Highlights of Consolidated Financial Results for the First Quarter Ended June 30, 2006

July 27, 2006

Sojitz Corporation

Results Highlights for the First Quarter Ended June 30, 2006

◆ Recurring profit and net income made steady gains in line with the new medium-term management plan (figures in parentheses are comparisons with fiscal 2005 1st quarter)

Net sales 1,227.6 billion yen (+96.9 billion yen)
・Increased transaction volume for aircraft and oil
・Increased transaction volume for consumer lifestyle business (food and general commodities)

Gross trading profit 58.6 billion yen (+3.0 billion yen)
・Solid performances in automobiles, aircraft and resource-related operations
・Recovery in forest products and food

Recurring profit 21.8 billion yen (+1.0 billion yen)
・Operating income increased, despite higher SG&A expenses
・Affiliates maintained strong growth

Net income 18.7 billion yen (+0.3 billion yen)
・Extraordinary losses were at the same level as the fiscal 2005 1st quarter and income before income taxes increased
・Achieved 38% of total forecast for the full year

◆ Sojitz markedly accelerated the reorganization of its capital structure through implementation of its capital strategies

Elimination of preferred shares (balance at June 30, 2006: 563.4 billion yen)
・With regard totaling 560.4 billion yen of preferred shares, on April 28, 2006, Sojitz concluded an agreement to repurchase the shares at a price of 342.9 billion yen (up to a maxium of 354.1 billion yen, depending on the time of repurchase).
・At the Ordinary General Shareholders' Meeting held on June 27, 2006, the following actions were approved: 1) Establishment of authorized limits for acquisition our own shares, 2) Amendment of the Articles of Incorporation, 3) capital restructuring* to secure capital surplus for the repurchases.
* Stated capital will be reduced by 120.5 billion yen, additional paid-in capital will be reduced by 89.2 billion yen, and the corresponding sums will be transferred to other capital surplus. (The capital reduction is due to come into effect at the end of July 2006. In the attached statement, additional paid-in capital and other capital surplus are included in capital surplus).
・12.6 billion yen of First Series Class-I Preferred Shares were fully converted to shares of common stock on May 15, 2006.

300 billion yen of convertible bonds (CB) issued (May 25, 2006)
・Preferred shares to be repurchased in line with conversions of CBs.
・By end of June 2006, 21.0 billion yen of CBs had been converted to common stock.
(As of July 26, 2006, 34.0 billion yen of CBs had been converted to common stock).

◆ Forecast of operating results

Fiscal 2006	interim	full year
Net sales	2,500.0 billion yen	5,200.0 billion yen
Recurring profit	38.0 billion yen	83.0 billion yen
Net income	24.0 billion yen	49.0 billion yen

(Based on:)
・Exchange rate (Yen/US$) = 110
・Crude oil price (US$/BBL Brent Crude) = 50

Consolidated Statements of Income

(Unit: Billions of yen)

	FY2006 (1st quarter) Results a	FY2005 (1st quarter) Results b	Change a-b	Reasons for changes	Forecast FY2006 (1st-half) c	Percentage achieved a/c
				Net sales		
Net sales	1,227.6	1,130.7	96.9	Machinery & Aerospace +55.9	2,500.0	49%
				Consumer Lifestyle Business +37.3		
Gross trading profit	58.6	55.6	3.0	Energy & Mineral Resources +15.9	120.0	49%
(Gross trading profit ratio)	(4.78%)	(4.92%)	(-0.14%)	Gross trading profit	(4.80%)	
				Machinery & Aerospace +1.7		
Personnel expenses	-21.2	-19.0	-2.2	Real Estate Development & Forest Products +1.3		
Non-personnel expenses	-16.9	-17.8	0.9			
Depreciation expenses	-1.7	-2.1	0.4			
(Subtotal)	(-39.8)	(-38.9)	(-0.9)			
Allowance for doubtful receivables and write-off	0	0	0.0			
Goodwill amortization	-1.0	-1.0	0.0			
(Selling, general and administrative expenses)	(-40.8)	(-39.9)	(-0.9)		-85.0	48%
Operating income	17.8	15.7	2.1		35.0	51%
(Operating income ratio)	(1.45%)	(1.39%)			(1.40%)	
Interest income	3.2	3.3	-0.1			
Interest expense	-9.9	-10.4	0.5			
(Interest expense-net)	(-6.7)	(-7.1)	(0.4)			
Dividends	2.2	3.1	-0.9			
(Net financial revenue)	(-4.5)	(-4.0)	(-0.5)			
Equity in earnings of unconsolidated subsidiaries and affiliates	6.5	6.1	0.4	Metal One Corporation (+0.6), alumina manufacturing company (+0.4), nickel manufacturing company (+0.2), marine-related (-1.0)		
Other income	5.4	6.2	-0.8			
Other expenses	-3.4	-3.2	-0.2			
(Others-net)	(4.0)	(5.1)	(-1.1)		3.0	133%
Recurring profit	21.8	20.8	1.0		38.0	57%
Gain on sale and disposal of properties	1.0					
Gain on sale of investment securities	1.2					
Dilution gain from changes in equity interest	0.1					
Reversal of allowance for doubtful accounts	0.1					
Gain on bad debt written-off	0.2					
(Extraordinary income)	(2.6)	(2.4)	(0.2)			
Loss on sale and disposal of properties	-0.1					
Loss, and provision for loss, on dissolution of subsidiaries and affiliates	-0.4					
Special early retirement benefits	-0.1					
(Extraordinary loss)	(-0.6)	(-0.5)	(-0.1)			
(Extraordinary income/loss-net)	(2.0)	(1.9)	(0.1)		-3.0	–
Income before income taxes and minority interests	23.8	22.7	1.1		35.0	68%
Income taxes: Current	-4.7	-3.9	-0.8			
Deferred	-0.2	-0.1	-0.1			
Minority interests	-0.2	-0.3	0.1			
Net income	18.7	18.4	0.3		24.0	78%

Core earnings	19.8	17.8	2.0

[Changes in capital as a result of conversion of CB and capital reduction]
(Capital reduction due to come into effect at the end of July 2006)

	06/3/31	CB conversion	Net income	06/6/30	Capital reduction	After capital reduction
Breakdown of shareholders' equity	389.7	21.0	18.7	429.4	-	429.4
Stated capital	130.5	10.5		141.0	-120.5	20.5
Capital surplus	166.8	10.5		177.3	120.5	297.8
Retained earnings	92.5		18.7	111.2		111.2

NOTES
1. Core earnings = Operating income (Before allowance for doubtful receivables and write-off) + Interest expense-net + Dividends received + Equity in earnings of unconsolidated subsidiaries and affiliates

2. 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, including, but not limited to, changes in economic conditions in key markets in Japan and overseas and exchange rates. The Company will provide timely disclosure of any material changes or related issues.

Consolidated Balance Sheets and Principal Management Indices

(Unit: Billions of yen)

	June 30, 2006 d	March 31, 2006 e	Change d-e	Reasons for changes
Current assets	1,628.5	1,510.5	118.0	
Cash and deposits	645.4	521.9	123.5	Increase due to issue of CB, decrease due to reduction in short-term loans payable
Trade notes and trade accounts receivable	605.3	613.5	-8.2	
Securities	9.7	6.5	3.2	
Inventories	211.3	214.2	-2.9	
Short-term loans receivable	41.2	44.2	-3.0	
Deferred tax assets-current	9.3	8.9	0.4	
Other current assets	119.8	116.5	3.3	
Allowance for doubtful receivables	-13.5	-15.2	1.7	
Fixed assets	977.4	1,010.2	-32.8	
Tangible assets	237.4	246.7	-9.3	
Goodwill	76.6	76.9	-0.3	
Other intangible assets	23.5	23.2	0.3	
Investment securities	465.9	488.3	-22.4	Decrease in book value of investments accompanying fall in stock prices
Long-term loans receivable	37.1	38.9	-1.8	
Non-performing receivables	165.1	176.5	-11.4	
Deferred tax assets-non-current	32.3	23.9	8.4	
Others	59.1	58.8	0.3	
Allowance for doubtful receivables	-119.6	-123.0	3.4	
Deferred assets	1.0	1.0	0.0	
Total assets	2,606.9	2,521.7	85.2	
Liabilities	1,213.5	1,416.7	-203.2	
Trade notes and trade accounts payable	426.6	451.4	-24.8	
Short-term loans payable	639.7	775.6	-135.9	Reduction in short-term loans payable
Commercial paper	11.3	29.2	-17.9	
Bonds with redemption in one year	4.6	9.4	-4.8	
Other current liabilities	131.3	151.1	-19.8	
Non-current liabilities	899.6	640.9	258.7	
Bonds, less current portion	376.4	99.0	277.4	Increase due to CB issue (+300), decrease due to CB conversion (-21.0)
Long-term loans payable	456.4	473.1	-16.7	
Allowance for retirement benefits	24.5	25.6	-1.1	
Other non-current liabilities	42.3	43.2	-0.9	
Total liabilities	2,113.1	2,057.6	55.5	
Common and preferred stock	141.0	130.5	10.5	Increase due to CB conversion (+21.0)
Capital surplus	177.3	166.8	10.5	
Retained earnings	111.2	92.5	18.7	
Treasury stock	-0.1	-0.1	0.0	
(Total owners' equity)	(429.4)	(389.7)	(39.7)	
Valuation difference on available-for-sale securities	79.3	90.5	-11.2	Decrease accompanying fall in stock prices
Deferred gains or losses on hedging transactions	0.0	-	0.0	
Revaluation difference on land	-3.2	-2.6	-0.6	
Foreign currency translation adjustments	-49.5	-50.6	1.1	
(Total valuation and translation adjustments)	(26.6)	(37.3)	(-10.7)	
Minority interests	37.8	37.1	0.7	
Total net assets	493.8	*1 464.1	29.7	
Total liabilities and net assets	2,606.9	2,521.7	85.2	

*1 From fiscal 2006, in accordance with changes of accounting standards accompanying enforcement of the new Corporate Law, "shareholders' equity" has been changed to "total net assets," and now includes minority interests. In the attached statement, the amounts of the shareholders' equity under previous standards as of March 31, 2006 are restated in the same format for comparison.

	June 30, 2006	March 31, 2006	Change	
Gross interest-bearing debt	1,488.4	1,386.3	102.1	
Net interest-bearing debt	843.0	864.4	-21.4	
Net debt/equity ratio (Times)	*2 1.85	*2 2.02	-0.17	*2 The denominator of net debt/equity ratio and the numerator of shareholders'equity ratio are calculated exclusive of minority interests.
Shareholders' equity ratio	*2 17.5%	*2 16.9%	0.6%	

Highlights of Consolidated Financial Results for the First Quarter Ended June 30, 2006 Supplementary Material (1)

Gross Trading Profit and Recurring Profit (by Industry Segment)

2006/7/27

Sojitz Corporation

(Unit: Billions of yen)

	Gross Trading Profit				Recurring Profit			
	FY2006 (1st quarter) Results	FY2005 (1st quarter) Results	Change	Main factors for change	FY2006 (1st quarter) Results	FY2005 (1st quarter) Results	Change	Main factors for change
Machinery & Aerospace	**11.6**	**9.9**	**1.7**	· Automobiles: increase (+1.1) accompanying strong performances in Central and South America, Russia and the Middle East · Aircraft: increase (+0.3) attributable to strong performance in commercial aircraft operations · Ships: no change · General Machinery: Increase (+0.4) due to expansion of Sojitz Machinery Corporation operations	**3.4**	**2.9**	**0.5**	· Automobiles: increase due to strong performances in Central and South America, Russia and the Middle East · Aircraft: increase primarily attributable to strong performance in commercial aircraft-related operations · Ships: decrease due to absence of proceeds from sale of jointly-owned ship in fiscal 2005 1st quarter, which outweighed increase from healthy sales · General Machinery: increase due to expansion of Sojitz Machinery Corporation operations, strong performance by an overseas subsidiary selling semiconductor mounting equipment, and other factors
Energy & Mineral Resources	**10.3**	**10.0**	**0.3**	· Oil and Gas: decrease (-0.4) attributable to delay in reflecting higher costs in prices for domestic petrochemical products business despite slight increase in upstream concession operations · Coal: Increase (+0.6) primarily reflecting start of production at existing coal mining concessions in Australia · Mineral Resources: increase (+0.9) resulting from strong performances at Australian alumina projects and molybdenum projects in Canada · Power and Industrial Plants: decrease (-0.6) due to lower deliveries of substation equipment than in fiscal 2005 1st quarter	**8.1**	**6.7**	**1.4**	· Oil, Gas and LNG: no change · Coal: increase due to start of production at existing coal mining concessions · Mineral Resources: increase primarily due to higher alumina prices · Power and Industrial Plants: decrease due to lower deliveries of substation equipment than in fiscal 2005 1st quarter · Metal One Corporation: increase due to continuing healthy sales
Chemicals & Plastics	**10.3**	**10.9**	**(0.6)**	· Chemicals: increase (+0.3) owing to increase in transaction volume related to sharp rise in prices for petrochemical-related raw materials · Plastics: no change as favorable performance in upstream raw material transactions was offset by failure to fully reflect higher costs in downstream product prices · Fertilizer: increase (+0.2) due to increased sales volumes · Methanol: decrease (-1.0) primarily reflecting reduced sales volumes due to scheduled maintenance work	**2.0**	**2.9**	**(0.9)**	· Chemicals, plastics and fertilizer: no significant change · Methanol: decrease primarily reflecting reduced sales volumes due to scheduled maintenance work
Real Estate Development & Forest Products	**6.0**	**4.7**	**1.3**	· Real Estate Development: no significant change · Forest Products: increase (+0.2 at parent company, +0.9 at Sun Building Materials Corporation) following recovery in domestic plywood prices	**2.3**	**1.3**	**1.0**	· Real Estate Development: no significant change · Forest Products: substantial increase at both the parent company and Sun Building Materials Corporation following recovery in domestic plywood prices
Consumer Lifestyle Business	**9.6**	**9.6**	**0**	· Textiles: decrease (-0.2) due to sluggish retail sales, despite buoyant SPA sales · Foods: increase (+0.2) attributable to favorable sales of marine produce · General Commodities: no significant change	**0.8**	**1.4**	**(0.6)**	· Textiles: decrease due to sluggish retail sales and an increase in expenses in connection with a newly established company · Foods: no significant change · General Commodities: decrease reflecting slowdown in retail sales
Overseas Subsidiaries	**6.4**	**6.6**	**(0.2)**	· Americas: decrease (-0.3) primarily attributable to lower transaction volumes in machinery-related business (in contrast to higher volumes in fiscal 2005 1st quarter) · Europe: increase (+0.1) due to robust performances in industrial projects as well as chemicals and plastics-related business, despite a struggling performance in foods · China: increase (+0.2) attributable to strong results in chemicals and plastics · Asia: no significant change	**3.0**	**3.3**	**(0.3)**	· Americas: decrease primarily attributable to lower transaction volumes in machinery-related business (in contrast to higher volumes in fiscal 2005 1st quarter)
5 Business Divisions + Overseas Subsidiaries	**54.2**	**51.7**	**2.5**		**19.6**	**18.5**	**1.1**	
Other	**4.4**	**3.9**	**0.5**	·New Business Development Group: increase (+0.2) primarily attributable to transfer of the health care-related business to the New Business Development Group	**2.2**	**2.3**	**(0.1)**	· New Business Development Group: decrease in investment and incubation business
Total	**58.6**	**55.6**	**3.0**		**21.8**	**20.8**	**1.0**	

Highlights of Consolidated Financial Results for the First Quarter Ended June 30, 2006, Supplementary Material (2) -FY2006 Full-Year Forecast-

2006/7/27

Sojitz Corporation

(Billions of yen)

P/L

	1st quarter FY2006	1st quarter FY2005	Change	FY2006 forecast (Announced on April 28, 2006)	Percentage achieved
Net Sales	**1,227.6**	**1,130.7**	96.9	**5,200.0**	23.6%
Gross trading profit	**58.6**	**55.6**	3.0	**253.0**	23.2%
[Gross trading profit ratio]	[4.77%]	[4.92%]		[4.87%]	
Machinery & Aerospace	11.6	9.9	1.7	45.9	25.3%
Energy & Mineral Resources	10.3	10.0	0.3	41.1	25.1%
Chemicals & Plastics	10.3	10.9	(0.6)	44.5	23.1%
Real Estate Development & Forest Products	6.0	4.7	1.3	24.8	24.2%
Consumer Lifestyle Business	9.6	9.6	0.0	45.7	21.0%
Overseas Subsidiaries	6.4	6.6	(0.2)	28.0	22.9%
Other	4.4	3.9	0.5	23.0	19.1%
Selling, general and administrative expenses	(40.8)	(39.9)	(0.9)	(172.0)	23.7%
Operating income	**17.8**	**15.7**	2.1	**81.0**	22.0%
[Operating income ratio]	[1.45%]	[1.39%]		[1.56%]	
Non-operating income/expense-net	4.0	5.1	(1.1)	2.0	200.0%
Recurring profit *1	**21.8**	**20.8**	1.0	**83.0**	26.3%
[Recurring profit ratio]	[1.78%]	[1.84%]		[1.60%]	
Machinery & Aerospace	3.4	2.9	0.5	11.5	29.6%
Energy & Mineral Resources	8.1	6.7	1.4	22.8	35.5%
Chemicals & Plastics	2.0	2.9	(0.9)	7.8	25.6%
Real Estate Development & Forest Products	2.3	1.3	1.0	7.5	30.7%
Consumer Lifestyle Business	0.8	1.4	(0.6)	6.9	11.6%
Overseas Subsidiaries	3.0	3.3	(0.3)	12.8	23.4%
Other	2.2	2.3	(0.1)	13.7	16.1%
Extraordinary income/(loss)-net	**2.0**	**1.9**	0.1	**(10.0)**	-
Income before income taxes and minority interests	**23.8**	**22.7**	1.1	**73.0**	32.6%
Net income	**18.7**	**18.4**	0.3	**49.0**	38.2%
Core earnings *2	19.8	17.8	2.0	81.0	24.4%

*1 Figures for recurring profit by industry segment are internal figures for reference only

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

B/S

	June 30, 2006	March 31, 2006	Change	FY2006 forecast (Announced on April 28, 2006)
Total assets	**2,606.9**	**2,521.7**	85.2	**2,500.0**
Shareholders' Equity *3	**456.0**	**427.0**	29.0	**420.0**
[total net assets]	[493.8]	[464.1]	[29.7]	-
Shareholders' Equity ratio (%)	**17.5%**	**16.9%**	+ 0.6%	**16.8%**
Net interest-bearing debt	**843.0**	**864.4**	(21.4)	**1040.0**
Net DER (Times)	**1.8**	**2.0**	(0.2)	**2.5**
[net DER (times) based on total net assets]	[1.7]	[1.9]	[(0.2)]	-

*3 Shareholders' Equity = total net assets – minority interests

Progress in Achieving Fiscal 2006 Full-year Recurring Profit Forecasts

◎ Overall progress has been steady: During the 1st quarter of fiscal 2006 Sojitz Corporation achieved around 26% of the total forecasts for the full year. Details by industry segment are as follows:

Machinery & Aerospace:
- Automobiles: continued steady progress, mainly in overseas subsidiaries
- Aircraft: a robust start led by Boeing-related business
- Ships: steady performances overall, led by new ship building and marine equipment sales
- General Machinery: generally steady performances, with particularly strong growth in steelmaking, automobiles and semiconductor mounting equipment

Energy & Mineral Resources
- Oil, Gas and LNG: progress on target
- Coal: healthy results due to prices trending at higher levels than expected
- Mineral Resources: Strong progress with molybdenum prices trending at higher levels than anticipated, in addition to strong sales of alumina
- Power and Industrial Plants: largely on target
- Metal One Corporation: strong performances

Chemicals & Plastics
- Chemicals: maintained healthy results due to sharp rise in prices for petrochemical-related raw materials, which were reflected in sales prices for products due to buoyant demand
- Plastics: upstream raw material transactions performed well, but it proved difficult to reflect this in downstream product prices
- Fertilizer: both sales volumes and sales prices were firm
- Methanol: scheduled maintenance work did take place, but plants maintained stable operations, and the market performed better than anticipated, resulting in a favorable environment

Real Estate Development & Forest Products
- Real Estate Development: steady growth in both condominium sales and commercial facility development resulted in a performance that was largely on target
- Forest Products: healthy performance centering on Sun Building Materials Corporation following recovery in domestic plywood prices

Consumer Lifestyle Business
- Textiles: rate of progress was low, but as a business that performs better in the second half of the year, performance was largely on target
- Food: marine products performance was largely on target, recording steady growth
- General Commodities: woodchip operations performed solidly, but retail-related business was slow, resulting in overall performance that fell short of targets

Overseas Subsidiaries
- largely on target

Other
- largely on target