

Highlights of Consolidated Financial Results for the Third Quarter Ended December 31, 2016 (IFRS)

February 3, 2017
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 maintained a stable growth trend supported by consistent growth in the U.S. economy driven by increased consumption as well as the tapering of economic slowdown in emerging countries. At the same time, there is hope for a recovery in economic conditions related to natural resources given the fact that the prices of resources, specifically crude oil and coal, are higher than they were at the beginning of the year ending March 31, 2017. Regardless, the outlook remains opaque in light of the potential impacts of slowdown in China as well as the uncertainty of the economic repercussions of government policy changes to be implemented by the United States as a result of the new president assuming office. The Company's net sales (JGAAP) for the nine-month period ended December 31, 2016, decreased year on year due to the impacts of yen appreciation that persisted throughout the nine-month period, despite the shift toward yen depreciation that occurred in the third quarter; reduced sales in the Metals & Coal Division stemming from lower transaction volumes for precious metals and ferroalloys; and a decrease in sales in the Foods & Agriculture Business Division resulted from a decline in grain transactions. Gross profit was up thanks to higher income in the Metals & Coal Division resulted from a rise in selling prices in overseas coal businesses as well as income growth in the Foods & Agriculture Business Division following the improvement of earnings in overseas fertilizer businesses. However, profit for the period (attributable to owners of the Company) declined in conjunction with 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) 2,749.3 billion yen ((275.1) billion yen / (9.1)%)

• Decrease in net sales in the Metals & Coal Division due to lower transaction volumes for precious metals and ferroalloys

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

Gross profit 142.1 billion yen (+8.9 billion yen / +6.7%)

• 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 Foods & Agriculture Business Division due to improved earnings in overseas fertilizer businesses

Operating profit 34.4 billion yen (+7.2 billion yen / +26.4%)

• Increase in gross profit

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

30.1 billion yen ((2.1) billion yen / (6.6)%)

• Increase in operating profit

• 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

As of Nov. 2, 2016

Net sales (JGAAP) 3,930.0 billion yen

Operating profit 45.0 billion yen

Profit before tax 53.0 billion yen

Profit for the year 40.0 billion yen

(attributable to owners of the Company)

◆ 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

	(Billions of Yen)					Reasons for the Difference	FY2016 Forecast c	Percentage Achieved a/c
	FY2016 9-month			FY2015 9-month				
	Results a	1H Results	3Q Results	Results b	Difference a-b			
Net sales (JGAAP)*1	2,749.3	1,776.7	972.6	3,024.4	(275.1)	3,930.0	70%	
Gross profit	142.1	91.8	50.3	133.2	8.9	200.0	71%	
Gross profit margin	5.17%	5.17%	5.17%	4.40%	0.77%	5.09%		
Selling, general and administrative expenses								
Personnel expenses	(62.9)	(41.7)	(21.2)	(63.3)	0.4			
Non-personnel expenses	(44.8)	(30.0)	(14.8)	(48.0)	3.2			
Depreciation	(4.3)	(2.8)	(1.5)	(4.6)	0.3			
Provision of allowance for doubtful accounts	0.0	(0.1)	0.1	0.2	(0.2)			
(Total selling, general and administrative expenses)	(112.0)	(74.6)	(37.4)	(115.7)	3.7	(152.0)		
Other income/expenses	4.8	0.0	4.8	1.2	3.6			
Gain/loss on sale and disposal of fixed assets, net	(2.9)	(2.8)	(0.1)	(9.3)	6.4			
Impairment loss on fixed assets	1.5	1.3	0.2	11.9	(10.4)			
Gain on sale of subsidiaries/associates	(0.3)	(0.4)	0.1	(0.5)	0.2			
Loss on reorganization of subsidiaries/associates	1.2	0.9	0.3	6.4	(5.2)			
Other operating income/expenses	4.3	(1.0)	5.3	9.7	(5.4)	(3.0)		
(Total other income/expenses)	4.3	(1.0)	5.3	9.7	(5.4)	(3.0)		
Operating profit	34.4	16.2	18.2	27.2	7.2	45.0	76%	
Financial income/costs								
Interest earned	2.8	1.9	0.9	3.2	(0.4)			
Interest expenses	(10.8)	(7.5)	(3.3)	(12.8)	2.0			
(Interest expenses, net)	(8.0)	(5.6)	(2.4)	(9.6)	1.6			
Dividends received	3.2	2.2	1.0	3.5	(0.3)			
Other financial income/costs	0.0	0.0	0.0	0.0	0.0			
(Financial income/costs, net)	(4.8)	(3.4)	(1.4)	(6.1)	1.3	(7.0)		
Share of profit (loss) of investments accounted for using the equity method	10.2	6.7	3.5	19.3	(9.1)	15.0		
Profit before tax	39.8	19.5	20.3	40.4	(0.6)	53.0	75%	
Income tax expenses	(7.6)	(2.7)	(4.9)	(6.8)	(0.8)	(10.0)		
Profit for the period	32.2	16.8	15.4	33.6	(1.4)	43.0	75%	
(Profit attributable to)								
Owners of the Company	30.1	15.4	14.7	32.2	(2.1)	40.0	75%	
Non-controlling interests	2.1	1.4	0.7	1.4	0.7	3.0		
Revenue	1,120.9	734.6	386.3	1,267.6	(146.7)			
Core earnings*2	35.5	20.6	14.9	30.5	5.0	56.0		

Comprehensive Income

	(Billions of Yen)				
	FY2016 9-month			FY2015 9-month	
	Results a	1H Results	3Q Results	Results b	Difference a-b
Profit for the period	32.2	16.8	15.4	33.6	(1.4)
Other comprehensive income	(9.2)	(57.9)	48.7	(29.1)	19.9
Total comprehensive income for the period	23.0	(41.1)	64.1	4.5	18.5
Comprehensive income attributable to:					
Owners of the Company	20.7	(40.4)	61.1	5.2	15.5
Non-controlling interests	2.3	(0.7)	3.0	(0.7)	3.0

Cash Flows

	(Billions of Yen)				Factors Affecting Circled Figures
	FY2016 9-month Results a	FY2015 9-month Results b	Difference a-b		
Cash flows from operating activities	33.3	96.9	(63.6)	Inflows from business transactions	
Cash flows from investing activities	(24.6)	(34.4)	9.8	Outflows for capital expenditures in domestic solar power generation businesses	
Free cash flows	8.7	62.5	(53.8)		
Cash flows from financing activities	(41.9)	(127.3)	85.4	Outflows for repayment of borrowings	

Consolidated Statements of Financial Position

	(Billions of Yen)			Reasons for the Difference
	Dec. 31, 2016 d	Mar. 31, 2016 e	Difference d-e	
Current assets	1,193.0	1,146.4	46.6	
Cash and cash equivalents	310.8	344.4	(33.6)	
Time deposits	7.6	6.7	0.9	
Trade and other receivables	557.5	496.2	61.3	Increase in tobacco related business and chemicals
Inventories	247.7	237.1	10.6	Increase in aircraft related business
Other current assets	69.4	62.0	7.4	
Non-current assets	915.6	910.3	5.3	
Property, plant and equipment	185.0	187.0	(2.0)	
Goodwill	54.7	53.1	1.6	
Intangible assets	36.9	38.8	(1.9)	
Investment property	20.7	18.4	2.3	
Investments accounted for using the equity method and other investments	555.9	551.2	4.7	
Other non-current assets	62.4	61.8	0.6	
Total assets	2,108.6	2,056.7	51.9	
Current liabilities	738.1	673.8	64.3	
Trade and other payables	502.7	439.3	63.4	Increase in tobacco related business
Bonds and borrowings	161.2	168.3	(7.1)	
Other current liabilities	74.2	66.2	8.0	
Non-current liabilities	808.1	833.2	(25.1)	
Bonds and borrowings	731.8	754.4	(22.6)	Decrease due to repayment of borrowings
Retirement benefits liabilities	17.7	18.7	(1.0)	
Other non-current liabilities	58.6	60.1	(1.5)	
Total liabilities	1,546.2	1,507.0	39.2	
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	122.0	132.4	(10.4)	Decrease due to change in foreign exchange rates
Retained earnings	102.4	81.3	21.1	Profit for the period +30.1, dividends (10.0)
Total equity attributable to owners of the Company	531.0	520.3	10.7	
Non-controlling interests	31.4	29.4	2.0	
Total equity	562.4	549.7	12.7	
Total liabilities and equity	2,108.6	2,056.7	51.9	
Gross interest-bearing debt	893.0	922.7	(29.7)	
Net interest-bearing debt	574.6	571.6	+3.0	
Net debt/equity ratio (times)*	1.08	1.10	(0.02)	
Equity ratio*	25.2%	25.3%	(0.1)%	
Current ratio	161.6%	170.1%	(8.5)%	
Long-term debt ratio	81.9%	81.8%	+0.1%	

* "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."