## Summary of Consolidated Financial Results

November 16, 2004

for the Six-month Period Ended September 30, 2004

**Sojitz Holdings Corporation**

(URL http ://www.sojitz-holdings.com)

Listed stock exchange : The first sections of Tokyo and Osaka
**Headquarters :** Tokyo
Securities Code : 2768
Company Representative : Hidetoshi Nishimura President & CEO
Contact Information : Takeshi Yoshimura GM, Public Relations Dept. TEL (03) 5520-3404

1. Consolidated Financial Results for the Six-month Period ended September 30, 2004

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

| | Net Sales | | Operating Income | | Recurring Profit | | Net Income | |
|---|---|---|---|---|---|---|---|---|
| For the Six-month Period | Millions of Yen | % | Millions of Yen | % | Millions of Yen | % | Millions of Yen | % |
| ended September 30, 2004 | 2,254,215 | △ 25.4 | 32,934 | 23.8 | 25,762 | 35.1 | △ 241,071 | - |
| ended September 30, 2003 | 3,022,042 | - | 26,606 | - | 19,074 | - | △ 17,509 | - |
| (Ref) FY 2003 | 5,861,737 | - | 59,948 | - | 48,461 | - | △ 33,609 | - |

| | EPS | Adjusted EPS |
|---|---|---|
| For the Six-month Period | Yen | Yen |
| ended September 30, 2004 | △ 1,119.40 | - |
| ended September 30, 2003 | △ 95.21 | - |
| (Ref) FY 2003 | △ 172.52 | - |

Notes:
1. Equity in Earnings of Unconsolidated subsidiaries and affiliate during the period: (Millions of Yen)
   Current interim period : 6,083 Preceding interim period : 1,866 Last fiscal year : 5,929
2. Average number of outstanding shares during the period:
   Current interim period : 215,358,386 Preceding interim period : 183,906,487 Last fiscal year : 194,817,297
3. Changes in accounting policies during the period: Yes
4. Percentage indicate changes in net sales, operating income, recurring profit and net income compared with preceding interim period.

(2) Financial Position (Consolidated)

| | Total Assets | Shareholders' Equity | Shareholders' Equity Ratio | BPS |
|---|---|---|---|---|
| As of | Millions of Yen | Millions of Yen | % | Yen |
| September 30, 2004 | 2,703,954 | 61,688 | 2.3 | △ 947.63 |
| September 30, 2004 | 3,414,390 | 344,551 | 10.1 | 393.91 |
| March 31, 2004 | 3,077,022 | 316,234 | 10.3 | 235.43 |

Notes:
1. Number of outstanding shares at the end of the period (Common Stock):
   Current interim period : 215,602,089 Preceding interim period : 199,416,777 Last fiscal year : 213,374,473
2. Number of outstanding shares at the end of the period (Preferred Stock):
   Current fiscal year : 133,000,000 Preceding fiscal year : 133,000,000 Last fiscal year : 133,000,000

(3) Consolidated Statements of Cash Flows

| | Operating Activities | Investing Activities | Financing Activities | Cash & Cash Equivalents at the end of the Period |
|---|---|---|---|---|
| For the Six-month Period | Millions of Yen | Millions of Yen | Millions of Yen | Millions of Yen |
| ended September 30, 2004 | △ 47,369 | 66,023 | △ 129,933 | 290,013 |
| ended September 30, 2003 | 52,384 | 31,144 | 92,126 | 491,664 |
| (Ref) FY 2003 | 87,160 | 73,030 | △ 68,602 | 401,240 |

(4) Number of consolidated subsidiaries and companies accounted for by the equity method

Consolidated subsidiaries : 322
Unconsolidated subsidiaries (accounted for by the equity method) : 22
Unconsolidated affiliates (accounted for by the equity method) : 196

(5) Increase/Decrease in the Number of consolidated subsidiaries

Consolidated subsidiaries : (Increase) 21 companies (Decrease) 28 companies
Affiliated companies accounted for by the equity method : (Increase) 12 companies (Decrease) 22 companies

(6) Consolidated Earnings Forecast for the Fiscal Year Ending March 2005 (April 1, 2004~March 31, 2005)

| | Net Sales | Recurring Profit | Net Income |
|---|---|---|---|
| For the fiscal year ending March 31, 2004 | Millions of Yen<br>5,000,000 | Millions of Yen<br>50,000 | Millions of Yen<br>△ 380,000 |

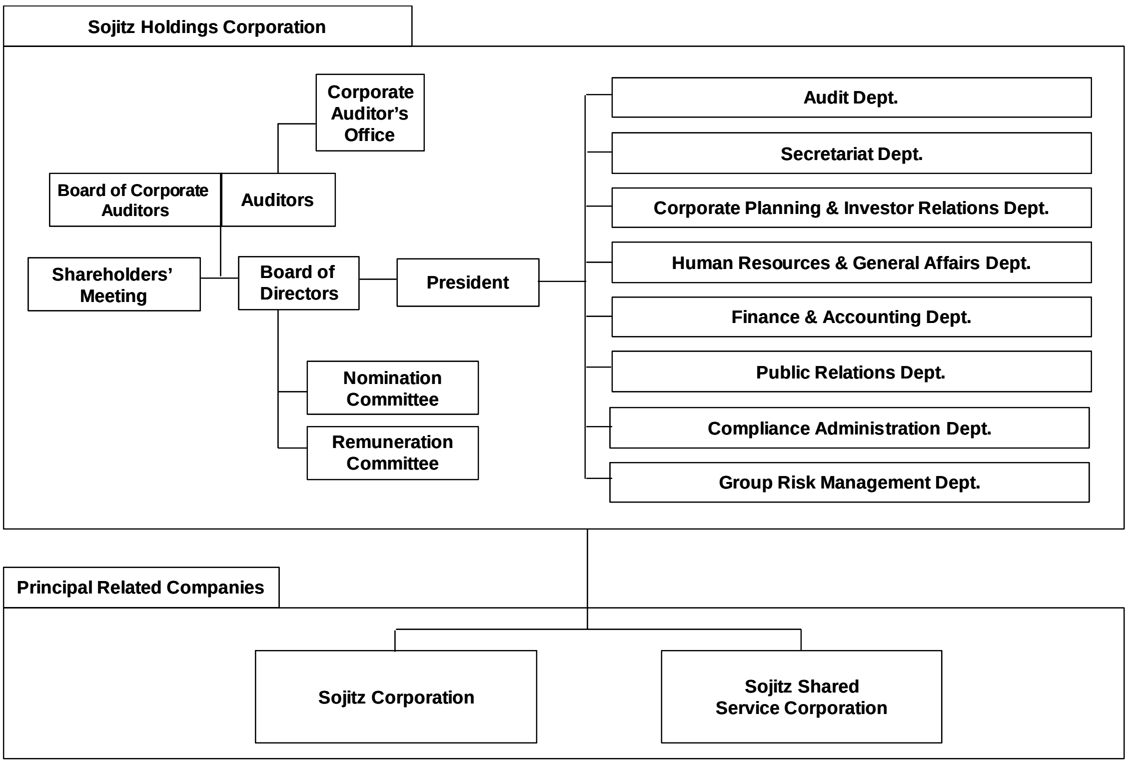
**(Ref) Forecast of Net income per share for the year ending March 31, 2005 : △ 1,763.50 Yen**

# Status of the Corporate Group

Sojitz Holdings Corporation (hereinafter referred to as "the Company" or "Sojitz Holdings"), which changed its name from Nissho Iwai - Nichimen Holdings Corporation on July 1, 2004, was established on April 1, 2003 from the former Nichimen Corporation and the former Nissho Iwai Corporation, as a holding company established through an exchange of stock under Article 364 of the Commercial Code. Sojitz Holdings manages and supervises the operations of subsidiary companies and conducts related business.

The former Nichimen Corporation and the former Nissho Iwai Corporation merged on April 1, 2004 to form the new company, Sojitz Corporation. With this company at its core, the Sojitz Group operates as a general trading company engaged in the buying and selling of goods, as well as import and export. Its business interests extend to a wide variety of concerns throughout the world, including support for the manufacture, sale and service of an array of goods in Japan and overseas, responsibility for the planning, management and coordination of diverse projects, and financial support and investment in an assortment of business fields.

The Sojitz Group is comprised of 433 subsidiaries, and 236 affiliates for a total of 669 companies (of which, 540 are included in the scope of consolidation). The management structure and principal related companies are as follows:




Note: Sojitz Holdings changed its name from Nissho Iwai - Nichimen Holdings Corporation on July 1, 2004.
On April 1, 2004, the former Nichimen Corporation and the former Nissho Iwai Corporation, wholly owned subsidiaries of Sojitz Holdings, merged to form Sojitz Corporation. Nissho Iwai – Nichimen Shared Service Corporation changed its name to Sojitz Shared Service Corporation as of April 1, 2004. Sojitz Corporation and Sojitz Shared Service Corporation are subsidiaries of Sojitz Holdings Corporation.

## Group Management Policy

### 1. Basic Policy

The Sojitz Group undertook a drastic review of its Business Plan, a three-year business plan commencing fiscal 2003, the fiscal year ended March 31, 2004, and formulated its New Business Plan. Underpinned by efforts to establish a robust financial position and to evolve to a quality earnings structure, the fundamental objectives of the New Business Plan are to build a more robust management foundation, unaffected by external conditions, and to enhance corporate value by quickly restoring market confidence. The New Business Plan covers a three-year period commencing fiscal 2004, the fiscal year ending March 31, 2005. The entire Sojitz Group is committed to becoming an innovative functional trading company that delivers high-value-added functions and services that only the Sojitz Group can deliver, in those business areas where the Sojitz Group can realize its strengths, by the end of the Plan.

### 2. Basic Policy on Dividends

The Company has placed enhancing competitiveness and improving shareholder value through the stable payment of shareholder dividends and efforts to maximize and efficiently apply retained earnings, as top management priorities. The amount of dividends to be paid is subject to shareholder equity considerations and capital requirements for growth-oriented investment.

In the fiscal year under review, the Sojitz Group is forecasting a substantial deficit in retained earnings as a result of the extraordinary loss in conjunction with the drastic review of its asset portfolio. To recover this deficit, Sojitz Holdings intends to table a resolution for approval at its annual general meeting of shareholders scheduled in June 2005 to transfer a portion of its capital surplus to retained earnings and to reduce capital. This reduction in capital will be transferred to capital surplus so as not to affect the total value of net worth. In addition, the number of shares issued and outstanding will also remain unchanged. Accordingly, this initiative will not impact on shareholders' equity per share.

Furthermore, through this procedure of recovering the deficit in retained earnings and efforts to secure retained earnings from fiscal 2005 and beyond, the Sojitz Group is working tirelessly toward providing a dividend payment from the fiscal year ending March 31, 2007.

### 3. New Business Plan Overview

#### (1) Basic Policy

As previously identified, underpinned by efforts to establish a robust financial position and to evolve to a quality earnings structure, the fundamental objectives of the New Business Plan are to build a more robust management foundation and to quickly restore market confidence.

a. Establish a Robust Financial Position

<Drastic review of the Group's asset portfolio>

Adopting a completely new approach and, from the perspective of reducing operational risk and improving the quality and liquidity of assets, the Sojitz Group has adopted measures in the first year of the New Business Plan, to withdraw from low-profit businesses, including businesses, which used to be classified as continuous operations, and to dispose of real estate and other holdings. Through these efforts, Sojitz Group is working to rid itself of those assets experiencing a deterioration in value and to immediately restore asset quality.

Accordingly, the resulting extraordinary loss will total approximately ¥400 billion in the fiscal year ending March 31, 2005. A breakdown of the planned extraordinary loss amount is as follows:

- To accelerate selection and focus initiatives: ¥260 billion
- To dispose of real estate and other holdings: ¥150 billion

In the fiscal year under review, the Sojitz Group is committed to completing drastic measures, such as the sale of assets and withdrawal from low-profit businesses, with the aim of avoiding additional future losses.

<Reinforce shareholders' equity and reduce interest-bearing debt>

The Sojitz Group decided to issue preferred stock totaling ¥360 billion with the aim of restoring shareholders' equity following the previously mentioned extraordinary loss. Of this total, an amount of ¥350 billion was issued to the Group's principal bankers UFJ Bank Limited, Mizuho Corporate Bank, Ltd., and The Bank of Tokyo-Mitsubishi, Ltd. Through the exercise of a debt-equity swap (DES) by principal banks, in connection with their loans to Sojitz Holdings, this capital injection reduced the Sojitz Group's interest-bearing debt. In addition, the Sojitz Group issued preferred stock totaling ¥10 billion and convertible bonds in the amount of ¥10 billion with stock acquisition rights to the UBS Group. The Group's equity financing of ¥370 billion has enabled it to reinforce shareholders' equity and reduce interest-bearing debt.

b. Evolution to a Quality Earnings Structure

<Accelerate selection and focus initiatives and enhance SCVA (the Sojitz Group's risk/return indicator)>

From an SCVA (Sojitz Corporation Value Added) perspective, the Sojitz Group will dramatically accelerate selection and focus initiatives. The Sojitz Group is disposing of non-value creation businesses, which are categorized as Businesses for Reorganization, while at the same time rationalizing business units that currently generate profits, but lack future potential. In an effort to enhance value in growth areas, the Group will also actively undertake capital investment with the aim of expanding existing businesses, procure investment funds and finance, and pursue M&A.

The Sojitz Group will adopt the following three measures and continuously review its business portfolios in an effort to enhance SCVA and to evolve to a quality earnings structure.

1. Withdraw from select and low-profit businesses
2. Allocate management resources to growth areas
3. Continuously enhance and strengthen business portfolios and risk management with the aim of improving SCVA

**(2) New Business Plan Financial Targets**

The Sojitz Group has identified the following consolidated financial targets in its New Business Plan, to be achieved by the fiscal year ending March 31, 2007:

| | |
|---|---|
| - Recurring profit: | ¥75 billion |
| - Net DER: | Approx. 3 times |
| (Net interest-bearing debt of ¥1 trillion) | |
| - Ratings: | BBB or above |

**4. Pressing Issues**

The principal issue confronting the Sojitz Group is the timely implementation of the measures outlined in its New Business Plan, namely to dramatically establish a robust financial position; to evolve to a quality earnings structure; to build a more robust management foundation, unaffected by external conditions; and to enhance corporate value by quickly restoring market confidence.

In the first half of fiscal 2004, the six-month period ended September 30, 2004, the Sojitz Group recorded an extraordinary loss in line with the acceleration of selection and focus initiatives. At the same time, the Group appointed certain trust banks as advisors in the area of real estate disposal, and has steadfastly worked toward full and final disposal by the end of the fiscal year under review. In an effort to restore shareholders' equity following the drastic review of assets and the extraordinary loss of approximately ¥400 billion, and to reduce interest-bearing debt, Sojitz Holdings implemented equity financing totaling ¥370 billion on October 29, 2004. This equity financing has resulted in substantially reinforcing financial structure.

On the earnings front, the Sojitz Group will take specific measures to evolve toward a quality earnings structure. At the same time—in the context of its selection and focus initiatives—the Group will apply SCVA, analyze the specific capital costs of each business unit, evaluate risks and returns, and selectively redistribute management resources according to business characteristics. Accordingly, the distribution of management resources will not be universally implemented with the view to appeasing business units across the board. Resource allocation will be dictated by efficiency concerns and directed toward growth areas in the Group clearly exhibiting competitive advantages and strengths. The SCVA-based review of business portfolios is not a one-off, and will be implemented on a continuous basis. The Sojitz Group is committed to constantly optimizing its business portfolios and enhancing SCVA.

## 5. Basic Stance on Corporate Governance and Measures Implemented

### (1) Basic Stance

The Sojitz Group considers clarification of its management responsibilities and accountability to stakeholders, including shareholders, to be an important issue. In order to strengthen its corporate governance, the Company has implemented a variety of measures aimed at improving the profitability of the entire Group and maximizing corporate value, based on the recognition that as the holding company for the Group, it is of the utmost importance for it to manage and oversee the business activities of the subsidiaries under its umbrella, and to establish a highly transparent management framework.

### (2) Measures Implemented

a. Status of the management structure relating to decision-making, implementation and overseeing, and other corporate governance structures:

- The Company has adopted the auditing system, with an auditing committee comprised of four auditors, of which two are outside auditors.

- Since its establishment in April 2003, the Company has introduced and employed the executive officer system as a means to clarify rights and responsibilities through the separation of managerial decision-making and business executions functions, and increase the speed of decision-making and implementation. Also, in order to respond quickly and appropriately to the sudden changes in the business environment, and to clarify management responsibilities, the tenure for directors has been set at one year.

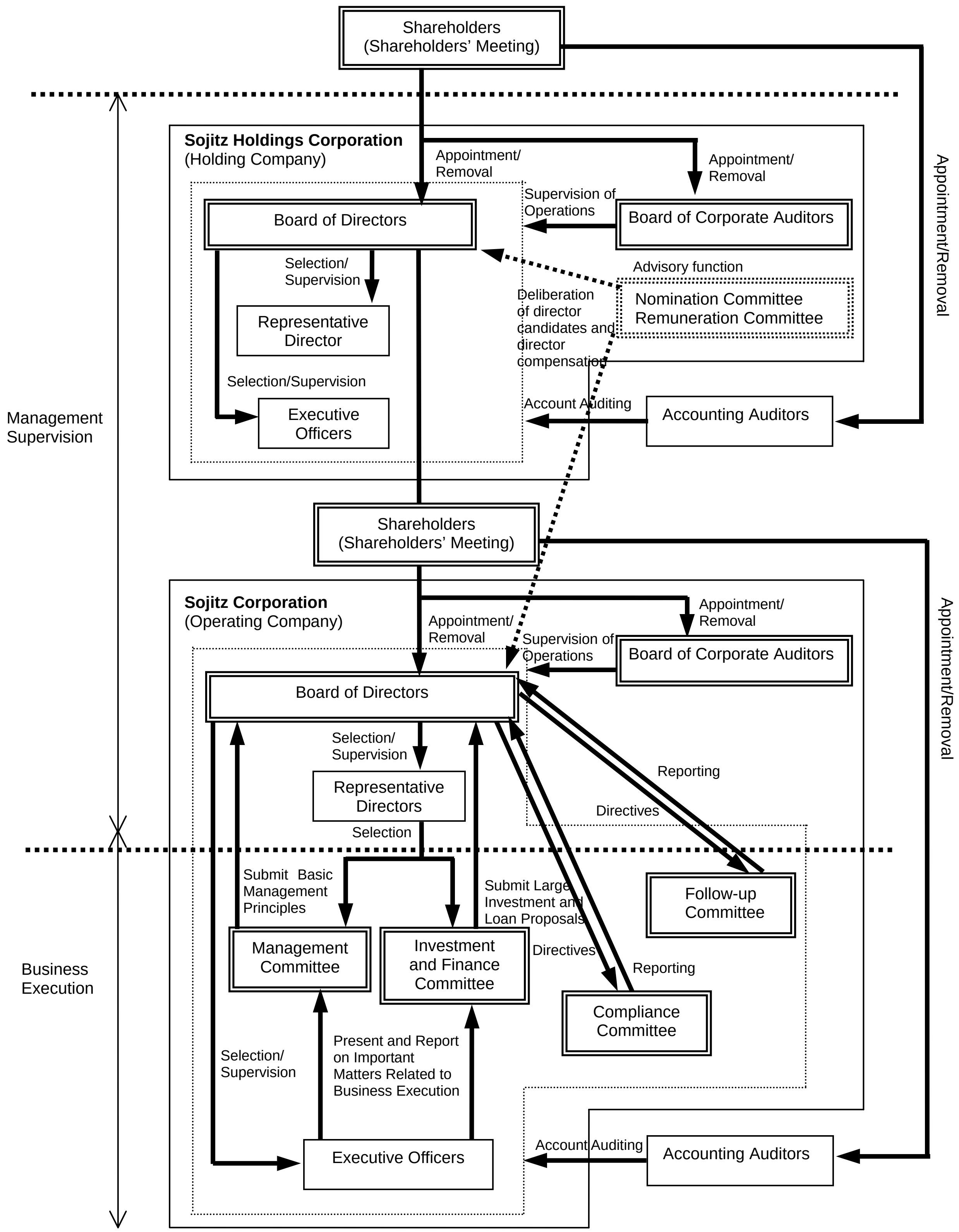
- The Company's Board of Directors is comprised of five directors, of which one is an outside director and three are directors of Sojitz Corporation concurrently. The Board of Directors is the principal decision-making body within the Group, where the most important matters pertaining to Group management are considered and decided. In order to avoid duplication in the decision-making process and operation, as well as to improve efficiency and increase the speed of operations, far-reaching authority was transferred to Sojitz Corporation.

- The Company consistently recognizes the basics of investor relations, disclosing fair and reliable information voluntarily and in a timely manner. (In April 2004, the Group's IR organization and personnel were merged with the Company's Corporate Planning & Investor Relations Department.)

- The Company—acting as a holding company, and in order to strengthen the supervising and auditing functions toward its subsidiaries—integrated the auditing offices of the former Nichimen Corporation and the former Nissho Iwai Corporation, and established an auditing office within the Company in October 2003. (It was renamed the Audit Department in April 2004.)

- The Compliance Administration Department was established within the Company, and a compliance program formulated with the aim of ensuring that executives and employees of the Sojitz Group abide by all laws and company regulations, and conduct themselves in an honorable way and in accordance with social norms. A compliance committee was also established within Sojitz Corporation, with the primary objective of ensuring the compliance with laws and regulations, as well as crisis management, within the Sojitz Group. In addition, the Group works to disseminate information through its compliance committee home page posted on its intranet and will continue to strengthen compliance throughout the entire Group through education and other measures.

- An organization chart depicting the Group's business execution and supervisory functions is provided as follows:



Shareholders
(Shareholders' Meeting)
Appointment/Removal
Management Supervision
Sojitz Holdings Corporation
(Holding Company)
Appointment/
Removal
Appointment/
Removal
Board of Directors
Supervision of
Operations
Board of Corporate Auditors
Selection/
Supervision
Advisory function
Representative
Director
Deliberation
of director
candidates and
director
compensation
Nomination Committee
Remuneration Committee
Selection/Supervision
Executive
Officers
Account Auditing
Accounting Auditors
Shareholders
(Shareholders' Meeting)
Sojitz Corporation
(Operating Company)
Appointment/
Removal
Appointment/
Removal
Supervision of
Operations
Board of Corporate Auditors
Board of Directors
Appointment/Removal
Selection/
Supervision
Reporting
Representative
Directors
Directives
Selection
Submit Basic
Management
Principles
Submit Large
Investment and
Loan Proposals
Follow-up
Committee
Business
Execution
Management
Committee
Investment
and Finance
Committee
Directives
Reporting
Compliance
Committee
Selection/
Supervision
Present and Report
on Important
Matters Related to
Business Execution
Account Auditing
Executive Officers
Accounting Auditors

b. Personal, financial and trading relationships, as well as other interests between the Company and the respective companies of outside directors and auditors:

- There are no interests between the Company and the respective companies of outside director Shigeo Muraoka, outside auditors Masaji Shinagawa and Yoshiaki Ishida.

c. Measures to enhance corporate governance implemented within the last year

- Acting to provide advisory functions to the Board of Directors, a Nomination Committee was established to deliberate on candidates for director and executive officer for the Company and candidates for director for Sojitz Corporation, and a Remuneration Committee to deliberate on compensation for directors and executive officers for the Company and directors for Sojitz Corporation in August 2004. Each committee is chaired by an outside director and strives to enhance transparency in management.

- On October 1, 2004, a Risk Management Planning Office was newly established at Sojitz Corporation with the aim of further reinforcing the integration process and strengthening risk management. In order to better address the wide variety of business risks, efforts are in place to closely incorporate SCVA and to further bolster the Group’s cross-sectional risk management structure. In the context of independent management, a specialist director has been appointed to oversee risk.

- A Follow-Up Committee was established within Sojitz Corporation on October 1, 2004 to ensure strict adherence and monitor progress of those measures identified in the New Business Plan in September 2004. The President of Sojitz Corporation acts as chairman of the committee, while specialists from outside the Group act as advisors, and progress is managed based on third-party advice.

## Business Results and Financial Position

### 1. Business Results

### (1) Overview of the First Half of the Fiscal Year Ending March 31, 2005

In the six-month period ended September 30, 2004, the overall economic environment was favorable. Global trade on a year-on-year basis exhibited double-digit growth, while the International Monetary Fund (IMF) projects growth of 5.0% in the global economy—the highest rate of growth in the past 30 years. The U.S. economy was strong, buoyed by the effect of major tax reductions, and more jobs were created. The Fed raised interest rates in June 2004 for the first time in three years. Although the European Union added 10 more Central and Eastern European countries on May 1, 2004 to become a 25-member union, the European economy remained sluggish due to weak consumer spending. In Asia, the robust Chinese economy continued to grow around 9% despite the government tightening fiscal policies. In Japan, the economy has been favorable, supported by strong overseas demand including exports to Asia in addition to revitalized capital investment in mainly digital equipment. In the fiscal year ending March 31, 2005, economic growth of around 3% is expected, with an overall improvement in business conditions in the non-manufacturing sector and for small and medium-size enterprises, as well as a slowing in the decline of commodity prices.

Amid this economic environment, Sojitz Corporation was established on April 1, 2004 in a merger between the former Nichimen Corporation and the former Nissho Iwai Corporation. As its parent company, the Company changed its name to Sojitz Holdings Corporation on July 1, 2004. The following is a breakdown of consolidated performance during the six-month period ended September 30, 2004.

As a result of reviewing low-profit transactions during the six-month period ended

September 30, 2004, consolidated net sales declined 25.4% to ¥2,254.2 billion compared with the same period of the previous fiscal year. A year-on-year comparison of net sales by type of trade reveals a decrease of 21.7% in export transactions in mainly the machinery & aerospace segment, a decline of 25.8% in import transactions in mainly the energy & mineral resources segment, a fall of 25.0% in domestic transactions due to a drop in transactions related to low-profit petroleum products and other products, and a decrease of 29.0% in offshore transactions at overseas subsidiaries and the machinery & aerospace segment.

By industry segment, net sales increased 7.9% for forest products & building materials owing to an increase in import transactions, 0.7% for the general commodities & consumer business due to firm demand for woodchips, and 0.3% in textiles owing to the addition of newly consolidated subsidiaries. Net sales of the energy & mineral resources business declined 49.8% due to a review of low-profit transactions, which primarily involves intermediary trading. Net sales also decreased 18.9% in the machinery & aerospace business owing to a drop in aircraft-related transactions, and 11.1% in the foods business due to declines in import transactions of items such as grain. In the construction & urban development business, sales fell 22.1% impacted by a fall off in condominium sales in domestic transactions. Sales declined 5.2% in the chemicals & plastics business due to the review of low-profit transactions.

On a consolidated basis, gross trading profit decreased 2.1% to ¥119.7 billion compared with the same period of the previous fiscal year, reflecting a decline in condominium sales in the construction & urban development segment and the disposition and liquidation of consolidated subsidiaries in line with restructuring in the machinery & aerospace segment. Operating income climbed 23.8% year-on-year to ¥32.9 billion on the back of improvements of ¥8.9 billion in selling, general and administrative expenses to ¥86.8 billion from rationalization effects, as well as improvements at overseas subsidiaries, which were weak in the corresponding period of the previous fiscal year despite the decline of gross trading profit in business segments. Recurring profit advanced 35.1% to ¥25.8 billion due to improvements in equity in earnings of unconsolidated subsidiaries and affiliates such as Metal One Corporation. Sojitz Holdings recorded extraordinary gains of ¥5.0 billion, including a ¥3.3 billion gain on sale of investment securities. However, Sojitz Holdings also posted extraordinary losses totaling ¥250.3 billion, including a restructuring loss of ¥181.4 billion in accordance with a review of low-profit businesses including overseas investments and loans under the New Business Plan announced on September 8, 2004, as well as a ¥46.2 billion loss due to reorganization of subsidiaries and affiliates, ¥13.0 billion evaluation loss on investment securities & investments other than securities, and ¥8.9 billion loss on the sale of investment securities. Overall, extraordinary losses outweighed extraordinary gains by ¥245.3 billion. As a result, consolidated loss before income taxes was ¥219.5 billion. After income taxes—current of ¥5.6 billion, income taxes—deferred of ¥13.9 billion due to a decline in deferred tax assets—current, and minority interests in consolidated subsidiaries of ¥2.1 billion, the consolidated net loss amounted to ¥241.1 billion.

**(2) Consolidated Results by Industry Segment**

*Machinery & Aerospace*

Sales in this segment totaled ¥454.1 billion, a decline of 18.9% from the same period of the previous fiscal year due to a decrease in aircraft-related transactions and the sale and rationalization of subsidiaries. However, operating income advanced 19.9% year-on-year to ¥5.8 billion as a result of lower selling, general and administrative expenses from rationalization.

*Energy & Mineral Resources*

Sales in this segment fell 49.8% to ¥500.2 billion as a consequence of a review of low-profit transactions in the energy business. Operating income, however, rose 23.3% to ¥5.1 billion due to improved profit margins.

*Chemicals & Plastics*

Sales in this segment decreased 5.2% to ¥293.7 billion from a review of low-profit transactions. Operating income, however, soared 40.7% to ¥8.8 billion due to lower selling, general and administrative expenses such as personnel costs owing to rationalization.

*Construction & Urban Development*

Sales in this segment dropped 22.1% to ¥68.2 billion due to a fall in condominium sales, and operating income fell 56.5% to ¥1.3 billion.

*Forest Products & Building Materials*

In this segment, sales totaled ¥157.2 billion, an increase of 7.9% from the same period of the previous fiscal year. Operating income grew 65.7% to ¥2.1 billion.

*Foods*

Continuing a downturn from the previous fiscal year, sales in this segment decreased 11.1% to ¥191.7 billion due to a reduction in transactions with low profit margins such as grains. Operating income climbed 210.7% to ¥2.2 billion as a result of reductions of selling, general and administrative expenses and improvements of profit margins.

*General Commodities & Consumer Business*

Favorable performance in the woodchip business contributed to a 0.7% increase in sales to ¥128.3 billion. Operating income totaled ¥0.7 billion, an increase of 84.8% from the same period of the previous fiscal year.

*Textiles*

Sales in this segment amounted to ¥68.0 billion, an increase of 0.3% owing to the addition of consolidated subsidiaries despite poor sales of winter clothing due to the intense heat. Operating income advanced 61.6% to ¥2.5 billion.

*Overseas Subsidiaries*

Sales in this segment declined 21.6% year-on-year to ¥329.3 billion due to a review of low-profit transactions. Earnings power is gradually recovering with a reduction in selling, general and administrative expenses stemming from integration, as well as profitability improvements at subsidiaries in Europe and the United States, which performed poorly in the same period of the previous fiscal year. Accordingly, operating income totaled ¥1.7 billion, a marked improvement from operating income of ¥3 million recorded in the same period of the previous fiscal year.

*Other*

In this segment, sales fell 31.0% to ¥63.5 billion, owing to the withdrawal from low-profit transactions at overseas branch offices. Operating income dropped 37.8% to ¥2.9 billion.

**2. Outlook for the Fiscal year Ending March 31, 2005**

Consolidated estimates for the fiscal year ending March 31, 2005 are as follows:

| | |
|---|---|
| Net sales | ¥5,000 billion |
| Recurring profit | ¥ 50 billion |
| Net loss | ¥ 380 billion |

The above estimates are based on assumptions of a foreign currency exchange rate of ¥105 per U.S. dollar and an average crude oil price of US$25-$27/bbl (Dubai).

* Forward-Looking Statements

The information on future performance (forward-looking statements) is based on information available to management at the time of its disclosure. Accordingly, readers are advised that actual results may differ from forward-looking statements due to a wide variety of factors including but not limited to conditions in the Company's principal overseas and domestic markets, economic conditions, and changes in foreign currency exchange markets. Sojitz Holdings will release a notification of any changes to its estimates in the event of a major change in the operating environment.

## 3. Financial Position as of September 30, 2004

### (1) Consolidated Balance Sheet

Guided by its New Business Plan, the Sojitz Group worked to accelerate selection and focus initiatives, reduce operational risk, and from the perspective of improving the quality and liquidity of assets, to review low-profit business including overseas investment and loans. The goal of the Group is to accurately identify withdrawal costs and recoveries. As a result, assets classified as current in the traditional operating business cycle were transferred to fixed assets as non-performing receivables and a substantial provision made to allowance for doubtful debts. In addition, in line with the decision to issue preferred stock by way of allocation to third parties and convertible bonds with stock acquisition rights, ratified at a Board of Directors meeting of Sojitz Holdings held on September 29, 2004, Sojitz Group undertook the payment of a portion of long-term borrowings prior to maturity and transferred a portion of its debt to short-term debts. Accordingly, Sojitz Holdings experienced a deterioration in its long- to short-term debt ratio as of the end of the period under review. On October 29, 2004, Sojitz Holdings issued the aforementioned preferred stock and convertible bonds with stock acquisition rights, raising an amount totaling ¥370 billion. Following receipt of issue proceeds, Sojitz Holdings repaid a portion of its short-term debt. As a result, the current ratio improved from approximately 64% to 75%.

### (2) Consolidated Cash Flows

For the six-months ended September 30, 2004, net cash used in operating activities totaled ¥47.4 billion, net cash provided by investing activities was ¥66.0 billion, and net cash used in financing activities was ¥129.9 billion. After accounting for the effect of exchange rate changes on cash and cash equivalents and changes to the scope of consolidation, total cash and cash equivalents as of the end of the period amounted to ¥290.0 billion.

a. Cash Flows from Operating Activities

Net cash used in operating activities totaled ¥47.4 billion, a turnaround of ¥99.8 billion compared with the corresponding period of the previous fiscal year. Principal outflows were attributed to the decrease in trade payable and others.

b. Cash Flows from Investing Activities

Net cash provided by investing activities increased ¥34.9 billion year on year to ¥66.0 billion. Principal components were proceeds from sale of investment securities and collection of loans receivables.

c. Cash Flows from Financing Activities

Net cash used in financing activities amounted to ¥129.9 billion, down ¥222.1 billion from the corresponding period of the previous fiscal year. This was mainly attributed to the continued reduction of interest-bearing debt.

# Consolidated Statements of Income

for the six-month period ended September 30, 2004

Millions of yen

| | Six-month Perioc ended September 30, 2004 | Percentage of Net sales (%) | Six-month Perioc ended September 30, 2003 | Percentage of Net sales (%) | Difference Amount | Difference Percentage |
|---|---|---|---|---|---|---|
| **Net sales** | 2,254,215 | 100.00 | 3,022,042 | 100.00 | (767,827) | (25.41) |
| Cost of sales | (2,134,498) | ( 94.69 ) | (2,899,718) | ( 95.95 ) | 765,220 | (26.39) |
| **Gross trading profit** | 119,717 | 5.31 | 122,323 | 4.05 | (2,606) | (2.13) |
| Selling, general and administrative expenses | (86,783) | ( 3.85 ) | (95,717) | ( 3.17 ) | 8,934 | (9.33) |
| **Operating income** | 32,934 | 1.46 | 26,606 | 0.88 | 6,328 | 23.78 |
| Interest income | 9,181 | 0.40 | 12,852 | 0.42 | (3,671) | (28.56) |
| Dividend income | 1,479 | 0.07 | 2,047 | 0.07 | (568) | (27.75) |
| Equity in gains of unconsolidated subsidiaries and affiliates-net | 6,083 | 0.27 | 1,866 | 0.06 | 4,217 | 225.99 |
| Other income | 6,935 | 0.31 | 11,379 | 0.38 | (4,444) | (39.05) |
| Non-operating income | 23,679 | 1.05 | 28,145 | 0.93 | 4,466 | (15.87) |
| Interest expense | (23,890) | ( 1.06 ) | (27,956) | ( 0.92 ) | 4,066 | (14.54) |
| Interest expense on commercial papers | (1,261) | ( 0.06 ) | (773) | ( 0.03 ) | (488) | 63.13 |
| Other expense | (5,699) | ( 0.25 ) | (6,946) | ( 0.23 ) | 1,247 | (17.95) |
| Non-operating expense | (30,851) | ( 1.37 ) | (35,677) | ( 1.18 ) | 4,826 | (13.53) |
| **Recurring profit** | 25,762 | 1.14 | 19,074 | 0.63 | 6,688 | 35.06 |
| Extraordinary loss-net | (245,327) | ( 10.88 ) | (33,050) | ( 1.09 ) | (212,277) | 642.29 |
| **Income before income taxes** | (219,564) | ( 9.74 ) | (13,975) | ( 0.46 ) | (205,589) | - |
| Income taxes; Current | (5,553) | ( 0.25 ) | (5,487) | ( 0.18 ) | (66) | 1.20 |
| Deferred | (13,858) | ( 0.61 ) | 2,875 | 0.09 | (16,733) | - |
| Minority interests in consolidated subsidiaries | (2,094) | ( 0.09 ) | (922) | ( 0.03 ) | (1,172) | 127.11 |
| Net Income (Loss) | (241,071) | ( 10.69 ) | (17,509) | ( 0.58 ) | (223,562) | - |

# Extraordinary Income and Loss

for the Six-month  Period ended September 30, 2004

Millions of yen

| | Six-month Period ended September 30, 2004 | Six-montn Period ended September 30, 2004 | Increase/ Decrease |
|---|---|---|---|
| **Extraordinary Income;** | | | |
| Gain on property & equipment | 635 | 145 | 490 |
| Gain on sale of investment securities | 3,296 | 6,050 | (2,754) |
| | 1,026 | - | 1,026 |
| Total extraordinary income | 4,958 | 6,195 | (1,237) |
| | | | |
| **Extraordinary Loss;** | | | |
| Loss on property & equipment | (778) | (2,157) | 1,379 |
| Loss on sale of investment securities | (8,894) | (6,017) | (2,877) |
| Evaluation loss on investment securities & investments other  than securities | (13,087) | (1,130) | (11,957) |
| Loss due to reorganization of subsidiaries and affiliates | (46,193) | (5,844) | (40,349) |
| Provision for overseas doubtful receivables | - | (2,612) | (2,612) |
| Restructuring loss | (181,332) | (1,962) | (179,370) |
| Special early retirement benefits | - | (4,043) | (4,043) |
| Expenses loss on changes in retirement benefits plans | - | (15,271) | (15,271) |
| Dilution gains from change in equity interest | - | (206) | (206) |
| Total extraordinary loss | (250,286) | (39,245) | (211,041) |
| **Extraordinary income/loss, net** | (245,327) | (33,050) | (212,277) |

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

| | | | |
|---|---|---|---|
| Provision  for doubtful receivables | (346) | (384) | 38 |

(Included in Selling, general & administrative expenses)

# Consolidated Balance Sheets

As of September 30, 2004

## Assets

Millions of yen

| | September 30, 2004 | March 31, 2004 | Increase/ Decrease |
|---|---|---|---|
| **Current assets;** | | | |
| Cash and deposits | 325,501 | 435,671 | (110,170) |
| Trade notes and trade accounts receivables | 622,695 | 708,982 | (86,287) |
| Securities | 14,887 | 17,705 | (2,818) |
| Inventories | 240,369 | 239,499 | 870 |
| Short-term loans receivables | 95,435 | 188,002 | (92,567) |
| Deferred tax assets-current | 6,028 | 13,346 | (7,318) |
| Other current assets | 176,629 | 171,637 | 4,992 |
| Allowance for doubtful receivables | (27,965) | (39,926) | 11,961 |
| Total current assets | 1,453,582 | 1,734,918 | (281,336) |
| **Fixed assets;** | | | |
| Tangible assets | 452,279 | 493,163 | (40,884) |
| Intangible assets; | 112,619 | 66,228 | 46,391 |
| Goodwill | 82,129 | 41,375 | 40,754 |
| Other intangible assets | 30,489 | 24,852 | 5,637 |
| Investments and other fixed assets; | 684,328 | 781,335 | (97,007) |
| Investments securities | 389,790 | 410,531 | (20,741) |
| Long-term loans | 93,266 | 182,093 | (88,827) |
| Non-performing receivables | 346,661 | 152,614 | 194,047 |
| Deferred tax assets-non-current | 70,367 | 95,685 | (25,318) |
| Deferred tax assets-revaluation | 1,670 | 1,822 | (152) |
| Others | 80,808 | 82,373 | (1,565) |
| Allowance for doubtful receivables | (298,237) | (143,786) | (154,451) |
| Total fixed assets | 1,249,227 | 1,340,726 | (91,499) |
| **Deferred assets** | 1,144 | 1,377 | (233) |
| **Total assets** | 2,703,954 | 3,077,022 | (373,068) |

# Consolidated Balance Sheets

As of September 30, 2004

## Liabilities and shareholders'equity

Millions of yen

| | September 30, 2004 | March 31, 2004 | Increase/ Decrease |
|---|---|---|---|
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade notes and trade accounts payables | 477,884 | 479,264 | (1,380) |
| Short-term debts | 1,517,878 | 1,320,861 | 197,017 |
| Commercial paper | 79,100 | 141,200 | (62,100) |
| Current Portion of Long-term debt | 33,874 | 38,858 | (4,984) |
| Income taxes payable | 5,874 | 7,788 | (1,914) |
| Deferred tax liabilities-current | 255 | 257 | (2) |
| Allowance for restructuring loss | - | 500 | (500) |
| Other current liabilities | 163,578 | 223,588 | (60,010) |
| Total current liabilities | 2,278,446 | 2,212,318 | 66,128 |
| **Non-current liabilities;** | | | |
| Bonds, less current portion | 48,664 | 61,167 | (12,503) |
| Long-term borrowings | 211,143 | 430,640 | (219,497) |
| Deferred tax liabilities -non-current | 5,403 | 10,463 | (5,060) |
| Allowance for retirement benefits | 33,510 | 7,928 | 25,582 |
| Other non-current liabilities | 31,465 | 26,259 | 5,206 |
| Total non-current liabilities | 330,187 | 536,459 | (206,272) |
| **Total liabilities** | 2,608,633 | 2,748,778 | (140,145) |
| **Minority Interest in consolidated subsidiaries** | 33,632 | 12,009 | 21,623 |
| **Shareholders' equity** | | | |
| Common stock | 151,106 | 150,606 | 500 |
| Additional paid-in capital | 302,703 | 346,619 | (43,916) |
| Accumulated deficit | (319,821) | (104,802) | (215,019) |
| Loss on land revaluation | (5,214) | (5,469) | 255 |
| Unrealized losses on available-for-sale securities | 16,482 | 16,692 | (210) |
| Foreign currency translation adjustments | (83,523) | (87,379) | 3,856 |
| Treasury stock | (44) | (32) | (12) |
| Total shareholders' equity | 61,688 | 316,234 | (254,546) |
| **Total liabilities and shareholders' equity** | 2,703,954 | 3,077,022 | (373,068) |

# Consolidated Statements of Cash Flows

for the Six-month Period ended September 30, 2004

Millions of yen

| | Six-month Period ended September 30, 2004 | Six-month Period ended September 30, 2003 | Increase/ Decrease |
|---|---|---|---|
| **Operating activities;** | | | |
| Loss before income taxes and minority interests | (219,564) | (13,975) | (205,589) |
| Depreciation and amortization | 11,431 | 14,194 | (2,763) |
| Loss on revaluation of securities | 13,087 | 1,130 | 11,957 |
| Increase in allowance for doubtful receivables | 141,424 | 4,572 | 136,852 |
| Interest and dividend income | (10,661) | (14,899) | 4,238 |
| Interest expense | 25,151 | 28,730 | (3,579) |
| Equity in earnings of unconsolidated subsidiaries and affiliates | (6,083) | (1,866) | (4,217) |
| Gain on sale of securities | 4,480 | (3,215) | 7,695 |
| Losses on sale and disposal of property & equipment | 143 | 2,012 | (1,869) |
| Decrease in trade receivables | 9,723 | 65,826 | (56,103) |
| Decrease in inventories | 516 | 15,175 | (14,659) |
| Decrease in trade payables | (11,769) | (5,166) | (6,603) |
| Other, net | (5,250) | (40,132) | 34,882 |
| Net cash provided by operating activities | (47,369) | 52,384 | (99,753) |
| **Investing Activities** | | | |
| Increase in time deposit, net | (7,773) | (2,865) | (4,908) |
| Decrease in marketable securities, net | 5,986 | 5,790 | 196 |
| Payments for property & equipment | (3,815) | (6,311) | 2,496 |
| Proceeds from sale of property & equipment | 4,271 | 767 | 3,504 |
| Payments for purchase of investment securities | (6,078) | (8,779) | 2,701 |
| Proceeds from sale of investment securities | 27,091 | 37,113 | (10,022) |
| Decrease in short - term loans receivable, net | 30,489 | (6,518) | 37,007 |
| Increase of long - term loans receivable | (3,910) | (7,856) | 3,946 |
| Collection of long-term loans receivable | 17,744 | 12,847 | 4,897 |
| Other, net | 2,018 | 6,959 | (4,941) |
| Net cash provided by investing activities | 66,023 | 31,144 | 34,879 |
| **Financing activities** | | | |
| Increase in short-term debt, net | 324,996 | (49,570) | 374,566 |
| Decrease in commercial paper, net | (62,100) | 57,970 | (120,070) |
| Proceeds from long-term debt | 12,423 | 52,405 | (39,982) |
| Repayments of long-term debt | (387,917) | (198,653) | (189,264) |
| Proceeds from issuance of bonds | - | 16,863 | (16,863) |
| Redemption of bonds | (16,775) | (59,284) | 42,509 |
| Proceeds from issuance of common stock/preferred stock | - | 272,248 | (272,248) |
| Other, net | (560) | 147 | (707) |
| Net cash used in financing activities | (129,933) | 92,126 | (222,059) |
| Effect of Exchange Rate Changes on Cash & Cash Equivalents | 872 | 917 | (45) |
| Net Decrease in Cash & Cash Equivalents | (110,406) | 176,573 | (286,979) |
| Cash & cash Equivalents at the Beginning of the Period | 401,240 | 310,441 | 90,799 |
| Effect of Change in Scope of Consolidation | (820) | 4,649 | (5,469) |
| Cash & Cash Equivalents at the End of the Period | 290,013 | 491,664 | (201,651) |

# Segment Information

for the Six-month Period ended September 30, 2004

## Industry Segments

The business segment information for the six-month period ended September 30, 2004 and preceding interim period are as follows:

**Six-month period ended September 30, 2004** Millions of yen

| | Machinery & Aerospace | Energy & Mineral Resources | Chemicals & Plastics | Construction & Urban Development | Forest Products & Building Materials | Foods |
|---|---|---|---|---|---|---|
| Net sales | | | | | | |
| Outside customers | 454,122 | 500,160 | 293,698 | 68,247 | 157,212 | 191,704 |
| Inter-segment | 7,056 | 25,915 | 14,417 | 691 | 8,774 | 6,796 |
| Total | 461,178 | 526,076 | 308,116 | 68,939 | 165,986 | 198,501 |
| Operating expense | 455,354 | 521,000 | 299,268 | 67,666 | 163,936 | 196,257 |
| Operating income (loss) | 5,824 | 5,076 | 8,847 | 1,272 | 2,050 | 2,243 |
| Total assets | 324,726 | 346,812 | 367,458 | 245,987 | 119,450 | 117,196 |

| | General Commodities & Consumer Business | Textiles | Overseas Subsidiaries | Other | Total | Elimination | Consolidated |
|---|---|---|---|---|---|---|---|
| Net sales | | | | | | | |
| Outside customers | 128,274 | 67,971 | 329,321 | 63,501 | 2,254,215 | - | 2,254,215 |
| Inter-segment | 811 | 1,505 | 138,940 | 5,184 | 210,093 | ( 210,093 ) | - |
| Total | 129,085 | 69,477 | 468,262 | 68,685 | 2,464,309 | ( 210,093 ) | 2,254,125 |
| Operating expense | 128,345 | 66,959 | 466,596 | 6,748 | 2,431,133 | ( 209,852 ) | 2,221,281 |
| Operating imcome (loss) | 739 | 2,518 | 1,666 | 2,937 | 33,175 | ( 241 ) | 32,934 |
| Total assets | 66,209 | 106,282 | 681,189 | 450,055 | 2,825,368 | ( 121,413 ) | 2,703,954 |

Notes:

1. Unallocated costs and expenses included in “Elimination and Unallocated” totaled 3,020 million yen and comprised mainly administrative group expenses applicable to Sojitz Corporation.

2. Company assets included in “Elimination and Unallocated” comprised mainly managed surplus (cash and deposits and bonds, and investment securities)

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

Following the merger between the former Nichimen Corporation and the former Nissho Iwai Corporation in April 2004, and in the period under review, business units were reclassified with the aim of better reflecting the operations of the Sojitz Group and to enhance efficiency. Information for the corresponding period of the previous fiscal year has been recalculated in accordance with the reclassification for comparative purposes.
Business segment reclassification is presented as follows.

Individual business segments for Construction & Urban Development, Forest Products & Building Materials, Foods, General Commodities & Consumer Business, and Textiles have been established. Data for each industry segment was previously included in Housing & Consumer Products.

The Machinery segment has been renamed the Machinery & Aerospace segment.

The Energy-Related Plant business, historically included in the Machinery & Metals segment has been integrated into the Energy & Mineral Resources segment.

The principal products of each industry segment are identified in this report under those sections titled “Status of the Corporate Group” and “Industry Segment Information.”

# Segment Information

for the Six-month Period ended September 30, 2004

## Industry Segments (Continued)

**(Ref.) Six-month Period ended September 30, 2003**

Millions of yen

| | Machinery & Aerospace | Energy & Mineral Resources | Chemicals & Plastics | Construction & Urban Development | Forest Products & Building Materials | Foods |
|---|---|---|---|---|---|---|
| Net sales | | | | | | |
| Outside customers | 559,691 | 996,384 | 309,812 | 87,647 | 145,752 | 215,680 |
| Inter-segment | 9,427 | 37,801 | 5,235 | 444 | 176 | 8,012 |
| Total | 569,119 | 1,034,186 | 315,048 | 88,091 | 145,928 | 223,692 |
| Operating expense | 564,263 | 1,030,069 | 308,760 | 85,170 | 144,691 | 222,970 |
| Operating income (loss) | 4,856 | 4,116 | 6,287 | 2,921 | 1,237 | 722 |
| Total assets | 382,525 | 344,796 | 375,678 | 305,061 | 142,405 | 117,274 |

| | General Commodities & Consumer Business | Textiles | Overseas Subsidiaries | Other | Total | Elimination | Consolidated |
|---|---|---|---|---|---|---|---|
| Net sales | | | | | | | |
| Outside customers | 127,419 | 67,738 | 419,908 | 92,008 | 3,022,042 | - | 3,022,042 |
| Inter-segment | 472 | 1,530 | 172,866 | 12,658 | 248,627 | ( 248,627 ) | - |
| Total | 127,891 | 69,268 | 592,775 | 104,666 | 3,270,669 | ( 248,627 ) | 3,022,042 |
| Operating expense | 127,491 | 67,709 | 592,771 | 99,946 | 3,243,845 | ( 248,409 ) | 2,995,435 |
| Operating income (loss) | 400 | 1,558 | 3 | 4,720 | 26,824 | ( 217 ) | 26,606 |
| Total assets | 63,653 | 96,626 | 701,575 | 394,705 | 2,924,303 | ( 152,718 ) | 3,077,022 |

Notes:

1. Unallocated costs and expenses included in “Elimination and Unallocated” totaled 4,951 million yen and comprised mainly administrative group expenses applicable to Sojitz Corporation

2. Company assets included in “Elimination and Unallocated” comprised mainly managed surplus (cash and deposits and bonds, and investment securities).

## Segment Information

for the Six-month Period ended September 30, 2004

## Geographic Segments

The geographic segment information for the six-month period ended September 30, 2004 and preceding interim period are as follows:

**Six-month Period ended September 30, 2004**

Millions of yen

| | Japan | North America | Europe | Asia & Oseania | Other | Total | Elimination | Consolidated |
|---|---|---|---|---|---|---|---|---|
| Net sales | | | | | | | | |
| Outside customers | 1,755,416 | 144,172 | 63,864 | 265,984 | 24,777 | 2,254,215 | - | 2,254,215 |
| Inter-area | 99,168 | 59,663 | 18,931 | 103,463 | 2,502 | 283,729 | (283,729) | - |
| Total | 1,854,584 | 203,835 | 82,796 | 369,448 | 27,280 | 2,537,945 | (283,729) | 2,254,215 |
| Operating expense | 1,834,776 | 201,872 | 81,822 | 362,350 | 23,076 | 2,503,898 | (282,617) | 2,221,281 |
| Operating income (loss) | 19,808 | 1,963 | 974 | 7,097 | 4,204 | 34,047 | (1,112) | 32,934 |
| Total assets | 2,220,738 | 266,648 | 306,685 | 327,727 | 34,500 | 3,156,300 | (452,802) | 2,703,954 |

Notes:
1. Countries and regions are categolized 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 & Oseania: | Singapore and China |
| Other: | Africa and South America |

3. Unallocated costs and expenses included in “Elimination and Unallocated” totaled 3,020 million yen and comprised mainly administrative group expenses applicable to Sojitz Corporation.

4. Company assets included in “Elimination and Unallocated” comprised mainly managed surplus (cash and deposits and bonds, and investment securities).

**(Ref.) Six-month Period ended September 30, 2003**

Millions of yen

| | Japan | North America | Europe | Asia & Oseania | Other | Total | Elimination | Cosolidated |
|---|---|---|---|---|---|---|---|---|
| Net sales | | | | | | | | |
| Outside customers | 2,405,894 | 184,432 | 86,339 | 334,748 | 10,627 | 3,022,042 | ( - ) | 3,022,042 |
| Inter-area | 102,340 | 329,299 | 23,918 | 298,295 | 82 | 753,935 | (753,935) | - |
| Total | 2,508,234 | 513,732 | 110,257 | 633,043 | 10,709 | 3,775,978 | (753,935) | 3,022,042 |
| Operating expense | 2,438,139 | 514,185 | 109,218 | 628,473 | 10,228 | 3,745,245 | (749,809) | 2,995,435 |
| Operating income (loss) | 25,094 | (452) | 1,039 | 4,570 | 480 | 30,732 | (4,126) | 26,606 |
| Total assets | 2,225,734 | 268,573 | 326,665 | 329,178 | 68,997 | 3,219,147 | (1,424,124) | 3,077,022 |

Notes:
1. Countries and regions are categolized 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 & Oseania: | Singapore, Chaina and Thailand |
| Other: | South America and Africa |

3. Unallocated costs and expenses included in “Elimination and Unallocated” totaled 4,951 million yen and comprised mainly administrative group expenses applicable to Sojitz Corporation.

4. Company assets included in “Elimination and Unallocated” comprised mainly managed surplus (cash and deposits and bonds, and investment securities).

November 16, 2004

# Highlights of Consolidated Financial Results for the Six-month Period Ended September 30, 2004

Sojitz Holdings Corporation

## Highlights of 1st-Half FY2004 Results

**New Business Plan (announced on September 8)**

1. Establish a robust financial position
2. Evolution to a quality earnings structure
3. Revision of financial targets in year 3

Recurring profit: 75.0 billion yen
Net DER: Approx. 3 times
(net interest-bearing debt of 1 trillion yen)
Ratings: BBB or above

(Billions of yen)

| Targets | FY2004 | FY2005 | FY2006 |
|---|---|---|---|
| Net sales | 5,000 | 4,900 | 5,200 |
| Recurring profit | 50 | 65 | 75 |
| Net income (loss) | (380) | 35 | 39 |

**Recording of losses in line with New Business Plan during 1st Half FY2004**

To reduce business risk and improve asset quality and liquidity, we reviewed low-profit businesses including overseas investments, and recorded extraordinary losses of approximately 250 billion yen during the 1st half of fiscal 2004 based on calculations of withdrawal costs and recoverable amounts.

**Reductions of interest-bearing debt and enhancement of shareholders' equity**

In line with the New Business Plan, increased capital by issuing preferred stock to principal financial institutions such as UFJ Bank and the UBS Group on October 29, 2004.

<Details of capital increase>
Underwriters: UFJ Bank, Mizuho Corporate Bank,
Bank of Tokyo-Mitsubishi, UBS Group
Amount: 360 billion yen

*Convertible bonds in the amount of 10 billion yen were also issued to UBS Group.

<Reduction in interest-bearing debt>
A debt-equity swap was undertaken on October 31, 2004, for 350 billion yen in preferred stocks in connection with loans from the company's three main banks, and this amount was allocated to debt reduction.

As of September 30, 2004, progress toward achieving FY2004 targets for operating income and recurring profit had exceeded 50% under the New Business Plan. Almost of all losses were recorded for acceleration of selection and focus except certain operaion assets. We plan to make final disposals through the sale of real estate in the 2nd half of fiscal 2004.

**Forecasts for Fiscal 2004**

Estimates are for net sales of 5 trillion yen, recurring profit of 50 billion yen, and a net loss of 380 billion
Assumptions
Exchange rate (yen/US dollar): 105
Crude oil prices (US$/BBL): 25-27 (Dubai)

## 2. Consolidated Statements of Operations

Billions of yen

| | 1st-half FY2004 results a | 1st-half FY2003 results b | Increase/ Decrease a-b | Summary of changes from the same period of the previous fiscal year | Forecast FY2004 c | Percentage achieved a/c |
|---|---|---|---|---|---|---|
| Net sales | 2,254.2 | 3,022.0 | -767.8 | Net Sales<br>Decline in energy-related transactions due to fewer low-profit transactions -496.2<br>Decline in transactions related to aircraft, electronic communications, and ship equipment -105.6 | 5,000.0 | 45% |
| Gross trading profit | 119.7 | 122.3 | -2.6 | Gross trading profit<br>Change due to restructuring (changes in scope of consolidation) +0.8<br>Decline in large transactions related to condominiums -2.1<br>Decline in transactions related to plants and communications -1.1 | 250.0 | 48% |
| (Gross trading profit ratio) | (5.31%) | (4.05%) | | | (5.00%) | |
| Personnel expenses | -40.0 | -44.1 | 4.1 | Selling, general and administrative expenses | | |
| Non-personnel expenses | -38.0 | -42.8 | 4.8 | Change due to restructuring (changes in scope of consolidation) +0.4 | | |
| Depreciation expense | -6.1 | -6.6 | 0.5 | Rationalization from merger of overseas subsidiaries +2.5 | | |
| (Sub total) | (-84.1) | (-93.5) | (9.4) | Other (rationalization, etc.) +6.0 | | |
| Allowance for doubtful receivables | -0.3 | -0.4 | 0.1 | | | |
| Cosolidated goodwill amortization | -2.4 | -1.8 | -0.6 | | | |
| Selling, general and administrative expenses | (-86.8) | (-95.7) | (8.9) | | -187.0 | 46% |
| Operating income | 32.9 | 26.6 | 6.3 | | 63.0 | 52% |
| (Operating income ratio) | (1.46%) | (0.88%) | | | (1.26%) | |
| Interest income | 9.2 | 12.9 | -3.7 | | | |
| Interest expenses | -25.2 | -28.8 | 3.6 | | | |
| (Interest expenses-net) | (-16.0) | (-15.9) | (-0.1) | | | |
| Dividend income | 1.5 | 2.1 | -0.6 | | | |
| (Net financial revenue) | (-14.5) | (-13.8) | (-0.7) | | | |
| Equity in earnings of unconsolidated subsidiaries and affiriates | 6.1 | 1.9 | 4.2 | Equity method gains and losses | | |
| Other income | 6.9 | 11.4 | -4.5 | Steel Products +4.5, Australian coal business +0.6, etc.) | | |
| Other expenses | -5.6 | -7.0 | 1.4 | | | |
| (Other-net) | (-7.1) | (-7.5) | (0.4) | | -13.0 | 55% |
| Recurring profit | 25.8 | 19.1 | 6.7 | | 50.0 | 52% |
| Gain on sale of property & equipment | 0.7 | | | | | |
| Gain on sale of investment securities | 3.3 | | | Gain on sales of assets, mainly listed securities | | |
| **Gain on change in equity method** | 1.0 | | | | | |
| (Extraordinary income) | (5.0) | (6.2) | -1.2 | | | |
| Loss on sale of property & equipment | -0.8 | | | | | |
| Loss on sale of investment securities | -8.9 | | | Sales of communications-related shares (-5.5), etc. | | |
| Evaluation loss on investment securities & investments other than securities | -13.0 | | | Withdrawal from overseas communications business (-1.9), devaluation of unlisted securities, etc. | | |
| Loss due to reorganization of subsidiaries and affiliates | -46.2 | | | Withdrawal from overseas contstruction machinery subsidiary (-4.6) | | |
| Restructuaring loss | -181.4 | | | Withdrawal from overseas fossile products company (-14.0), withdrawal from Latin America medical equipment (-7.4), etc. | | |
| (Extraordinary loss) | (-250.3) | (-39.3) | (-211.0) | | | |
| (Extraordinary loss-net) | (-245.3) | (-33.1) | (-212.2) | | -410.0 | 60% |
| Income before income taxes | -219.5 | -14.0 | (-205.5) | | -360.0 | 61% |
| Income taxes: Current | -5.6 | -5.5 | -0.1 | | | |
| Deferred | -13.9 | 2.9 | -16.8 | | | |
| Minority interests | -2.1 | -0.9 | -1.2 | | | |
| Net income (loss) | -241.1 | -17.5 | -223.6 | | -380.0 | 63% |

| | | | |
|---|---|---|---|
| Core earnings(*) | 24.8 | 15.1 | 9.7 |

Change in shareholders' equity from capital increase on October 29

| | Sept. 30, 2004 | Increase | After increase |
|---|---|---|---|
| Total shareholders' equity | 61.7 | 360.0 | 421.7 |
| (common stock) | 151.1 | 180.0 | 331.1 |
| (capital surplus) | 302.7 | 180.0 | 482.7 |

## 4. Consolidated Statements of Cash Flows

Billions of yen

| | 1st-half FY2004 results | 1st-half FY2003 results |
|---|---|---|
| CF from operating activities | -47.4 | 52.4 |
| CF from investing activities | 66.0 | 31.1 |
| (Net cash provided ) | (18.6) | (83.5) |
| CF from financing activities | -129.9 | 92.1 |
| Cash and cash equivalents at the end of the Yea | 290.0 | 491.7 |

## 3. Consolidated Balance Sheets and Principal Management Indices

Billions of yen

| | September 30, 2004 d | March 31, 2004 e ＊ | Increase/ Decrease d-e | Rationale of increase/decrease |
|---|---|---|---|---|
| Current assets | 1,453.6 | 1,734.9 | -281.3 | |
| Cash and deposits | 325.5 | 435.7 | -110.2 | Reductions in interest-bearing debt and reallotment in new investments, etc. |
| Trade notes and trade accounts receivables | 622.7 | 709.0 | -86.3 | Deduction due to asset restructuring and fewer subsidiaries<br>Transfer to non-performing receivables due to asset reclassification |
| Securities | 14.9 | 17.7 | -2.8 | |
| Inventories | 240.4 | 239.5 | 0.9 | |
| Short-term loans receivables | 95.4 | 188.0 | -92.6 | Transfer to non-performing receivables due to asset reclassification |
| Deferred tax assets-current | 6.0 | 13.3 | -7.3 | |
| Other current assets | 176.7 | 171.6 | 5.1 | |
| Allowance for doubtful receivables | -28.0 | -39.9 | 11.9 | Transfer to allowance for doubtful receivables (long term) in accordance with transfer to fixed assets including short-term loans receivables due to review of asset portfolio |
| Fixed assets | 1,249.2 | 1,340.7 | -91.5 | |
| Tangible assets | 452.3 | 493.2 | -40.9 | Effect of merger of the former Nichimen & Nissho Iwai(-40.2) |
| Goodwill | 82.1 | 41.4 | 40.7 | Effect of merger of the former Nichimen and Nissho Iwai (+40.4) |
| Intangible assets | 30.5 | 24.8 | 5.7 | |
| Investment securities | 389.8 | 410.5 | -20.7 | Devaluation (-10.5), loss on sale (-8.9), etc. |
| Long-term loans | 93.3 | 182.1 | -88.8 | Transfer to non-performing receivables due to asset reclassification |
| Non-performing receivables | 346.6 | 152.6 | 194.0 | Transfer from long-term loans and short-term loans receivables due to review of asset portfolio |
| Deferred tax assets-non-current | 72.0 | 97.5 | -25.5 | Effect of Merger (-15.0), dedutioon along with New Business Plan (-13.9) |
| 0thers | 80.8 | 82.4 | -1.6 | |
| Allowance for doubtful receivables | -298.2 | -143.8 | -154.4 | Increase from extraordinary loss due to selection and focus, and transfer from allowance for doubtful receivables (short term), etc. |
| Deferred assets | 1.2 | 1.4 | -0.2 | |
| Total assets | 2,704.0 | 3,077.0 | -373.0 | |
| Liabilities | 2,278.5 | 2,212.3 | 66.2 | |
| Trade notes and trade accounts payables | 477.9 | 479.3 | -1.4 | |
| Short-term debts | 1,517.9 | 1,320.9 | 197.0 | Increase from refinancing, transfer from long-term borrowings as maturity due within one year |
| Commercial paper | 79.1 | 141.2 | -62.1 | |
| Current portion of long-term debt | 33.9 | 38.9 | -5.0 | Maturity redemption |
| Other current liabilities | 169.7 | 232.0 | -62.3 | |
| Non current liabilities | 330.2 | 536.5 | -206.3 | |
| Long-term borrowings | 211.1 | 430.6 | -219.5 | Decline due to early repayment, transfer to short-term borrowing as maturity due within one year |
| Bonds, less current portion | 48.7 | 61.2 | -12.5 | |
| Allowance for retirement benefits | 33.5 | 7.9 | 25.6 | |
| Other non-current liabilities | 36.9 | 36.8 | 0.1 | |
| Total liabilities | 2,608.7 | 2,748.8 | -140.1 | |
| Minority interests | 33.6 | 12.0 | 21.6 | |
| Common stock | 151.1 | 150.6 | 0.5 | |
| Capital surplus | 302.7 | 346.6 | -43.9 | Effect of merger of the former Nichimen and Nissho Iwai(-15.2), transfer to retained earnings (-29.2) |
| Retained earnings | -319.8 | -104.8 | -215.0 | Transfer from capital surplus (+29.2), net loss (-241.1) |
| (Sub total) | (134.0) | (392.4) | (-258.4) | |
| Loss on land revaluation | -5.2 | -5.5 | 0.3 | |
| Unrealized losses on available-for-sale securities | 16.4 | 16.7 | -0.3 | |
| Foreign currency translation adjustments | -83.5 | -87.4 | 3.9 | |
| Treasury stock | 0.0 | 0.0 | 0.0 | |
| Total shareholders' equity | 61.7 | 316.2 | -254.5 | |
| Total liabilities and shareholders' equity | 2,704.0 | 3,077.0 | -373.0 | |
| Gross interest-bearing debt | 1,890.7 | 1,992.8 | -1,021.0 | |
| Net interest-bearing debt | 1,565.2 | 1,557.1 | 8.1 | |
| Net debt/equity ratio(Times) | 25.37x | 4.92x | 20.44x | |
| Shareholders' equity | 2.3% | 10.3% | -8.0% | |
| **Contingent Liabilities** | 78.6 | 89.6 | -11.0 | |

(*) Core earnings = Operating income (before Allowance for doubtful receivables)+Interest expenses-net+ Dividend income +Equity in gains of unconsolidated subsidiaries and affiliates