

Highlights of Consolidated Financial Results for the Third Quarter Ended December 31, 2017 (IFRS)

February 2, 2018
Sojitz Corporation

Results Highlights

◆ In the nine-month period ended December 31, 2017, conditions in the global economy proved firm due to the support of growth in developed countries witnessing increased consumption and in emerging countries in which markets were buoyed by the growth in developed countries. Resource prices were likewise solid amidst bullish demand. The Company's net sales (JGAAP) for the nine-month period ended December 31, 2017, were up year on year due to increased sales in the Retail & Lifestyle Business Division, a result of higher tobacco transactions volumes; in the Chemicals Division, a result of the benefits of the new acquisition of a European chemical distributor and marketing company and higher plastic resin transaction volumes; and in the Metals & Coal Division, a result of rises in prices and transactions volumes for coal and other resources. Gross profit grew thanks to higher selling prices in overseas coal businesses, a rise in automobile sales volumes in overseas automobile wholesale businesses, and increased sales in the Chemicals Division. Profit for the period (attributable to owners of the Company) was up as a result of the higher gross profit as well as an increase in share of profit of investments accounted for using the equity method associated with a steel-related operating company.

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

Net sales (JGAAP) 3,139.4 billion yen (+390.1 billion yen / +14.2%)

- Increase in net sales in the Retail & Lifestyle Business Division due to higher tobacco transactions volumes
- Increase in net sales in the Chemicals Division due to the new acquisition of a European chemical distributor and marketing company and higher volume of plastic resin transactions
- Increase in net sales in the Metals & Coal Division due to higher prices and transaction volumes for coal and other resources

Gross profit 168.9 billion yen (+26.8 billion yen / +18.9%)

- Increase in gross profit in the Metals & Coal Division resulting from a rise in selling prices in the overseas coal businesses
- Increase in gross profit in the Automotive Division due to higher automobile sales volumes in overseas automobile wholesale businesses
- Increase in gross profit in the Chemicals Division due to the new acquisition of a European chemical distributor and marketing company and higher methanol prices

Operating profit 47.1 billion yen (+12.7 billion yen / +37.0%)

- Increase in gross profit
- Profit for the period (attributable to owners of the Company) 44.8 billion yen (+14.7 billion yen / +48.8%)

- Increase in operating profit
- Increase in share of profit of investments accounted for using the equity method

◆ Earnings forecast for the fiscal year ending March 31, 2018

Full-year earnings forecasts were revised as follows.

	FY2017 Forecast (Nov. 2, 2017)	FY2017 Revised
Net sales (JGAAP)	4,100.0 billion yen ⇒	4,200.0 billion yen
Gross profit	227.0 billion yen ⇒	230.0 billion yen
Operating profit	56.0 billion yen ⇒	61.0 billion yen
Profit before tax	70.0 billion yen ⇒	80.0 billion yen
Profit for the year (attributable to owners of the Company)	50.0 billion yen ⇒	56.0 billion yen

(Assumptions)

Exchange rate (annual average: ¥/US\$)	110
Crude oil price (US\$/bbl)	50 (Brent)

◆ Cash dividends per share for the fiscal year ending March 31, 2018

Year-end dividends forecast per share are revised to 6 yen (previous 5 yen)
Interim 5.00 yen per share
Year-end 6.00 yen per share (forecast)

*1 Net sales above is based on JGAAP and represents the total value of the transactions for which the Sojitz Group acts as a principal operator or as an agent.

*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

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 these 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

	FY2017 9-month			FY2016 9-month		Reasons for the Difference	FY2017 Forecast c	Percentage Achieved a/c
	Results a	1H Results	3Q Results	Results b	Difference a-b			
Net sales (JGAAP)*1	3,139.4	2,044.3	1,095.1	2,749.3	390.1		4,200.0	75%
Gross profit	168.9	111.5	57.4	142.1	26.8		230.0	73%
Gross profit margin	5.38%	5.45%	5.24%	5.17%	0.21%		5.48%	
Selling, general and administrative expenses								
Personnel expenses	(66.4)	(43.6)	(22.8)	(62.9)	(3.5)			
Non-personnel expenses	(48.5)	(32.3)	(16.2)	(44.8)	(3.7)			
Depreciation	(4.2)	(2.8)	(1.4)	(4.3)	0.1			
Provision of allowance for doubtful accounts	(0.1)	0.2	(0.3)	0.0	(0.1)			
(Total selling, general and administrative expenses)	(119.2)	(78.5)	(40.7)	(112.0)	(7.2)		(164.0)	
Other income/expenses								
Gain/loss on sale and disposal of fixed assets, net	(0.1)	0.0	(0.1)	4.8	(4.9)			
Impairment loss on fixed assets	(0.2)	0.0	(0.2)	(2.9)	2.7			
Gain on sale of subsidiaries/associates	3.9	1.6	2.3	1.5	2.4	Sale of a gas interest-related operating company		
Loss on reorganization of subsidiaries/associates	(4.6)	(4.3)	(0.3)	(0.3)	(4.3)	Loss related to oil and gas interests		
Other operating income/expenses	(1.6)	(0.4)	(1.2)	1.2	(2.8)			
(Total other income/expenses)	(2.6)	(3.1)	0.5	4.3	(6.9)		(5.0)	
Operating profit	47.1	29.9	17.2	34.4	12.7		61.0	77%
Financial income/costs								
Interest earned	4.0	2.4	1.6	2.8	1.2			
Interest expenses	(11.1)	(7.4)	(3.7)	(10.8)	(0.3)			
(Interest expenses, net)	(7.1)	(5.0)	(2.1)	(8.0)	0.9			
Dividends received	3.7	2.1	1.6	3.2	0.5			
Other financial income/costs	0.0	0.0	0.0	0.0	0.0			
(Financial income/costs, net)	(3.4)	(2.9)	(0.5)	(4.8)	1.4		(5.0)	
Share of profit (loss) of investments accounted for using the equity method	17.1	10.9	6.2	10.2	6.9	Increase in profit of steel-related operating company	24.0	
Profit before tax	60.8	37.9	22.9	39.8	21.0		80.0	76%
Income tax expenses	(12.2)	(7.6)	(4.6)	(7.6)	(4.6)		(19.0)	
Profit for the period (Profit attributable to)	48.6	30.3	18.3	32.2	16.4		61.0	80%
Owners of the Company	44.8	27.2	17.6	30.1	14.7		56.0	80%
Non-controlling interests	3.8	3.1	0.7	2.1	1.7		5.0	
Revenue	1,353.6	884.0	469.6	1,120.9	232.7			
Core earnings*2	63.5	40.8	22.7	35.5	28.0		85.0	

Comprehensive Income

	FY2017 9-month			FY2016 9-month	
	Results a	1H Results	3Q Results	Results b	Difference a-b
Profit for the period	48.6	30.3	18.3	32.2	16.4
Other comprehensive income	18.2	6.5	11.7	(9.2)	27.4
Total comprehensive income for the period	66.8	36.8	30.0	23.0	43.8
Comprehensive income attributable to:					
Owners of the Company	62.7	33.6	29.1	20.7	42.0
Non-controlling interests	4.1	3.2	0.9	2.3	1.8

Cash Flows

	FY2017 9-month		FY2016 9-month		Factors Affecting Circled Figures
	Results a	Difference a-b	Results b	Difference a-b	
Cash flows from operating activities	(62.7)	33.3	(96.0)		Cash decrease due to increase in inventories
Cash flows from investing activities	(91.0)	(24.6)	(66.4)		Outflows due to investment and loans in infrastructure- and automobile-related businesses
Free cash flows	(153.7)	8.7	(162.4)		
Cash flows from financing activities	145.9	(41.9)	187.8		Inflows from new borrowings

Consolidated Statements of Financial Position

	Dec. 31, 2017			Mar. 31, 2017			Reasons for the Difference
	2017 d	2017 e	Difference d-e	2017 e	2017 f	Difference e-f	
Current assets	1,440.4	1,229.8	210.6				
Cash and cash equivalents	303.0	308.6	(5.6)				Increase in chemical and automobile businesses and impact of period ending on a holiday
Time deposits	8.1	5.7	2.4				
Trade and other receivables	599.0	563.5	35.5				Increase in tobacco, real estate, and automobile businesses
Inventories	401.8	271.3	130.5				
Other current assets	128.5	80.7	47.8				Increase due to aircraft-related business
Non-current assets	1,015.4	908.7	106.7				
Property, plant and equipment	180.9	172.2	8.7				
Goodwill	74.1	57.6	16.5				
Intangible assets	32.3	34.1	(1.8)				
Investment property	24.5	21.1	3.4				Increase due to new acquisition and rising stock prices
Investments accounted for using the equity method	607.0	559.6	47.4				Increase in loans in conjunction with infrastructure-related transactions
Other non-current assets	96.6	64.1	32.5				
Total assets	2,455.8	2,138.5	317.3				
Current liabilities	874.9	717.8	157.1				
Trade and other payables	570.5	483.1	87.4				Increase in tobacco business, and impact of period ending on a holiday
Bonds and borrowings	226.3	158.7	67.6				
Other current liabilities	78.1	76.0	2.1				
Non-current liabilities	945.7	842.7	103.0				
Bonds and borrowings	858.0	766.7	91.3				Increase due to issuance of bonds and new borrowings
Retirement benefits liabilities	22.5	21.4	1.1				
Other non-current liabilities	65.2	54.6	10.6				
Total liabilities	1,820.6	1,560.5	260.1				
Share capital	160.3	160.3	-				
Capital surplus	146.5	146.5	0.0				
Treasury stock	(0.2)	(0.2)	0.0				
Other components of equity	149.5	132.7	16.8				
Retained earnings	145.8	111.2	34.6				Profit for the period +44.8
Total equity attributable to owners of the Company	601.9	550.5	51.4				Dividends (11.3)
Non-controlling interests	33.3	27.5	5.8				
Total equity	635.2	578.0	57.2				
Total liabilities and equity	2,455.8	2,138.5	317.3				
Gross interest-bearing debt	1,084.3	925.4	+158.9				
Net interest-bearing debt	773.2	611.1	+162.1				
Net debt/equity ratio (times)*	1.28	1.11	+0.17				
Equity ratio*	24.5%	25.7%	(1.2)%				
Current ratio	164.6%	171.3%	(6.7)%				
Long-term debt ratio	79.1%	82.9%	(3.8)%				

* "Total equity attributable to owners of the Company" is used as the denominator when calculating "Net DER" and the numerator when calculating "Equity ratio."

Highlights of Consolidated Financial Results for the Third Quarter Ended December 31, 2017 (IFRS) - Supplementary Material

February 2, 2018
Sojitz Corporation

(Billions of yen)

(Billions of yen)

Operating Results					Segment Performance [Gross Profit]					Segment Performance [Profit for the Period (Attributable to owners of the Company)]									
	FY2017 3Q	FY2016 3Q	Difference	FY2017 Revised Forecast (Feb. 2, 2018)	Percentage Achieved		FY2017 3Q	FY2016 3Q	Difference	FY2017 Revised Forecast (Feb. 2, 2018)	FY2017 Revised Forecast (Nov. 2, 2017)	FY2017 3Q	FY2016 3Q	Difference	Main Factors Behind Difference	FY2017 Revised Forecast (Feb. 2, 2018)	FY2017 Revised Forecast (Nov. 2, 2017)	Progress Overview	(Reference) FY2016 Results
Net sales (JGAAP)*1	3,139.4	2,749.3	+390.1	4,200.0	75%	Auto- motive	25.3	18.0	+7.3	34.0	33.0	6.0	2.5	+3.5	Increased due to higher automobile sales volumes in overseas automobile assembly and wholesale businesses	7.0	5.0	Forecast raised based on nine-month performance	3.6
Gross profit	168.9	142.1	+26.8	230.0	73%	Aerospace & IT Business	16.6	19.7	(3.1)	26.0	28.0	1.1	0.6	+0.5	Impairment losses recorded on Company-owned ships during the second half of FY2016	5.0	5.0	Earnings contributions from aircraft-related transactions and IT industry-related business anticipated in the fourth quarter	9.9
Gross profit margin	5.38%	5.17%	0.21%	5.48%		Infra- structure & Environment Business	19.4	13.3	+6.1	24.0	24.0	5.6	2.5	+3.1	Increased due to earnings contributions from infrastructure-related businesses and higher volume of industrial machinery transactions	6.0	5.0	Forecast raised in consideration of earnings contributions from infrastructure-related and other transactions	4.2
Selling, general and administrative expenses	(119.2)	(112.0)	(7.2)	(164.0)		Energy	2.5	0.7	+1.8	4.0	4.0	(2.7)	0.0	(2.7)	Decreased due to one-time losses related to oil and gas interests	(4.0)	(4.0)	Forecast unchanged from figures announced on November 2, 2017	(0.6)
Other income/expenses	(2.6)	4.3	(6.9)	(5.0)		Metals & Coal	20.2	12.3	+7.9	28.0	25.0	15.1	4.6	+10.5	Increased due to higher prices of coal and other resources, in addition to recovery of steel market conditions	19.0	17.0	Forecast raised in reflection of higher prices for coal and other resources	10.0
Operating profit	47.1	34.4	+12.7	61.0	77%	Chemicals	33.4	26.9	+6.5	44.0	43.0	6.9	5.6	+1.3	Increased due to new acquisition of a European chemical distributor and marketing company, higher methanol prices, and higher volume of plastic resin transactions	9.0	8.0	Forecast raised in reflection of strong performance centered on overseas plastic resin transactions	8.3
Financial income/costs	(3.4)	(4.8)	+1.4	(5.0)		Foods & Agriculture Business	15.8	17.6	(1.8)	21.0	21.0	4.6	5.3	(0.7)	Decreased due to declines in sales volumes in overseas fertilizer businesses	5.0	5.0	Performance generally as budgeted	(6.9)
Share of profit (loss) of investments accounted for using the equity method	17.1	10.2	+6.9	24.0		Retail & Lifestyle Business	26.4	27.3	(0.9)	36.0	36.0	4.3	6.5	(2.2)	Decreased due to absence of gain on sales of shopping centers in Japan recorded in the first quarter of FY2016	5.0	5.0	Performance generally as budgeted	7.3
Profit before tax	60.8	39.8	+21.0	80.0	76%	Industrial Infrastructure & Urban Development	5.4	3.8	+1.6	8.0	8.0	0.5	0.7	(0.2)	Decreased as a result of fewer lot sales in some overseas industrial park businesses	2.0	2.0	Earnings contributions from overseas industrial park businesses and domestic real estate businesses anticipated in the fourth quarter	1.3
Profit for the period (Profit attributable to)	48.6	32.2	+16.4	61.0	80%	Other	3.9	2.5	+1.4	5.0	5.0	3.4	1.8	+1.6		2.0	2.0		3.7
Owners of the Company	44.8	30.1	+14.7	56.0	80%														
Non-controlling interests	3.8	2.1	+1.7	5.0															
Core earnings*2	63.5	35.5	+28.0	85.0															
Revenue	1,353.6	1,120.9	+232.7																
Comprehensive income attributable to owners of the Company	62.7	20.7	+42.0																

*1 Net sales above is based on JGAAP and represents the total value of the transactions for which the Sojitz Group acts as a principal operator or as an agent.

*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

(Billions of yen)

Financial Position				
	Dec. 31, 2017	Mar. 31, 2017	Difference	Mar. 31, 2018 Revised Forecast (Feb. 2, 2018)
Total assets	2,455.8	2,138.5	+ 317.3	2,400.0
Total equity*3	601.9	550.5	+ 51.4	600.0
Equity ratio	24.5%	25.7%	(1.2)%	25.0%
Net interest-bearing debt	773.2	611.1	+ 162.1	650.0
Net D/E ratio (times)	1.28	1.11	+ 0.17	1.08
Risk assets	310.0	320.0	(10.0)	-
Ratio of risk assets to equity (times)	0.5	0.6	(0.1)	-

*3 "Total equity" above refers to "Total equity attributable to owners of the Company" and is used as the denominator when calculating "Net DER" and the numerator when calculating "Equity ratio."

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Total	168.9	142.1	+26.8	230.0	227.0	44.8	30.1	+14.7	56.0	50.0	40.8
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Commodity Prices and Exchange Rates

	FY2016 Results (Apr. - Dec. '16 Avg.)	FY2017 Assumption (Annual Avg.)	FY2017 Results (Apr. - Sep. '17 Avg.)	FY2017 Results (Oct. - Dec. '17 Avg.)	FY2017 Results (Apr. - Dec. '17 Avg.)	Latest Data (as of Jan. 29, 2018)
Crude oil (Brent)**1	US\$48.4/bbl	US\$50.0/bbl	US\$51.5/bbl	US\$61.5/bbl	US\$54.8/bbl	US\$69.5/bbl
Thermal coal**2	US\$71.1/t	US\$77.5/t	US\$86.1/t	US\$98.4/t	US\$91.0/t	US\$109.5/t
Exchange rate**3	¥107.3/US\$	¥110.0/US\$	¥111.3/US\$	¥113.0/US\$	¥111.8/US\$	¥108.7/US\$

**1 Fluctuations in the crude oil price do not have significant effect on FY2017 earnings.

**2 The results in the above table are cited from the GlobalCOAL NEWC Index and differ from our sales prices.

**3 Impact of exchange rate fluctuations on earnings: A ¥1/US\$ change alters gross profit by approx. ¥0.4 billion annually, profit for the year (attributable to owners of the Company) by approx. ¥0.1 billion annually, and total equity by approx. ¥1.8 billion annually.

(Reference) Effective April 1, 2017, the Company underwent the following changes in divisions as part of a structural reorganization. Figures for FY2016 1Q and FY2016 have been restated to reflect these changes.

Overview of Structural Reorganization Conducted Effective April 1, 2017
 -The Lifestyle Commodities & Materials Division and the Retail Division were reorganized to form the Retail & Lifestyle Business Division and the Industrial Infrastructure & Urban Development Division.

-In conjunction with the structural reorganization, the medical and healthcare business operations previously included in the Chemicals Division were transferred to the Infrastructure & Environment Business Division.