

# Highlights of Consolidated Financial Results for the First Quarter Ended June 30, 2013 (IFRS)

August 6, 2013  
Sojitz Corporation

## Results Highlights

◆ Fiscal 2013, the second year of Medium-term Management Plan 2014: Challenge for Change, began amid a murky global economic outlook, but the US and certain other economies have shown signs of recovery. In Japan, the yen depreciation trend and equity market uptrend have remained intact. Sojitz's first-quarter net sales (J-GAAP basis) were down slightly year on year, largely due to divestment of a petroleum product sales subsidiary. Gross profit, however, increased, boosted by firm fertilizer and chemical sales in Southeast Asia. Profit for the period (attributable to the owner's of the Company) also increased, largely by virtue of operating profit growth and an increase in profit from investments accounted for using the equity method, the latter of which was largely attributable to the exclusion from consolidation of a bioethanol production company.

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

Net sales (JGAAP) 1,007.4 billion yen (-3.2 billion yen / -0.3%)

- Decrease in net sales of the Energy & Metal on divestment of petroleum product sales subsidiary
- Increase in net sales in the Consumer Lifestyle Business due to increased wheat trading volumes and the impact of the yen depreciation on overseas fertilizer businesses

Gross profit 50.0 billion yen (+1.7 billion yen / +3.5%)

- Increase in gross profit in the Consumer Lifestyle Business due to increase in gross profit in the overseas fertilizer businesses
- Decrease in gross profit in the Energy & Metal due to decrease in resource prices

Operating profit 11.2 billion yen (+2.2 billion yen / +24.0%)

- Increase in operating profit due to increase in gross profit

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

7.9 billion yen (+0.9 billion yen / +13.9%)

- Operating profit growth and increase in profit from investments accounted for using the equity method

◆ Earnings forecast for the fiscal year ending March 31, 2014

Net sales (JGAAP) 4,280.0 billion yen

Operating profit 38.0 billion yen

Profit before tax 45.0 billion yen

Net income (attributable to owners of the Company) 25.0 billion yen

◆ Initial assumptions

Exchange rate (annual average: JPY/US\$) : 95

Crude oil price (US\$/BBL) : 105 (Brent)

◆ Cash dividend per common stock for the fiscal year ending March 31, 2014

Interim 2.00 yen per share (forecast)

Year end 2.00 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 income + 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 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

	FY2013 1Q Results		FY2012 1Q Results	Difference a-b	Reasons for the change	(Billions of yen)	
	a	b	c			Percentage achieved a/c	
<b>Net sales (JGAAP)</b>	1,007.4	1,010.6	(3.2)		Net sales (JGAAP) segment based change		
					Machinery	+9.5	4,280.0 24%
					Energy & Metal	(67.8)	
					Chemicals	+11.9	
					Consumer Lifestyle Business	+22.0	
<b>Gross Profit</b>	50.0	48.3	1.7		Gross profit segment based change		
Gross profit margin	4.96%	4.78%	0.18%		Machinery	+0.8	209.0 24%
					Energy & Metal	(4.1)	4.88%
					Chemicals	+1.2	
					Consumer Lifestyle Business	+2.5	
<b>Selling, general and administrative expenses</b>							
Personnel expenses	(20.1)	(20.1)	0.0				
Non-personnel expenses	(16.4)	(16.5)	0.1				
Depreciation	(1.6)	(1.9)	0.3				
Provision of allowance for doubtful accounts	0.1	0.0	0.1				
(Total selling, general and administrative expenses)	(38.0)	(38.5)	0.5			(163.0)	
<b>Other income/expenses</b>							
Gain/loss on sale and disposal of fixed assets, net	(0.1)	0.1	(0.2)				
Impairment loss of fixed assets	(0.2)	(0.3)	0.1				
Gain on sale of subsidiaries, associates	0.1	0.1	0.0				
Loss on reorganization of subsidiaries/associates	(0.2)	(0.2)	0.0				
Other operating income/expenses	(0.4)	(0.5)	0.1				
(Total other income/expenses)	(0.8)	(0.8)	0.0			(8.0)	
<b>Operating profit</b>	11.2	9.0	2.2			38.0	29%
<b>Financial income/costs</b>							
Interests earned	1.4	1.2	0.2				
Interest expenses	(5.2)	(5.5)	0.3				
(Interest expenses-net)	(3.8)	(4.3)	0.5				
Dividends received	1.3	1.3	0.0				
Other financial income/costs	0.0	0.0	0.0				
(Other financial income/costs -net)	(2.5)	(3.0)	0.5			(16.0)	
<b>Share of profit (loss) of investments accounted for using the equity method</b>	5.3	3.8	1.5		Exclusion of bio-ethanol producing subsidiary from consolidation	23.0	
<b>Profit before tax</b>	14.0	9.8	4.2			45.0	31%
<b>Income tax expenses</b>	(4.7)	(1.8)	(2.9)			(16.0)	
<b>Profit for the period (Profit attributable to)</b>	9.3	8.0	1.3			29.0	32%
<b>Owners of the Company</b>	7.9	7.0	0.9			25.0	32%
<b>Non-controlling interests</b>	1.4	1.0	0.4			4.0	
<b>Revenue</b>	459.7	467.7	(8.0)				
<b>Core earnings</b>	14.7	10.6	4.1			53.0	

## Comprehensive Income

	FY2013 1Q Results		FY2012 1Q Results	Difference a-b
	a	b	c	
<b>Profit for the year</b>	9.3	8.0	1.3	
<b>Other comprehensive income</b>	16.8	(16.4)	33.2	
<b>Total comprehensive income for the year</b>	26.1	(8.4)	34.5	
Comprehensive income attributable to:				
<b>Owners of the Company</b>	24.3	(9.0)	33.3	
<b>Non-controlling interests</b>	1.8	0.6	1.2	

## Cash Flows

	FY2013 1Q Results		FY2012 1Q Results
	a	b	c
<b>Cash flows from operating activities</b>	29.4	0.0	
<b>Cash flows from investing activities</b>	(1.8)	(7.9)	
<b>Free cash flows</b>	27.6	(7.9)	
<b>Cash flows from financing activities</b>	(15.8)	(34.3)	
<b>Cash and cash equivalents at the end of the year</b>	440.4	379.2	

## Consolidated Statements of Financial Position

	June 30 2013		Mar. 31 2013	Difference d-e	Reasons for the change
	d	e	c		
<b>Current assets</b>	1,311.9	1,291.2	20.7		
Cash and cash equivalents	440.4	424.4	16.0		Increase due to sale of real estate held for sale
Time deposits	9.6	9.3	0.3		
Trade and other receivables	514.3	508.7	5.6		
Inventories	293.1	297.4	(4.3)		
Other current assets	54.5	51.4	3.1		
<b>Non-current assets</b>	871.2	858.9	12.3		
Property, plant and equipment	235.7	231.8	3.9		
Goodwill	45.8	45.7	0.1		
Intangible assets	59.9	63.3	(3.4)		
Investment property	37.9	40.1	(2.2)		
Investments accounted for using the equity method and other investments	411.2	394.1	17.1		Increase due to change in stock prices
Other non-current assets	80.7	83.9	(3.2)		
<b>Total assets</b>	2,183.1	2,150.1	33.0		
<b>Current liabilities</b>	832.2	849.0	(16.8)		
Trade and other payables	533.4	515.6	17.8		Increase due to higher cigarette trading volumes
Bonds and borrowings	227.1	258.4	(31.3)		Redemption of bonds (20.0)
Other current liabilities	71.7	75.0	(3.3)		
<b>Non-current liabilities</b>	913.2	889.8	23.4		
Bonds and borrowings	840.9	818.6	22.3		Issuance of bonds +20.0
Retirement benefits liabilities	16.6	16.2	0.4		
Other non-current liabilities	55.7	55.0	0.7		
<b>Total liabilities</b>	1,745.4	1,738.8	6.6		
Share capital	160.3	160.3	-		
Capital surplus	146.5	146.5	0.0		
Treasury stock	(0.1)	(0.1)	0.0		
Other components of equity	79.0	62.8	16.2		Increase due change in foreign exchange rates and stock prices
Retained earnings	21.8	13.1	8.7		Profit for the period +7.9, dividends (1.9)
<b>Total equity attributable to owners of the company</b>	407.5	382.6	24.9		
Non-controlling interests	30.2	28.7	1.5		
<b>Total equity</b>	437.7	411.3	26.4		
<b>Total liabilities and equity</b>	2,183.1	2,150.1	33.0		
Gross interest bearing debt	1,068.0	1,077.0	(9.0)		
Net interest bearing debt	618.0	643.3	(25.3)		
Net debt/equity ratio (times) *	1.52	1.68	(0.16)		
Equity ratio *	18.7%	17.8%	0.9%		
Current ratio	157.6%	152.1%	5.5%		
Long-term debt ratio	78.7%	76.0%	2.7%		

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

(Billions of yen)

**Profit or Loss**

	FY2013 1Q Results	FY2012 1Q Results	Change	FY2013 Forecast	Achieved
<b>Net sales (JGAAP) *1</b>	<b>1,007.4</b>	<b>1,010.6</b>	( 3.2)	<b>4,280.0</b>	23.5%
<b>Gross profit</b>	<b>50.0</b>	<b>48.3</b>	+ 1.7	<b>209.0</b>	23.9%
Gross profit margin	(4.96%)	(4.78%)	(+0.18%)	(4.88%)	
Machinery	16.9	16.1	+ 0.8	79.0	21.4%
Energy & Metal	5.6	9.7	( 4.1)	28.5	19.6%
Chemicals	9.8	8.6	+ 1.2	37.5	26.1%
Consumer Lifestyle Business	14.9	12.4	+ 2.5	56.0	26.6%
Other	2.8	1.5	+ 1.3	8.0	35.0%
Selling, general and administrative expenses	(38.0)	(38.5)	+ 0.5	(163.0)	
Other income/expenses	(0.8)	(0.8)	+ 0.0	(8.0)	
<b>Operating profit</b>	<b>11.2</b>	<b>9.0</b>	+ 2.2	<b>38.0</b>	29.5%
Financial income/costs	(2.5)	(3.0)	+ 0.5	(16.0)	
Share of profit (loss) of investments accounted for using the equity method	5.3	3.8	+ 1.5	23.0	
<b>Profit before tax</b>	<b>14.0</b>	<b>9.8</b>	+ 4.2	<b>45.0</b>	31.1%
<b>Profit for the period</b>	<b>9.3</b>	<b>8.0</b>	+ 1.3	<b>29.0</b>	32.1%
<b>Attributable to owners of the Company</b>	<b>7.9</b>	<b>7.0</b>	+ 0.9	<b>25.0</b>	31.6%
Machinery	(0.5)	(0.4)	( 0.1)	5.5	-
Energy & Metal	0.9	3.0	( 2.1)	16.0	5.6%
Chemicals	2.2	2.0	+ 0.2	5.5	40.0%
Consumer Lifestyle Business	3.5	1.2	+ 2.3	8.5	41.2%
Other	1.8	1.2	+ 0.6	(10.5)	-
Non-controlling interests	1.4	1.0	+ 0.4	4.0	
Revenue	459.7	467.7	( 8.0)	-	
Core earnings *2	14.7	10.6	+ 4.1	53.0	

\*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 income + Share of profit (loss) of investments accounted for using the equity method

(Billions of yen)

**Financial Position**

	Jun. 30, 2013	Mar. 31, 2013	Changes	FY2013 Forecast
<b>Total assets</b>	<b>2,183.1</b>	<b>2,150.1</b>	+ 33.0	<b>2,210.0</b>
<b>Total equity *3</b>	<b>407.5</b>	<b>382.6</b>	+ 24.9	<b>410.0</b>
Total equity	437.7	411.3	+ 26.4	-
<b>Equity ratio (%)</b>	<b>18.7%</b>	<b>17.8%</b>	+ 0.9%	<b>18.6%</b>
<b>Net interest-bearing debt</b>	<b>618.0</b>	<b>643.3</b>	( 25.3)	<b>695.0</b>
<b>Net D/E ratio (times) *3</b>	<b>1.52</b>	<b>1.68</b>	( 0.16)	<b>1.70</b>
Net D/E ratio based on total equity (times)	1.41	1.56	( 0.15)	-
<b>Risk assets</b>	<b>350.0</b>	<b>340.0</b>	+ 10.0	-
<b>Ratio of risk assets to equity (times)</b>	<b>0.9</b>	<b>0.9</b>	( 0.0)	-

\*3 The "Total equity attributable to owners of the Company" is recognized as the "Total equity" in bold letters above, and is also used in the denominator of the "Net interest bearing debt" and the numerator of the "Equity ratio".

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**Main factors behind changes**

- Machinery Division
  - Product price increases by some overseas automotive businesses resulted in an increase in gross profit. However, a slightly higher net loss was recorded as a result of higher SGA expenses
- Energy & Metal Division
  - Profits declined owing to declining prices of mineral resources, charges related to amortization of certain mining interests, and an increase in well abandonment and other costs
- Chemicals division
  - Despite lower demand and declining prices for some products, profits increased on strong demand for synthetic resin-related products in Asia and an increase in methanol transaction volumes
- Consumer Lifestyle Business division
  - Profit growth was supported in particular by strong overseas fertilizer business
- Other
  - Profit growth was supported by the sale of commercial facilities

**FY2013 current position and outlook**

- Machinery Division
  - We expect to see a favorable performance from some overseas automotive businesses and achieve full-year targets
- Energy & Metal Division
  - Although we expect increased output at some of our mining interests from 2Q onwards, the outlook for the fiscal year remains clouded by the impact of declining prices of mineral resources
- Chemicals division
  - Strong performance is expected from the methanol business and synthetic-related business in Asia
- Consumer Lifestyle Business Division
  - Performance is expected to be strong in overseas fertilizer businesses, largely in line with the full-year outlook
- Other
  - We expect to record losses from the 2Q onward in relation to costs associated with asset replacements

**Commodity Prices and Exchange Rates**

	FY2013 Assumption (Annual average)	FY2013 Results Apr.- Jun. '13 Avg.	FY2013 latest data (as of July 31, 2013)
<b>Crude oil (Brent) **1 (\$/bbl)</b>	\$105/bbl	\$102.4/bbl	\$107.8/bbl
<b>Thermal Coal**2 (\$/t)</b>	\$95/t	\$95.0/t	\$95.0/t
<b>Molybdenum (\$/lb)</b>	\$12.5/lb	\$10.9/lb	\$9.3/lb
<b>Nickel**3 (\$/lb)</b>	\$8.0/lb	\$7.9/lb	\$6.2/lb
<b>Copper**3 (\$/t)</b>	\$8,000/t	\$7,928/t	\$6,805/t
<b>Exchange rate**4 (¥/\$)</b>	¥95.0/\$	¥99.2/\$	¥98.1/\$

\*\*1 Impact of fluctuations in the crude oil price on earnings: A \$1/bbl change alters profit for the year (attributable to owners of the Company) by approx. ¥0.1 billion.

\*\*2 Actual thermal coal prices are the general trading price based on market data and differ from the company's sales price.

\*\*3 The price assumptions of Nickel and Copper are based on the annual average from Jan. to Dec.

\*\*4 Impact of fluctuations in the exchange rate on earnings: A ¥1/US\$ change alters gross profit by approx. ¥0.4 billion, profit for the year (attributable to owners of the Company) by approx. ¥0.2 billion, and total equity by approx. ¥1.5 billion.