

Highlights of Consolidated Financial Results for the Second Quarter Ended September 30, 2017 (IFRS)

November 2, 2017
Sojitz Corporation

Results Highlights

◆ In the six-month period ended September 30, 2017, conditions in the global economy proved firm due to the support of solid economic growth in both developed and emerging countries. Resource prices were likewise stable amidst bullish demand.

The Company's net sales (JGAAP) for the six-month period ended September 30, 2017, rose year on year due to increased sales in the Metals & Coal Division, resulting from higher prices and transaction volumes for coal and other resources, as well as increased sales in the Chemicals Division, resulting from the new acquisition of a European chemical distributor and marketing company and higher volume of plastic resin transactions.

Gross profit rose following higher selling prices in overseas coal businesses, increased profit in the Chemicals Division, and a rise in automobile sales volumes in overseas automobile wholesale businesses. 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 steel-related operating company.

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

Net sales (JGAAP) 2,044.3 billion yen (+267.6 billion yen / +15.1%)

- Increase in net sales in the Metals & Coal Division due to higher prices and transaction volumes for coal and other resources

- 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

Gross profit 111.5 billion yen (+19.7 billion yen / +21.4%)

- Increase in gross profit in the Metals & Coal Division resulting from a rise in selling prices for the overseas coal 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

- Increase in gross profit in the Automotive Division due to higher automobile sales volumes in overseas automobile wholesale businesses

Operating profit 29.9 billion yen (+13.7 billion yen / +84.5%)

- Increase in gross profit

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

27.2 billion yen (+11.8 billion yen / +77.4%)

- 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 Initial Forecast	FY2017 Revised Forecast
Net sales (JGAAP)	4,100.0 billion yen	⇒ 4,100.0 billion yen
Operating profit	55.0 billion yen	⇒ 56.0 billion yen
Profit before tax	69.0 billion yen	⇒ 70.0 billion yen
Profit for the year (attributable to owners of the Company)	50.0 billion yen	⇒ 50.0 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

Interim	5.00 yen per share
Year-end	5.00 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 1st Half			FY2016 1st Half		Reasons for the Difference	FY2017 Forecast c	Percentage Achieved a/c
	Results a	1Q Results	2Q Results	Results b	Difference a-b			
Net sales (JGAAP)*1	2,044.3	1,000.7	1,043.6	1,776.7	267.6		4,100.0	50%
Gross profit	111.5	51.6	59.9	91.8	19.7		227.0	49%
Gross profit margin	5.45%	5.16%	5.74%	5.17%	0.28%		5.54%	
Selling, general and administrative expenses								
Personnel expenses	(43.6)	(21.7)	(21.9)	(41.7)	(1.9)			
Non-personnel expenses	(32.3)	(15.7)	(16.6)	(30.0)	(2.3)			
Depreciation	(2.8)	(1.3)	(1.5)	(2.8)	0.0			
Provision of allowance for doubtful accounts	0.2	0.2	0.0	(0.1)	0.3			
(Total selling, general and administrative expenses)	(78.5)	(38.5)	(400.0)	(74.6)	(3.9)		(166.0)	
Other income/expenses								
Gain/loss on sale and disposal of fixed assets, net	0.0	0.0	0.0	0.0	0.0			
Impairment loss on fixed assets	0.0	0.0	0.0	(2.8)	2.8			
Gain on sale of subsidiaries/associates	1.6	1.1	0.5	1.3	0.3			
Loss on reorganization of subsidiaries/associates	(4.3)	(0.2)	(4.1)	(0.4)	(3.9)			
Other operating income/expenses	(0.4)	0.1	(0.5)	0.9	(1.3)			
(Total other income/expenses)	(3.1)	1.0	(4.1)	(1.0)	(2.1)		(5.0)	
Operating profit	29.9	14.1	15.8	16.2	13.7		56.0	53%
Financial income/costs								
Interest earned	2.4	1.3	1.1	1.9	0.5			
Interest expenses	(7.4)	(3.8)	(3.6)	(7.5)	0.1			
(Interest expenses, net)	(5.0)	(2.5)	(2.5)	(5.6)	0.6			
Dividends received	2.1	1.6	0.5	2.2	(0.1)			
Other financial income/costs	0.0	0.0	0.0	0.0	0.0			
(Financial income/costs, net)	(2.9)	(0.9)	(2.0)	(3.4)	0.5		(7.0)	
Share of profit (loss) of investments accounted for using the equity method	10.9	5.9	5.0	6.7	4.2		21.0	
Profit before tax	37.9	19.1	18.8	19.5	18.4		70.0	54%
Income tax expenses	(7.6)	(3.2)	(4.4)	(2.7)	(4.9)		(16.0)	
Profit for the period (Profit attributable to)	30.3	15.9	14.4	16.8	13.5		54.0	56%
Owners of the Company	27.2	14.6	12.6	15.4	11.8		50.0	54%
Non-controlling interests	3.1	1.3	1.8	1.4	1.7		4.0	
Revenue	884.0	432.4	451.6	734.6	149.4			
Core earnings*2	40.8	17.9	22.9	20.6	20.2		75.0	

Comprehensive Income

	FY2017 1st Half			FY2016 1st Half	
	Results a	1Q Results	2Q Results	Results b	Difference a-b
Profit for the period	30.3	15.9	14.4	16.8	13.5
Other comprehensive income	6.5	4.5	2.0	(57.9)	64.4
Total comprehensive income for the period	36.8	20.4	16.4	(41.1)	77.9
Comprehensive income attributable to:					
Owners of the Company	33.6	19.6	14.0	(40.4)	74.0
Non-controlling interests	3.2	0.8	2.4	(0.7)	3.9

Cash Flows

	FY2017 1st Half			FY2016 1st Half		Factors Affecting Circled Figures
	Results a	Results b	Difference a-b	Results a	Results b	
Cash flows from operating activities	(15.8)	40.4	(56.2)	(37.6)	(21.8)	Cash decrease due to increase in trade receivables and inventories
Cash flows from investing activities	(37.6)	18.6	(19.0)	(53.4)	18.6	Outflows for acquisition of an automobile parts quality inspection business in North America
Free cash flows	(53.4)	18.6	(72.0)	(53.4)	18.6	
Cash flows from financing activities	52.0	(49.6)	101.6	52.0	(49.6)	Inflows from new borrowings

Consolidated Statements of Financial Position

	Sep. 30, 2017			Mar. 31, 2017		Reasons for the Difference
	d	e	Difference d-e	e	Difference d-e	
Current assets	1,367.8	1,229.8	138.0			
Cash and cash equivalents	308.4	308.6	(0.2)			Increase in chemical and automobile businesses and impact of period ending on a holiday
Time deposits	7.5	5.7	1.8			
Trade and other receivables	594.2	563.5	30.7			Increase in tobacco, real estate and coal businesses
Inventories	335.8	271.3	64.5			
Other current assets	121.9	80.7	41.2			Increase due to aircraft-related business
Non-current assets	954.5	908.7	45.8			
Property, plant and equipment	181.0	172.2	8.8			
Goodwill	68.2	57.6	10.6			
Intangible assets	34.2	34.1	0.1			
Investment property	23.0	21.1	1.9			
Investments accounted for using the equity method	578.9	559.6	19.3			Increase due to new acquisition and rising stock prices
Other non-current assets	69.2	64.1	5.1			
Total assets	2,322.3	2,138.5	183.8			
Current liabilities	809.4	717.8	91.6			
Trade and other payables	563.6	483.1	80.5			Increase in tobacco business, as well as impact of period ending on a holiday
Bonds and borrowings	162.7	158.7	4.0			
Other current liabilities	83.1	76.0	7.1			
Non-current liabilities	901.2	842.7	58.5			
Bonds and borrowings	819.9	766.7	53.2			Increase due to issuance of bonds and new borrowings
Retirement benefits liabilities	22.1	21.4	0.7			
Other non-current liabilities	59.2	54.6	4.6			
Total liabilities	1,710.6	1,560.5	150.1			
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	137.5	132.7	4.8			
Retained earnings	135.1	111.2	23.9			Profit for the period +27.2 Dividends (5.0)
Total equity attributable to owners of the Company	579.2	550.5	28.7			
Non-controlling interests	32.5	27.5	5.0			
Total equity	611.7	578.0	33.7			
Total liabilities and equity	2,322.3	2,138.5	183.8			
Gross interest-bearing debt	982.6	925.4	+57.2			
Net interest-bearing debt	666.7	611.1	+55.6			
Net debt/equity ratio (times)*	1.15	1.11	+0.04			* "Total equity attributable to owners of the Company" is used as the denominator when calculating "Net DER" and the numerator when calculating "Equity ratio."
Equity ratio*	24.9%	25.7%	(0.8)%			
Current ratio	169.0%	171.3%	(2.3)%			
Long-term debt ratio	83.4%	82.9%	+0.5%			

Highlights of Consolidated Financial Results for the Second Quarter Ended September 30, 2017 (IFRS) - Supplementary Material

November 2, 2017
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 1H	FY2016 1H	Difference	FY2017 Forecast (Nov. 2, 2017)	Percentage Achieved		FY2017 1H	FY2016 1H	Difference	FY2017 Revised Forecast	FY2017 Initial Forecast	FY2017 1H	FY2016 1H	Difference	Main Factors Behind Difference	FY2017 Revised Forecast	FY2017 Initial Forecast	Progress Overview	(Reference) FY2016 Results
Net sales (JGAAP)*1	2,044.3	1,776.7	+267.6	4,100.0	50%														
Gross profit	111.5	91.8	+19.7	227.0	49%	Auto- motive	15.6	11.4	+4.2	33.0	33.0	4.3	1.7	+2.6	Increased due to higher automobile sales volumes in overseas automobile assembly and wholesale businesses	5.0	4.0	Forecast raised based on 1st half performance	3.6
Gross profit margin	5.45%	5.17%		5.54%		Aerospace & IT Business	10.9	12.8	(1.9)	28.0	28.0	0.9	(0.8)	+1.7	Impairment losses recorded on Company-owned ships during the 2nd half of FY2016	5.0	5.0	Earnings contributions from aircraft-related transactions and IT industry-related business anticipated in 2nd half of fiscal year	9.9
Selling, general and administrative expenses	(78.5)	(74.6)	(3.9)	(166.0)		Infra- structure & Environment Business	13.1	9.0	+4.1	24.0	24.0	3.6	1.5	+2.1	Increased due to earnings contributions from infrastructure-related businesses and higher volume of industrial machinery transactions	5.0	5.0	Performance generally as budgeted	4.2
Other income/expenses	(3.1)	(1.0)	(2.1)	(5.0)		Energy	1.4	0.1	+1.3	4.0	4.0	(4.3)	(3.0)	(1.3)	Decreased due to one-time losses related to oil and gas interests	(4.0)	1.0	Forecast lowered in light of one-time losses related to oil and gas interests	(0.6)
Operating profit	29.9	16.2	+13.7	56.0	53%	Metals & Coal	12.7	4.8	+7.9	25.0	20.0	9.5	1.0	+8.5	Increased due to higher prices of coal and other resources, in addition to recovery of steel market conditions	17.0	13.0	Forecast raised in reflection of higher prices for coal and other resources	10.0
Financial income/costs	(2.9)	(3.4)	+0.5	(7.0)		Chemicals	22.8	18.1	+4.7	43.0	43.0	4.8	3.9	+0.9	Increased due to new acquisition of a European chemical distributor and marketing company, higher methanol prices, and higher volume of plastic resin transactions	8.0	8.0	Performance generally as budgeted	8.3
Share of profit (loss) of investments accounted for using the equity method	10.9	6.7	+4.2	21.0		Foods & Agriculture Business	11.9	13.0	(1.1)	21.0	21.0	4.3	4.1	+0.2	Increased due to firm performance of overseas fertilizer businesses	5.0	5.0	Performance generally as budgeted	(6.9)
Profit before tax	37.9	19.5	+18.4	70.0	54%	Retail & Lifestyle Business	17.2	18.2	(1.0)	36.0	36.0	2.7	4.7	(2.0)	Decreased due to absence of gain on sales of shopping centers in Japan recorded in the 1st quarter of FY2016	5.0	5.0	Performance generally as budgeted	7.3
Profit for the period (Profit attributable to)	30.3	16.8	+13.5	54.0	56%	Industrial Infrastructure & Urban Development	3.4	2.7	+0.7	8.0	8.0	0.0	0.9	(0.9)	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 2nd half of fiscal year	1.3
Owners of the Company	27.2	15.4	+11.8	50.0	54%	Other	2.5	1.7	+0.8	5.0	5.0	1.4	1.4	0.0		2.0	2.0		3.7
Non-controlling interests	3.1	1.4	+1.7	4.0															
Core earnings*2	40.8	20.6	+20.2	75.0															
Revenue	884.0	734.6	+149.4																
Comprehensive income attributable to owners of the Company	33.6	(40.4)	+74.0																

*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				
	Sep. 30, 2017	Mar. 31, 2017	Difference	Mar. 31, 2018 Forecast (Nov. 2, 2017)
Total assets	2,322.3	2,138.5	+ 183.8	2,350.0
Total equity*3	579.2	550.5	+ 28.7	600.0
Equity ratio	24.9%	25.7%	(0.8)%	25.5%
Net interest-bearing debt	666.7	611.1	+ 55.6	650.0
Net D/E ratio (times)	1.15	1.11	+ 0.04	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 numerator when calculating the "Equity Ratio."

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.

Total	111.5	91.8	+19.7	227.0	222.0	27.2	15.4	+11.8	50.0	50.0	40.8
--------------	--------------	------	-------	--------------	--------------	-------------	------	-------	-------------	-------------	-------------

Commodity Prices and Exchange Rates

	FY2016 Results (Apr.- Sep. '16 Avg.)	FY2017 Assumption (Annual Avg.)	FY2017 Results (Apr.- Sep. '17 Avg.)	Latest Data (as of October 27, 2017)
Crude oil (Brent)**1	US\$47.0/bbl	US\$50.0/bbl	US\$51.5/bbl	US\$60.4/bbl
Thermal coal**2	US\$59.4/t	US\$77.5/t	US\$86.1/t	US\$97.2/t
Exchange rate**3	¥105.4/US\$	¥110.0/US\$	¥111.3/US\$	¥114.2/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 ¥30 million annually.

**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: ¥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.