

Highlights of Consolidated Financial Results for the Third Quarter Ended December 31, 2015 (IFRS)

February 3, 2016
Sojitz Corporation

Results Highlights

◆ In the year ending March 31, 2016, the first year of Medium-term Management Plan 2017 – Challenge for Growth, we are currently witnessing modest economic recovery trends in Europe and the United States. Regardless, the economic slowdown in China and other emerging countries is casting an air of uncertainty over the global economy as a whole.

The Company's net sales (JGAAP) for the nine-month period ended December 31, 2015, were up year on year due to increased sales in the Aerospace & IT Business Division, a result of higher aircraft-related transactions. This offset the decline in Metals & Coal Division sales stemming from decreased ferroalloy and coal transactions. Gross profit decreased as a result of lower profit from the Automotive Division, which was due to a drop in automobile sales stemming from sluggish economic conditions in Russia, as well as from the Energy Division, which followed from a decline in the price of oil. Regardless, profit for the period (attributable to the owners of the Company) was up due primarily to the recording of gains on revaluation of coal business assets following a change in holding purpose as well as a decrease in income tax expenses.

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

Net sales (JGAAP) 3,024.4 billion yen (+10.8 billion yen / +0.4%)

- Increase in net sales in the Aerospace & IT Business Division due to higher aircraft-related transactions

- Decrease in net sales in the Metals & Coal Division due to lower ferroalloy and coal transactions

Gross profit 133.2 billion yen ((15.2) billion yen / (10.3%))

- Decrease in gross profit in the Automotive Division due to a drop in automobile sales stemming from sluggish economic conditions in Russia

- Decrease in gross profit in the Energy Division following a decline in the price of oil

Operating profit 27.2 billion yen ((2.8) billion yen / (9.4%))

- Decrease in operating profit due to lower gross profit

- Increase in profit resulted from gains on revaluation of coal business assets due to change in holding purpose

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

32.2 billion yen (+5.0 billion yen / +18.4%)

- Decrease in income tax expenses

◆ Earnings forecast for the fiscal year ending March 31, 2016 (revised on Nov. 5, 2015)

Net sales (JGAAP) 4,250.0 billion yen

Operating profit 40.5 billion yen

Profit before tax 58.5 billion yen

Profit for the year (attributable to owners of the Company) 40.0 billion yen

◆ Initial Assumptions

Exchange rate (annual average: JPY/US\$) : 120

Crude oil price (US\$/BBL) : 60 (Brent)

Note: Crude oil price assumption in the second half is US\$50/bbl.

◆ Cash dividend per common stock for the fiscal year ending March 31, 2016

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 income + 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 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

	(Billions of yen)					Reasons for the difference	FY2015 forecast	Percentage achieved
	FY2015 9-month			FY2014 9-month				
	Results a	1H Results	3Q Results	Results b	Difference a-b			
Net sales (JGAAP) *1	3,024.4	2,015.9	1,008.5	3,013.6	10.8	4,250.0	71%	
Gross profit	133.2	91.7	41.5	148.4	(15.2)	205.0	65%	
Gross profit margin	4.40%	4.55%	4.12%	4.92%	(0.52)%	4.82%		
Selling, general and administrative expenses	(63.3)	(42.1)	(21.2)	(62.7)	(0.6)			
Personnel expenses	(48.0)	(32.0)	(16.0)	(49.3)	1.3			
Non-personnel expenses	(4.6)	(3.0)	(1.6)	(5.4)	0.8			
Depreciation	0.2	0.2	0.0	0.5	(0.3)			
Provision of allowance for doubtful accounts	(115.7)	(76.9)	(38.8)	(116.9)	1.2	(157.0)		
Other income/expenses	1.2	0.6	0.6	0.4	0.8			
Gain/loss on sale and disposal of fixed assets, net	(9.3)	(1.9)	(7.4)	(0.4)	(8.9)			
Impairment loss on fixed assets	11.9	1.3	10.6	0.8	11.1			
Gain on sale of subsidiaries/associates	(0.5)	(0.6)	0.1	(0.6)	0.1			
Loss on reorganization of subsidiaries/associates	6.4	2.3	4.1	(1.7)	8.1			
Other operating income/expenses	9.7	1.7	8.0	(1.5)	11.2	(7.5)		
Operating profit	27.2	16.5	10.7	30.0	(2.8)	40.5	67%	
Financial income/costs								
Interest earned	3.2	2.2	1.0	4.0	(0.8)			
Interest expenses	(12.8)	(8.6)	(4.2)	(15.2)	2.4			
(Interest expenses, net)	(9.6)	(6.4)	(3.2)	(11.2)	1.6			
Dividends received	3.5	2.4	1.1	3.3	0.2			
Other financial income/costs	0.0	0.0	0.0	0.1	(0.1)			
(Financial income/costs, net)	(6.1)	(4.0)	(2.1)	(7.8)	1.7	(10.0)		
Share of profit (loss) of investments accounted for using the equity method	19.3	15.2	4.1	22.5	(3.2)	28.0		
Profit before tax	40.4	27.7	12.7	44.7	(4.3)	58.5	69%	
Income tax expenses	(6.8)	(4.7)	(2.1)	(13.7)	6.9	(14.0)		
Profit for the period (Profit attributable to)	33.6	23.0	10.6	31.0	2.6	44.5	76%	
Owners of the Company	32.2	20.6	11.6	27.2	5.0	40.0	81%	
Non-controlling interests	1.4	2.4	(1.0)	3.8	(2.4)	4.5		
Revenue	1,267.6	874.1	393.5	1,376.3	(108.7)			
Core earnings *2	30.5	25.8	4.7	45.6	(15.1)	66.0		

Comprehensive Income

	(Billions of yen)				
	FY2015 9-month			FY2014 9-month	
	Results a	1H Results	3Q Results	Results b	Difference a-b
Profit for the period	33.6	23.0	10.6	31.0	2.6
Other comprehensive income	(29.1)	(25.9)	(3.2)	64.7	(93.8)
Total comprehensive income for the period	4.5	(2.9)	7.4	95.7	(91.2)
Comprehensive income attributable to:					
Owners of the Company	5.2	(3.1)	8.3	88.8	(83.6)
Non-controlling interests	(0.7)	0.2	(0.9)	6.9	(7.6)

Cash Flows

	(Billions of yen)				Factors affecting circled figures
	FY2015 9-month		FY2014 9-month		
	Results a	Results b	Results a	Results b	
Cash flows from operating activities	96.9	58.9	38.0		Inflows from business transactions
Cash flows from investing activities	(34.4)	(9.4)	(25.0)		Outflows for capital expenditures in acquisition of U.S. automobile dealership business and capital expenditures in domestic solar power generation businesses
Free cash flows	62.5	49.5	13.0		
Cash flows from financing activities	(127.3)	(68.5)	(58.8)		Outflows for repayment of borrowings

Consolidated Statements of Financial Position

	(Billions of yen)			
	Dec. 31 2015	Mar. 31 2015	Difference	Reasons for the difference
	d	e	d-e	
Current assets	1,199.2	1,323.5	(124.3)	
Cash and cash equivalents	334.8	403.7	(68.9)	
Time deposits	7.5	5.5	2.0	
Trade and other receivables	543.5	559.3	(15.8)	Decrease due to commodity price decline and lower plant related transactions
Inventories	249.9	270.3	(20.4)	Decrease due to lower procurement of fertilizer raw material as a result of seasonal factors
Other current assets	63.5	84.7	(21.2)	
Non-current assets	974.2	973.9	0.3	
Property, plant and equipment	214.2	217.9	(3.7)	
Goodwill	57.9	50.2	7.7	Increase due to acquisition of U.S. automobile dealership business
Intangible assets	44.9	53.9	(9.0)	
Investment property	19.2	19.5	(0.3)	
Investments accounted for using the equity method and other investments	573.0	568.9	4.1	
Other non-current assets	65.0	63.5	1.5	
Total assets	2,173.4	2,297.4	(124.0)	
Current liabilities	756.1	780.7	(24.6)	
Trade and other payables	512.6	490.9	21.7	Increase due to delayed payable settlement in tobacco related business
Bonds and borrowings	180.5	208.4	(27.9)	
Other current liabilities	63.0	81.4	(18.4)	
Non-current liabilities	834.0	926.1	(92.1)	
Bonds and borrowings	741.1	830.4	(89.3)	Decrease due to repayment of borrowings
Retirement benefits liabilities	18.3	17.9	0.4	
Other non-current liabilities	74.6	77.8	(3.2)	
Total liabilities	1,590.1	1,706.8	(116.7)	
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	166.3	194.6	(28.3)	Decrease due to changes in foreign exchange rates
Retained earnings	73.2	49.7	23.5	Profit for the period +32.2, dividends (9.4)
Total equity attributable to owners of the Company	546.1	550.9	(4.8)	
Non-controlling interests	37.2	39.7	(2.5)	
Total equity	583.3	590.6	(7.3)	
Total liabilities and equity	2,173.4	2,297.4	(124.0)	
Gross interest bearing debt	921.6	1,038.8	(117.2)	
Net interest bearing debt	579.3	629.6	(50.3)	
Net debt/equity ratio (times) *	1.06	1.14	(0.08)	
Equity ratio *	25.1%	24.0%	1.1%	
Current ratio	158.6%	169.5%	(10.9)%	
Long-term debt ratio	80.4%	79.9%	0.5%	

* "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 Third Quarter Ended December 31, 2015 (IFRS) - Supplementary Material

February 3, 2016

Sojitz Corporation

(Billions of yen)

Operating Results

	FY2015 9-month	FY2014 9-month	Difference	FY2015 forecast (Nov. 5, '15)	Percentage achieved
Net sales (JGAAP) *1	3,024.4	3,013.6	+ 10.8	4,250.0	71%
Gross profit	133.2	148.4	(15.2)	205.0	65%
Gross profit margin	(4.40%)	(4.92%)	((0.52)%)	(4.82%)	
Selling, general and administrative expenses	(115.7)	(116.9)	+ 1.2	(157.0)	
Other income/expenses	9.7	(1.5)	+ 11.2	(7.5)	
Operating profit	27.2	30.0	(2.8)	40.5	67%
Financial income/costs	(6.1)	(7.8)	1.7	(10.0)	
Share of profit (loss) of investments accounted for using the equity method	19.3	22.5	(3.2)	28.0	
Profit before tax	40.4	44.7	(4.3)	58.5	69%
Profit for the period (Profit attributable to)	33.6	31.0	+ 2.6	44.5	76%
Owners of the Company	32.2	27.2	+ 5.0	40.0	81%
Non-controlling interests	1.4	3.8	(2.4)	4.5	
Core earnings *2	30.5	45.6	(15.1)	66.0	
Revenue	1,267.6	1,376.3	(108.7)		
Comprehensive income attributable to owners of the Company	5.2	88.8	(83.6)		

*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

	Dec. 31, 2015	Mar. 31, 2015	Difference	FY2015 forecast (Nov. 5, 2015)
Total assets	2,173.4	2,297.4	(124.0)	2,300.0
Total equity *3	546.1	550.9	(4.8)	560.0
Equity ratio	25.1%	24.0%	+ 1.1%	24.3%
Net interest-bearing debt	579.3	629.6	(50.3)	650.0
Net D/E ratio (times)	1.06	1.14	(0.08)	1.20
Risk assets	330.0	320.0	+ 10.0	-
Ratio of risk assets to equity (times)	0.6	0.6	0.0	-

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

(Billions of yen)

Segment Performance[Gross Profit]

	FY2015 9-month	FY2014 9-month	Difference	FY2015 forecast (Nov. 5, '15)
Auto-motive	18.6	23.7	(5.1)	30.0
Aerospace & IT Business	17.5	17.9	(0.4)	28.0
Infrastructure & Environment Business	12.5	12.0	+0.5	20.0
Energy	1.6	5.8	(4.2)	3.0
Metals & Coal	8.7	11.9	(3.2)	11.0
Chemicals	29.3	28.8	+0.5	46.0
Foods & Agriculture Business	14.5	16.4	(1.9)	20.0
Lifestyle Commodities & Materials	14.1	14.4	(0.3)	20.0
Retail	13.5	14.4	(0.9)	22.0
Other	2.9	3.1	(0.2)	5.0
Total	133.2	148.4	(15.2)	205.0

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

	FY2015 9-month	FY2014 9-month	Difference	Main Factors Behind Differences	FY2015 forecast (Nov. 5, '15)	FY2015 Current Position
Auto-motive	5.1	0.9	+4.2	Increased as strong performance of automobile business in the Philippines offset the impacts of decreased automobile sales in Russia.	5.5	Progress toward targets is strong, but performance will likely be adversely impacted by the decline in automobile sales in Russia.
Aerospace & IT Business	1.5	1.7	(0.2)	Decreased due to rebound from aircraft sales recorded in the previous equivalent period.	4.0	Performance in aircraft-related operations is steady, and earnings are expected to be recorded in IT-related operations.
Infrastructure & Environment Business	(0.1)	1.8	(1.9)	Decreased due to impairment losses on iron ore interests held jointly with the Metals & Coal Division.	4.0	Although plant-related earnings are expected to be recorded during the fourth quarter, current progress suggests challenges in achieving full-year targets.
Energy	(0.9)	4.3	(5.2)	Decreased due to the impacts of a decline in the oil price.	1.0	Investments accounted for using the equity method are expected to produce profit on the fourth quarter, but crude oil price trends warrant caution.
Metals & Coal	11.2	7.7	+3.5	Despite impairment losses on iron ore interests, increased due to recording of gains on revaluation of coal business assets due to change in holding purpose.	5.5	Performance will be impacted by sluggish conditions in markets for handled products.
Chemicals	5.8	4.6	+1.2	Increased due to higher transaction volumes of plastic resins in Asia and petroleum resins in the Americas.	9.0	While performance in the Americas will be strong, the impacts of economic slowdown in Asia will need to be carefully monitored.
Foods & Agriculture Business	3.3	3.4	(0.1)	Decreased due to lower sales volumes in overseas fertilizer businesses as a result of unfavorable weather.	4.0	The impacts of unseasonable weather on overseas fertilizer businesses will continue needing to be monitored.
Lifestyle Commodities & Materials	1.3	1.5	(0.2)	Despite steady performance of textile businesses, decreased due to loss recorded in overseas woodchip manufacturing businesses.	2.5	Performance will be robust in textile businesses.
Retail	3.0	2.9	+0.1	Increased due to strong performance of industrial park businesses.	4.5	Industrial park turn-overs and solid transactions of real estate held for sales in Japan to be seen during fourth quarter.
Other	2.0	(1.6)	+3.6	Decrease in income tax expenses.	0.0	Asset replacement costs to be recorded during the fourth quarter.
Total	32.2	27.2	+5.0		40.0	

Commodity Prices and Exchange Rates

	FY2015 Initial Assumption (Annual Avg.)	FY2015 Results (Apr.- Sep. '15 Avg.)	FY2015 Results (Oct.- Dec. '15 Avg.)	FY2015 Results (Apr.- Dec. '15 Avg.)	Latest Data (As of Feb. 1, 2016)
Crude oil (Brent) **1	\$60/bbl	\$57.4/bbl	\$44.7/bbl	\$53.2/bbl	\$34.2/bbl
Thermal coal **2	\$68/t	\$63.4/t	\$64.6/t	\$63.8/t	\$47.3/t
Exchange rate **3	¥120/US\$	¥121.7/US\$	¥121.4/US\$	¥121.6/US\$	¥121.2/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 approx. ¥0.1 billion.

**2 Actual thermal coal prices are the general trading price based on market data.

**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. ¥2.0 billion annually.
(Note) Crude oil price assumption for the second half for the year ending March 31, 2016 is US\$50/bbl.