

Highlights of Consolidated Financial Results for the Second Quarter Ended September 30, 2016 (IFRS)

November 2, 2016
Sojitz Corporation

Results Highlights

◆ In the year ending March 31, 2017, the second year of Medium-term Management Plan 2017 – Challenge for Growth, the global economy is displaying signs of a trend toward stable growth as seen in the firm U.S. economy supported by increased consumption and in the recovery of certain emerging economies. Regardless, the outlook remains opaque in light of the potential impacts of the additional interest rate hikes expected to be implemented by the United States and the structural reorganizations taking place in China. The Company's net sales (JGAAP) for the six-month period ended September 30, 2016, were down due to the reduced sales in the Metals & Coal Division stemming from falling resource prices and lower transaction volumes and a decrease in sales in the Foods & Agriculture Business Division resulted from lower grain transactions. Gross profit was relatively unchanged year on year as the reduced profit in the Chemicals Division attributable to deteriorating market conditions and yen appreciation was counterbalanced by the higher profit in the Foods & Agriculture Business Division resulted from improved earnings in overseas fertilizer businesses. However, profit for the period (attributable to owners of the Company) declined in conjunction with impairment losses on ships owned by the Company and a decrease in share of profit of investments accounted for using the equity method.

(Figures in parentheses are year-on-year changes)

Net sales (JGAAP) 1,776.7 billion yen ((239.2) billion yen / -11.9%)

• Decrease in net sales in the Metals & Coal Division due to resource price declines and lower transactions volumes

• Decrease in net sales in the Foods & Agriculture Business Division due to lower grain transactions

Gross profit 91.8 billion yen (+0.1 billion yen / +0.1%)

• Increase in gross profit in the Foods & Agriculture Business Division due to improved earnings in overseas fertilizer businesses

• Decrease in growth profit in the Chemicals Division due to deteriorating market conditions and yen appreciation

Operating profit 16.2 billion yen ((0.3) billion yen / (1.8)%)

• Despite reductions in SG&A expenses at overseas subsidiaries due to yen appreciation, decrease in operating profit stemming from impairment losses on Company-owned ships

Profit for the period (attributable to owners of the Company)

15.4 billion yen ((5.2) billion yen / (25.5)%)

• Decrease in profit for the period (attributable to owners of the Company) due to lower share of profit of investments accounted for using the equity method.

◆ Earnings forecast for the fiscal year ending March 31, 2017

Sojitz has revised its full-year forecast as follows:

	Initial	As of Nov. 2, 2016
Net sales (JGAAP)	4,330.0 billion yen	⇒ 3,930.0 billion yen
Operating profit	44.0 billion yen	⇒ 45.0 billion yen
Profit before tax	53.0 billion yen	⇒ 53.0 billion yen
Profit for the year (attributable to owners of the Company)	40.0 billion yen	⇒ 40.0 billion yen

◆ Initial assumptions

Exchange rate (annual average: JPY/US\$)	: 110
Crude oil price (annual average: US\$/bbl)	: 40 (Brent)

◆ Cash dividend per common stock for the fiscal year ending March 31, 2017

Interim	4.00 yen per share
Year end	4.00 yen per share (forecast)

*1 Net sales (JGAAP) is a measure generally used by Japanese general trading companies and represents the aggregate value of the transactions for which the Group acts as a principal or agent. It is not to be construed as equivalent to, or a substitute for, revenues under IFRS.

*2 Core earnings = Gross profit + Selling, general and administrative expenses (before provision of allowance for doubtful accounts and write-offs) + Net interest expenses + Dividend received + Share of profit (loss) of investments accounted for using the equity method

*3 Caution regarding forward-looking statements

This document contains forward-looking statements based on information available to the Company at the time of disclosure and certain assumptions that management believes to be reasonable. Sojitz makes no assurances as to the actual results and/or other outcomes, which may differ substantially from those expressed or implied by those forward-looking statements due to various factors including changes in economic conditions in key markets, both in and outside of Japan, and exchange rate movements. The Company will provide timely disclosure of any material changes, events, or other relevant issues.

Consolidated Statements of Profit or Loss

	FY2016 1st Half					FY2015 1st Half		(Billions of Yen)	
	Results	1Q	2Q	Results	Difference	Reasons for the Difference	FY2016 Forecast	Percentage Achieved	
	a	Results	Results	b	a-b				
Net sales (JGAAP)*1	1,776.7	896.3	880.4	2,015.9	(239.2)		3,930.0	45%	
Gross profit	91.8	46.8	45.0	91.7	0.1		200.0	46%	
Gross profit margin	5.17%	5.22%	5.11%	4.55%	0.62%		5.09%		
Selling, general and administrative expenses									
Personnel expenses	(41.7)	(20.9)	(20.8)	(42.1)	0.4				
Non-personnel expenses	(30.0)	(15.3)	(14.7)	(32.0)	2.0				
Depreciation	(2.8)	(1.5)	(1.3)	(3.0)	0.2				
Provision of allowance for doubtful accounts	(0.1)	0.0	(0.1)	0.2	(0.3)				
(Total selling, general and administrative expenses)	(74.6)	(37.7)	(36.9)	(76.9)	2.3		(152.0)		
Other income/expenses									
Gain/loss on sale and disposal of fixed assets, net	0.0	0.0	0.0	0.6	(0.6)				
Impairment loss on fixed assets	(2.8)	(0.4)	(2.4)	(1.9)	(0.9)	Impairment losses on Company-owned ships			
Gain on sale of subsidiaries/associates	1.3	0.1	1.2	1.3	0.0				
Loss on reorganization of subsidiaries/associates	(0.4)	(0.3)	(0.1)	(0.6)	0.2				
Other operating income/expenses	0.9	0.1	0.8	2.3	(1.4)				
(Total other income/expenses)	(1.0)	(0.5)	(0.5)	1.7	(2.7)		(3.0)		
Operating profit	16.2	8.6	7.6	16.5	(0.3)		45.0	36%	
Financial income/costs									
Interest earned	1.9	1.0	0.9	2.2	(0.3)				
Interest expenses	(7.5)	(3.9)	(3.6)	(8.6)	1.1				
(Interest expenses, net)	(5.6)	(2.9)	(2.7)	(6.4)	0.8				
Dividends received	2.2	1.4	0.8	2.4	(0.2)				
Other financial income/costs	0.0	(0.1)	0.1	0.0	0.0				
(Financial income/costs, net)	(3.4)	(1.6)	(1.8)	(4.0)	0.6		(7.0)		
Share of profit (loss) of investments accounted for using the equity method	6.7	2.6	4.1	15.2	(8.5)	Lower profits from automobile and steel-related companies	15.0		
Profit before tax	19.5	9.6	9.9	27.7	(8.2)		53.0	37%	
Income tax expenses	(2.7)	(0.4)	(2.3)	(4.7)	2.0		(10.0)		
Profit for the period	16.8	9.2	7.6	23.0	(6.2)		43.0	39%	
(Profit attributable to)									
Owners of the Company	15.4	8.4	7.0	20.6	(5.2)		40.0	39%	
Non-controlling interests	1.4	0.8	0.6	2.4	(1.0)		3.0		
Revenue	734.6	375.0	359.6	874.1	(139.5)				
Core earnings*2	20.6	10.2	10.4	25.8	(5.2)		56.0		

Comprehensive Income

	FY2016 1st Half			FY2015 1st Half		Factors Affecting Circled Figures
	Results	1Q	2Q	Results	Difference	
	a	Results	Results	b	a-b	
Profit for the period	16.8	9.2	7.6	23.0	(6.2)	
Other comprehensive income	(57.9)	(48.2)	(9.7)	(26.0)	(31.9)	
Total comprehensive income for the period	(41.1)	(39.0)	(2.1)	(3.0)	(38.1)	
Comprehensive income attributable to:						
Owners of the Company	(40.4)	(38.2)	(2.2)	(3.2)	(37.2)	
Non-controlling interests	(0.7)	(0.8)	0.1	0.2	(0.9)	

Cash Flows

	FY2016 1st Half			FY2015 1st Half		Factors Affecting Circled Figures
	Results	1H Results	2H Results	Results	Difference	
	a	a	b	b	a-b	
Cash flows from operating activities	40.4	40.4	66.9	(26.5)	Inflores from business transactions	
Cash flows from investing activities	(21.8)	(21.8)	(21.5)	(0.3)	Outflows for capital expenditures in domestic solar power generation businesses	
Free cash flows	18.6	18.6	45.4	(26.8)		
Cash flows from financing activities	(49.6)	(49.6)	(83.6)	34.0	Outflows for repayment of borrowings	

Consolidated Statements of Financial Position

	Sep. 30, 2016			Mar. 31, 2016		Reasons for the Difference
	Results	1Q	2Q	Results	Difference	
	d	e	f	e	d-e	
Current assets	1,065.3	1,146.4	(81.1)			
Cash and cash equivalents	302.7	344.4	(41.7)			
Time deposits	5.3	6.7	(1.4)			
Trade and other receivables	459.6	496.2	(36.6)	Decrease in Automotive, Chemicals, and Foods & Agriculture Business		
Inventories	227.3	237.1	(9.8)			
Other current assets	70.4	62.0	8.4			
Non-current assets	858.8	910.3	(51.5)			
Property, plant and equipment	174.4	187.0	(12.6)			
Goodwill	52.3	53.1	(0.8)			
Intangible assets	34.2	38.8	(4.6)			
Investment property	18.4	18.4	0.0			
Investments accounted for using the equity method and other investments	524.8	551.2	(26.4)	Decrease due to changes in foreign exchange rates		
Other non-current assets	54.7	61.8	(7.1)			
Total assets	1,924.1	2,056.7	(132.6)			
Current liabilities	621.4	673.8	(52.4)			
Trade and other payables	413.7	439.3	(25.6)	Decrease in Chemicals and Foods & Agriculture Business		
Bonds and borrowings	136.2	168.3	(32.1)	Decrease due to repayment of borrowings		
Other current liabilities	71.5	66.2	5.3			
Non-current liabilities	799.9	833.2	(33.3)			
Bonds and borrowings	731.2	754.4	(23.2)			
Retirement benefits liabilities	16.8	18.7	(1.9)			
Other non-current liabilities	51.9	60.1	(8.2)			
Total liabilities	1,421.3	1,507.0	(85.7)			
Share capital	160.3	160.3	-			
Capital surplus	146.5	146.5	0.0			
Treasury stock	(0.2)	(0.2)	0.0	Decrease due to change in foreign exchange rates		
Other components of equity	76.5	132.4	(55.9)			
Retained earnings	91.6	81.3	10.3	Profit for the period +15.4, dividends (5.0)		
Total equity attributable to owners of the Company	474.7	520.3	(45.6)			
Non-controlling interests	28.1	29.4	(1.3)			
Total equity	502.8	549.7	(46.9)			
Total liabilities and equity	1,924.1	2,056.7	(132.6)			

Gross interest-bearing debt	867.4	922.7	(55.3)
Net interest-bearing debt	559.4	571.6	(12.2)
Net debt/equity ratio (times) *	1.18	1.10	+0.08
Equity ratio *	24.7%	25.3%	(0.6)%
Current ratio	171.4%	170.1%	+1.3%
Long-term debt ratio	84.3%	81.8%	+2.5%

* "Total equity attributable to owners of the Company" is recognized as "Total equity", and is also used as the denominator of the "Net debt/equity ratio" and the numerator of "Equity ratio".

Highlights of Consolidated Financial Results for the Second Quarter Ended September 30, 2016 (IFRS) — Supplementary Material

November 2, 2016

Sojitz Corporation

(Billions of Yen)

(Billions of Yen)

Operating Results

	FY2016 1H Results	FY2015 1H Results	Difference	FY2016 Forecast (Nov. 2, 2016)	Percentage Achieved
Net sales (JGAAP)*1	1,776.7	2,015.9	(239.2)	3,930.0	45%
Gross profit	91.8	91.7	+0.1	200.0	46%
Gross profit margin	5.17%	4.55%	+ 0.62%	(5.09%)	
Selling, general and administrative expenses	(74.6)	(76.9)	+2.3	(152.0)	
Other income/expenses	(1.0)	1.7	(2.7)	(3.0)	
Operating profit	16.2	16.5	(0.3)	45.0	36%
Financial income/costs	(3.4)	(4.0)	+ 0.6	(7.0)	
Share of profit (loss) of investments accounted for using the equity method	6.7	15.2	(8.5)	15.0	
Profit before tax	19.5	27.7	(8.2)	53.0	37%
Profit for the period	16.8	23.0	(6.2)	43.0	39%
(Profit attributable to)					
Owners of the Company	15.4	20.6	(5.2)	40.0	39%
Non-controlling interests	1.4	2.4	(1.0)	3.0	
Core earnings*2	20.6	25.8	(5.2)	56.0	
Revenue	734.6	874.1	(139.5)		
Comprehensive income attributable to owners of the Company	(40.4)	(3.2)	(37.2)		

*1 Net sales (JGAAP) is a measure generally used by Japanese general trading companies and represents the aggregate value of the transactions for which the Group acts as a principal or agent. It is not to be construed as equivalent to, or a substitute for, revenues under IFRS.

*2 Core earnings = Gross profit + Selling, general and administrative expenses (before provision of allowance for doubtful accounts and write-offs) + Net interest expenses + Dividends received + Share of profit (loss) of investments accounted for using the equity method

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(Billions of Yen)

Financial Position

	Sep. 30, 2016	Mar. 31, 2016	Difference	FY2016 Forecast (Nov. 2, 2016)
Total assets	1,924.1	2,056.7	(132.6)	2,100.0
Total equity *3	474.7	520.3	(45.6)	500.0
Equity ratio	24.7%	25.3%	(0.6)%	23.8%
Net interest-bearing debt	559.4	571.6	(12.2)	630.0
Net D/E ratio (times)	1.18	1.10	+0.08	1.26
Risk assets	320.0	330.0	(10.0)	-
Ratio of risk assets to equity (times)	0.7	0.6	+0.1	-

*3 "Total equity attributable to owners of the Company" is recognized as "Total equity" above, and is also used as the denominator of the "Net D/E ratio" and the numerator of the "Equity ratio."

Segment Performance [Gross Profit]

	FY2016 1H	FY2015 1H	Difference	FY2016 Forecast (Nov. 2, '16)	FY2016 Initial Forecast
Auto-motive	11.4	11.7	(0.3)	25.0	30.0
Aerospace & IT Business	12.8	11.6	+1.2	31.0	31.0
Infrastructure & Environment Business	9.0	8.8	+0.2	24.0	24.0
Energy	0.1	1.2	(1.1)	3.0	3.0
Metals & Coal	4.8	6.4	(1.6)	13.0	13.0
Chemicals	18.1	20.4	(2.3)	38.0	43.0
Foods & Agriculture Business	13.0	10.8	+2.2	20.0	20.0
Lifestyle Commodities & Materials	10.0	9.2	+0.8	21.0	21.0
Retail	10.9	9.7	+1.2	22.0	22.0
Other	1.7	1.9	(0.2)	3.0	3.0
Total	91.8	91.7	+0.1	200.0	210.0

Segment Performance [Profit for the Period (Attributable to Owners of the Company)]

	FY2016 1H	FY2015 1H	Difference	Main Factors Behind Difference	FY2016 Forecast (Nov. 2, '16)	FY2016 Initial Forecast	FY2016 Current Position and Outlook
Auto-motive	1.7	4.1	(2.4)	Despite earnings contributions from investments and loans, decreased due to absence of one-time profit recorded in previous equivalent period	4.0	5.0	Forecasts lowered to reflect impacts of reduced automobile sales in Russia and the Philippines compared with initial estimates
Aerospace & IT Business	(0.8)	1.4	(2.2)	Decreased due to impairment losses on Company-owned ships	4.5	4.5	Impacts of impairment losses on Company-owned ships being felt, but contributions from aerospace- and IT-related projects expected during the second half of the fiscal year
Infrastructure & Environment Business	1.7	1.2	+0.5	Increased due to earnings contributions from domestic solar power generation businesses	5.5	6.5	Delays in progress of plant- and infrastructure-related projects expected during the second half of the fiscal year
Energy	(3.0)	0.1	(3.1)	Decreased due to lower oil price and reduction in share of profit of investments accounted for using the equity method attributable to LNG business and other companies	(2.0)	(2.0)	Oil prices are higher and earnings contributions from investments accounted for using the equity method anticipated
Metals & Coal	1.0	3.0	(2.0)	Decreased due to lower resource prices and reduction in share of profit of investments accounted for using the equity method attributable to steel business and other companies	6.0	3.0	Forecasts increased in consideration of rising prices of coal and other resources
Chemicals	3.7	4.3	(0.6)	Decreased due to impacts of drop in methanol price and yen appreciation	8.5	9.5	Forecasts lowered out of consideration of sluggish chemical market conditions
Foods & Agriculture Business	4.1	2.7	+1.4	Increased due to improved earnings in overseas fertilizer businesses resulted from lower prices for raw materials	5.0	5.0	Forecasts incorporate both strong progress in fertilizer businesses and sluggish performance in grain collection businesses
Lifestyle Commodities & Materials	2.2	0.3	+1.9	Increased due to higher profit stemming from strong textile business performance and absence of impairment loss on fixed assets recorded during the previous equivalent period	4.5	4.5	Progress in line with forecasts
Retail	3.4	2.9	+0.5	Increased due to gain on sales of real estate held for sale in Japan	4.0	4.0	Progress in line with forecasts despite strong progress resulted from sale of real estate held for sale in Japan
Other	1.4	0.6	+0.8	Decreased in income tax expenses	0.0	0.0	Asset replacement costs to be incurred
Total	15.4	20.6	(5.2)		40.0	40.0	

Commodity Prices and Exchange Rates

	FY2015 Results (Apr.- Sep. '15 Avg.)	FY2016 Initial Assumptions (Annual Avg.)	FY2016 Results (Apr.- Sep. '16 Avg.)	Latest Data (as of Oct. 28, 2016)
Crude oil (Brent)**1	\$57.4/bbl	US\$40/bbl	US\$47.0/bbl	US\$49.7/bbl
Thermal coal**2	\$63.4/t	US\$52/t	US\$59.4/t	US\$105.8/t
Exchange rate**3	¥121.7/US\$	¥110/US\$	¥105.4/US\$	¥105.2/US\$

**1 Impact of fluctuations in the crude oil price on earnings: A US\$1/bbl change alters profit for the year (attributable to owners of the Company) by ¥50 million annually.

**2 Thermal coal prices are "globalCOAL NEWC Index".

**3 Impact of fluctuations in the exchange rate on earnings: ¥1/US\$ change alters gross profit by approx. ¥0.3 billion annually, profit for the year (attributable to owners of the Company) by approx. ¥0.1 billion annually, and total equity by approx. ¥1.5 billion annually.