

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, a result of higher prices and transactions volumes for coal and other resources, 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) 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 transactions 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 plastic resin transactions		
Gross profit 111.5 billion yen (+19.7 billion yen / +21.4%)		
• 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 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	(Billions of yen)	
	Results	1Q	2Q	Results	Difference		FY2017	Percentage
	a	Results	Results	b	a-b		Forecast	Achieved
Net sales (JGAAP)*1	2,044.3	1,000.7	1,043.6	1,776.7	267.6	Net sales (JGAAP): change in segment	4,100.0	50%
						Metals & Coal		
						Chemicals		
						Retail & Lifestyle Business		
Gross profit	111.5	51.6	59.9	91.8	19.7	Gross profit: change in segment	227.0	49%
						Metals & Coal		
						Chemicals		
						Automotive		
Gross profit margin	5.45%	5.16%	5.74%	5.17%	0.28%			
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)	Loss related to oil and gas interests		
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	Increase in profit of steel operating company	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	30.3	15.9	14.4	16.8	13.5		54.0	56%
(Profit attributable to)								
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		(Billions of yen)
	Results	1Q	2Q	Results	Difference	
	a	Results	Results	b	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	

Consolidated Statements of Financial Position

	Sep. 30, 2017			Reasons for the Difference	(Billions of yen)
	2017	Mar. 31, 2017	Difference		
	d	e	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 and 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		
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%		

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

Cash Flows

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