first sections of Tokyo and Osaka
Headquarters : Tokyo
Securities Code : 2768
Company Representative : Akio Dobashi, President & CEO
Contact Information : Takashi Inada, GM, Public Relations Dept. TEL +81-3-5520-3404
Date of Director Meeting for FY2005 Finacial Results : April 28, 2006
Adopting of US GAAP : No

1. Consolidated Financial Results for the Years Ended March 31, 2006 and 2005

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

	Net Sales		Operating Income		Recurring Profit		Net Income(Loss)	
For the years ended	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
March 31, 2006	4,972,059	6.33	76,202	16.30	78,773	35.61	43,706	-
March 31, 2005	4,675,903	(20.23)	65,521	9.30	58,088	19.87	(412,475)	-

	EPS	Adjusted EPS	ROE	ROA	Recurring profit ratio
For the years ended	Yen	Yen	%	%	%
March 31, 2006	126.21	99.55	12.4	3.2	1.6
March 31, 2005	(1876.48)	-	(138.3)	2.1	1.2

Notes:
1. Equity in Earnings of Unconsolidated subsidiaries and affiliate during the period: (Millions of Yen)
   Current fiscal year : 19,149 Last fiscal year : 10,741
2. Average number of outstanding shares during the period:
   Current fiscal year : 346,172,113 Last fiscal year : 219,825,798
3. Changes in accounting policies during the period: Yes
4. Percentage indicate changes in net sales, operating income, recurring profit and net income are compared with preceding period.

(2)Financial Position (Consolidated)

	Total Assets	Shareholders' Equity	Shareholders' Equity Ratio	BPS
As of	Millions of Yen	Millions of Yen	%	Yen
March 31, 2006	2,521,679	426,949	16.9	(368.95)
March 31, 2005	2,448,478	280,241	11.4	(1,440.26)

Notes:
1. Number of outstanding shares at the end of the period (Common Stock):
   Current fiscal year : 403,985,111 Last fiscal year : 240,066,694
2. Number of outstanding shares at the end of the period (Preferred Stock):
   Current fiscal year : 145,825,000 Last fiscal year : 166,825,000
3. Number of treasury shares at the end of the period:
   Current fiscal year : 223,777 Last fiscal year : 179,560

(3) Consolidated Statements of Cash Flows

	Operating Activities	Investing Activities	Financing Activities	Cash & Cash Equivalents at the end of the Period
For the years ended	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
March 31, 2006	43,155	99,155	(55,805)	506,254
March 31, 2005	(19,774)	241,109	(212,264)	409,266

(4) Consolidated subsidiaries : 321
Unconsolidated subsidiaries (accounted for by the equity method) : 12
Unconsolidated affiliates (accounted for by the equity method) : 180

(5) Consolidated subsidiaries : (Increase) 24 companies (Decrease) 32 companies
Affiliated companies accounted for by the equity method : (Increase) 32 companies (Decrease) 28 companies

2. Consolidated Earnings Forecast for the Year Ending March 2007 (April 1, 2006~March 31, 2007):

	Net Sales	Recurring Profit	Net Income
For the year ending March 31, 2007	Millions of Yen	Millions of Yen	Millions of Yen
Interim	2,500,000	38,000	24,000
Full year	5,200,000	83,000	49,000

Reference: EPS (projection): JPY 121.29

Sojitz Corporation

Group Management Policy

1. Fundamental policy

Sojitz recently formulated New Stage 2008, a new three-year medium-term management plan starting in fiscal 2006, with the overarching goal of achieving sustained growth for the Group. Because the main financial targets for the final year (fiscal 2006) of the previous three-year medium-term management plan were achieved one year early, Sojitz decided to drastically review the plan. This culminated in the adoption of a fundamental policy for New Stage 2008: further raise corporate value by enhancing growth strategies, speeding up capital and financial strategies and enhancing risk management.

Guided by the Sojitz Group Statement, the Company will implement New Stage 2008 to realize the aims and tenets described in the Group 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

2. Basic policy on dividends

Sojitz has positioned the stable payment of dividends to shareholders, together with a steady increase in shareholder value and competitiveness supported by adequate retained earnings, as key issues for management. Accordingly, the Sojitz Group is committed to the payment of an appropriate level of dividends after considering such factors as the Company's financial structure and shareholders' equity, and funding requirements for investments to boost earnings.

While working to ensure an appropriate level of retained earnings to improve the financial framework of the entire Group, further enhance growth strategies and accelerate capital and financial strategies, Sojitz will aim to build up accumulated earnings to pay dividends for fiscal 2006.

3. Summary of previous medium-term management plan

(1) Fundamental policy and financial targets of previous medium-term management plan
The fundamental policy of the previous medium-term management plan was to radically strengthen the Company's financial framework and implement reforms to achieve a quality earnings structure, aiming to improve corporate value.

The plan's consolidated financial targets:

Recurring profit:	¥65.0 billion for the second year of the plan (fiscal 2005)
	¥75.0 billion for the final year of the plan (fiscal 2006)
Net DER:	Approximately 3 times (net interest-bearing debt: ¥1 trillion level)
Rating:	BBB or above

(2) Plan progress and summary
(i) Dramatic strengthening of financial framework
As a result of advancing asset soundness and accumulating a higher level of earnings than planned, net DER improved dramatically to approximately two times. This improvement, together with such actions as the issue of straight bonds totaling ¥95.0 billion and the conclusion of syndicated loan contracts amounting to ¥148.1 billion in fiscal 2005, helped the Company to enhance the stability of funding and further strengthen its financial framework.

Of preferred stock issued by Sojitz, the Company repurchased and cancelled ¥40.0 billion (issue price) of 1st Series Class I Preferred Stock totaling ¥44.0 billion yen on January 13, 2006. This repurchase was funded through capital raised from the conversion of ¥60.0 billion in 2nd Series Convertible Bonds with acquisition rights, which were issued on June 3, 2005.

(ii) Reforms to build a quality earnings structure

The Company introduced its own risk/return indicator SCVA (Sojitz Corporation Value Added) and used it as a common company-wide benchmark to review all its businesses, providing the basis for further selection and focus initiatives. This enabled the Company to rationalize businesses not generating economic value, invest capital and management resources to expand existing businesses, reallocate funds for new investments and active M&As, and further raise value in growth fields. Looking ahead, the Company will implement three processes to improve SCVA: 1) invest resources in growth fields, 2) withdraw from selected businesses and low-margin businesses and, 3) conduct continuous business portfolio management and risk management improvements. In this way, Sojitz will continuously review its business portfolio to improve SCVA, and implement reforms to achieve a quality earnings structure.

(iii) Plan progress and summary

As shown below, results for fiscal 2005, the second year of the previous medium-term management plan, exceeded the financial targets for the plan's final year.

(Billions of yen)	FY05 (Plan)	FY05 (Plan – revised)	FY06 (Plan)	FY05 (Results)	Results vs. original plan	Results vs. revised plan
Recurring income	65.0	77.0	75.0	78.8	121.2%	102.3%
Net interest-bearing debt	1,075.0	940.0	1,050.0	864.4		
Net DER (times)	3.3	2.4	2.9	2.0		

4. Overview of New Stage 2008

Fundamental policy of New Stage 2008

The fundamental policy of New Stage 2008, the new medium-term management plan, is to deliver sustained growth through specific strategies aimed at boosting Sojitz's corporate value: 1) further enhancing growth strategies, 2) accelerating capital and financial strategies, and 3) upgrading risk management.

(1) Further enhancing growth strategies
To deepen the manner of growth of each business, the Company will further strengthen the framework needed to support this growth. At the same time, the Company will continue to implement its selection and focus initiative and further leverage SCVA business management as a framework to manage growth.

(2) Accelerating capital and financial strategies
To resolve problems related to outstanding preferred stock described below, the Company will speed up the reorganization of its financial structure and further stabilize the funding structure, aiming to achieve its current ratio and long-term debt ratio targets.

(3) Upgrading risk management
The Company will upgrade risk management by ensuring greater risk awareness across the entire Group and building a comprehensive risk management system. This will help Sojitz to manage risk better and maintain a high-quality portfolio.

5. Restructuring the Company's financial structure by clearing up the preferred stock issue

Of the outstanding balance of preferred stock (¥576.0 billion as of April 28, 2006), the Company has entered into an agreement with all holders of preferred stock in question to repurchase a total of ¥560.4 billion for a purchase price of ¥342.920 billion (up to a maximum of ¥354.128 billion, depending on the time of purchase). This step will accelerate financial restructuring by completing the repurchase of all outstanding preferred stock, with the exception of the 1st Series Class III Preferred Stock (outstanding amount ¥3.0 billion), which is already valid for conversion, and 1st Series Class I Preferred Stock (outstanding amount ¥12.6 billion), convertible since May 14, 2006.

In parallel, Sojitz will submit the following proposals to the Annual General Meeting of Shareholders scheduled for June 27, 2006:

(1) Approval for acquisition of treasury stock related to 2nd Series through 4th Series Class I

Preferred Stock and 1st Series Class II Preferred Stock.

(2) Amendment to the Articles of Incorporation to add a clause regarding terms of repurchase for 1st Series Class IV/Class V Preferred Stock and 2nd Series Class V Preferred Stock.

(3) Reduction of capital and capital reserve to ensure funding sources for the above purchases.

The Company also approved a resolution to issue a 3rd Series and 4th Series of Convertible Bonds with stock acquisition rights (henceforth, “convertible bonds”) totaling ¥300.0 billion through a private placement. In line with its policy for the Group, Sojitz decided that this was the best means of procuring capital while minimizing impact on the stock price due to the carrying out of multiple conversions during a certain period.

The purpose of this issue of convertible bonds is to minimize the effect of dilution by repurchasing preferred stock. Moreover, to avoid applying excessive selling pressure on the market associated with the large size of the issue, Sojitz intends to enter into an agreement with a bond underwriter to set a combined monthly maximum conversion amount of ¥30.0 billion for the 3rd Series and 4th Series of Convertible Bonds.

The starting date for the conversion of the 4th Series of Convertible Bonds has been set for July 1, 2006, after the Annual General Meeting of Shareholders. However, this is subject to approval by the Annual General Meeting of Shareholders for an amendment to the Articles of Incorporation to permit an increase in the number of authorized common shares.

To fully clear up the preferred stock issue, the Company will repurchase preferred stock in proportion to the amount of capital procured from the conversion of the convertible bonds, thereby minimizing the projected reduction in shareholders' equity and allowing the Company to further reinforce its capital base. To minimize overall the dilution arising from the future conversion of preferred stock to common shares, the Company is seeking to boost the value of Sojitz stock and at the same time, reduce the burden of dividend payments to preferred stockholders and avoid the risk of future increases in the cost of repurchasing preferred stock. This will significantly help Sojitz to increase shareholders' equity during the course of New Stage 2008.

This repurchase of preferred stock based on the Agreement for Repurchase of Preferred Stock is subject to the issue of convertible bonds and approval of all the following proposals by the Annual General Meeting of Shareholders:

- Amendment to the Articles of Incorporation to permit an increase in the Company's authorized common shares
- Acquisition of treasury stock
- Amendment to the Articles of Incorporation to add a clause regarding terms of repurchase of preferred stock
- Reduction in capital and capital reserve

6. New Stage 2008 financial targets

New Stage 2008 consolidated financial targets:

Net income

Year ending March 31, 2007	Year ending March 31, 2008	Year ending March 31, 2009
¥49.0 billion	¥53.0 billion	¥60.0 billion

Recurring profit

Year ending March 31, 2007	Year ending March 31, 2008	Year ending March 31, 2009
¥83.0 billion	¥90.0 billion	¥100.0 billion

Shareholders' equity

¥500.0 billion (Year ending March 31, 2009)

Financial indicators

Current ratio	120% or above	(Year ending March 31, 2009)
Long-term debt ratio	Approx. 70%	(Year ending March 31, 2009)

7. Future actions

One of the most important issues Sojitz currently faces is ensuring the three initiatives in New Stage 2008 are implemented according to plan: further enhance growth strategies, accelerate capital and financial strategies, and upgrade risk management.

To realize the first initiative, the Company will distill into a three-year plan the growth strategies for each business based on enhancing functions and expanding business investments. Sojitz will then build a follow-up organization to execute these growth strategies.

With the second initiative, Sojitz will engage in a dialog with the markets to reorganize its financial structure and improve the stability of its funding structure. To reorganize its financial structure, Sojitz will repurchase and cancel preferred stock, as previously described, to dampen potential share value dilution. The Company will also procure capital from external sources to minimize the projected reduction in shareholders' equity, and improve the financial structure.

Thirdly, Sojitz will upgrade risk management by extending the following fundamental measures taken in fiscal 2005 across the Group: reforms of the risk operation system, risk-consultation system and after-the-fact control system, establishment of an internal control system and a compliance system, and portfolio management reform.

Sojitz will also firmly establish the SCVA risk/return indicator in portfolio management, withdraw from low-margin businesses and consistently focus on highly competitive businesses. These measures will enable us to reform the earnings structure and improve the business portfolio.

Sojitz Corporation

(Former Sojitz Holdings Corporation)

Business Results and Financial Position

1. Business Results

(1) Overview of Fiscal 2005

Fiscal 2005, the year ended March 31, 2006, came to a close with lingering feelings of insecurity in international affairs, reflecting the growing threat of possible terrorist acts by Islamic extremists, the problem of Iran's nuclear development program, and widespread suffering and damage caused by natural disasters such as the hurricane that struck the southern U.S. and a major earthquake in Pakistan.

During the period, crude oil prices climbed to unprecedented highs, with the WTI reaching US$70.85 at one point at the end of August 2005. Although there were concerns that this would impact negatively on many areas, international trade continued to expand and the global economy sustained its strength from the previous year.

In the U.S., the business environment was firm due mainly to a recovering employment market and rising incomes, a housing boom that generated new wealth and brisk capital investment. These factors accommodated downside risks such as the twin issues of deficits and rising crude oil prices.

Even the undeniably slow-developing European region witnessed a recovery in exports against a background of strong overseas demand, and driven by the corporate sector, the economy steadily improved.

Asia maintained its growth rate of nearly 10% despite China's policy of fiscal restraint. Moreover, the NIEs and ASEAN countries overcame inventory adjustments in the IT and digital sectors to continue their export-led economic expansion. The Indian economy also grew powerfully.

The Japanese economy continued to recover, led by private-sector demand generated by capital investment and personal consumption. External demand was also strong, with firm exports mainly to the U.S., China and other Asian countries. Given that financial anxieties had receded and the economy was expected to overcome its period of deflation, the Bank of Japan decided to end its policy of quantitative fiscal easing in March 2006. Meanwhile, other signs such as an increase in the Nikkei Stock Average of nearly 50% in just one year showed that the Japanese economy was steadily moving out of its long period of stagnation.

On October 1, 2005, Sojitz Holdings Corporation merged with its wholly owned subsidiary, Sojitz Corporation. Sojitz Corporation's business operations were transferred to the successor company, Sojitz Holdings Corporation, which subsequently changed its name to Sojitz Corporation.

This merger had no impact on the business conditions of the corporate group because the former Sojitz Corporation had been a consolidated subsidiary of Sojitz Holdings Corporation.

Business results for the Sojitz Group for fiscal 2005, the year ended March 31, 2006, are presented as follows.

In the fiscal year under review, consolidated net sales (total trading transactions) amounted to ¥4,972,059 million, an increase of 6.3% compared with the previous fiscal year.
By type of trade, export sales in the Machinery & Aerospace, Chemicals & Plastics and other divisions fell 0.7% year on year. However, import sales in the Machinery & Aerospace, Energy & Mineral Resources and other divisions rose 7.2%. Domestic sales in the Consumer Lifestyle Business, Chemicals & Plastics, Energy & Mineral Resources and other divisions increased 7.9%, and offshore sales rose 7.9% in the Overseas Subsidiaries, Machinery & Aerospace, Consumer Lifestyle Business and other divisions.

By business segment, net sales in the Energy & Mineral Resources Division increased 12.0% compared with the previous fiscal year, partially affected by surging prices for resources. Other divisions also posted increases in net sales, including the Consumer Lifestyle Business Division, 10.6%, Machinery & Aerospace Division, 10.2%, and Chemicals & Plastics Division, 6.2%. Net sales at Overseas Subsidiaries also increased, rising 3.4% compared to a year earlier. On the other hand, sales in the Real Estate Development & Forest Products Division were down 13.3%, partially reflecting a slump in the forest products market. Net sales in Others fell 2.2%.

On the earnings front, gross trading profit was ¥242,166 million, a slight decline of 0.9% compared with the previous fiscal year. Positive contributions, including a strong performance from the Energy & Mineral Resources Division and a recovery by Overseas Subsidiaries, were offset by a drop in gross trading profit from the Consumer Lifestyle Business Division, owing to the sale of Nakau Co., Ltd. Operating income rose 16.3% year on year, to ¥76,202 million. This was mainly attributable to a marked improvement in selling, general and administrative (SG&A) expenses of ¥12,761 million due to the sale of Nakau Co., Ltd., the benefits of rationalization, and a decrease in depreciation and amortization expenses through the disposal of fixed assets. Supported by the increase in operating income, recurring profit jumped 35.6% to ¥78,773 million, reflecting improved interest expense-net due to a reduction in interest-bearing debt and increased contributions from equity in earnings of unconsolidated subsidiaries and affiliates, in particular Metal One Corporation. For fiscal 2005, the Company recorded a net extraordinary loss of ¥9,358 million. This mainly comprised extraordinary gains of ¥20,025 million, including gain on sales of investment securities totaling ¥9,522 million and reversal of allowance for doubtful accounts totaling ¥5,797 million, outweighed by extraordinary losses of ¥29,384 million. Principal components of extraordinary losses were loss, and provision for loss, on dissolution of subsidiaries and affiliates amounting to ¥11,645 million, following ongoing reviews of low-profit businesses, including overseas investments and loans, consistent with the selection and focus initiatives announced in Sojitz's current medium-term management plan; restructuring losses of ¥5,482 million, loss on sales of investment securities totaling ¥3,367 million; dilution loss from changes in equity interest amounting to ¥2,954 million; and impairment losses on fixed assets totaling ¥2,022 million resulting from the application of the accounting standard for impairment of fixed assets from the year under review. As a result of these and other factors, income before income taxes and minority interests for the fiscal year was ¥69,414 million. After accounting for income taxes of ¥16,484 million, deferred income taxes of ¥5,840 million and minority interests in consolidated subsidiaries totaling ¥3,383 million, Sojitz Corporation recorded net income for fiscal 2005 of ¥43,706 million.

(2) Consolidated Industry Segment Results

Machinery & Aerospace

Net sales in this segment totaled ¥958,343 million, an increase of 10.2% compared with the previous fiscal year, reflecting a rise in the Company's aircraft-related transactions. Operating income was ¥16,040 million, up 30.0%, due mainly to higher gross trading profit resulting from a strong performance by automotive-related subsidiaries.

Energy & Mineral Resources

Net sales in this segment rose 12.0% to ¥1,207,031 million due to surging resource prices and increased output. Operating income climbed 69.6% to ¥18,017 million, reflecting increased gross trading profit.

Chemicals & Plastics

Net sales in this segment increased 6.2% to ¥632,861 million, reflecting rises in prices for base raw materials and products. Operating income was ¥16,556 million, up 5.8%, due to favorable performances in base raw materials for chemicals and reductions in SG&A expenses.

Real Estate Development & Forest Products

Net sales in this segment fell 13.3% compared with the previous fiscal year to ¥419,746 million owing to the Company's withdrawal from unprofitable businesses in forest products, despite increased condominium sales. Operating income declined 11.4% year on year to ¥9,606 million due to a slump in the forest products market, outweighing a favorable performance by the condominium business.

Consumer Lifestyle Business

Net sales in the Consumer Lifestyle Business increased 10.6% to ¥868,055 million, partially reflecting the full-year contribution of a textile sector subsidiary that was newly consolidated in the second half of the previous fiscal year. However, operating income fell 29.8% to ¥7,973 million due to a downturn in certain areas of the clothing sector and higher SG&A expenses.

Overseas Subsidiaries

Net sales recorded by Overseas Subsidiaries totaled ¥768,547 million, an increase of 3.4% compared with a year earlier, reflecting strong performances by companies in China and other parts of Asia. Operating income also rose, increasing 10.6% to ¥4,646 million.

Others

Net sales in Others declined 2.2% to ¥117,474 million, mainly due to decreased lease income resulting from the disposal of fixed assets for leasing in the previous fiscal year. Operating income fell 34.7% to ¥2,568 million.

2. Outlook for Fiscal Year 2006

The following shows the performance outlook for the full fiscal year

(Consolidated)	(Billions of yen)
Net sales	5,200
Recurring profit	83
Net income	49

(Non-consolidated)	(Billions of yen)
Net sales	2,600
Recurring profit	32
Net income	26

The above outlook assumes an exchange rate of ¥110/US$ and a crude oil price of US$50/BBL (Brent).

The outlook also assumes that Sojitz will merge on schedule with three Sojitz subsidiaries: Sojitz Urban Development Corporation (scheduled for August 1, 2006), Global Chemical Holdings, Inc. (scheduled for October 1, 2006) and Sojitz Chemical Corporation (scheduled for October 1, 2006).

Forward-looking Statements

The information on future performance (forward-looking statements) is based on information available to management at the time of disclosure. Accordingly, readers are advised that actual results may differ materially from forward-looking statements 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. The Company will provide timely disclosure of any material changes or related issues.

3. Financial Position

(1) Consolidated Balance Sheets

Aiming to realize the shift to a quality earnings structure in the second year of the New Business Plan (the current medium-term management plan), the Company advanced its selection and focus initiatives to enhance its business portfolio strategy, and invested business resources in growth domains with the aim of raising SCVA, the Company's own risk/return indicator. Sojitz also worked to improve its debt structure. Specific steps included procuring new long-term loans such as large-scale syndicated loan contracts, and improving the stability of the funding structure by diversifying fund procurement through the issue of straight bonds and other means, ultimately aiming to improve the current ratio and long-term debt ratio. These efforts paid off with an improvement in the current ratio to approximately 107%. The Company is also taking steps to improve its capital structure, aiming to drive a steady improvement in its share value by dampening the dilutive effect of the conversion of preferred stock. Specifically, the Company issued ¥60.0 billion in convertible bonds with acquisition rights in June 2005. The entire amount was converted to common stock by September 2005. Using the funds from this issue, the Company then repurchased ¥40.0 billion (issue price) of the ¥52.6 billion 1st Series Class I Preferred Stock for ¥44.0 billion, and cancelled the stock in January 2006.

(2) Cash Flows

In the fiscal year under review, net cash provided by operating activities and investing activities was ¥43,155 million and ¥99,155 million, respectively. Net cash used in financing activities totaled ¥55,805 million. After accounting for the effect of exchange rate changes on cash and cash equivalents and the effect of change in the scope of consolidation, cash and cash equivalents as of the end of the fiscal year stood at ¥506,254 million.

Cash flows from operating activities

In fiscal 2005, net cash provided by operating activities amounted to ¥43,155 million, a turnaround from the ¥19,774 million of net cash used by operating activities in the previous fiscal year. This primarily reflected the 16.3% year-on-year increase in operating income and efforts to recover trade receivables.

Cash flows from investing activities

Net cash provided by investing activities amounted to ¥99,155 million, a decrease of ¥141,954 million compared with the previous fiscal year. Major cash inflows included the recovery of long-term receivables and proceeds from sale of investment securities. However, temporary factors were primarily responsible for the large decrease in net cash, mainly the sale of property and equipment in line with the implementation of the current medium-term management plan in the previous fiscal year.

Cash flows from financing activities

Net cash used in financing activities was ¥55,805 million, an improvement of ¥156,459 million compared to a year earlier. In the process of working to improve its debt structure by improving its current ratio and long-term debt ratio, Sojitz reduced interest-bearing debt by repaying short-term debt, and in parallel, sourced funds through new long-term debt and the issue of straight bonds, thereby laying the foundations for a stable and efficient funding structure.

4. Business and Other Risks

The Sojitz Group is engaged in a wide and diverse range of activities including general trading; the purchase, sale and trade of goods and commodities; and the manufacture and sale of a wide variety of products in Japan and overseas. The Sojitz Group also provides comprehensive services to a variety of industries on a global scale. In addition, it is engaged in planning and arranging projects, and investing in a variety of business fields and financial activities.

In light of these activities, the Sojitz Group is confronted by numerous risks. These risks include: market risk relating to movements in foreign exchange rates, interest rates, commodity market conditions, and stock prices; credit risk relating to non-payment and collection; investment risk; country risk; and other risks. These risks are to a certain degree unpredictable, and as they cannot be accurately ascertained, can impact the performance and financial situation of the Group. Although risk can not be entirely mitigated, the Group is reinforcing and enhancing risk management to address wide-ranging business risks where possible. Sojitz recognizes that a unified and integrated approach across the Group is critical to comprehensive risk management. This also entails quantifying and monitoring risk on an ongoing basis as a vital element of operations. Additionally, in October 2005, the Company established the Internal Control Administration Office to build internal control systems, reinforce the compliance structure and strengthen the management of risk that can not be quantified.

The Sojitz Group is confronted by the following risks in the execution of its daily business activities:

(1) Market Risk

The Sojitz Group is engaged in global business development and trade and is accordingly subject to a variety of market risks. Certain transactions are denominated in foreign currencies and as such are subject to exchange rate risks. The Group is also susceptible to movements in interest rates in connection with funds procurement and its investment activities. In its daily operating activities, the Group enters into purchase agreements, maintains inventories, and is exposed to commodity price risk. In addition, the Group is exposed to stock price risk due to its holdings of marketable and other securities. As a result, the Group is subject to a variety of market risks, and transactions susceptible to market risk are not limited to those identified above.

The Sojitz Group works to avoid market risk-related losses by maintaining limits on the position (short/long) a business unit may assume and by setting loss-cut points. As well as managing these positions and any related losses, the Group strictly adheres to the loss-cut rule: if a loss greater than the loss-cut point occurs, the position is immediately dissolved and new transactions are prohibited during the applicable fiscal year. In order to offset market risks related to its general marketing and finance activities, the Group matches buying and selling transactions for commodities, adopts a matching principle for its assets and liabilities, and applies derivative financial instruments including forward foreign currency contracts, commodity futures and interest rate swaps.

(2) Credit Risk

In the course of its business, the Sojitz Group extends credit facilities to a large number of customers in Japan and overseas, which in turn exposes the Group to credit risk. As part of efforts to manage and control this risk, the Sojitz Group has established an 11-tier credit assessment system. In each instance, the Group objectively determines a credit rating for each customer, and based on this rating, sets the level of credit for the individual transaction. In addition, the Group strives to implement strict security and other collateral requirements in line with the credit rating for each customer. Furthermore, the Group undertakes periodic assessment of credit risk related to deferred payment, finance and guarantee procedures based on risk/return considerations. When the risk/return is considered insufficient, steps are taken to improve returns and reduce risks.

(3) Investment Risk

One of the major business activities of the Sojitz Group is investing in a variety of business fields, which are subject to changes in investment values and other risks. The Company has established a screening system to ascertain the merits and risks of each investment proposal, and a management system to follow-up investments. Clearly defined standards have also been formulated with regard to withdrawal from an investment. Through these initiatives, the Group is working to prevent and reduce loss.

The Company has established a system to adequately screen and select new business investment opportunities. On evaluating each proposal, the relevant business plan, including cash flow projections, is comprehensively examined. Profitability is also strictly assessed by setting a hurdle rate based on the internal rate of return (IRR).

Proposals that have been approved and implemented are subject to periodic review to ensure the early detection of issues and problems. In the event an issue or problem arises, steps are taken to ensure minimum loss. In addition, in order to ensure early detection and in an effort to avoid issues and problems, guidelines are established at the early stages to define acceptable risk and return, and to identify conditions for withdrawal and loss write-off.

(4) Country Risk

The Sojitz Group is subject to country risk in its trading operations and activities. In order to minimize country risk, the Company avoids excessive investment exposure to any one country or region. To this end, the Company evaluates each country and region and assigns a risk rating for each. For countries and regions with a high country risk rating, the Company sets maximum net exposure limits in proportion to the country rating and size, within which the Company operates.

In addition, for countries allocated a high country risk rating, country risk avoidance measures such as trade insurance are implemented for each proposal.

Consolidated Statements of Income

for the year ended March 31, 2006

Millions of yen

	FY2005 Results	Percentage of Net sales (%)	FY2004 Results	Percentage of Net sales (%)	Change	
					Amount	Percentage
Net sales	4,972,059	100.00	4,675,903	100.00	296,156	6.33
Cost of sales	(4,729,892)	(95.13)	(4,431,656)	(94.78)	(298,236)	6.73
Gross trading profit	242,166	4.87	244,247	5.22	(2,081)	(0.85)
Selling, general and administrative expenses	(165,964)	(3.34)	(178,725)	(3.82)	12,761	(7.14)
Operating income	76,202	1.53	65,521	1.40	10,681	16.30
Interest income	13,213	0.27	18,431	0.39	(5,218)	(28.31)
Dividends	6,816	0.14	3,653	0.08	3,163	86.59
Equity in earnings of unconsolidated subsidiaries and affiliates	19,149	0.39	10,741	0.23	8,408	78.28
Gain on sale of securities	2,042	0.04	2,382	0.05	(340)	(14.27)
Other income	18,496	0.37	16,439	0.35	2,057	12.51
Non-operating income	59,718	1.20	51,648	1.10	8,070	15.63
Interest expense	(38,571)	(0.78)	(45,833)	(0.98)	7,262	(15.84)
Interest expense on commercial papers	(1,572)	(0.03)	(2,920)	(0.06)	1,348	(46.16)
Other expenses	(17,003)	(0.34)	(10,328)	(0.22)	(6,675)	64.63
Non-operating expense	(57,147)	(1.15)	(59,082)	(1.26)	1,935	(3.28)
Recurring profit	78,773	1.58	58,088	1.24	20,685	35.61
Extraordinary loss-net	(9,358)	(0.19)	(438,167)	(9.37)	428,809	(97.86)
Income before income taxes and minority interests	69,414	1.40	(380,079)	(8.13)	449,493	-
Income taxes; Current	(16,484)	(0.33)	(11,331)	(0.24)	(5,153)	45.48
Deferred	(5,840)	(0.12)	(18,287)	(0.39)	12,447	68.06
Minority interests in consolidated subsidiaries	(3,383)	(0.07)	(2,778)	(0.06)	(605)	21.78
Net Income (Loss)	43,706	0.88	(412,475)	(8.82)	456,181	-

Extraordinary Income and Loss

for the year ended March 31, 2006

Millions of yen

	FY2005 Results	FY2004 Results	Change
Extraordinary Income;			
Gain on sale of property & equipment	3,962	2,617	1,345
Gain on sale of investment securities	9,522	8,772	750
Reversal of allowance for doubtful accounts	12	-	12
Dilution gain from changes in equity interest	-	1,043	(1,043)
Gain on change in equity method	5,797	-	5,797
Reversal of allowance for retirement benefits	-	2,868	(2,868)
Gain on sale of bad debt recovered	617	-	617
Gain on bad debt written-off	112	-	112
Total extraordinary income	20,025	15,301	4,724
Extraordinary Loss;			
Loss on sale of property & equipment	(1,723)	(98,113)	96,390
Revaluation loss on property & equipment	-	(24,650)	(24,650)
Impairment losses on fixed assets	(2,022)	-	(2,022)
Loss on sale of investment securities	(3,367)	(12,916)	9,549
Loss on sale of investment in partnerships	(1,238)	-	(1,238)
Evaluation loss on investment securities	(950)	(13,415)	12,465
Dilution loss from changes in equity interest	(2,954)	-	(2,954)
Loss, and provision for loss, on dissolution of subsidiaries and affiliates	(11,645)	(62,265)	50,620
Restructuring loss	(5,482)	(224,119)	218,637
Loss on liquidation of future transactions	-	(17,986)	17,986
Total extraordinary loss	(29,384)	(453,468)	424,084
Extraordinary income/loss, net	(9,358)	(438,167)	428,809

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

Provision for doubtful receivables	(3,224)	(1,837)	(1,387)

(Included in Selling, general & administrative expenses)

Consolidated Balance Sheets

As of March 31, 2006

Assets

Millions of yen

	March 31, 2006	March 31, 2005	Change
Current assets;			
Cash and deposits	521,937	426,082	95,855
Trade notes and trade accounts receivable	613,513	618,086	(4,573)
Securities	6,471	7,150	(679)
Inventories	214,163	194,694	19,469
Short-term loans receivable	44,237	41,000	3,237
Deferred tax assets-current	8,886	7,482	1,404
Other current assets	116,416	139,590	(23,174)
Allowance for doubtful receivables	(15,172)	(10,957)	(4,215)
Total current assets	1,510,454	1,423,129	87,325
Fixed assets;			
Tangible assets	246,665	246,652	13
Intangible assets;	100,131	103,850	(3,719)
Goodwill	76,897	79,989	(3,092)
Other intangible assets	23,233	23,860	(627)
Investments and other fixed assets;	663,403	673,924	(10,521)
Investments securities	488,291	409,307	78,984
Long-term loans receivable	38,867	102,142	(63,275)
Non-performing receivables	176,527	286,934	(110,407)
Deferred tax assets-non-current	23,880	57,170	(33,290)
Deferred tax assets-non-current	-	881	(881)
Others	58,793	54,820	3,973
Allowance for doubtful receivables	(122,956)	(237,332)	114,376
Total fixed assets	1,010,200	1,024,427	(14,227)
Deferred assets	1,024	921	103
Total assets	2,521,679	2,448,478	73,201

Consolidated Balance Sheets

As of March 31, 2006

Liabilities and shareholders' equity

Millions of yen

	March 31, 2006	March 31, 2005	Change
Liabilities			
Current liabilities			
Trade notes and trade accounts payable	451,438	472,513	(21,075)
Short-term loans payable	545,072	764,218	(219,146)
Commercial paper	29,200	139,200	(110,000)
Current portion of long-term loans payable	239,841	211,932	27,909
Income taxes payable	7,774	7,644	130
Deferred tax liabilities-current	41	422	(381)
Allowance for employees' bonus	5,148	4,234	914
Other current liabilities	138,198	154,515	(16,317)
Total current liabilities	1,416,716	1,754,681	(337,965)
Non-current liabilities;			
Bonds, less current portion	99,036	16,048	82,988
Long-term loans payable	473,109	296,927	176,182
Deferred tax liabilities -non-current	13,553	7,544	6,009
Allowance for retirement benefits	25,558	29,046	(3,488)
Deferred tax liabilities -revaluation	445	-	445
Other non-current liabilities	29,185	30,639	(1,454)
Total non-current liabilities	640,887	380,206	260,681
Total liabilities	2,057,603	2,134,887	(77,284)
Minority Interests	37,125	33,349	3,776
Shareholders' equity			
Common and Preferred stock	130,549	336,122	(205,573)
Capital surplus	166,754	487,686	(320,932)
Retained earnings	92,487	(492,048)	584,535
Land revaluation difference	(2,619)	(4,869)	2,250
Net unrealized gains on available-for-sale securities	90,547	32,629	57,918
Foreign currency translation adjustments	(50,655)	(79,193)	28,538
Treasury stock	(113)	(86)	(27)
Total shareholders' equity	426,949	280,241	146,708
Total liabilities and shareholders' equity	2,521,679	2,448,478	73,201

Consolidated Statements of Cash Flows

for the year ended March 31, 2006

Millions of yen

	FY2005 Results	FY2004 Results	Change
Operating activities;			
Income (loss) before income taxes and minority interests	69,414	(380,079)	449,493
Depreciation and amortization	25,958	24,784	1,174
Loss on revaluation of securities	950	13,415	(12,465)
Decrease (increase) in allowance for doubtful receivables	(110,810)	64,121	(174,931)
Interest and dividend income	(20,030)	(22,084)	2,054
Interest expense	40,143	48,754	(8,611)
Equity in earnings of unconsolidated subsidiaries and affiliates	(19,149)	(10,741)	(8,408)
Gain (loss) on sale of securities	(4,025)	360	(4,385)
Gain (loss) on sale and disposal of property & equipment	(2,238)	95,495	(97,733)
Losses on revaluation of fixed assets	2,022	24,650	(22,628)
Decrease in trade receivables	26,492	7,171	19,321
Increase (decrease) in inventories	(8,492)	45,102	(53,594)
Decrease in trade payables	(34,978)	(15,770)	(19,208)
Other, net	77,899	85,043	(7,144)
Net cash provided by operating activities	43,155	(19,774)	62,929
Investing Activities			
Increase in time deposit, net	2,541	9,832	(7,291)
Decrease in marketable securities, net	(1,151)	18,111	(19,262)
Payments for property & equipment	(25,518)	(8,358)	(17,160)
Proceeds from sale of property & equipment	16,462	77,419	(60,957)
Payments for purchase of investment securities	(24,380)	(17,936)	(6,444)
Proceeds from sale of investment securities	59,272	80,361	(21,089)
Decrease in short - term loans receivable, net	27,022	58,176	(31,154)
Increase of long - term loans receivable	(9,717)	(8,180)	(1,537)
Collection of long-term loans receivable	37,546	26,810	10,736
Other, net	17,077	4,872	12,205
Net cash provided by investing activities	99,155	241,109	(141,954)
Financing activities			
Increase in short-term debt, net	(233,618)	85,255	(318,873)
Decrease in commercial paper, net	(110,000)	(2,000)	(108,000)
Proceeds from long-term debt	487,025	203,706	283,319
Repayments of long-term debt	(262,600)	(487,734)	225,134
Proceeds from issuance of bonds	154,872	9,998	144,874
Redemption of bonds	(46,030)	(40,088)	(5,942)
Proceeds from issuance of common / preferred stock	-	19,389	(19,389)
Purchase of treasury stock	(44,000)	-	(44,000)
Other, net	(1,453)	(790)	(663)
Net cash used in financing activities	(55,805)	(212,264)	156,459
Effect of Exchange Rate Changes on Cash & Cash Equivalents	11,921	(882)	12,803
Net Decrease in Cash & Cash Equivalents	98,426	8,188	90,238
Cash & cash Equivalents at the Beginning of the Period	409,266	401,240	8,026
Effect of Change in Scope of Consolidation	(1,438)	(162)	(1,276)
Cash & Cash Equivalents at the End of the Period	506,254	409,266	96,988

Segment Information

for the year ended March 31, 2006

Industry Segments

The business segment information for the year ended March 31, 2006 and 2005 are as follows:

Year ended March 31, 2006

Millions of yen

	Machinery & Aerospace	Energy & Mineral Resources	Chemicals & Plastics	Real Estate Development & Forest Products	Consumer Lifestyle Business
Net sales					
Outside customers	958,343	1,207,031	632,861	419,746	868,055
Inter-segment	12,434	10,279	46,354	3,105	14,015
Total	970,778	1,217,310	679,216	422,851	882,070
Operating expense	954,737	1,199,293	662,659	413,244	874,096
Operating income	16,040	18,017	16,556	9,606	7,973
Total assets	325,062	462,958	360,939	232,052	292,281

	Overseas Subsidiaries	Other	Total	Elimination and Unallocated	Consolidated
Net sales					
Outside customers	768,547	117,474	4,972,059	-	4,972,059
Inter-segment	318,325	20,792	425,306	(425,306)	-
Total	1,086,872	138,266	5,397,366	(425,306)	4,972,059
Operating expense	1,082,226	135,698	5,321,956	(426,098)	4,895,857
Operating income	4,646	2,568	75,409	792	76,202
Total assets	441,054	176,164	2,290,514	231,165	2,521,679

Notes:

1. Unallocated costs and expenses included in “Elimination and Unallocated” totaled 3,770 millions of yen and comprised mainly administrative group expenses applicable to the Company and former Sojitz Corporation.

2. Company assets included in “Elimination and Unallocated” totaled 447,487 millions of yen and comprised mainly managed surplus (cash and deposits and bonds, and investment securities) of the Company.

3. Comments relating to changes in the classification of and principal products of industry segments are provided as follows.

In accordance with efforts to streamline the Group’s management structure and to better achieve the objectives identified in the current Medium-term Management Plan (FY2004-FY2006) through an accelerated decision-making process, the Company has reclassified its industry segments from the fiscal year under review as follows. Segment information for the previous fiscal year has been restated in accordance with the revised segment classification for comparative purposes.

- The previous independent industry segments of Construction & Urban Development and Forest Products & Building Materials have been integrated to form the Real Estate Development & Forest Products segment.
- The previous independent industry segments of Textiles, Foods, and General Commodities & Consumer Business have been integrated to form the Consumer Lifestyle Business segment.
- Certain steel-related operations previously included in the Other segment have been included in the Energy & Mineral Resources segment.

Segment Information

for the year ended March 31, 2006

Industry Segments (Continued)

(Ref.) Year ended March 31, 2005

Millions of yen

	Machinery & Aerospace	Energy & Mineral Resources	Chemicals & Plastics	Real Estate Development & Forest Products	Consumer Lifestyle Business
Net sales					
Outside customers	869,771	1,077,758	596,144	484,403	784,550
Inter-segment	16,845	34,200	29,809	4,564	18,157
Total	886,616	1,111,958	625,953	488,967	802,708
Operating expense	874,279	1,101,335	610,307	478,130	791,347
Operating income	12,336	10,622	15,646	10,836	11,361
Total assets	326,470	428,164	355,287	276,409	279,226

	Overseas Subsidiaries	Other	Total	Elimination and Unallocated	Consolidated
Net sales					
Outside customers	743,118	120,156	4,675,903	-	4,675,903
Inter-segment	290,456	16,031	410,063	(410,063)	-
Total	1,033,574	136,188	5,085,967	(410,063)	4,675,903
Operating expense	1,029,374	132,258	5,017,033	(406,651)	4,610,381
Operating income	4,199	3,930	68,934	(3,412)	65,521
Total assets	474,874	165,939	2,306,373	142,104	2,448,478

Notes:

1. Unallocated costs and expenses included in “Elimination and Unallocated” totaled 8,260 millions of yen and comprised mainly administrative group expenses applicable to the Company and former Sojitz Corporation.

2. Company assets included in “Elimination and Unallocated” totaled 433,492 millions of yen and comprised mainly managed surplus (cash and deposits and bonds, and investment securities) of the Company and former Sojitz Corporation.

Segment Information

for the year ended March 31, 2006

Geographic Segments

The geographic segment information for the year ended March 31, 2006 and 2005 are as follows:

Year ended March 31, 2006

Millions of yen

	Japan	North America	Europe	Asia & Oceania	Other	Total	Elimination and Unallocated	Consolidated
Net sales								
Outside customers	3,796,590	361,726	186,529	580,645	46,567	4,972,059	-	4,972,059
Inter-area	276,221	122,563	43,019	199,905	261	641,972	(641,972)	-
Total	4,072,812	484,289	229,549	780,551	46,829	5,614,031	(641,972)	4,972,059
Operating expense	4,033,019	475,152	223,514	766,946	39,259	5,537,893	(642,035)	4,895,857
Operating income	39,792	9,136	6,034	13,604	7,569	76,138	63	76,202
Total assets	1,884,885	199,846	176,432	272,107	47,265	2,580,538	(58,859)	2,521,679

Notes:

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

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

3. Unallocated costs and expenses included in “Elimination and Unallocated” totaled 3,770 millions of yen and comprised mainly administrative group expenses applicable to the Company and former Sojitz Corporation.
4. Company assets included in “Elimination and Unallocated” totaled 447,487 millions of yen and comprised mainly managed surplus (cash and deposits and bonds, and investment securities) of the Company.

(Ref.) Year ended March 31, 2005

Millions of yen

	Japan	North America	Europe	Asia & Oceania	Other	Total	Elimination and Unallocated	Cosolidated
Net sales								
Outside customers	3,542,471	350,122	142,877	598,290	42,142	4,675,903	(-)	4,675,903
Inter-area	249,905	112,244	37,929	210,403	345	610,828	(610,828)	-
Total	3,792,377	462,366	180,806	808,694	42,487	5,286,731	(610,828)	4,675,903
Operating expense	3,749,990	457,867	177,112	795,050	37,152	5,217,174	(606,792)	4,610,381
Operating income	42,386	4,499	3,693	13,643	5,334	69,557	(4,035)	65,521
Total assets	1,917,528	193,591	234,599	272,002	48,843	2,666,565	(218,087)	2,448,478

Notes:

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

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

3. Unallocated costs and expenses included in “Elimination and Unallocated” totaled 8,260 millions of yen and comprised mainly administrative group expenses applicable to the Company and former Sojitz Corporation.
4. Company assets included in “Elimination and Unallocated” totaled 433,492 millions of yen and comprised mainly managed surplus (cash and deposits and bonds, and investment securities) of the Company and former Sojitz Corporation.