

# Highlights of Consolidated Financial Results for the Second Quarter Ended September 30, 2016 (IFRS)

November 2, 2016  
Sojitz Corporation

## Results Highlights

◆ In the year ending March 31, 2017, the second year of Medium-term Management Plan 2017 – Challenge for Growth, the global economy is displaying signs of a trend toward stable growth as seen in the firm U.S. economy supported by increased consumption and in the recovery of certain emerging economies. Regardless, the outlook remains opaque in light of the potential impacts of the additional interest rate hikes expected to be implemented by the United States and the structural reorganizations taking place in China. The Company's net sales (JGAAP) for the six-month period ended September 30, 2016, were down due to the reduced sales in the Metals & Coal Division stemming from falling resource prices and lower transaction volumes and a decrease in sales in the Foods & Agriculture Business Division resulted from lower grain transactions. Gross profit was relatively unchanged year on year as the reduced profit in the Chemicals Division attributable to deteriorating market conditions and yen appreciation was counterbalanced by the higher profit in the Foods & Agriculture Business Division resulted from improved earnings in overseas fertilizer businesses. However, profit for the period (attributable to owners of the Company) declined in conjunction with impairment losses on ships owned by the Company and a decrease in share of profit of investments accounted for using the equity method.

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

Net sales (JGAAP) 1,776.7 billion yen ((239.2) billion yen / -11.9%)

- Decrease in net sales in the Metals & Coal Division due to resource price declines and lower transactions volumes

- Decrease in net sales in the Foods & Agriculture Business Division due to lower grain transactions

Gross profit 91.8 billion yen (+0.1 billion yen / +0.1%)

- Increase in gross profit in the Foods & Agriculture Business Division due to improved earnings in overseas fertilizer businesses

- Decrease in growth profit in the Chemicals Division due to deteriorating market conditions and yen appreciation

Operating profit 16.2 billion yen ((0.3) billion yen / (1.8)%)

- Despite reductions in SG&A expenses at overseas subsidiaries due to yen appreciation, decrease in operating profit stemming from impairment losses on Company-owned ships

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

15.4 billion yen ((5.2) billion yen / (25.5)%)

- Decrease in profit for the period (attributable to owners of the Company) due to lower share of profit of investments accounted for using the equity method.

◆ Earnings forecast for the fiscal year ending March 31, 2017

Sojitz has revised its full-year forecast as follows:

	Initial	As of Nov. 2, 2016
Net sales (JGAAP)	4,330.0 billion yen	⇒ 3,930.0 billion yen
Operating profit	44.0 billion yen	⇒ 45.0 billion yen
Profit before tax	53.0 billion yen	⇒ 53.0 billion yen
Profit for the year (attributable to owners of the Company)	40.0 billion yen	⇒ 40.0 billion yen

◆ Initial assumptions

Exchange rate (annual average: JPY/US\$) : 110  
Crude oil price (annual average: US\$/bbl) : 40 (Brent)

◆ Cash dividend per common stock for the fiscal year ending March 31, 2017

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 received + 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 those 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

	FY2016 1st Half		FY2015 1st Half		Reasons for the Difference	FY2016 Forecast c	Percentage Achieved a/c
	Results a	1Q Results	2Q Results	Results b			
<b>Net sales (JGAAP)*1</b>	1,776.7	896.3	880.4	2,015.9	(239.2)	3,930.0	45%
<b>Gross profit</b>	91.8	46.8	45.0	91.7	0.1	200.0	46%
Gross profit margin	5.17%	5.22%	5.11%	4.55%	0.62%	5.09%	
Selling, general and administrative expenses	(41.7)	(20.9)	(20.8)	(42.1)	0.4		
Personnel expenses	(30.0)	(15.3)	(14.7)	(32.0)	2.0		
Depreciation	(2.8)	(1.5)	(1.3)	(3.0)	0.2		
Provision of allowance for doubtful accounts	(0.1)	0.0	(0.1)	0.2	(0.3)		
<u>(Total selling, general and administrative expenses)</u>	<u>(74.6)</u>	<u>(37.7)</u>	<u>(36.9)</u>	<u>(76.9)</u>	<u>2.3</u>	(152.0)	
<b>Other income/expenses</b>	0.0	0.0	0.0	0.6	(0.6)		
Gain/loss on sale and disposal of fixed assets, net	(2.8)	(0.4)	(2.4)	(1.9)	(0.9)		
Impairment loss on fixed assets	1.3	0.1	1.2	1.3	0.0		
Gain on sale of subsidiaries/associates	(0.4)	(0.3)	(0.1)	(0.6)	0.2		
Loss on reorganization of subsidiaries/associates	0.9	0.1	0.8	2.3	(1.4)		
Other operating income/expenses	(1.0)	(0.5)	(0.5)	1.7	(2.7)	(3.0)	
<u>(Total other income/expenses)</u>	<u>(1.0)</u>	<u>(0.5)</u>	<u>(0.5)</u>	<u>1.7</u>	<u>(2.7)</u>		
<b>Operating profit</b>	16.2	8.6	7.6	16.5	(0.3)	45.0	36%
<b>Financial income/costs</b>	1.9	1.0	0.9	2.2	(0.3)		
Interest earned	(7.5)	(3.9)	(3.6)	(8.6)	1.1		
Interest expenses	(5.6)	(2.9)	(2.7)	(6.4)	0.8		
<u>(Interest expenses, net)</u>	<u>2.2</u>	<u>1.4</u>	<u>0.8</u>	<u>2.4</u>	<u>(0.2)</u>		
Dividends received	0.0	(0.1)	0.1	0.0	0.0		
Other financial income/costs	(3.4)	(1.6)	(1.8)	(4.0)	0.6	(7.0)	
<u>(Financial income/costs, net)</u>	<u>6.7</u>	<u>2.6</u>	<u>4.1</u>	<u>15.2</u>	<u>(8.5)</u>	15.0	
Share of profit (loss) of investments accounted for using the equity method	19.5	9.6	9.9	27.7	(8.2)	53.0	37%
<b>Profit before tax</b>	(2.7)	(0.4)	(2.3)	(4.7)	2.0	(10.0)	
<b>Income tax expenses</b>	16.8	9.2	7.6	23.0	(6.2)	43.0	39%
<b>Profit for the period</b>	15.4	8.4	7.0	20.6	(5.2)	40.0	39%
<b>(Profit attributable to)</b>	1.4	0.8	0.6	2.4	(1.0)	3.0	
<b>Owners of the Company</b>							
<b>Non-controlling interests</b>							
<b>Revenue</b>	734.6	375.0	359.6	874.1	(139.5)		
<b>Core earnings*2</b>	20.6	10.2	10.4	25.8	(5.2)	56.0	

## Comprehensive Income

	FY2016 1st Half		FY2015 1st Half		Difference a-b
	Results a	1Q Results	2Q Results	Results b	
<b>Profit for the period</b>	16.8	9.2	7.6	23.0	(6.2)
<b>Other comprehensive income</b>	(57.9)	(48.2)	(9.7)	(26.0)	(31.9)
Total comprehensive income for the period	(41.1)	(39.0)	(2.1)	(3.0)	(38.1)
Comprehensive income attributable to:					
<b>Owners of the Company</b>	(40.4)	(38.2)	(2.2)	(3.2)	(37.2)
<b>Non-controlling interests</b>	(0.7)	(0.8)	0.1	0.2	(0.9)

## Cash Flows

	FY2016 1H Results a	FY2015 1H Results b	Difference a-b	Factors Affecting Circled Figures
	<b>Cash flows from operating activities</b>	40.4	66.9	
<b>Cash flows from investing activities</b>	(21.8)	(21.5)	(0.3)	Outflows for capital expenditures in domestic solar power generation businesses
<b>Free cash flows</b>	18.6	45.4	(26.8)	
<b>Cash flows from financing activities</b>	(49.6)	(83.6)	34.0	Outflows for repayment of borrowings

## Consolidated Statements of Financial Position

	Sep. 30, 2016 d		Mar. 31, 2016 e		Difference d-e	Reasons for the Difference
	2016	2016	2016	2016		
<b>Current assets</b>	1,065.3	1,146.4	(81.1)			
Cash and cash equivalents	302.7	344.4	(41.7)			
Time deposits	5.3	6.7	(1.4)			
Trade and other receivables	459.6	496.2	(36.6)			Decrease in Automotive, Chemicals, and Foods & Agriculture Business
Inventories	227.3	237.1	(9.8)			
Other current assets	70.4	62.0	8.4			
<b>Non-current assets</b>	858.8	910.3	(51.5)			
Property, plant and equipment	174.4	187.0	(12.6)			
Goodwill	52.3	53.1	(0.8)			
Intangible assets	34.2	38.8	(4.6)			
Investment property	18.4	18.4	0.0			
Investments accounted for using the equity method and other investments	524.8	551.2	(26.4)			Decrease due to changes in foreign exchange rates
Other non-current assets	54.7	61.8	(7.1)			
<b>Total assets</b>	1,924.1	2,056.7	(132.6)			
<b>Current liabilities</b>	621.4	673.8	(52.4)			
Trade and other payables	413.7	439.3	(25.6)			Decrease in Chemicals and Foods & Agriculture Business
Bonds and borrowings	136.2	168.3	(32.1)			Decrease due to repayment of borrowings
Other current liabilities	71.5	66.2	5.3			
<b>Non-current liabilities</b>	799.9	833.2	(33.3)			
Bonds and borrowings	731.2	754.4	(23.2)			
Retirement benefits liabilities	16.8	18.7	(1.9)			
Other non-current liabilities	51.9	60.1	(8.2)			
<b>Total liabilities</b>	1,421.3	1,507.0	(85.7)			
Share capital	160.3	160.3	-			
Capital surplus	146.5	146.5	0.0			
Treasury stock	(0.2)	(0.2)	0.0			Decrease due to change in foreign exchange rates
Other components of equity	76.5	132.4	(55.9)			
Retained earnings	91.6	81.3	10.3			Profit for the period +15.4, dividends (5.0)
<u>Total equity attributable to owners of the Company</u>	474.7	520.3	(45.6)			
Non-controlling interests	28.1	29.4	(1.3)			
<b>Total equity</b>	502.8	549.7	(46.9)			
<b>Total liabilities and equity</b>	1,924.1	2,056.7	(132.6)			

Gross interest-bearing debt	867.4	922.7	(55.3)
Net interest-bearing debt	559.4	571.6	(12.2)
Net debt/equity ratio (times) *	1.18	1.10	+0.08
Equity ratio *	24.7%	25.3%	(0.6)%
Current ratio	171.4%	170.1%	+1.3%
Long-term debt ratio	84.3%	81.8%	+2.5%

\* "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".