

Highlights of Consolidated Financial Results for the First Quarter Ended June 30, 2017 (IFRS)

August 2, 2017
Sojitz Corporation

Results Highlights

◆ In the three-month period ended June 30, 2017, conditions in the global economy held firm as emerging economies recovered following the stabilization of resource prices. The Company's net sales (JGAAP) for the three-month period ended June 30, 2017, rose year on year due to increased sales in the Metals & Coal Division, a result of higher coal and precious metal transactions, as well as increased sales in the Chemicals Division, a result of the new acquisition of a European chemical distributor and marketing company and higher 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. 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 operating companies, profit for the period (attributable to owners of the Company) was up.

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

Net sales (JGAAP) 1000.7 billion yen (+104.4 billion yen / +11.6%)

- Increase in net sales in the Metals & Coal Division due to higher coal and precious metal transactions

- Increase in net sales in the Chemicals Division due to the new acquisition of a European chemical distributor and marketing company and higher plastic resin transactions

Gross profit 51.6 billion yen (+4.8 billion yen / +10.3%)

- Increase in gross profit in the Metals & Coal Division resulted from a rise in selling prices in 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 plastic resin transactions

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

Operating profit 14.1 billion yen (+5.5 billion yen / +64.6%)

- Increase in gross profit

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

14.6 billion yen (+6.2 billion yen / +73.6%)

- 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

Net sales (JGAAP) 4,100.0 billion yen

Operating profit 55.0 billion yen

Profit before tax 69.0 billion yen

Profit for the year (attributable to owners of the Company) 50.0 billion yen

(Assumptions)

Exchange rate (annual average: JPY/US\$) : 110

Crude oil price (US\$/BBL) : 50 (Brent)

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

Interim 5.00 yen per share (forecast)

Year-end 5.00 yen per share (forecast)

Consolidated Statements of Profit or Loss

	(Billions of yen)			Reasons for the Difference	FY2017 Forecast c	Percentage Achieved a/c
	FY2017 1Q Results a	FY2016 1Q Results b	Difference a-b			
Net sales (JGAAP)*1	1,000.7	896.3	104.4		4,100.0	24%
Gross profit	51.6	46.8	4.8		222.0	23%
<u>Gross profit margin</u>	5.16%	5.22%	(0.06)%		5.41%	
Selling, general and administrative expenses						
Personnel expenses	(21.7)	(20.9)	(0.8)			
Non-personnel expenses	(15.7)	(15.3)	(0.4)			
Depreciation	(1.3)	(1.5)	0.2			
Provision of allowance for doubtful accounts	0.2	0.0	0.2			
<u>(Total selling, general and administrative expenses)</u>	<u>(38.5)</u>	<u>(37.7)</u>	<u>(0.8)</u>		(166.0)	
Other income/expenses						
Gain/loss on sale and disposal of fixed assets, net	0.0	0.0	0.0			
Impairment loss on fixed assets	0.0	(0.4)	0.4			
Gain on sale of subsidiaries/associates	1.1	0.1	1.0	Gains on revaluation of automotive parts business due to change in holding purpose		
Loss on reorganization of subsidiaries/associates	(0.2)	(0.3)	0.1			
Other operating income/expenses	0.1	0.1	0.0			
<u>(Total other income/expenses)</u>	<u>1.0</u>	<u>(0.5)</u>	<u>1.5</u>		(1.0)	
Operating profit	14.1	8.6	5.5		55.0	26%
Financial income/costs						
Interest earned	1.3	1.0	0.3			
Interest expenses	(3.8)	(3.9)	0.1			
<u>(Interest expenses, net)</u>	<u>(2.5)</u>	<u>(2.9)</u>	<u>(0.4)</u>			
Dividends received	1.6	1.4	0.2			
Other financial income/costs	0.0	(0.1)	0.1			
<u>(Financial income/costs, net)</u>	<u>(0.9)</u>	<u>(1.6)</u>	<u>0.7</u>		(7.0)	
Share of profit (loss) of investments accounted for using the equity method	5.9	2.6	3.3	Increase in profit of steel operating company	21.0	
Profit before tax	19.1	9.6	9.5		69.0	28%
Income tax expenses	(3.2)	(0.4)	(2.8)		(15.0)	
Profit for the period	15.9	9.2	6.7		54.0	29%
(Profit attributable to)						
Owners of the Company	14.6	8.4	6.2		50.0	29%
Non-controlling interests	1.3	0.8	0.5		4.0	
Revenue	432.4	375.0	57.4			
Core earnings*2	17.9	10.2	7.7		70.0	

Comprehensive Income

	(Billions of yen)		
	FY2017 1Q Results a	FY2016 1Q Results b	Difference a-b
Profit for the period	15.9	9.2	6.7
Other comprehensive income	4.5	(48.2)	52.7
Total comprehensive income for the period	20.4	(39.0)	59.4
Comprehensive income attributable to:			
Owners of the Company	19.6	(38.2)	57.8
Non-controlling interests	0.8	(0.8)	1.6

Cash Flows

	(Billions of yen)			Factors Affecting Circled Figures
	FY2017 1Q Results a	FY2016 1Q Results b	Difference a-b	
Cash flows from operating activities	(29.9)	39.3	(69.2)	Outflows for increase in inventories
Cash flows from investing activities	(10.2)	(15.0)	4.8	Outflows for acquisition of U.S. gas-fired power plant
Free cash flows	(40.1)	24.3	(64.4)	
Cash flows from financing activities	31.9	(28.0)	59.9	Inflows from new borrowings

Consolidated Statements of Financial Position

	(Billions of yen)			Reasons for the Difference
	June 30, 2017 d	Mar. 31, 2017 e	Difference d-e	
Current assets	1,269.7	1,229.8	39.9	
Cash and cash equivalents	300.1	308.6	(8.5)	
Time deposits	5.5	5.7	(0.2)	
Trade and other receivables	554.0	563.5	(9.5)	Increase in tobacco and automotive related business
Inventories	295.4	271.3	24.1	Increase due to aircraft-related business
Other current assets	114.7	80.7	34.0	
Non-current assets	920.9	908.7	12.2	
Property, plant and equipment	173.0	172.2	0.8	
Goodwill	57.9	57.6	0.3	
Intangible assets	33.6	34.1	(0.5)	
Investment property	21.3	21.1	0.2	
Investments accounted for using the equity method	571.0	559.6	11.4	
Other non-current assets	64.1	64.1	0.0	
Total assets	2,190.6	2,138.5	52.1	
Current liabilities	722.1	717.8	4.3	
Trade and other payables	481.2	483.1	(1.9)	
Bonds and borrowings	168.0	158.7	9.3	
Other current liabilities	72.9	76.0	(3.1)	
Non-current liabilities	876.0	842.7	33.3	
Bonds and borrowings	795.7	766.7	29.0	Increase due to issuance of bonds and new borrowings
Retirement benefits liabilities	21.8	21.4	0.4	
Other non-current liabilities	58.5	54.6	3.9	
Total liabilities	1,598.1	1,560.5	37.6	
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	137.3	132.7	4.6	
Retained earnings	121.1	111.2	9.9	Profit for the period +14.6 Dividends (5.0)
<u>Total equity attributable to owners of the Company</u>	<u>565.0</u>	<u>550.5</u>	<u>14.5</u>	
Non-controlling interests	27.5	27.5	0.0	
Total equity	592.5	578.0	14.5	
Total liabilities and equity	2,190.6	2,138.5	52.1	
Gross interest-bearing debt	963.7	925.4	+38.3	
Net interest-bearing debt	658.1	611.1	+47.0	
Net debt/equity ratio (times)*	1.16	1.11	+0.05	
Equity ratio*	25.8%	25.7%	+0.1%	
Current ratio	175.8%	171.3%	+4.5%	
Long-term debt ratio	82.6%	82.9%	(0.3)%	

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

*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.

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

August 2, 2017
Sojitz Corporation

(Billions of yen)

(Billions of yen)

Operating Results

	FY2017 1Q Results	FY2016 1Q Results	Difference	FY2017 Forecast	Percentage Achieved
Net sales (JGAAP)*1	1,000.7	896.3	+104.4	4,100.0	24%
Gross profit	51.6	46.8	+4.8	222.0	23%
Gross profit margin	5.16%	5.22%		5.41%	
Selling, general and administrative expenses	(38.5)	(37.7)	(0.8)	(166.0)	
Other income/expenses	1.0	(0.5)	+1.5	(1.0)	
Operating profit	14.1	8.6	+5.5	55.0	26%
Financial income/costs	(0.9)	(1.6)	+0.7	(7.0)	
Share of profit (loss) of investments accounted for using the equity method	5.9	2.6	+3.3	21.0	
Profit before tax	19.1	9.6	+9.5	69.0	28%
Profit for the period (Profit attributable to)	15.9	9.2	+6.7	54.0	29%
Owners of the Company	14.6	8.4	+6.2	50.0	29%
Non-controlling interests	1.3	0.8	+0.5	4.0	
Core earnings*2	17.9	10.2	+7.7	70.0	
Revenue	432.4	375.0	+57.4		
Comprehensive income attributable to owners of the Company	19.6	(38.2)	+57.8		

*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

	Jun. 30, 2017	Mar. 31, 2017	Difference	Mar. 31, 2018 Forecast
Total assets	2,190.6	2,138.5	+ 52.1	2,260.0
Total equity*3	565.0	550.5	+ 14.5	580.0
Equity ratio	25.8%	25.7%	+0.1%	25.7%
Net interest-bearing debt	658.1	611.1	+ 47.0	650.0
Net D/E ratio (times)	1.16	1.11	+ 0.05	1.12
Risk assets	300.0	320.0	(20.0)	-
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

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Segment Performance [Gross Profit]

	FY2017 1Q	FY2016 1Q	Difference	FY2017 Forecast
Auto-motive	7.5	5.7	+1.8	33.0
Aerospace & IT Business	5.4	6.0	(0.6)	28.0
Infrastructure & Environment Business	4.7	5.1	(0.4)	24.0
Energy	0.8	(0.1)	+0.9	4.0
Metals & Coal	5.4	1.8	+3.6	20.0
Chemicals	11.2	9.3	+1.9	43.0
Foods & Agriculture Business	5.8	6.0	(0.2)	21.0
Retail & Lifestyle Business	9.0	10.2	(1.2)	36.0
Industrial Infrastructure & Urban Development	0.8	2.0	(1.2)	8.0
Other	1.0	0.8	+0.2	5.0

Total	51.6	46.8	+4.8	222.0	14.6	8.4	+6.2
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Segment Performance [Profit for the Period (Attributable to owners of the Company)]

	FY2017 1Q	FY2016 1Q	Difference	Main Factors Behind Difference	FY2017 Forecast	Progress Overview	(Reference) FY2016 Results
Auto-motive	2.8	0.8	+2.0	Increased due to higher automobile sales volumes in overseas automobile assembly and wholesale businesses	4.0	Favorable performance in major businesses	3.6
Aerospace & IT Business	0.3	(0.3)	+0.6	Improved due to absence of impairment losses on Company-owned ships recorded during the 1Q of FY2016	5.0	Earnings contributions from aircraft-related transactions and IT industry-related business anticipated in 2nd half of fiscal year	9.9
Infrastructure & Environment Business	0.7	0.9	(0.2)	As budgeted; relatively unchanged year on year	5.0	Tail-heavy budget; earnings contributions from infrastructure-related businesses anticipated	4.2
Energy	(0.4)	(1.5)	+1.1	Loss decreased due to higher crude oil and gas prices as well as sales of certain upstream interests conducted in conjunction with restructuring of asset portfolio	1.0	Earnings contributions from investments accounted for using the equity method anticipated in 2nd half of fiscal year	(0.6)
Metals & Coal	4.2	(0.4)	+4.6	Increased due to higher prices of coal and other resources and recovery of steel market conditions	13.0	Performance generally as budgeted	10.0
Chemicals	2.3	1.9	+0.4	Increased due to new acquisition of a European chemical distributor and marketing company and higher volume of resin transactions	8.0	Performance generally as budgeted	8.3
Foods & Agriculture Business	2.1	1.4	+0.7	Increased due to firm performance of overseas fertilizer businesses	5.0	Performance generally as budgeted	(6.9)
Retail & Lifestyle Business	1.6	3.9	(2.3)	Decreased due to absence of gain on sales of shopping centers in Japan recorded in the 1Q of FY2016	5.0	Performance generally as budgeted	7.3
Industrial Infrastructure & Urban Development	(0.4)	0.8	(1.2)	Decreased due to fewer real estate transactions	2.0	Earnings contributions from overseas industrial park businesses anticipated in 2nd half of fiscal year	1.3
Other	1.4	0.9	+0.5		2.0		3.7

Total	51.6	46.8	+4.8	222.0	14.6	8.4	+6.2	50.0	40.8
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Commodity Prices and Exchange Rates

	FY2016 Results (Apr.- Jun. '16 Avg.)	FY2017 Assumption (Annual Avg.)	FY2017 Results (Apr.- Jun. '17 Avg.)	Latest Data (as of July 28, 2017)
Crude oil (Brent)**1	US\$47.0/bbl	US\$50.0/bbl	US\$50.8/bbl	US\$52.5/bbl
Thermal coal**2	US\$51.5/t	US\$77.5/t	US\$79.8/t	US\$92.3/t
Exchange rate**3	¥107.9/US\$	¥110.0/US\$	¥111.4/US\$	¥111.1/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 ¥20 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 fluctuations in the exchange rate 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. ¥1.7 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.