

# Financial Results for the Fiscal 2006 Interim Period



*New way, New value*

**Sojitz Corporation**

**October 31, 2006**

# Presentation Summary

- In light of strong interim operating performances, Sojitz has upwardly revised its full-year forecasts
- Firm progress in undertaking new investments and loans to drive sustainable growth
- Steady progress in conversion of convertible bonds to eliminate preferred shares

**I. Summary of Fiscal 2006 Interim  
Results and Full-year Forecasts**

# Fiscal 2006 Interim Results: Profit and Loss Summary

On the basis of strong interim operating performances, Sojitz has raised its full-year forecasts

(Unit: Billions of yen)

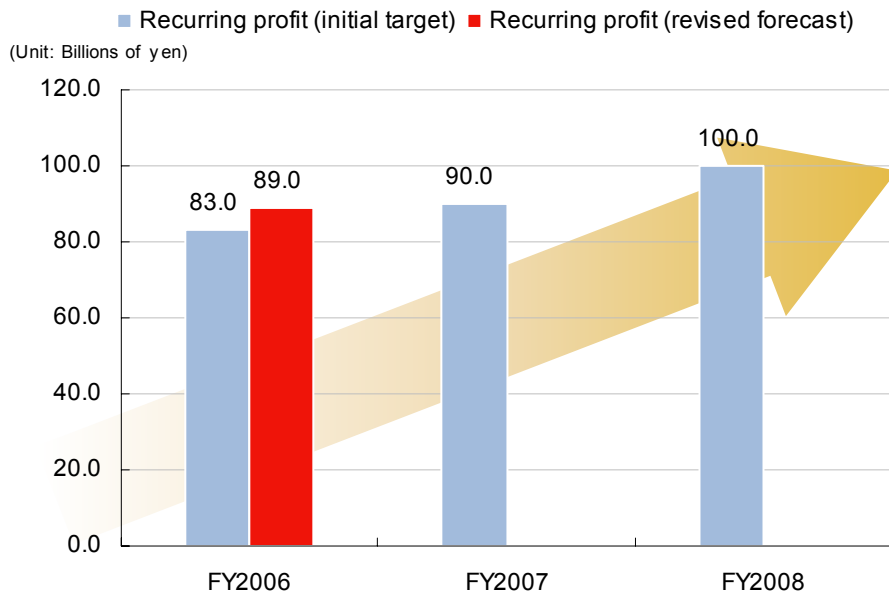
	Interim FY2005 Results	Interim FY2006 Results	Change	FY2006 Full-year Forecasts (Initial)	FY2006 Full-year Forecasts (Revised)	Amount of Increase (Rate of Increase)	Performance against revised forecasts
Net sales	2,354.0	2,529.2	+175.2	5,200.0	<b>5,300.0</b>	+100.0 (+2%)	48%
Gross trading profit	118.7	122.6	+3.9	253.0	<b>258.0</b>	+5.0 (+2%)	48%
Operating income	37.9	39.3	+1.4	81.0	<b>85.0</b>	+4.0 (+5%)	46%
Recurring profit	42.6	46.4	+3.8	83.0	<b>89.0</b>	+6.0 (+7%)	52%
Net income	25.9	31.4	+5.5	49.0	<b>56.0</b>	+7.0 (+14%)	56%

- One-off positive factors of about ¥3 billion were present in the same period of the previous year; excluding these factors, recurring profit rose 17% in real terms (from ¥39.6 billion in interim FY2005 to ¥46.4 billion in interim FY2006)
- Full-year forecasts were revised upwards in light of strong performances in Energy & Mineral Resources, Machinery & Aerospace, and elsewhere

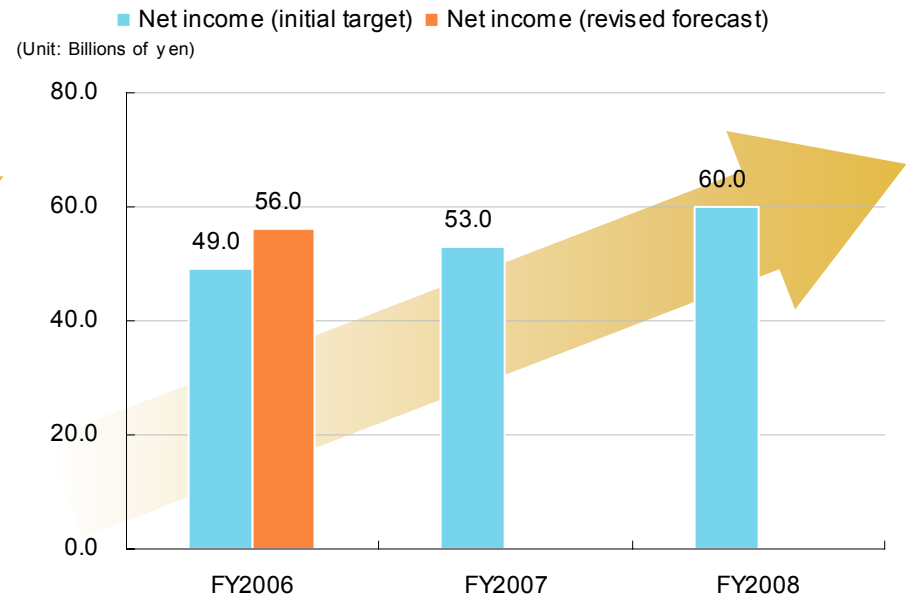
# Financial Targets: Recurring Profit and Net Income

On course for achieving targets for FY 2008, the final year of the current medium-term management plan (New Stage 2008), based on revised forecasts for FY2006 full-year forecasts

## Recurring profit



## Net income



# Revision of FY2006 Full-year Forecasts (Recurring Profit by Industry Segment)

(Unit: Billions of yen)

	FY2006 initial forecast	FY2006 revised forecast	Change	Current position and full-year outlook
Machinery & Aerospace	11.5	11.7	+0.2	<ul style="list-style-type: none"> <li>Automobiles: Firm performance through expansion in transaction volume in Central &amp; South America, Middle East and Russia &amp; CIS</li> <li>Aerospace: Buoyant performance by Boeing aircraft business</li> <li>Ships: Robust performance due to higher-than-expected prices in charter vessel market</li> <li>Information &amp; industrial machinery: Soft performance due to delays in exports of plant and IT equipment and other factors</li> </ul>
Energy & Mineral Resources	22.8	27.7	+4.9	<ul style="list-style-type: none"> <li>Oil, gas and LNG: Delay in increasing gas output covered by strong performance in upstream oil concessions rights business</li> <li>Coal and steel: Strong sales in coal and robust performance by equity-method affiliate Metal One Corporation</li> <li>Mineral resources: Robust performance due to steady alumina sales and higher-than-expected prices in the molybdenum market</li> </ul>
Chemicals & Plastics	7.8	5.5	-2.3	<ul style="list-style-type: none"> <li>Chemicals, fertilizer and methanol: Strong performances in all three businesses</li> <li>Forecasts lowered: Due to booking of impairment losses to improve financial position of agrichemical-related equity-method affiliate (Arysta Lifescience Corporation)</li> </ul>
Real Estate Development & Forest Products	7.5	8.6	+1.1	<ul style="list-style-type: none"> <li>Real estate development: Generally in line with plan due to greater portion of earnings generated in second-half (steady sales of condominiums scheduled for completion in the second half)</li> <li>Forest products: Robust performance chiefly centered on Sojitz Building Materials Corporation due to recovery in domestic plywood market</li> </ul>
Consumer Lifestyle Business	6.9	5.8	-1.1	<ul style="list-style-type: none"> <li>Textiles: Despite operating focus on second half of year, soft performance due to slump in apparel retail sales</li> <li>Foods: Weak performance due to slump in retail sales of foodstuffs</li> <li>General commodities: Decrease due to slump in retail-related sales and other factors despite steady performance in woodchips</li> </ul>
Overseas Subsidiaries	12.8	14.0	+1.2	<ul style="list-style-type: none"> <li>Weaker performance expected in China, but robust conditions in machinery-related operations in the Americas leading to strong performance overall</li> </ul>
Other	13.7	15.7	+2.0	<ul style="list-style-type: none"> <li>New Business Development Group: Moderately weak performance due to slow sales of hard disk drives at Nissho Electronics Corporation</li> <li>Corporate: Generally smooth progress</li> </ul>
<b>Total</b>	<b>83.0</b>	<b>89.0</b>	<b>+6.0</b>	

# Market Prices, Exchange Rates and Interest Rates

## (1) Market Prices

	FY2006 Assumptions	FY2006 Actual interim average	FY2006 Second half average forecast	<Reference> Current market prices (As of Oct. 30)
Crude oil (Brent)*	\$50/bbl (barrels)	\$66/bbl	\$65/bbl	\$58.5/bbl
Coal	Prices based on contracts for the year; virtually unaffected by spot market prices Contracts already concluded for majority of coal transactions based on equity shares in production during FY2006			
Molybdenum	\$16/lb (pounds)	\$23.7/lb	\$25.1/lb	\$25.5/lb
Vanadium	\$5.5/lb (pounds)	\$8.4/lb	\$7.2/lb	\$7.3/lb

\* Impact of fluctuations in crude oil price on earnings: \$1/barrel change = ¥0.1 billion - ¥0.15 billion change in recurring profit

## (2) Exchange Rate

Assumption	FY2006 ¥110/\$	Interim average ¥115.4/\$	Second half assumption ¥110/\$
Effect on earnings	When the exchange rate fluctuates by ¥1/US\$, net sales change by around ¥10 billion, and recurring profit changes by ¥0.1 billion to ¥0.2 billion. The effect on the balance sheet is to alter shareholders' equity by around ¥1.5 billion. In all cases, a stronger yen causes a decrease, while a weaker yen causes an increase		

## (3) Interest Rates

Assumptions	FY2006 Short-term rate 0.85% approx. Long-term rate 2% approx.
Effect on earnings	When interest rates change by 1%, annual earnings are altered by around ¥1.7 billion to ¥2.0 billion.

## II. Growth Strategies



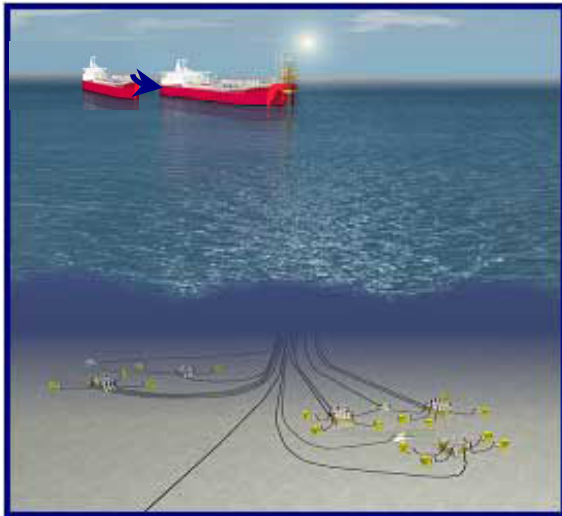
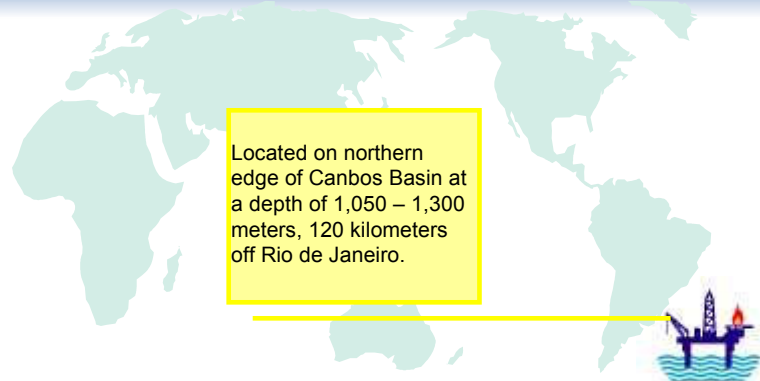
# Main New Investment and Loan Projects in Interim Period

Growth strategy	Main project	Amount (Billions of yen)	Total (Billions of yen)	Overview
Securing resources	Cleaver Bank area and West Sole area gas field in North Sea (U.K.)	12.0	32.5	Production platform and pipeline has been already in place for core Grove gas field business. Production is scheduled to start from December 2006. After drilling proceeds, Sojitz's equity portion of production is expected to reach 3,500 barrels per day in 2008.
	Frade oil field, Brazil	8.5		In Brazil, where Sojitz has a strong presence, a good relationship with Petrobras over many years has resulted in the decision to begin commercial development of a project Sojitz has been involved in since the initial stage about 10 years ago. This leading project has low costs and no premium payments, and is currently the only upstream rights business involving Japanese companies to enter commercial development in Brazil
	WC168 concession, Gulf of Mexico (U.S.A.)	7.0		Additional participation in a gas field in the Gulf of Mexico.
	Additional purchase of concessions in Minerva coal mine, Australia	3.0		Sojitz has increased its rights in the Minerva coal mine in Australia, in which Sojitz has participated since 1994, with equity interest rising from 30% to 45%. Sojitz expects to handle an annual volume of 1.13 million tons, boosting sales not only to Japan but also to Asia with its vigorous demand for fuel coal.
	Alamein and Yidmar oil fields, Egypt	2.0		After well-drilling and other activities proceed, Sojitz's equity portion of production is expected to be 1,800 barrels per day by mid-2008.
Value Chain	Automobile-related	5.0	8.5	Invest to strengthen relationship with an automaker.
	Vietnam aluminum hydroxide project	3.0*		With partner Nippon Light Metal Co., Ltd., Sojitz plans to build Asia's largest aluminum hydroxide plant in Vietnam, where Sojitz has historically been strong. As well as investing in the project itself, Sojitz will sell the aluminum hydroxide produced in South East Asia and elsewhere.
	Apparel-related	0.5		Invest in manufacturing plants in China.
Core trading	Establish single veneer processing plants in Russia and China	4.0	12.0	Overseas, strengthen original product development functions in order to respond to diverse needs in Japan.
	Shopping center business	4.0*		Establish a suburban shopping center in Saitama Prefecture, Japan.
	Food-related	3.0		Invest in manufacturing and sales sites in China/South East Asia.
	A.D.Vision, Inc. (Anime content)	1.0		Invest in A.D. Vision, Inc., North America's biggest distributor of anime content.
Total (commitment basis) (*Current forecasts)			53.0	

- Firm progress in undertaking new investments and loans to achieve sustainable growth (¥300 billion during three-year medium-term management plan)
- From second half of the year, large investments lined up in Energy & Mineral Resources, Machinery & Aerospace, and elsewhere

# Securing Resources Case Study: Frade Oil Field, Brazil

In Brazil, where Sojitz has a strong presence, the decision has been taken to begin commercial development of this project—first upstream rights business involving a Japanese company



Development to be carried out through the combined use of a floating production, storage and offloading (FPSO) system and a seabed production system. After FPSO processing and storage, crude oil is shipped by shuttle tanker.

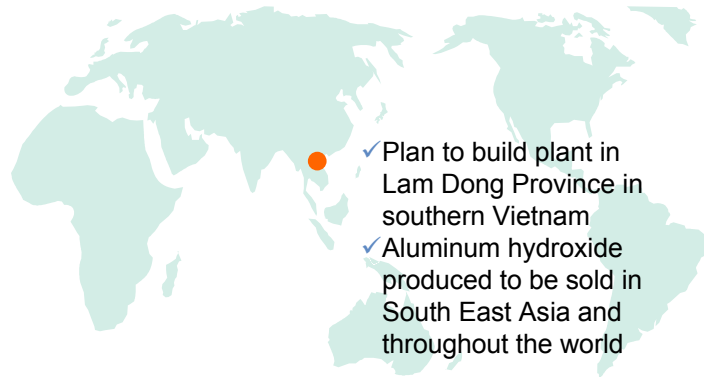
- Sojitz has been involved in the Frade oil field development since 1999 due to a long-standing good relationship with partner Petrobras.
- First upstream concession rights business involving Sojitz and other Japanese companies to enter commercial development in Brazil, South America's second-largest oil producer.
- This leading project has low costs and no premium payments as Sojitz has been involved since the development stage.
- Looking ahead, Sojitz will continue to ensure strong relationships with partners Petrobras and INPEX Corporation, aiming to create further business.

## Project overview:

- Total project business expenses: Approx. ¥276 billion  
Sojitz's investment: ¥8.5 billion
- Recoverable reserves: Approx. 300 million barrels  
Sojitz's equity portion: 2.3%; 6.9 million barrels
- Production start: Scheduled for April 2009  
Production volume: Estimated at 100,000 barrels/day (at peak)

# Value Chain Case Study: Vietnam Aluminum Hydroxide Project

Sojitz plans to build Asia's largest aluminum hydroxide plant in Vietnam, where Sojitz has historically been strong



Nippon Light Metal Co., Ltd.'s aluminum hydroxide Plant in Shimizu, Shizuoka Prefecture, Japan

- Management resources to be channeled into Vietnam, where Sojitz has historically been strong, and in line with medium-term management plan that positions Vietnam as a key area for Sojitz along with Thailand and Russia.
- Sojitz's Hanoi Liaison Office boasts a 20-year tradition.
- Sojitz also has strong domestic relationship with Nippon Light Metal Co., Ltd. and is planning to join its project to transfer a aluminum hydroxide plant to Vietnam.
- Vietnam holds the world's third largest reserves of bauxite, the raw material for aluminum hydroxide.
- Sojitz plans to invest in local operating company (share as yet undecided), and sell aluminum hydroxide produced to South East Asia and throughout the world.
- Will further strengthen the chemicals value chain.

## Project overview:

- Total project business expenses: ¥40 billion (approx. estimate)
- Partners: Vietnam Chemicals Group, Nippon Light Metal Co., Ltd
- Production capability: 550,000 tons/year (estimate)
- Uses: Water-treatment materials, artificial marble, fire retardants

# Core Trading Case Study: Mallage Shobu Shopping Center

A new project of a shopping center business being developed throughout Japan

MORE STYLISH, MORE HAPPY! SHOBU



## 2F Exiting Life

- ✓ Young fashion
- ✓ Ladies' casual clothing
- ✓ General clothing
- ✓ General lifestyle items
- ✓ Food court
- ✓ Cinema complex
- ✓ Amusement activities
- ✓ Fitness club
- ✓ Other facilities



## 1F Classy Life

- ✓ Supermarket
- ✓ Home center
- ✓ Drugstore
- ✓ Restaurant
- ✓ Café
- ✓ Dry cleaning
- ✓ Travel center
- ✓ Medical clinic
- ✓ Other facilities

-Sojitz leverages its ability to implement integrated approach covering acquiring land, planning stores, attracting tenants and operating stores

-In principle, Sojitz will sell the shopping center after enhancing its business value, and aim to accumulate operational expertise through involvement in administrative operations after the sale

[Basic policy for Mallage Shobu Shopping Center ]

-Business development theme:

Stylish excellence

A stylish shopping mall in harmony with nature

-Layout theme:

The Great Dipper

The main layout comprises seven shopping courts, like the seven stars of the constellation

-Merchandising theme:

Discovering your own new style

Merchandising concept offering new lifestyles

Project overview:

-Total planned investment: ¥4.0 billion

-Scheduled opening date: Spring 2008

-Location: Shobu-machi, Minami Saitama-gun, Saitama Prefecture, Japan

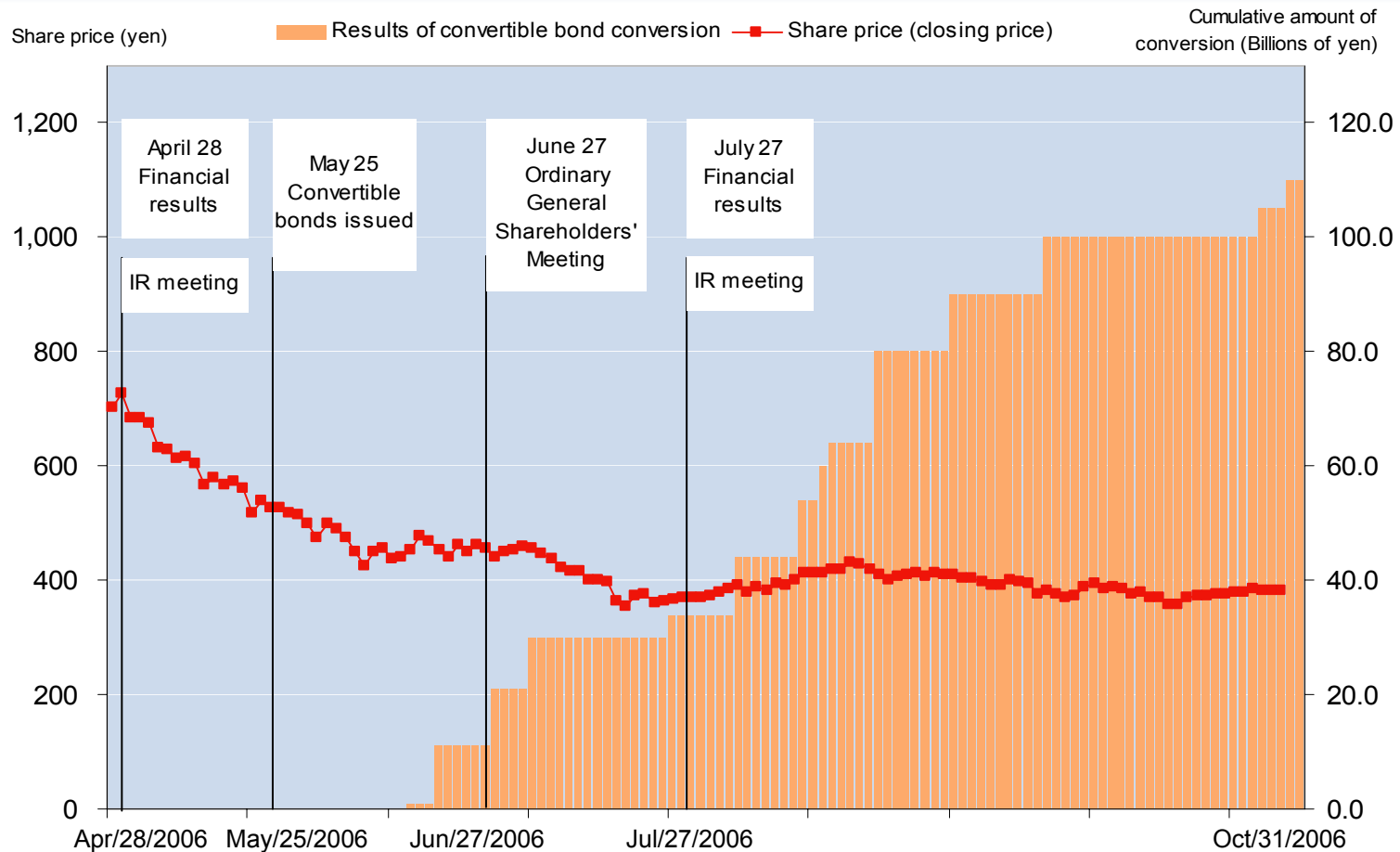
-Site area: Approx. 143,000 m<sup>2</sup> (Commercial area: Approx. 70,500 m<sup>2</sup>)

-Parking capacity: Approx. 5,000 cars

### III. Capital Strategies

# Cumulative Amount of Convertible Bond Conversion/Share Price

## Conversion of ¥300 billion in convertible bonds, and share price

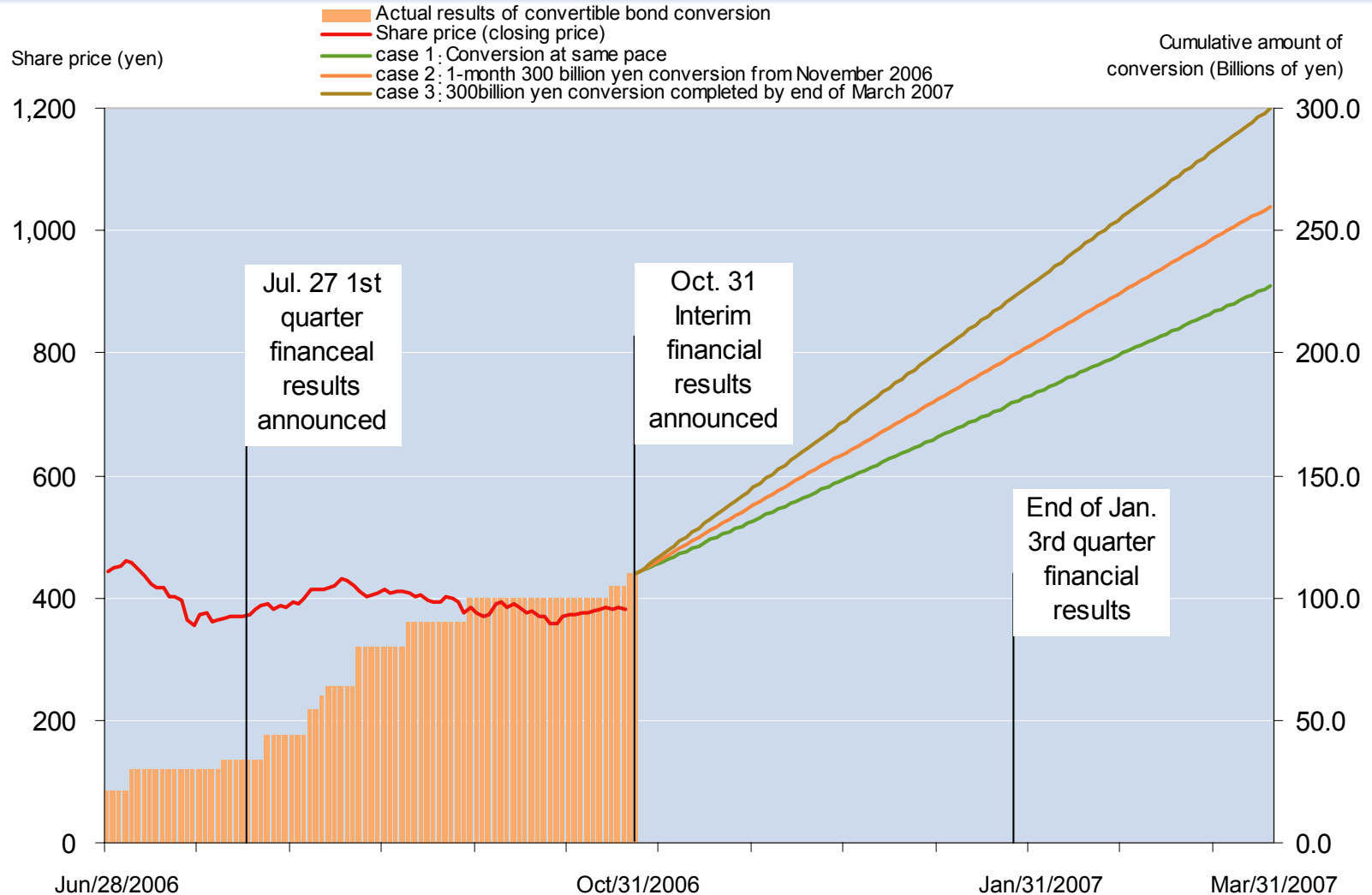


**Conversion of ¥300 billion in convertible bonds (as of October 31)**

Cumulative amount of conversion: ¥110 billion (Conversion percentage: 37%)

# Cumulative Amount of Convertible Bond Conversion: Actual Results and Future Conversion Simulation

## Actual Results of conversion in ¥300 billion convertible bonds, and future conversion simulation



# Credit Ratings

Standard & Poor's has upgraded Sojitz's long-term corporate credit rating and its long-term senior unsecured debt rating (September 29, 2006)  
Sojitz aims to further improve its credit rating

- Long-term corporate credit rating

**BB-** → **BB** (CreditWatch with positive implications shows potential for future upgrade)

- Long-term senior unsecured debt rating

**BB+** → **BBB-**

## From Standard & Poor's September 29, 2006 release summary:

- The improved credit rating reflects (1) Sojitz's improved quality of capital after the conversion of ¥300 billion in convertible bonds with subscription rights issued in May 2006 reached ¥100 billion by September 21, 2006, and (2) Sojitz's improved balance between asset risk volume and, shareholders' equity and earnings potential.
- CreditWatch with positive implications shows potential for upgrade because there is a strong possibility that Sojitz's credit rating will be upgraded further if preferred shares are purchased through the increase in shareholders' equity accompanying the conversion of all convertible bonds.



### **Forward-looking Statements**

This communication is not an offer to sell or a solicitation of any offer to buy the securities of Sojitz Corporation (the “Company”) in the United States. The securities have not been and will not be registered under the United States Securities Act of 1933 and may not be offered or sold in the United States absent registration or an exemption from such registration requirement. If any public offering of securities is made in the United States, it will be by means of a prospectus that may be obtained from the Company or any selling security holder that will contain detailed information about the Company and management, as well as financial statements.

# FY2006 Interim Results by Business Segment



*New way, New value*

**Sojitz Corporation**

**October 31, 2006**



# Machinery & Aerospace

(Gross trading profit/Billions of yen)

	Interim FY06 Results	FY06 Full-year Forecasts (Initial)	FY06 Full-year Forecasts (Revised)	Current Position and Full-year Outlook
<b>Machinery &amp; Aerospace</b>	<b>24.6</b>	<b>45.9</b>	<b>49.6</b>	
<b>&lt;Main Businesses&gt;</b>				
<b>Automobiles</b>	<b>9.6</b>	<b>17.9</b>	<b>20.4</b>	<ul style="list-style-type: none"> <li>● Strong performance due to increase in transaction volume at MAV in Venezuela, Subaru Motor in Russia and Sojitz Corporation in the Middle East</li> </ul>
<b>Information &amp; Industrial Machinery</b>	<b>5.3</b>	<b>11.5</b>	<b>11.6</b>	<ul style="list-style-type: none"> <li>● Firm sales of industrial robots and steelmaking equipment at Sojitz Machinery Corporation and semiconductor mounters at Sojitz Corporation; but slump due to delay in delivery of exports of plant equipment and other products</li> </ul>
<b>Aerospace</b>	<b>4.8</b>	<b>8.3</b>	<b>8.7</b>	<ul style="list-style-type: none"> <li>● Against backdrop of high fuel prices, strong sales of Boeing products as customers shift from large aircraft to midsize aircraft with lower fuel consumption</li> </ul>
<b>Ships</b>	<b>3.6</b>	<b>6.5</b>	<b>7.1</b>	<ul style="list-style-type: none"> <li>● Robust performance due to higher-than-expected prices in charter vessel market and strong sales of shipping equipment</li> </ul>

# Energy & Mineral Resources

(Gross trading profit/Billions of yen)

	Interim FY06 Results	FY06 Full-year Forecasts (Initial)	FY06 Full-year Forecasts (Revised)	Current Position and Full-year Outlook
Energy & Mineral Resources	21.1	41.1	41.1	

## <Main Businesses>

Oil, Gas and LNG	8.8	18.9	17.2	<ul style="list-style-type: none"> <li>Despite strong performance in upstream oil concession rights business, lackluster overall due to delay in increasing gas output, slumping sales of petrochemical products in domestic market and conversion of a subsidiary to an equity-method affiliate</li> </ul>
Coal	3.2	5.1	5.6	<ul style="list-style-type: none"> <li>Robust sales</li> </ul>
Mineral Resources	7.3	10.3	13.5	<ul style="list-style-type: none"> <li>Strong sales in molybdenum business, alumina projects in Australia</li> </ul>
Power & Industrial Plants	1.0	5.1	3.0	<ul style="list-style-type: none"> <li>Weak performance due to decline in orders related to cancellation of some scheduled projects</li> </ul>

# Chemicals & Plastics

(Gross trading profit/Billions of yen)

	Interim FY06 Results	FY06 Full-year Forecasts (Initial)	FY06 Full-year Forecasts (Revised)	Current Position and Full-year Outlook
<b>Chemicals &amp; Plastics</b>	<b>22.7</b>	<b>44.5</b>	<b>46.6</b>	
<b>&lt;Main Businesses&gt;</b>				
<b>Chemicals</b>	<b>7.3</b>	<b>14.1</b>	<b>14.2</b>	<ul style="list-style-type: none"> <li>Steady overall despite slowdown in market for petrochemical raw materials where prices have remained at high levels</li> </ul>
<b>Plastics</b>	<b>8.0</b>	<b>18.2</b>	<b>16.6</b>	<ul style="list-style-type: none"> <li>Weakness due to difficulty in passing on high raw material prices to downstream products</li> </ul>
<b>Fertilizer</b>	<b>3.8</b>	<b>6.2</b>	<b>7.0</b>	<ul style="list-style-type: none"> <li>Robust performance due to consistently high sales volumes at subsidiaries (TCCC, Thailand; JVF, Vietnam; AFCl, Philippines) and firm prices</li> </ul>
<b>Methanol</b>	<b>3.0</b>	<b>4.5</b>	<b>7.3</b>	<ul style="list-style-type: none"> <li>Factories operating smoothly following completion of scheduled maintenance at KMI; good operating environment due to better market conditions than expected</li> </ul>

# Real Estate Development & Forest Products

(Gross trading profit/Billions of yen)

	Interim FY06 Results	FY06 Full-year Forecasts (Initial)	FY06 Full-year Forecasts (Revised)	Current Position and Full-year Outlook
<b>Real Estate Development &amp; Forest Products</b>	<b>11.6</b>	<b>24.8</b>	<b>26.4</b>	
<b>&lt;Main Businesses&gt;</b>				
<b>Condominiums</b>	<b>3.4</b>	<b>8.6</b>	<b>8.6</b>	<ul style="list-style-type: none"> <li>● Generally in line with plan due to second-half bias in results (steady sales of projects scheduled for completion in the second half)</li> </ul>
<b>Retail Property Development</b>	<b>0.7</b>	<b>3.8</b>	<b>3.5</b>	<ul style="list-style-type: none"> <li>● Generally in line with plan</li> </ul>
<b>Forest Products</b>	<b>7.0</b>	<b>10.8</b>	<b>12.5</b>	<ul style="list-style-type: none"> <li>● Robust performance centered on Sojitz Building Materials Corporation due to recovery in domestic plywood market</li> </ul>

# Consumer Lifestyle Business

(Gross trading profit/Billions of yen)

	Interim FY06 Results	FY06 Full-year Forecasts (Initial)	FY06 Full-year Forecasts (Revised)	Current Position and Full-year Outlook
<b>Consumer Lifestyle Business</b>	<b>19.2</b>	<b>45.7</b>	<b>43.6</b>	
<b>&lt;Main Businesses&gt;</b>				
<b>Textiles</b>	<b>11.2</b>	<b>26.6</b>	<b>25.6</b>	<ul style="list-style-type: none"> <li>● Weak performance overall due to lackluster apparel retail sales and impact of higher raw material costs for non-clothing textiles</li> </ul>
<b>Foods</b>	<b>6.5</b>	<b>14.7</b>	<b>13.8</b>	<ul style="list-style-type: none"> <li>● Despite firm sales of marine products, animal feed and other products, weak performance overall due to slump in retail sales of foodstuffs and other downstream products, and the impact of intensifying competition</li> </ul>
<b>General Commodities</b>	<b>1.5</b>	<b>4.3</b>	<b>4.2</b>	<ul style="list-style-type: none"> <li>● Moderately weaker overall due to slump in retail-related sales despite steady performance in woodchips</li> </ul>

# Overseas Subsidiaries

(Gross trading profit/Billions of yen)

	Interim FY06 Results	FY06 Full-year Forecasts (Initial)	FY06 Full-year Forecasts (Revised)	Current Position and Full-year Outlook
<b>Overseas Subsidiaries</b>	<b>13.3</b>	<b>28.0</b>	<b>28.0</b>	
<b>&lt;Main Businesses&gt;</b>				
<b>Americas</b>	<b>5.9</b>	<b>10.8</b>	<b>11.5</b>	<ul style="list-style-type: none"> <li>● Strong performance in some areas of machinery-related operations</li> </ul>
<b>Europe</b>	<b>2.2</b>	<b>5.3</b>	<b>4.7</b>	<ul style="list-style-type: none"> <li>● Moderate weakness due to soft sales in industrial projects and plastics-related operations</li> </ul>
<b>China</b>	<b>1.9</b>	<b>4.5</b>	<b>3.8</b>	<ul style="list-style-type: none"> <li>● Lackluster performance due to weak sales in some areas of machinery- and plastics-related operations</li> </ul>
<b>Asia</b>	<b>2.4</b>	<b>5.1</b>	<b>5.2</b>	<ul style="list-style-type: none"> <li>● Generally in line with plan mainly thanks to steady performance in chemicals- and foodstuff-related operations</li> </ul>



# New Business Development Group

(Gross trading profit/Billions of yen)

	Interim FY06 Results	FY06 Full-year Forecasts (Initial)	FY06 Full-year Forecasts (Revised)	Current Position and Full-year Outlook
<b>New Business Development Group</b>	<b>6.3</b>	<b>15.8</b>	<b>15.2</b>	
<b>&lt;Main Businesses&gt;</b>				
<b>ICT</b>	<b>5.8</b>	<b>14.6</b>	<b>14.2</b>	<ul style="list-style-type: none"> <li>Moderately weak performance due to slow sales of hard disk drives at Nissho Electronics Corporation</li> </ul>
<b>Content</b>	<b>0.1</b>	<b>0.5</b>	<b>0.4</b>	<ul style="list-style-type: none"> <li>Generally in line with plan</li> </ul>
<b>Environment</b>	<b>0.1</b>	<b>0.3</b>	<b>0.3</b>	<ul style="list-style-type: none"> <li>Generally in line with plan</li> </ul>

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