

Highlights of Consolidated Financial Results for the Third Quarter Ended December 31, 2018 (IFRS)

February 5, 2019
Sojitz Corporation

Results Highlights

◆ In the nine-month period ended December 31, 2018, the global economy that had been supported by strong consumption thus far showed signs of decline due to economic slowdown in China and falling resource prices. Looking ahead, caution is warranted with regard to economic trends in China as well as internal affairs and diplomatic issues in the United States, the unclear outlook for negotiations regarding the United Kingdom's withdrawal from the European Union, and exchange rates and economic trends in emerging countries. The Company's revenue for the nine-month period ended December 31, 2018, was up year on year due to increased sales in the Metals & Mineral Resources Division, a result of rises in prices and transactions volumes for coal and other resources, and in the Automotive Division, a result of the acquisition of new domestic and overseas automotive dealership and other businesses. Profit for the period (attributable to owners of the Company) rose year on year, thanks to higher gross profit and gains on sales of automobile-related companies.

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

Revenue 1,410.6 billion yen (+57.0 billion yen / +4.2%)
Gross profit 181.8 billion yen (+12.9 billion yen / +7.6%)

• 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 and overseas automobile dealership businesses

Profit for the period (attributable to owners of the Company)
53.7 billion yen (+8.9 billion yen / +20.0%)

• 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
Full-year earnings forecasts were revised as follows.
(November 1, 2018)

Profit for the year 70.0 billion yen
(attributable to owners of the Company)

(Initial assumptions)
Exchange rate (annual average: ¥/US\$) : 105

◆ Cash dividends per share for the fiscal year ending March 31, 2019
Forecast for year-end dividends per share was revised to 9.50 yen.
(previously 7.50 yen)

Interim 7.50 yen per share
Year-end 9.50 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

	FY2018 9-month			FY2017 9-month		Reasons for the Difference	FY2018 Forecast c	Percentage Achieved a/c
	Results a	1H Results	3Q Results	Results b	Difference a-b			
Revenue	1,410.6	941.8	468.8	1,353.6	57.0			
Gross profit	181.8	120.9	60.9	168.9	12.9		240.0	76%
Selling, general and administrative expenses								
Personnel expenses	(72.0)	(48.1)	(23.9)	(66.4)	(5.6)			
Non-personnel expenses	(50.7)	(33.9)	(16.8)	(48.5)	(2.2)			
Depreciation	(5.0)	(3.3)	(1.7)	(4.2)	(0.8)			
Provision of allowance for doubtful accounts	(0.4)	(0.3)	(0.1)	(0.1)	(0.3)			
(Total selling, general and administrative expenses)	(128.1)	(85.6)	(42.5)	(119.2)	(8.9)		(172.0)	
Other income/expenses								
Gain/loss on sale and disposal of fixed assets, net	1.0	0.9	0.1	(0.1)	1.1			
Impairment loss on fixed assets	(0.5)	(0.1)	(0.4)	(0.2)	(0.3)			
Gain on reorganization of subsidiaries/associates	8.0	8.0	0.0	3.9	4.1			
Loss on reorganization of subsidiaries/associates	(2.8)	(2.4)	(0.4)	(4.6)	1.8			
Other operating income/expenses	(1.5)	(0.8)	(0.7)	(1.6)	0.1			
(Total other income/expenses)	4.2	5.6	(1.4)	(2.6)	6.8		4.0	
Financial income/costs								
Interest earned	5.1	3.6	1.5	4.0	1.1			
Interest expenses	(11.8)	(7.8)	(4.0)	(11.1)	(0.7)			
(Interest expenses, net)	(6.7)	(4.2)	(2.5)	(7.1)	0.4			
Dividends received	4.1	2.6	1.5	3.7	0.4			
Other financial income/costs	0.1	0.3	(0.2)	0.0	0.1			
(Financial income/costs, net)	(2.5)	(1.3)	(1.2)	(3.4)	0.9		(4.0)	
Share of profit (loss) of investments accounted for using the equity method	18.8	11.9	6.9	17.1	1.7		27.0	
Profit before tax	74.2	51.5	22.7	60.8	13.4		95.0	78%
Income tax expenses	(16.6)	(11.5)	(5.1)	(12.2)	(4.4)		(20.5)	
Profit for the period (Profit attributable to)	57.6	40.0	17.6	48.6	9.0		74.5	77%
Owners of the Company	53.7	37.1	16.6	44.8	8.9		70.0	77%
Non-controlling interests	3.9	2.9	1.0	3.8	0.1		4.5	
Core earnings*1	70.3	45.9	24.4	63.5	6.8		91.0	

Consolidated Statements of Financial Position

	Dec. 31, 2018			Mar. 31, 2018			Reasons for the Difference
	d	e	Difference d-e	d	e	Difference d-e	
Current assets	1,335.5	1,376.3	(40.8)				
Cash and cash equivalents	285.3	305.2	(19.9)				
Time deposits	2.9	2.8	0.1				
Trade and other receivables	766.6	549.9	216.7				Change in account item resulted from application of new IFRS standard
Inventories	207.0	396.0	(189.0)				
Other current assets	73.7	122.4	(48.7)				Decrease associated with aircraft-related businesses
Non-current assets	987.3	974.1	13.2				
Property, plant and equipment	186.3	172.1	14.2				Increase due to acquisition of overseas papermaking company
Goodwill	65.8	65.8	0.0				
Intangible assets	45.9	44.1	1.8				
Investment property	23.6	24.5	(0.9)				
Investments accounted for using the equity method	588.3	590.2	(1.9)				
Other non-current assets	77.4	77.4	0.0				
Total assets	2,322.8	2,350.4	(27.6)				
Current liabilities	840.8	846.0	(5.2)				
Trade and other payables	580.3	654.2	(73.9)				Decrease in tobacco and machinery-related businesses
Bonds and borrowings	186.1	113.5	72.6				Increase due to transference of non-current liabilities to current liabilities and new borrowings
Other current liabilities	74.4	78.3	(3.9)				
Non-current liabilities	840.6	879.3	(38.7)				
Bonds and borrowings	755.6	798.0	(42.4)				Decrease due to transference of non-current liabilities to current liabilities
Retirement benefit liabilities	22.1	22.0	0.1				
Other non-current liabilities	62.9	59.3	3.6				
Total liabilities	1,681.4	1,725.3	(43.9)				
Share capital	160.3	160.3	-				
Capital surplus	146.6	146.5	0.1				
Treasury stock	(0.9)	(0.2)	(0.7)				Decrease due to change in foreign exchange rates and stock prices
Other components of equity	101.5	124.3	(22.8)				
Retained earnings	190.9	155.5	35.4				Profit for the period +53.7
Total equity attributable to owners of the Company	598.4	586.4	12.0				Dividends (16.9)
Non-controlling interests	43.0	38.7	4.3				
Total equity	641.4	625.1	16.3				
Total liabilities and equity	2,322.8	2,350.4	(27.6)				
Gross interest-bearing debt	941.7	911.5	+30.2				
Net interest-bearing debt	653.5	603.5	+50.0				
Net debt/equity ratio (times)*	1.09	1.03	+0.06				
Equity ratio*	25.8%	25.0%	+0.8%				
Current ratio	158.8%	162.7%	(3.9)%				
Long-term debt ratio	80.2%	87.5%	(7.3)%				

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

Comprehensive Income

	FY2018 9-month			FY2017 9-month	
	Results a	1H Results	3Q Results	Results b	Difference a-b
Profit for the period	57.6	40.0	17.6	48.6	9.0
Other comprehensive income	(23.1)	2.6	(25.7)	18.2	(41.3)
Total comprehensive income for the period	34.5	42.6	(8.1)	66.8	(32.3)
Comprehensive income attributable to:					
Owners of the Company	31.3	39.5	(8.2)	62.7	(31.4)
Non-controlling interests	3.2	3.1	0.1	4.1	(0.9)

Cash Flows

	FY2018 9-month			FY2017 9-month			Factors Affecting Circled Figures
	Results a	Results b	Difference a-b	Results a	Results b	Difference a-b	
Cash flows from operating activities	16.9	(62.7)	79.6				Higher revenue due to increased business earnings
Cash flows from investing activities	(32.5)	(91.0)	58.5				Outflows due to investment in U.S. gas-fired thermal power generation business
Free cash flows	(15.6)	(153.7)	138.1				
Cash flows from financing activities	(4.9)	145.9	(150.8)				Outflows due to dividends paid
Core operating cash flow*2	63.1	59.2	3.9				
Core cash flow*3	42.2	(80.3)	122.5				