

Highlights of Consolidated Financial Results for the First Quarter Ended June 30, 2018 (IFRS)

August 1, 2018
Sojitz Corporation

Results Highlights

- ◆ In the three-month period ended June 30, 2018, conditions in the global economy proved firm due to the support of growth in developed countries witnessing strong consumption as well as in emerging countries. Resource prices were likewise solid. Meanwhile, caution is warranted going forward with regard to the potential impact on the global economy of the trade negotiations being advanced by the United States as well as the economic trends in emerging countries, which are witnessing the depreciation of their currency. The Company's revenue for the three-month period ended June 30, 2018, were up year on year due to increased sales in the Metals & Mineral Resources Division, a result of rises in prices and transaction volumes for coal and other resources; in the Automotive Division, a result of the acquisition of a domestic automobile dealership and other businesses. Profit for the period (attributable to owners of the Company) rose year on year due to higher gross profit and gains on sales of automobile-related companies.
- (Figures in parentheses are year-on-year changes)
- Revenue 467.9 billion yen (+35.5 billion yen / +8.2%)
Gross profit 59.9 billion yen (+8.3 billion yen / +16.0%)
- Increase in revenue and gross profit in the Metals & Mineral Resources Division due to higher prices and transaction volumes for coal and other resources
 - Increase in revenue and gross profit in the Automotive Division due to the new acquisition of a domestic automobile dealership business
- Profit for the period (attributable to owners of the Company)
19.8 billion yen (+5.2 billion yen / +35.2%)
- Increase in gross profit
 - Increase in other income due to gains on a sale of automobile-related company
- (Reference)
- Effective from the fiscal year ending March 31, 2019, inventories associated with transactions in which the Company acts as a transaction agent will be recorded under trade and other receivables in conjunction with the application of IFRS 15—Revenue from Contracts with Customers.
 - In addition, core operating cash flow and core cash flow have been adopted under cash flows from the fiscal year ending March 31, 2019.
- ◆ Earnings forecast for the fiscal year ending March 31, 2019
Profit for the year (attributable to owners of the Company)
63.0 billion yen
- (Assumptions)
- Exchange rate (annual average: JPY/US\$) : 105
- ◆ Cash dividends per share for the fiscal year ending March 31, 2019
- | | |
|----------|---------------------------------|
| Interim | : 7.50 yen per share (forecast) |
| Year-end | : 7.50 yen per share (forecast) |

- *1 Core earnings = Gross profit + Selling, general and administrative expenses (before provision of allowance for doubtful accounts and write-offs) + Net interest expenses + Dividend income + Share of profit (loss) of investments accounted for using the equity method
- *2 Core operating cash flow = Net cash provided by(used in) operating activities – Changes in working capital
- *3 Core cash flow = Core operating cash flow + Post-adjustment net cash provided by(used in) investing activities – Dividends paid (Post-adjustment net cash provided by(used in) investing activities is net cash provided by(used in) investing activities after adjustment for changes in long-term operating assets, etc.)

* 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 such 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)						
	FY2018 1Q Results a	FY2017 1Q Results b	Difference a-b	Reasons for the Difference	FY2018 Forecast c	Percentage Achieved a/c
Revenue	467.9	432.4	35.5	Revenue: change in segment Metals & Mineral Resources +29.4 Automotive +18.0		
Gross profit	59.9	51.6	8.3	Gross profit: change in segment Metals & Mineral Resources +4.3 Automotive +3.1	240.0	25%
Selling, general and administrative expenses						
Personnel expenses	(24.1)	(21.7)	(2.4)			
Non-personnel expenses	(16.9)	(15.7)	(1.2)			
Depreciation	(1.7)	(1.3)	(0.4)			
Provision of allowance for doubtful accounts	0.0	0.2	(0.2)			
Total selling, general and administrative expenses	(42.7)	(38.5)	(4.2)		(174.0)	
Other income/expenses						
Gain/loss on sale and disposal of fixed assets, net	0.4	0.0	0.4			
Impairment loss on fixed assets	(0.1)	0.0	(0.1)			
Gain on reorganization of subsidiaries/associates	6.1	1.1	5.0	Sale of an automotive-related company, Sale of solar power generation business company		
Loss on reorganization of subsidiaries/associates	(0.9)	(0.2)	(0.7)			
Other operating income/expenses	(0.6)	0.1	(0.7)			
Total other income/expenses	4.9	1.0	3.9			0.0
Financial income/costs						
Interest earned	1.7	1.3	0.4			
Interest expenses	(4.2)	(3.8)	(0.4)			
Interest expenses, net	(2.5)	(2.5)	0.0			
Dividends received	1.9	1.6	0.3			
Other financial income/costs	0.2	0.0	0.2			
Financial income/costs, net	(0.4)	(0.9)	0.5		(6.0)	
Share of profit (loss) of investments accounted for using the equity method	5.6	5.9	(0.3)		26.0	
Profit before tax	27.3	19.1	8.2		86.0	32%
Income tax expenses	(5.9)	(3.2)	(2.7)		(18.5)	
Profit for the period (Profit attributable to)	21.4	15.9	5.5		67.5	32%
Owners of the Company	19.8	14.6	5.2		63.0	31%
Non-controlling interests	1.6	1.3	0.3		4.5	
Core earnings*1	22.2	17.9	4.3		86.0	

Comprehensive Income

(Billions of yen)			
	FY2018 1Q Results a	FY2017 1Q Results b	Difference a-b
Profit for the period	21.4	15.9	5.5
Other comprehensive income	(8.8)	4.5	(13.3)
Total comprehensive income for the period	12.6	20.4	(7.8)
Comprehensive income attributable to:			
Owners of the Company	11.2	19.6	(8.4)
Non-controlling interests	1.4	0.8	0.6

Cash Flows

(Billions of yen)				
	FY2018 1Q Results a	FY2017 1Q Results b	Difference a-b	Factors Affecting Circled Figures
Cash flows from operating activities	(98.3)	(29.9)	(68.4)	Outflows due to increase in working capital
Cash flows from investing activities	(8.4)	(10.2)	1.8	Outflows due to for investment in U.S. gas-fired thermal power generation business
Free cash flows	(106.7)	(40.1)	(66.6)	
Cash flows from financing activities	79.4	31.9	47.5	Inflows from new borrowings
Core operating cash flow*2	20.8	17.5	3.3	
Core cash flow*3	5.5	(29.0)	34.5	

Consolidated Statements of Financial Position

(Billions of yen)				
	Jun. 30, 2018 d	Mar. 31, 2018 e	Difference d-e	Reasons for the difference
Current assets	1,387.8	1,376.3	11.5	
Cash and cash equivalents	278.1	305.2	(27.1)	
Time deposits	3.4	2.8	0.6	
Trade and other receivables	789.2	549.9	239.3	Change in account item resulted from application of new IFRS standard
Inventories	193.4	396.0	(202.6)	
Other current assets	123.7	122.4	1.3	
Non-current assets	979.0	974.1	4.9	
Property, plant and equipment	181.3	172.1	9.2	
Goodwill	66.2	65.8	0.4	
Intangible assets	46.3	44.1	2.2	
Investment property	24.3	24.5	(0.2)	
Investments accounted for using the equity method	584.9	590.2	(5.3)	
Other non-current assets	76.0	77.4	(1.4)	
Total assets	2,366.8	2,350.4	16.4	
Current liabilities	802.3	846.0	(43.7)	
Trade and other payables	568.7	654.2	(85.5)	Decrease in tobacco and machinery-related business
Bonds and borrowings	158.7	113.5	45.2	Increase due to new borrowings
Other current liabilities	74.9	78.3	(3.4)	
Non-current liabilities	934.6	879.3	55.3	
Bonds and borrowings	851.1	798.0	53.1	Increase due to new borrowings
Retirement benefit liabilities	21.9	22.0	(0.1)	
Other non-current liabilities	61.6	59.3	2.3	
Total liabilities	1,736.9	1,725.3	11.6	
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	115.9	124.3	(8.4)	
Retained earnings	167.1	155.5	11.6	Profit for the period +19.8 Dividends (7.5)
<u>Total equity attributable to owners of the Company</u>	<u>589.6</u>	<u>586.4</u>	<u>3.2</u>	
Non-controlling interests	40.3	38.7	1.6	
Total equity	629.9	625.1	4.8	
Total liabilities and equity	2,366.8	2,350.4	16.4	
Gross interest-bearing debt	1,009.8	911.5	+98.3	
Net interest-bearing debt	728.3	603.5	+124.8	
Net debt/equity ratio (times)*	1.24	1.03	+0.21	
Equity ratio*	24.9%	25.0%	(0.1%)	
Current ratio	173.0%	162.7%	+10.3%	
Long-term debt ratio	84.3%	87.5%	(3.2%)	

* "Total equity attributable to owners of the Company" is recognized as "Total equity", and is also used as the denominator of "Net debt/equity ratio" and the numerator of "Equity ratio."