

Highlights of Consolidated Financial Results for the First Half Ended September 30, 2018 (IFRS)

November 1, 2018
Sojitz Corporation

Results Highlights

◆ In the six-month period ended September 30, 2018, conditions in the global economy proved firm due to the support of growth in developed countries witnessing strong consumption as well as in emerging countries. Resource prices were likewise solid. Meanwhile, caution is warranted going forward with regard to the potential impact of U.S. interest rate hike and trade negotiations and Middle Eastern instability on foreign exchange rates, commodity prices, and emerging economies. The Company's revenue for the six-month period ended September 30, 2018, was up year on year due to increased sales in the Metals & Mineral Resources Division, a result of rises in prices and transactions volumes for coal and other resources, and in the Automotive Division, a result of the acquisition of new domestic and overseas automotive dealership and other businesses. Profit for the period (attributable to owners of the Company) rose year on year thanks to higher gross profit and gains on sales of automobile-related companies.

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

Revenue 941.8 billion yen (+57.8 billion yen / +6.5%)

Gross profit 120.9 billion yen (+9.4 billion yen / +8.5%)

- Increase in revenue and gross profit in the Metals & Mineral Resources Division due to higher prices and transaction volumes for coal and other resources

- Increase in revenue and gross profit in the Automotive Division due to the new acquisition of a domestic and overseas automotive dealership businesses

Profit for the period (attributable to owners of the Company)
37.1 billion yen (+9.9 billion yen / +36.4%)

- Increase in gross profit
- Increase in other income due to gains on a sale of automobile-related company

(Reference)

- Effective from the fiscal year ending March 31, 2019, inventories associated with transactions in which the Company acts as a transaction agent will be recorded under trade and other receivables in conjunction with the application of IFRS 15—Revenue from Contracts with Customers.

- In addition, core operating cash flow and core cash flow have been adopted under cash flows from the fiscal year ending March 31, 2019.

◆ Earnings forecast for the fiscal year ending March 31, 2019
Full-year earnings forecasts were revised as follows.

	FY2018 Initial Forecast	FY2018 Revised Forecast (November 1, 2018)
Profit for the year (attributable to owners of the Company)	63.0 billion yen	70.0 billion yen

Profit for the year 63.0 billion yen ⇒ 70.0 billion yen (attributable to owners of the Company)

(Assumptions)

Exchange rate (annual average: ¥/US\$) : 105

◆ Cash dividends per share for the fiscal year ending March 31, 2019

Interim	7.50 yen per share
Year-end	7.50 yen per share (forecast)

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

*2 Core operating cash flow = Net cash provided by (used in) operating activities – Changes in working capital

*3 Core cash flow = Core operating cash flow + Post-adjustment net cash provided by (used in) investing activities – Dividends paid (Post-adjustment net cash provided by (used in) investing activities is net cash provided by (used in) investing activities after adjustment for changes in long-term operating assets, etc.)

* 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 such 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

	FY2018 1st Half			FY2017 1st Half		Reasons for the Difference	FY2018 Forecast c	Percentage Achieved a/c
	Results a	1Q Results	2Q Results	Results b	Difference a-b			
Revenue	941.8	467.9	473.9	884.0	57.8			
Gross profit	120.9	59.9	61.0	111.5	9.4		240.0	50%
Selling, general and administrative expenses								
Personnel expenses	(48.1)	(24.1)	(24.0)	(43.6)	(4.5)			
Non-personnel expenses	(33.9)	(16.9)	(17.0)	(32.3)	(1.6)			
Depreciation	(3.3)	(1.7)	(1.6)	(2.8)	(0.5)			
Provision of allowance for doubtful accounts	(0.3)	0.0	(0.3)	0.2	(0.5)			
<u>(Total selling, general and administrative expenses)</u>	<u>(85.6)</u>	<u>(42.7)</u>	<u>(42.9)</u>	<u>(78.5)</u>	<u>(7.1)</u>		(173.0)	
Other income/expenses								
Gain/loss on sale and disposal of fixed assets, net	0.9	0.4	0.5	0.0	0.9			
Impairment loss on fixed assets	(0.1)	(0.1)	0.0	0.0	(0.1)			
Gain on reorganization of subsidiaries/associates	8.0	6.1	1.9	1.6	6.4			
Loss on reorganization of subsidiaries/associates	(2.4)	(0.9)	(1.5)	(4.3)	1.9			
Other operating income/expenses	(0.8)	(0.6)	(0.2)	(0.4)	(0.4)			
<u>(Total other income/expenses)</u>	<u>5.6</u>	<u>4.9</u>	<u>0.7</u>	<u>(3.1)</u>	<u>8.7</u>		6.0	
Financial income/costs								
Interest earned	3.6	1.7	1.9	2.4	1.2			
Interest expenses	(7.8)	(4.2)	(3.6)	(7.4)	(0.4)			
<u>(Interest expenses, net)</u>	<u>(4.2)</u>	<u>(2.5)</u>	<u>(1.7)</u>	<u>(5.0)</u>	<u>0.8</u>			
Dividends received	2.6	1.9	0.7	2.1	0.5			
Other financial income/costs	0.3	0.2	0.1	0.0	0.3			
<u>(Financial income/costs, net)</u>	<u>(1.3)</u>	<u>(0.4)</u>	<u>(0.9)</u>	<u>(2.9)</u>	<u>1.6</u>		(5.0)	
Share of profit (loss) of investments accounted for using the equity method	11.9	5.6	6.3	10.9	1.0		27.0	
Profit before tax	51.5	27.3	24.2	37.9	13.6		95.0	54%
Income tax expenses	(11.5)	(5.9)	(5.6)	(7.6)	(3.9)		(20.5)	
Profit for the period (Profit attributable to)	40.0	21.4	18.6	30.3	9.7		74.5	54%
Owners of the Company	37.1	19.8	17.3	27.2	9.9		70.0	53%
Non-controlling interests	2.9	1.6	1.3	3.1	(0.2)		4.5	
Core earnings*1	45.9	22.2	23.7	40.8	5.1		89.0	

Consolidated Statements of Financial Position

	Sep. 30, 2018			Mar. 31, 2018			Reasons for the Difference
	d	e	Difference d-e	d	e	Difference d-e	
Current assets	1,333.0	1,376.3	(43.3)				
Cash and cash equivalents	306.1	305.2	0.9				
Time deposits	2.8	2.8	0.0				
Trade and other receivables	747.8	549.9	197.9				Change in account item resulted from application of new IFRS standard
Inventories	206.9	396.0	(189.1)				
Other current assets	69.4	122.4	(53.0)				Decrease associated with aircraft-related businesses
Non-current assets	1,008.4	974.1	34.3				
Property, plant and equipment	188.7	172.1	16.6				Increase due to acquisition of overseas papermaking company
Goodwill	66.3	65.8	0.5				
Intangible assets	48.1	44.1	4.0				
Investment property	24.7	24.5	0.2				
Investments accounted for using the equity method	604.3	590.2	14.1				Increase due to new investments
Other non-current assets	76.3	77.4	(1.1)				
Total assets	2,341.4	2,350.4	(9.0)				
Current liabilities	824.3	846.0	(21.7)				
Trade and other payables	610.4	654.2	(43.8)				Decrease in tobacco and machinery-related business
Bonds and borrowings	136.9	113.5	23.4				Increase due to transference of non-current liabilities to current liabilities
Other current liabilities	77.0	78.3	(1.3)				
Non-current liabilities	857.2	879.3	(22.1)				
Bonds and borrowings	768.9	798.0	(29.1)				Decrease due to transference of non-current liabilities to current liabilities
Retirement benefits liabilities	22.3	22.0	0.3				
Other non-current liabilities	66.0	59.3	6.7				
Total liabilities	1,681.5	1,725.3	(43.8)				
Share capital	160.3	160.3	-				
Capital surplus	146.6	146.5	0.1				
Treasury stock	(0.9)	(0.2)	(0.7)				
Other components of equity	126.3	124.3	2.0				
Retained earnings	184.0	155.5	28.5				Profit for the period +37.1 Dividends (7.5)
<small>Total equity attributable to owners of the Company</small>	616.3	586.4	29.9				
Non-controlling interests	43.6	38.7	4.9				
Total equity	659.9	625.1	34.8				
Total liabilities and equity	2,341.4	2,350.4	(9.0)				
Gross interest-bearing debt	905.8	911.5	(5.7)				
Net interest-bearing debt	596.9	603.5	(6.6)				
Net debt/equity ratio (times)*	0.97	1.03	(0.06)				
Equity ratio*	26.3%	25.0%	+1.3%				
Current ratio	161.7%	162.7%	(1.0)%				
Long-term debt ratio	84.9%	87.5%	(2.6)%				

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

Comprehensive Income

	FY2018 1st Half			FY2017 1st Half	
	Results a	1Q Results	2Q Results	Results b	Difference a-b
Profit for the period	40.0	21.4	18.6	30.3	9.7
Other comprehensive income	2.6	(8.8)	11.4	6.5	(3.9)
Total comprehensive income for the period	42.6	12.6	30.0	36.8	5.8
Comprehensive income attributable to:					
Owners of the Company	39.5	11.2	28.3	33.6	5.9
Non-controlling interests	3.1	1.4	1.7	3.2	(0.1)

Cash Flows

	FY2018 1st Half			FY2017 1st Half			Factors Affecting Circled Figures
	Results a	Results b	Difference a-b	Results a	Results b	Difference a-b	
Cash flows from operating activities	51.7	(15.8)	67.5				Higher revenue due to increased business earnings
Cash flows from investing activities	(25.8)	(37.6)	11.8				Outflows due to investment in U.S. gas-fired thermal power generation business
Free cash flows	25.9	(53.4)	79.3				
Cash flows from financing activities	(27.8)	52.0	(79.8)				Outflows due to repayment of borrowings and dividends paid
Core operating cash flow*2	39.7	36.6	3.1				
Core cash flow*3	23.2	(43.6)	66.8				

Highlights of Consolidated Financial Results for the First Half Ended September 30, 2018 (IFRS) – Supplementary Material

November 1, 2018

Sojitz Corporation

(Billions of yen)

(Billions of yen)

Operating Results

	FY2018 1H Results	FY2017 1H Results	Difference	FY2018 Revised Forecast (Nov. 1, 2018)	Percentage Achieved
Revenue	941.8	884.0	+57.8	-	-
Gross profit	120.9	111.5	+9.4	240.0	50%
Selling, general and administrative expenses	(85.6)	(78.5)	(7.1)	(173.0)	
Other income/expenses	5.6	(3.1)	+8.7	6.0	
Financial income/costs	(1.3)	(2.9)	+1.6	(5.0)	
Share of profit (loss) of investments accounted for using the equity method	11.9	10.9	+1.0	27.0	
Profit before tax	51.5	37.9	+13.6	95.0	54%
Profit for the period (Profit attributable to)	40.0	30.3	+9.7	74.5	54%
Owners of the Company	37.1	27.2	+9.9	70.0	53%
Non-controlling interests	2.9	3.1	(0.2)	4.5	
Core earnings*1	45.9	40.8	+5.1	89.0	
Comprehensive income attributable to owners of the Company	39.5	33.6	+5.9		

Segment Performance [Gross Profit]

	FY2018 1H	FY2017 1H	Difference	FY2018 Revised Forecast	FY2018 Initial Forecast
Automotive	20.7	15.6	+5.1	40.0	42.0
Aerospace & Transportation Project	7.1	6.6	+0.5	17.0	17.0
Machinery & Medical Infrastructure	5.8	9.5	(3.7)	13.0	14.0
Energy & Social Infrastructure	8.9	9.3	(0.4)	21.0	21.0
Metals & Mineral Resources	19.8	12.7	+7.1	31.0	26.0
Chemicals	23.6	22.8	+0.8	47.0	47.0
Foods & Agriculture Business	10.2	11.9	(1.7)	19.0	20.0
Retail & Lifestyle Business	19.4	17.2	+2.2	39.0	39.0
Industrial Infrastructure & Urban Development	2.9	3.4	(0.5)	8.0	8.0
Other	2.5	2.5	+0.0	5.0	6.0

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

	FY2018 1H	FY2017 1H	Difference	Main Factors Behind Difference	FY2018 Revised Forecast	FY2018 Initial Forecast	Progress Overview	(Reference) FY2017 Results
Automotive	3.6	4.3	(0.7)	Despite earnings contributions from newly consolidated subsidiaries, decreased due to higher tax expenses following sale of investments accounted for using the equity method	5.5	5.5	Performance generally as forecast	6.5
Aerospace & Transportation Project	1.9	0.8	+1.1	Increased due to gains on sales of aircraft and earnings contributions accompanying progress in railroad projects	4.0	4.0	Performance generally as forecast	3.3
Machinery & Medical Infrastructure	0.7	2.8	(2.1)	Decreased due to absence of revenue associated with infrastructure projects recorded in the previous equivalent period	3.0	3.0	Earnings from industrial machinery- and infrastructure-related transactions anticipated in the second half of the fiscal year, performance generally in line with forecasts	5.7
Energy & Social Infrastructure	2.7	(3.2)	+5.9	Increased due to absence of one-time loss on oil and gas interests recorded in the previous equivalent period and a gain on the sale of an overseas solar power business operating company	4.5	4.5	Performance generally as forecast	(5.8)
Metals & Mineral Resources	16.2	9.5	+6.7	Increased due to higher prices and transaction volumes of coal and other resources	28.5	20.5	Upward revision to forecasts to reflect higher prices and transaction volumes for coal and other resources in the first half FY2018	21.9
Chemicals	4.8	4.8	0	Unchanged year on year	10.5	10.5	Performance generally as forecast	8.7
Foods & Agriculture Business	2.1	4.3	(2.2)	Decreased due to higher material costs and lower sales volumes in overseas fertilizer businesses	3.5	4.5	Downward revision to forecasts to account for sluggish first half FY2018 sales in overseas fertilizer businesses	4.0
Retail & Lifestyle Business	3.3	2.7	+0.6	Increased due to strong performance in all businesses	5.5	5.5	Performance generally as forecast	5.6
Industrial Infrastructure & Urban Development	(0.1)	0.0	(0.1)	Unchanged year on year	1.5	1.5	Earning contributions from real estate held for sale in Japan and overseas industrial park businesses anticipated in the second half of the fiscal year	2.1
Other	1.9	1.2	+0.7		3.5	3.5		4.8

Total	120.9	111.5	+9.4	240.0	240.0	37.1	27.2	+9.9
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70.0	63.0	56.8
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Financial Position

	Sep. 30, 2018	Mar. 31, 2018	Difference	Mar. 31, 2019 Forecast
Total assets	2,341.4	2,350.4	(9.0)	2,400.0
Total equity*2	616.3	586.4	+29.9	630.0
Equity ratio	26.3%	25.0%	+1.3%	26.3%
Net interest-bearing debt	596.9	603.5	(6.6)	650.0
Net D/E ratio (times)	0.97	1.03	(0.06)	1.0
Risk assets*3	360.0	350.0	10.0	-
Ratio of risk assets to equity (times)	0.6	0.6	0.0	-

Commodity Prices and Exchange Rates

	FY2017 Results (Apr.-Sep. '17 Avg.)	FY2018 Assumption (Annual Avg.)	FY2018 Results (Apr.-Sep. '18 Avg.)	Latest Data (as of Oct. 26, 2018)
Crude oil (Brent)	US\$51.5/bbl	US\$60.0/bbl	US\$75.4/bbl	US\$77.6/bbl
Thermal coal**1	US\$86.1/t	US\$85.0/t	US\$111.5/t	US\$108.2/t
Exchange rate**2	¥111.3/US\$	¥105.0/US\$	¥110.7/US\$	¥112.5/US\$

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

**2 Impact of fluctuations in the exchange rate on earnings: ¥1/US\$ change alters gross profit by approx. ¥0.5 billion annually, profit for the year (attributable to owners of the Company) by approx. ¥0.25 billion annually, and total equity by approx. ¥2.0 billion annually.

(Reference) Effective April 1, 2018, the Company underwent the following changes in divisions as part of a structural reorganization. Figures for FY2017 1H and FY2017 have been restated to reflect these changes.

Overview of Structural Reorganization Conducted Effective April 1, 2018
 •The Aerospace & IT Business Division, the Infrastructure & Environment Business Division, and the Energy Division were reorganized to form the Aerospace & Transportation Project Division, the Machinery & Medical Infrastructure Division, and the Energy & Social Infrastructure Division.
 •The name of the Metals & Coal Division has been changed to the Metals & Mineral Resources Division.

*1 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)

*2 "Total equity" above refers to "Total equity attributable to owners of the Company" and is used as the denominator when calculating "Net D/E ratio" and the numerator when calculating "Equity ratio."
 The method of measuring risk assets mainly for goodwill was revised in the three-month period ended June 30, 2018.
 *3 Figures for the fiscal year ended March 31, 2018, have been restated to reflect this change.

Caution regarding forward-looking statements

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